

ERICK SHANER
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 5214

RECEIVED
2021 SEP 29 PM 4:50
IDAHO PUBLIC
UTILITIES COMMISSION

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

Attorney for the Commission Staff

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)	
MICHAEL BRANCHFLOWER, FOR THE)	COMMENTS OF THE
SALE AND PURCHASE OF ELECTRIC)	COMMISSION STAFF
ENERGY FROM THE TROUT-CO HYDRO)	
PROJECT)	

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 August 16, 2021, Idaho Power Company (“Company”) applied to the Commission for approval or rejection of an energy sales agreement (“ESA”) with Michael Branchflower, (“Seller”) under which Seller would sell and the Company would purchase electric generation from the Trout-Co Hydro Project (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978.

The Facility is under contract for a nameplate capacity of 240 kilowatts (“kW”) but is operating at a nameplate capacity of 280 kW. The Facility is located near the city of Hagerman, Idaho. The Company and Seller entered into the ESA to replace the previous contract with the

Company that was executed on January 7, 1985 and expires on November 30, 2021. The replacement ESA was signed by the Seller on August 9, 2021, and by the Company on August 12, 2021. The replacement ESA has a 20-year term with non-levelized, non-seasonal hydro published avoided cost rates as set in Order No. 35052, for replacement contracts and for energy deliveries of less than 10 aMW. The ESA contains capacity payments for its entire term.

STAFF ANALYSIS

Staff's review has focused on: (1) eligibility for and the amount of capacity payments; (2) the 90/110 Rule with at least five-day advanced notice for adjusting Estimated Net Energy Amounts; and (3) avoided cost rates. Staff recommends that the following two sets of avoided cost rates be used in the ESA between the Company and the Seller from 2021 through 2025¹: first, any hourly generation equal to or less than 240 kilowatt hours ("kWhs") will receive immediate capacity payment, and second, any hourly generation above 240 kWhs will not receive capacity payments until the Company becomes capacity deficient in 2026. Staff also recommends implementing the 90/110 Rule based on two sets of avoided cost rates.

Capacity Payments

Staff recommends that the Facility be granted capacity payments for the full term of the replacement contract. However, Staff believes that the Facility should only receive immediate capacity payments for any hourly generation equal to or less than 240 kWhs and should not be eligible for capacity payments for any hourly generation above 240 kWhs until the current authorized first deficit date of 2026.

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 capacity payments. However, consistent with the Black Canyon #3 project in Case No. IPC-E-19-04, the Seller's original contract for this Facility included avoided cost rates without capacity payments as determined in Order No. 18190, because the Company was energy constrained, not capacity constrained. Since 2000, the Company has added significant amounts of capacity to meet its capacity needs, including Danskin (2001 and 2008), Bennett Mountain

¹ These two sets of rates will be the same starting in 2026, which is the Company's first deficit year.

(2005), and Langley Gulch (2012) gas plants. Because the Facility has operated since mid-1980s and during these capacity deficiency periods, Staff is confident that the Facility has contributed to meeting the Company's need for capacity and should be granted immediate capacity payments for any hourly generation up to 240 kWhs.

According to the Application, the Facility has operated at a nameplate capacity of 280 kW since the Facility began operation, and the ESA reflects this amount for determining the amount of immediate capacity payments. The Company uses estimated or actual QF generation data in its Integrated Resource Plan to determine its capacity deficits (*see* Production Request No. 86 in Case No. IPC-E-19-19). In this case, the Company has avoided capacity from the actual hydro generation that is less than the 280kW nameplate. The original 1985 contract approved by the Commission listed the nameplate capacity of the Facility at 240 kW, and the contract has never been amended to update the nameplate capacity of the Facility.

Staff believes that the information contained in a legally enforceable contract provides the parameters for the operation of the Facility and forms the basis for the rates and the amount of compensation that should be earned throughout the contract term. It also stands to reason that information contained in the original contract forms the basis for rates and compensation in a renewal contract, unless the information was amended in the original contract and subsequently approved by the Commission during the term of the original contract.

Therefore, one alternative is to treat the incremental 40 kW of nameplate capacity as a separate new project, which will not receive capacity payments until the Company becomes capacity deficient, similar to what was ordered in the Sagebrush Hydro project in Case No. IPC-E-19-38. This would encourage accuracy in contracts to reflect the "as-built" description of a facility, necessitating approval of a contract amendment if the facility description in the original contract differs from what was actually built.

In the Sagebrush Hydro case, the Commission capped the amount of capacity payments in its renewal contract based on the nameplate capacity contained in the original contract, and the incremental nameplate capacity will not receive capacity payments until the first deficit date authorized at the time of the contract renewal. *See* Order No. 34956. Staff believes that this treatment can and should be used in this case. Therefore, Staff recommends that the ESA be modified so that any hourly generation above 240 kWhs will not receive capacity payments until the authorized deficit date of 2026.

In addition, Staff believes that all contracts need to reflect the actual facility parameters such as the nameplate capacity. Although the ESA contains provisions to address modifications to the actual Facility and the need for amendments during its contract term (*see* Section B-1 in Appendix B), it does not address the problem that occurred in this case and ones that are similar; the installed Facility does not match the Facility description as approved. The Company should review all QF contracts to ensure they reflect their actual facility parameters, and if they do not match, an amended contract should be submitted for approval. Staff recommends that all new QF contracts include a provision requiring the QF to submit an “as-built” description of the facility by its first operation date. 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 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 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.

