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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Ted Sorenson

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
APPROVAL OR REJECTION OF AN)
ENERGY SALES AGREEMENT WITH BIG)
WOOD CANAL COMPANY FOR THE)
SALE AND PURCHASE OF ELECTRIC)
ENERGY FROM THE SAGEBRUSH)
HYDRO PROJECT)
)
)
)**

Case No. IPC-E-19-38

**REPLY COMMENTS OF
WOOD HYDRO, LLC TO
COMMENTS OF
COMMISSION STAFF**

COMES NOW Ted Sorenson of Wood Hydro, LLC, by and through his counsel of record, Tom Arkoosh of Arkoosh Law Offices, provides his comments regarding Idaho Public Utilities Commission's *Comments* that has been filed in this case.

The Sagebrush plant (IPC-E-19-38) had a capacity of 430kW, now expanded under the new proposed contract to 575kW, for an increase of 140kW. The Jim Knight plant (IPC-E-19-37) had a capacity of 550kW, reduced under the new proposed contract to 475kW, for a reduction of 75kw.

Staff states at page 3 of its Sagebrush comments:

Because the project nameplate capacity has increased and the Company has not included the incremental capacity amount contained in the proposed contract in its resource planning up to this point, Staff believes that the incremental amount of capacity should be treated as a new project and receive capacity payments only after the Company becomes capacity deficient in 2026.

The seller disagrees for the following reasons:

The two projects are sited on the same water way in close proximity, relying on the same flows, operated in tandem by the same operator. The new contracts are proposed for the same time frame and in all material respects identical. In sum, the two plants, their operation, their effect on the system, and their impact on Idaho Power's resource planning, can be viewed and received as one plant. This would mean, at the least, that the 75kW reduction in the Jim Knight capacity was contemplated by the Integrated Resource Plan, and the loss of that capacity would logically be filled by the increase in capacity in the Sagebrush plant, reducing the Sagebrush resource expansion by 75kW to an absolute number of 70kW only.

Filling the void in the resource stack with QF power comports exactly with the Commission's reasoning in Order No. 32697 which initially separated energy and capacity payments in the Surrogate Avoided Resource method.

A QF that provides generation during peak hours when the utility is most in need of power to serve its customers should be compensated based on the QF's ability to deliver during peak hours. This structure comports with the purpose and intent of PURPA that a utility pay a QF the costs it avoids by not having to build or procure alternate energy. 18 C.F.R 292.304(b)(2). Payments for both energy and capacity must be part of this consideration.

PURPA requires that the utility purchase the energy produced by a QF. Pay for a resource's ability to provide the utility with capacity that the utility needs to reliably serve its customers encourages development of resources that truly allow the utility to avoid the costs of building new generation.

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Clearly, the utility may need to find, at sometime in the future, new capacity to fill a void in the resource stack of only 70kW, not 145kW and has avoided the costs of building any new generation beyond the 70kW. This would result in an "old capacity" of 500kW.

Further, Staff's proposal for melding the new incremental capacity with historical capacity and developing some type of blended rate does not comport with PURPA's avoided cost

requirement or the means of handling new and existing capacity in Order No. 32697. To the extent nothing has changed in the “old capacity” of Sagebrush,¹ the old capacity portion of the contract should be given the actual avoided cost rate as calculated by the Commission’s previous order. If Sagebrush production exceeds the “old capacity,” it is only that portion of the “new capacity” that should be treated as new capacity. As is often the case, production does not reach the outer limits of a plants capacity and penalizing capacity that has in fact been incorporated into the utilities Integrated Resource Plan does not comport with PURPA or the Commission’s previous ratemaking.

Adopting the Staff’s position of some unauthorized welded rate would be rate making without a rate case.

DATED this 5th day of February, 2020.

ARKOOSH LAW OFFICES



Tom Arkoosh
Attorneys for Petitioner

¹ As set out above, seller believes the “old capacity” of Sagebrush should include the reduced capacity of its sister Jim Knight plant of 75kW, making a melded “old capacity” of 500kW. Staff comments have treated the “old capacity” without consideration of the Jim Knight reduction as being 430kW.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 5th of February 2020, I served a true and correct copy of the foregoing document(s) upon the following person(s), in the manner indicated:

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