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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER’S)	
APPLICATION FOR APPROVAL OR)	CASE NO. IPC-E-20-03
REJECTION OF AN ENERGY SALES)	
AGREEMENT WITH LATERAL 10)	
VENTURES, LLC FOR THE SALE AND)	COMMENTS OF THE
PURCHASE OF ELECTRIC ENERGY FROM)	COMMISSION STAFF
THE LATERAL #10 HYDRO PROJECT)	
)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On February 14, 2020, Idaho Power Company applied for an order approving or rejecting its Energy Sales Agreement (“ESA”) with Lateral 10 Ventures, LLC (“Lateral 10”) for energy generated by the Lateral #10 Hydro project (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978. The Facility’s scheduled First Energy Date under the ESA is May 5, 2020.

The Facility is a 2.062 MW nameplate capacity hydro facility near Twin Falls, Idaho. Under the proposed ESA, Lateral 10 would sell Facility-generated electricity to Idaho Power. Idaho Power states the ESA contains published non-seasonal, non-levelized hydro avoided cost rates for a 20-year term. The ESA would replace an existing power sales agreement dated June 8, 1984, which expires May 4, 2020.

Idaho Power asks the Commission to declare all payments for purchases under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

STAFF ANALYSIS

Staff recommends approval of the proposed ESA between Idaho Power and Lateral 10. Staff's justification is based upon its review of the ESA, which was focused on: 1) the 90/110 rule with at least five-day advanced notice for adjusting Estimated Net Energy Amounts; 2) eligibility for and the amount of capacity payments; and 3) verification of non-seasonal hydro avoided cost rates.

90/110 Rule

Qualifying facilities provide a monthly estimate of the amount of energy they expect to produce. If the QF delivers more than 110 percent of the estimated amount, energy delivered in excess of 110 percent is priced at the lesser of 85 percent of the market price or the contract price. If the QF delivers less than 90 percent of the estimated amount, total energy delivered is priced at the lesser of 85 percent of the market price or the contract price. Order No. 29632. Staff verified that this provision is included in the ESA.

The ESA adopted a five-day advanced notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. The Commission has approved a five-day revision to monthly generation estimates in previous cases, recognizing that Estimated Net Energy Amounts that are closer to the time of delivery can improve the accuracy of input used by the Company for short-term operational planning. *See, e.g.*, Case Nos. IPC-E-19-01, IPC-E-19-03, IPC-E-19-04, IPC-E-19-07, and IPC-E-19-12. The Facility has been generating energy since the mid-1980s, and the Company has a long generation history for the QF. Staff believes a five-day advanced notice is sufficient.

Capacity Payment

In Order No. 32697, the Commission stated that, "If a QF project is being paid for capacity at the end of the contract term, and the parties are seeking renewal/extension of the contract, the renewal/extension includes immediate payment of capacity." Although the original contract did not contain a capacity payment, Staff believes the Lateral #10 Hydro project should

be granted capacity payment for the full term of the replacement contract, as was granted by the Commission to the Black Canyon #3 project in Case No. IPC-E-19-04.

Similar to the Black Canyon #3 project, the Lateral #10 Hydro project in its original contract included avoided cost rates without a capacity payment as determined in Order No. 18190, effective September 1, 1983, because Idaho Power was at that time energy constrained, not capacity constrained. Since about the year 2000, the Company has added significant amounts of capacity such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Company went through multiple capacity deficiency periods during the Lateral #10 Hydro project's 35-year contract term, Staff is confident that the project has contributed to meeting the Company's need for capacity.

In addition, the nameplate capacity size (2,062 kW) remains unchanged in the replacement contract. Therefore, Staff believes the Lateral #10 Hydro project should be granted capacity payment for its entire nameplate capacity size for the full term of the replacement contract.

Verification of Non-Seasonal Hydro Avoided Cost Rates

Staff reviewed the non-seasonal hydro avoided cost rates contained in the contract and verified that the proposed rates are correct and comply with existing orders.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the ESA. Staff also recommends the Commission declare Idaho Power's payments to Lateral 10 for the purchase of energy generated by the Lateral #10 Hydro project under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 31st day of March 2020.



Dayn Hardie
Deputy Attorney General

Technical Staff: Yao Yin

i:umisc/comments/ipce20.3dhyyrf comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 31ST DAY OF MARCH 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-20-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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