However, Staff recommends implementing the 90/110 Rule based on two sets of avoided cost rates. Similar to how the Sagebrush Hydro project implemented the 90/110 Rule in Case No. IPC-E-19-38, Staff proposes to blend the two sets of All Hours Energy Price.

First, for each month, the Company will determine the total generation amount (kWhs) generated equal to or less than 240 kWhs at the hourly level and multiply the corresponding All Hours Energy Price. Then, the Company will determine the total generation amount (kWhs) generated above 240 kWhs at the hourly level and multiply the corresponding All Hours Energy Price. The sum of the two items will be divided by the total generation for that month to calculate a single, blended All Hours Energy Price. Last, the blended rate will be compared against 85 percent of the market price, and the lower number will be applied to the energy

generated outside the 90/110 band in that month. Starting in 2026, there will be only one set of rates, so no blending is needed.

Staff also confirmed the ESA requires the Seller to give the Company at least five-day advanced notice if the Seller plans to adjust its Estimated Net Energy Amounts for purposes of complying with the 90/110 Rule. Five-day advanced notice has been authorized in prior Commission orders such as Order Nos. 34263, 34870 and 34937.

Avoided Cost Rates

Staff verified that the avoided cost rates contained in the ESA are correct. However, Staff proposes the rates, which include immediate capacity payments, only apply to hourly generation equal to or less than 240 kWhs. For hourly generation above 240 kWhs, Staff proposes another set of rates in Attachment A, which do not include capacity payments until 2026.

STAFF RECOMMENDATIONS

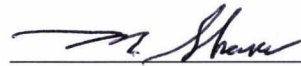
Staff recommends the Commission approve the ESA with the following modifications:

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.

If the modifications are approved by the Commission and the parties make such modifications, Staff 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.

Staff also recommends that the Commission order the Company to include a provision to all new QF contracts requiring the QF to submit an “as-built” description of the facility by its first operation date. 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.

Respectfully submitted this 29th day of September 2021.



Erick Shaner
Deputy Attorney General

Technical Staff: Yao Yin

i:\misc\comments\ipce21.26esyy comments

Year	Base Energy Heavy Load Purchase Price (Mills/kWh)			Base Energy Light Load Purchase Price (Mills/kWh)			All Hours Energy Price (Mills/kWh)		
	Season 1	Season 2	Season 3	Season 1	Season 2	Season 3	Season 1	Season 2	Season 3
2021	22.91	37.40	31.17	17.56	28.66	23.89	20.53	33.51	27.93
2022	23.47	38.32	31.93	18.12	29.59	24.65	21.09	34.43	28.69
2023	22.78	37.20	31.00	17.43	28.46	23.72	20.40	33.31	27.76
2024	21.74	35.49	29.57	16.39	26.75	22.29	19.35	31.60	26.33
2025	22.99	37.53	31.28	17.64	28.80	24.00	20.61	33.65	28.04
2026	46.49	75.90	63.25	41.14	67.17	55.97	44.11	72.02	60.01
2027	47.97	78.32	65.26	42.62	69.58	57.98	45.59	74.43	62.03
2028	49.86	81.41	67.84	44.51	72.67	60.56	47.48	77.52	64.60
2029	51.71	84.42	70.35	46.36	75.69	63.07	49.33	80.53	67.11
2030	52.87	86.32	71.93	47.52	77.58	64.65	50.49	82.43	68.69
2031	54.23	88.54	73.79	48.88	79.81	66.51	51.85	84.65	70.55
2032	56.05	91.51	76.26	50.70	82.78	68.98	53.67	87.62	73.02
2033	57.71	94.22	78.52	52.36	85.48	71.24	55.33	90.33	75.28
2034	59.05	96.41	80.34	53.70	87.67	73.06	56.67	92.52	77.10
2035	60.29	98.43	82.03	54.94	89.70	74.75	57.91	94.54	78.79
2036	61.48	100.37	83.64	56.13	91.64	76.36	59.10	96.48	80.40
2037	62.36	101.80	84.84	57.00	93.07	77.56	59.97	97.92	81.60
2038	64.09	104.63	87.19	58.74	95.90	79.91	61.71	100.74	83.95
2039	65.08	106.25	88.54	59.73	97.51	81.26	62.70	102.36	85.30
2040	66.29	108.23	90.19	60.94	99.50	82.91	63.91	104.35	86.96
2041	67.48	110.16	91.80	62.12	101.43	84.52	65.09	106.28	88.56

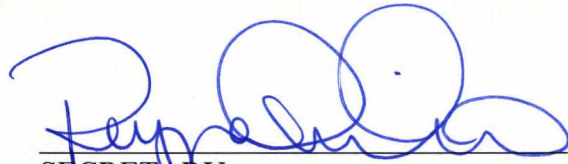
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29th DAY OF SEPTEMBER 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-26, 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

MICHAEL BRANCHFLOWER
TROUT-CO HYDRO PROJECT
1991 S DOE CREEK WAY
BOISE ID 83709
E-MAIL: mgbranchflower@hotmail.com



SECRETARY