

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	CASE NO. IPC-E-20-16
COMPANY’S APPLICATION FOR)	
APPROVAL OR REJECTION OF AN)	ORDER NO. 34690
ENERGY SALES AGREEMENT WITH THE)	
CITY OF HAILEY, FOR THE SALE AND)	
PURCHASE OF ELECTRIC ENERGY FROM)	
THE HAILEY CSPP HYDRO PROJECT)	
)	

On March 17, 2020, Idaho Power Company (“Idaho Power” or “Company”) applied for consideration of an Energy Sales Agreement (“ESA” or “Agreement”) with the City of Hailey for energy generated by the Hailey CSPP Hydro Project (“Facility”). The Facility is a 37.3-kilowatt nameplate capacity hydro facility in Hailey, Idaho. The Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The Facility has a scheduled First Energy Date under the ESA of June 25, 2020.

On April 23, 2020, the Commission issued a Notice of Application and Modified Procedure, setting a May 14, 2020 comment deadline and a May 21, 2020 reply comment deadline. Order No. 34644. Commission Staff filed the only comments, and Idaho Power did not file reply comments.

Having reviewed the record, we now approve Idaho Power’s Application as discussed below.

THE APPLICATION

The Facility has been delivering energy to Idaho Power under an energy sales agreement dated June 14, 1985, which expires June 24, 2020. The Company stated that the Agreement contains published non-seasonal, non-levelized avoided cost rates for a 5-year term. The Company requested the Commission declare all payments for purchase of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

STAFF COMMENTS

Staff recommended the Commission approve the ESA and declare all payments for purchases of energy under the ESA be allowed as prudently incurred expenses. Staff’s review of the ESA focused on the implementation of the 90/110 performance band, the eligibility for and amount of capacity payments, and the Facility’s non-seasonal hydro avoided cost rates.

Staff verified that the non-seasonal hydro avoided cost rates in the ESA are correct and comply with existing orders. Staff verified the 5-Day Ahead monthly generation forecast provision complies with the provision approved by the Commission in Case No. IPC-E-19-01. *See* Order No. 34263. at 5. Staff noted the Facility has been delivering energy to the Company since the 1980s, and therefore has extensive historical production data that the Company can use for both short-term and long-term planning.

Staff noted the Facility is not receiving capacity payments under its existing contract, but asserted the Facility should receive immediate payment for capacity based on the recent approval of the energy sales agreement for the Black Canyon #3 hydro project in Case No. IPC-E-19-04. *See* Order No. 34295 at 5. Staff believes the rationale used in Commission Order No. 34295 for the Black Canyon #3 hydro project also applies to the Facility. During the 35-year term of the Facility's existing contract with Idaho Power, the Company has procured capacity and included the Facility's capacity in the utility's load and resource balance. Therefore, Staff recommended the Facility be granted capacity payments for the full term of the ESA.

Staff noted that the nameplate capacity in the ESA is 37.3 kW, whereas the Facility has a nameplate capacity of 62 kW in its original contract. Staff discovered that the original 62-kW generator was replaced with a 37.3-kW generator in 2016. While Staff "verified whether the change might have adversely affected the terms of the original contract" and found it did not, Staff noted the ESA has a provision which would apply if the Facility's nameplate capacity was again changed:

Any modifications to the Facility, including but not limited to the generator or turbine, that (1) increases or decreases the Facility Nameplate Capacity, or (2) changes the Qualifying Facility Category, or (3) changes the Primary Energy Source or (4) changes to the generator fuel and subsequently the Fueled Rate or Non-Fueled Rate, will require a review of the Agreement terms, conditions and pricing and Idaho Power, at its sole determination, may adjust the pricing or terminate the Agreement. If the Agreement is terminated because of said modifications, the Seller will be responsible for any Termination Damages.

Staff Comments at 3; *see* Application, Attachment 1, Appendix B. Staff supports this provision in all future energy sales agreements, noting that it will "prevent inaccurate rates and violations of Commission orders or Federal Energy Regulatory Commission (FERC) rules due to changes to the facility." Staff Comments at 4. Staff stated it plans to work with the other two electric utilities in Idaho to have similar language in their future PURPA contracts.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission also has authority under PURPA and FERC regulations to set avoided cost rates, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Application, the ESA, and the comments of Staff. Based on our review, we find it reasonable to approve the ESA because it contains Commission-approved terms that the Facility is eligible for based on its characteristics such as fuel source, project size, generation output profile, and renewal contract status. Additionally, the Facility has helped offset Idaho Power's need for additional capacity investments. The Commission thus finds it just and reasonable to include capacity payments for the duration of the ESA. Last, the Commission finds Idaho Power's payments for purchases of energy and capacity under the ESA are prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that Idaho Power's ESA with the City of Hailey is approved.

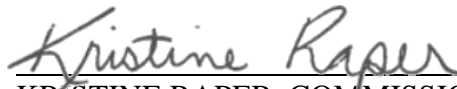
IT IS FURTHER ORDERED that all payments made by Idaho Power for purchases of energy and capacity under the ESA are allowed as prudently incurred expenses for ratemaking purposes.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4th
day of June 2020.



PAUL KJELLANDER, PRESIDENT

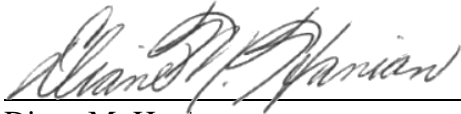


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

I:\Legal\ELECTRIC\IPC-E-20-16\IPCE2016_final_mh.docx