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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY’S APPLICATION FOR APPROVAL)	CASE NO. IPC-E-20-12
OR REJECTION OF AN ENERGY SALES)	
AGREEMENT WITH RUSSELL LEMOYNE)	
FOR THE SALE AND PURCHASE OF)	COMMENTS OF THE
ELECTRIC ENERGY FROM THE LEMOYNE)	COMMISSION STAFF
<u>HYDRO PROJECT</u>)	

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company’s Application.

BACKGROUND

On March 10, 2020, Idaho Power Company (“Idaho Power”) filed an Application requesting consideration of an Energy Sales Agreement (“ESA” or “Agreement”) with Russell LeMoyne for energy generated by the LeMoyne Hydro Project (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978. The Facility has a scheduled First Energy Date under the ESA of June 22, 2020.

The Facility is a 75-kilowatt nameplate capacity hydro facility near Hagerman, Idaho. The Agreement contains published non-seasonal, non-levelized avoided cost rates for a 10-year term. The Facility has been delivering energy to Idaho Power in accordance with an energy sales agreement dated April 23, 1985, which expires June 21, 2020.

STAFF ANALYSIS

Staff recommends approval of the proposed ESA between Idaho Power and Russell LeMoyne. 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 Facility 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 Facility 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 those multiple capacity deficiency periods during the Facility'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 (75 kW) remains unchanged in the replacement contract. Therefore, Staff believes the Facility 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 Agreement 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 Russell LeMoyne for the purchase of energy generated by the LeMoyne Hydro Project under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this *13th* day of May 2020.



Matt Hunter
Deputy Attorney General

Technical Staff: Yao Yin
Rachelle Farnsworth

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13th DAY OF MAY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-20-12, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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