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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-22-10</b>
<b>APPROVAL OR REJECTION OF AN</b>	)	
<b>ENERGY SALES AGREEMENT WITH</b>	)	
<b>FAULKNER BROTHERS HYDRO, FOR THE</b>	)	<b>COMMENTS OF THE</b>
<b>SALE AND PURCHASE OF ELECTRIC</b>	)	<b>COMMISSION STAFF</b>
<b>ENERGY FROM THE FAULKNER RANCH</b>	)	
<b><u>HYDRO PROJECT</u></b>	)	

**STAFF OF** the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On April 1, 2022, Idaho Power Company (“Company” or “Idaho Power”) applied for approval or rejection of an Energy Sales Agreement (“ESA”) between the Company and Faulkner Brothers Hydro (“Seller”) under which the Company would purchase electric generation from the Faulkner Ranch Hydro Project (“Facility”) located near Bliss, Idaho. The Company represented that the Seller currently has a Public Utility Regulatory Policies Act of 1978 (“PURPA”) contract with the Company for the Facility that was executed on December 11, 1986 (“1986 Agreement”). The 1986 Agreement expires on July 31, 2022.

## **STAFF REVIEW**

Staff's review 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 the Commission approve the ESA as filed.

### **Capacity Payments**

The ESA allows immediate capacity payments, and Staff believes this treatment is reasonable. In Order No. 32697, the Commission stated that “[i]f 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 current avoided cost rates in the 1986 Agreement were determined in Order No. 18190, and those rates do not contain capacity payments because the Company was energy constrained, not capacity constrained, at that time. However, since 2000 the Company has added significant amounts of capacity to meet capacity needs including the Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Staff believes that because the Facility has operated since the mid-1980s, and throughout the Company's capacity deficiency periods, the Facility has contributed to meeting the Company's need for capacity and should be granted immediate capacity payments.

The 1986 Agreement and the ESA listed the nameplate capacity of the Facility as 870 kW, and the Seller also provided documentation to the Company that the project nameplate is 870 kW. In addition, the Maximum Capacity Amount for the ESA is 870 kW. Staff believes the Facility should be granted immediate capacity payments for its entire generation capacity amount over the full term of the ESA.

### **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 the total energy delivered for the lesser of 85 percent of the market price or the contract price. 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 plans to adjust its Estimated Net Energy Amounts for purposes of complying with the 90/110 Rule. Five-day advanced notice has been authorized by the Commission. See Order Nos. 34263, 34870, and 34937.

### **Avoided Cost Rates**

Staff verified that the avoided cost rates contained in the ESA are correct.

### **STAFF RECOMMENDATIONS**

Staff recommends that the Commission approve the ESA as filed and declare that all payments for purchases of energy under the ESA between Idaho Power and the Seller be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 25<sup>th</sup> day of May 2022.



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Chris Burdin  
Deputy Attorney General

Technical Staff: Yao Yin

i: umisc/comments/ipce22.10cbyyjh comments




## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25<sup>th</sup> DAY OF MAY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-22-10, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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