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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) **CASE NO. IPC-E-21-11**
APPROVAL OR REJECTION OF AN)
ENERGY SALES AGREEMENT BETWEEN)
IDAHO POWER COMPANY AND LEMHI) **COMMENTS OF THE**
HYDRO COMPANY) **COMMISSION STAFF**
)
)
)

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 April 19, 2021, Idaho Power Company (“Company”) applied to the Commission for approval or rejection of an energy sales agreement (“ESA”) with Lemhi Hydro Company (“Seller”) for the energy generated by the Lemhi Hydro Project (“Facility”). The Facility has a nameplate capacity of 450 kilowatt (“kW”) and is near Salmon, Idaho.¹

The Seller has been delivering energy generated by the Facility to the Company under a firm energy sales agreement dated December 20, 1985 that expires on July 31, 2021.

¹ The 1985 Agreement stated that the generator’s nameplate rating was 500 kW. However, at the time of construction in 1986, a generator with 450 kW nameplate capacity was installed. The Seller plans to continue operating and maintaining the 450-kW generator.

The new ESA has a 20-year term with non-levelized, non-seasonal hydro published avoided cost rates as set by Order No. 34683.

The Company requests the Commission approve the ESA and declare all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

STAFF REVIEW

Staff recommends approval of the proposed ESA between the Company and the Seller. 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 avoided cost rates.

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

Staff confirmed the ESA contains the 90/110 Rule as required by Commission Order No. 29632. The 90/110 Rule requires a seller of a qualifying facility to provide utilities with a monthly estimate of the amount of energy the qualifying facility expects to produce. If the seller 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 seller 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 at least five days advanced notice if the Seller wants to adjust its Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. Five-day advanced notice has been authorized in prior Commission orders including Order Nos. 34263 and 34870.

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 [seek] 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

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

Similar to the Black Canyon #3 project, the December 20, 1985, firm Energy Sales Agreement between the Company and Seller included avoided cost rates without capacity payments as determined in Order No. 18190, because the Company was energy constrained, not capacity constrained, then. Since about the year 2000, the Company has added significant amounts of capacity to meet its capacity needs. These additions include Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Facility has operated since the mid-1980s — through those capacity deficiency periods — Staff is confident that the project has contributed to meeting the Company's need for capacity.

In addition, the configuration of the Facility and its generation capacity remains unchanged in the proposed ESA. Therefore, Staff believes the Facility should be granted capacity payments for its entire generation capacity amount over the full term of the ESA.

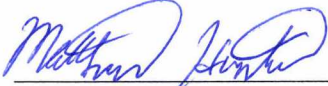
Verification of Avoided Cost Rates

Staff reviewed the avoided cost rates proposed in the ESA and verified that the proposed rates are correct.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the ESA. Staff also recommends the Commission declare the Company's payments to the Seller for the purchase of energy generated by the Facility under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 4th day of June 2021.

For — 
Dayn Hardie
Deputy Attorney General

Technical Staff: Yao Yin
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 4TH DAY OF JUNE 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-11, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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