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UTILITIES COMMISSION

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October 6, 2021

VIA ELECTRONIC MAIL

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 West Chinden Blvd., Building 8
Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-21-26
Trout-Co Hydro Project
Idaho Power Company's Application re the Energy Sales Agreement

Dear Ms. Noriyuki:

Attached for electronic filing please find the Reply Comments of Idaho Power Company in the above entitled matter. If you have any questions about the attached documents, please do not hesitate to contact me.

Very truly yours,

Donovan E. Walker

DEW:cld
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-21-26
APPROVAL OR REJECTION OF AN)	
ENERGY SALES AGREEMENT WITH)	REPLY COMMENTS OF
MICHAEL BRANCHFLOWER FOR THE)	IDAHO POWER COMPANY
SALE AND PURCHASE OF ELECTRIC)	
ENERGY FROM THE TROUT-CO HYDRO)	
PROJECT.)	
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Idaho Power Company ("Idaho Power" or "Company"), in response to the comments filed by Commission Staff ("Staff"), hereby respectfully submits the following Reply Comments.

I. INTRODUCTION AND BACKGROUND

On August 16, 2021, Idaho Power filed an application with the Commission for approval or rejection of a replacement Energy Sales Agreement ("ESA") applicable to the Trout-Co Hydro PURPA Qualifying Facility ("Trout-Co"). The ESA that was executed by the Company and Michael Branchflower ("Parties") is for a 280 kW hydro PURPA Qualifying Facility ("QF"). Trout-Co has been operating on the Idaho Power system under

a previous QF Firm Energy Sales Agreement ("FESA") that will expire on November 30, 2021. When the initial FESA was signed on January 7, 1985, the FESA indicated a 240 kW total nameplate capacity. When the construction was completed and the project achieved an operation date nearly two years later in December 1986, the installed project total nameplate capacity was (and still is) 280 kW. However, the nameplate description in the FESA was never changed from 240 kW to 280 kW.

On September 29, 2021, Commission Staff ("Staff") provided the following recommendations for the Trout-Co facility:

1. The ESA should use two sets of avoided cost rates between the Company and the Seller from 2021 through 2025: any hourly generation equal to or less than 240 kilowatt hours ("kWhs") will receive immediate capacity payment, and any hourly generation above 240 kWhs will not receive capacity payment until the Company becomes capacity deficient in 2026.
2. The 90/110 Rule should be implemented as described above based on two sets of avoided cost rates from 2021 through 2025 until the Company becomes capacity deficient.

Staff Comments, Sept 29, 2021, p 5.

Staff referred to the Sagebrush Hydro project ("Sagebrush") in Case No. IPC-E-19-38 as a similar situation as Trout-Co. However, the two projects are not similarly situated. When the Sagebrush FESA expired May 31, 2020, the project rebuilt the facility and installed new generators, increasing the original nameplate capacity from 430 kW to 575 kW. No such generator replacement or rebuild has occurred with Trout-Co. Rather, the actual installed nameplate capacity has always been 280 kW since the project was built in 1986. Therefore, Idaho Power recommends that Trout-Co receive capacity payments up to 280 kW beginning with year one of the replacement ESA, and no changes should be made to how the 90/110 Rules is implemented.

II. REPLY COMMENTS

Idaho Power appreciates Staff's detailed analysis and review of the ESA, but Idaho Power disagrees that the ESA requires modification based on the 280 kW nameplate capacity.

Eligibility Limit for Capacity Payments and Implementation of 90/110 Rule

On December 18, 2012, the Commission issued Order No. 32697, which established parameters for published and negotiated avoided cost rate calculations. The Commission further established and defined numerous contract terms and conditions for standard power purchase agreements entered into between regulated utilities and QFs. On January 2, 2013, the Commission issued Errata to Order No. 32697, which corrected published avoided cost rates to include energy payments not discounted by transmission and line loss. Then the Commission issued Reconsideration Order Nos. 32737 and 32802 on February 5, 2013, and May 5, 2013, respectively, which further clarified certain terms and conditions of power purchase agreements. Most recently, in Order No. 33898, the Commission directed Idaho Power to utilize July 2026 as its first capacity deficit in the Company's SAR methodology. However, because this ESA is a replacement contract, and the Trout-Co nameplate capacity installed in 1986 was and still is 280 kW which matches the replacement ESA nameplate capacity of 280 kW, the ESA contains capacity payments for the entire contract term up to 280 kW.

