EDWARD J. JEWELL
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 10446

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER'S APPLICATION FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH J.M. MILLER ENTERPRISES, INC, FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE SAHKO HYDRO PROJECT	)	**CASE NO. IPC-E-20-36** **COMMENTS OF THE COMMISSION STAFF**

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

BACKGROUND

On October 29, 2020, Idaho Power Company ("Idaho Power" or "Company") submitted an Application for approval or rejection of an Energy Sales Agreement ("ESA") between the Company and J.M. Miller Enterprises, Inc. for the sale and purchase of electric energy generated by the Sahko Hydro Project. The Sahko Hydro Project is a qualifying facility ("QF") under the Public Utility Regulatory Policies Act of 1978.

The Sahko Hydro Project is a 500 kW nameplate hydroelectric generation plant near Filer, Idaho. The Sahko Hydro Project has been delivering energy to Idaho Power under an ESA executed on November 1, 2010, which expires on January 31, 2021. The replacement ESA contains capacity payments for the entire term of the Agreement.

STAFF ANALYSIS

Staff recommends approval of the proposed ESA between Idaho Power and J.M. Miller Enterprises, Inc. 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.

<u>90/110 Rule and 5-Day Advanced Notice for Adjusting Estimated Net Energy Amounts</u>

Staff confirmed the ESA contains the 90/110 Rule as required by Commission Order No. 29632. The 90/110 Rule requires a QF to provide utilities with a monthly estimate of the amount of energy the QF expects to produce. If the QF delivers more than 110 percent of the estimated amount, then the utility must buy the excess energy for 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, then the utility must buy total energy delivered for the lesser of 85 percent of the market price or the contract price. *See* Order No. 29632 at 20.

Staff also confirmed the ESA requires the Seller to give the Company five-day advanced notice if the Seller wants to adjust its Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. Staff believes this timeframe is reasonable and appropriate and complies with Commission orders. The Commission approved five-day notice in other cases because the Company can more accurately plan its short-term operations if the QF submits its Estimated Net Energy Amounts closer to when the QF delivers energy to the Company. *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. These cases involved existing QFs with ample historical generation data.

While five-day notice is appropriate, longer notice could sometimes benefit the Company. For example, if a project were to give month-ahead notice before adjusting an estimate, then the Company's month-ahead planning could capture that adjustment. Under a five-day timeframe, the Company's month-ahead planning for that month would not capture that adjustment. Here, the Company expressed, through an August 4, 2020 e-mail, that the benefits of more accurate monthly estimates in short-term operations provided by the five-day notice outweigh the need for month-ahead adjustments of monthly estimates, even for new projects that lack historical generation data. Staff concurs, and believes a five-day advanced notice is appropriate for all projects.

Capacity Payment

In Order No. 32697, the Commission stated, "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." Staff verified that the QF is being paid for capacity under the current contract, and thus Staff believes the Facility should be granted capacity payment for the full term of the replacement contract.

In addition, the amount of capacity remains unchanged in the replacement contract. Therefore, Staff believes the Facility should be granted capacity payments for its entire capacity amount over 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 for the purchase of energy generated by the Sahko Hydro Project under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 28th day of December 2020.

Ed Jewell

Edward J. Jewell
Deputy Attorney General

Technical Staff: Yao Yin
Rachelle Farnsworth

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28th DAY OF DECEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-20-36, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: dwalker@idahopower.com
dockets@idahopower.com

ENERGY CONTRACTS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: energycontracts@idahopower.com

JAMES M. MILLER
J.M. ENTERPRISES, INC
2392 FULLER CT
ANN ARBOR MI 48105
E-MAIL: jim@millerengineering.com

SECRETARY