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# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| **IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH ARKOOSH HYDRO INC, FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE LITTLE WOOD RIVER RANCH 1 HYDRO PROJECT** | **CASE NO. IPC-E-21-16**<br><br>**COMMENTS OF THE COMMISSION STAFF** |

**STAFF OF** the Idaho Public Utilities Commission, by and through its attorney of record, Erick Shaner, Deputy Attorney General, submits the following comments.

## BACKGROUND

On May 18, 2021, Idaho Power Company ("Company") applied for approval or rejection of its energy sales agreement ("ESA") with Arkoosh Hydro Inc. ("Seller") for energy generated by the Little Wood River Ranch 1 Hydro Project ("Facility"). The Facility is a qualifying facility ("QF") under the Public Utility Regulatory Policies Act of 1978.

The Facility is near Gooding, Idaho and has a 1,014 kilowatt nameplate capacity. The Seller has been delivering energy from the Facility to the Company under a firm energy sales agreement executed on June 11, 1985. The 1985 energy sales agreement expires on July 31, 2021. The new ESA has a 20-year term with non-levelized, non-seasonal hydro published avoided cost rates as set in Order No. 34683.

**STAFF ANALYSIS**

Staff recommends approval of the proposed ESA between the Company and the Seller. Staff's justification is based upon its review of the ESA and 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.

<u>The 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 at least five-day 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 such as Order Nos. 34263 and 34870.

<u>Capacity Payments</u>

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." The original contract did not contain a capacity payment. However, consistent with the Black Canyon #3 project in Case No. IPC-E-19-04, Staff believes the Facility should be granted capacity payments for the full term of the replacement contract.

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, because Idaho Power was at that time energy constrained, not capacity constrained. After the year 2000, the Company has added significant amounts of capacity to meet its capacity needs, such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the

Facility has operated since mid-1980s and during the 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 the amount of generation capacity remain 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 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 7th day of July 2021.

For Erick Shaner
Deputy Attorney General

Technical Staff: Yao Yin

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# CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF JULY 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-21-16, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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