The Commission has approved more than 25 (twenty-five) previous replacement ESAs with prices containing capacity value. These previous ESAs have included value for capacity, as determined by the SAR methodology, up to the nameplate capacity for the entire period of the replacement ESAs, so long as the nameplate capacity in the ESA is the same or lower than the actual nameplate capacity of the QF when it first delivered energy at the start of the expiring FESA.

In the Sagebrush case, the initial (expired) FESA was for a nameplate capacity of 430 kW. The project rebuilt the generator and the replacement ESA was for a nameplate capacity of 575 kW. The Commission approved the replacement ESA but directed that Sagebrush only receive initial capacity payments up to 430 kW, the amount that was operating under the initial ESA. For the additional, and new, 145 kW resulting from the rebuild of the generator the Commission directed that Sagebrush not receive a capacity payment in the replacement ESA until Idaho Power becomes capacity deficient. Order No. 34677 at 5-6. The Commission found:

Under the expiring contract, the Seller is being paid for capacity for 430 kW. As such, 430 kW from the Sagebrush Facility is already included in [Idaho Power's] load and resource balance and would not be surplus power. See Order No. 32697 at 21-22. The Commission finds it reasonable for the Seller to be paid for capacity up to 430 kW for the full term of this renewal ESA. See Order No 32697 at 21-22. The Commission also finds that the 145 kW increase in capacity for the Sagebrush Facility comes at a time when [Idaho Power] is not capacity deficient. This "new" capacity is analogous to a new QF whose output and pricing must be evaluated when an executed energy sales agreement with an electric utility is filed with the Commission for review. Therefore, the Commission finds that the Seller shall not receive capacity payment for the 145 kW increase to the nameplate capacity of the Sagebrush Facility until [Idaho Power] becomes capacity deficient.

Order No. 34677 at 5-6 (footnote omitted).

However, the facts for Sagebrush, where the project had actually rebuilt the generator and increased its physical capability, leading to the increase in the nameplate capacity in the replacement ESA, are different for Trout-Co. For Trout-Co, the same generator that was originally installed in 1986, with a nameplate capacity of 280 kW is the same, unchanged generator in the replacement ESA with a nameplate capacity of 280 kW. The issue here is that the initial FESA incorrectly described the nameplate for the

facility as 240 kW, which was different from the 280 kW nameplate originally installed and still existing. The description in the initial FESA was never changed to match what was actually installed and providing generation for the duration of the contract since 1986.

Considering the fact that the same 280 kW generator has been installed and generating since 1986, and remains unchanged for the replacement ESA - as well as the relatively small and temporary difference of carving off 40 kW for a partially reduced payment with no capacity component - compared to the administrative burden of bifurcating the rate and maintaining two separate 90/110 firmness calculations, Idaho Power recommends that the replacement ESA should contain capacity payments beginning with year one for the entire contract term, for up to 280 kW. Similarly, Idaho Power recommends no changes be made to the implementation of the 90/110 Rule based on the 280 kW nameplate capacity, for the same reasons stated above. The nameplate capacity has remained the same since the project was constructed. The fact that the replacement ESA has a different value from the expiring FESA does not reflect a change in the physical characteristics or capabilities of the generator, but rather is akin to a typographical error in the agreement.

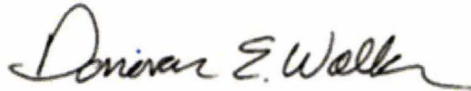
Staff's Recommendation for "As-Built" Description Requirement

Staff also recommended the Commission order the Company to include a provision in all new PURPA contracts requiring the QF to submit an "as-built" description of the facility by the first operation date. Staff suggests that if the "as-built" description does not match the description in the original approved contract, then the contract should be amended to reflect the "as-built" description. The Company does not object to this recommendation.

III. CONCLUSION

Idaho Power believes the rates in the Trout-Co replacement ESA should contain capacity payments beginning with year one for the entire contract term, for up to 280 kW. The original generators installed in 1986 had a nameplate rating of 280 kW and have been delivering energy with this nameplate since the first energy date of the expiring FESA. This is also consistent with past replacement energy sales agreements for PURPA QFs. Idaho Power respectfully requests that the Commission issue an order approving the ESA without modification and declaring all payments to the Seller under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 6th day of October 2021.



DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 6th day of October 2021, I served a true and correct copy of the within and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Michael Branchflower
Trout-Co Hydro Project
1991 S. Doe Creek Way
Boise, ID 83709

via email to:
MGBbranchflower@hotmail.com

John Hammond Jr.
Deputy Attorney General
Idaho Public Utilities Commission
P.O. Box 83720
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Christy Davenport, Legal Assistant