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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-24-06
APPROVAL OF A THIRD AMENDMENT TO)	
AN EXISTING ENERGY SALES)	
AGREEMENT AND REPLACEMENT)	COMMENTS OF THE
ENERGY SALES AGREEMENT)	COMMISSION STAFF
REGARDING THE BARBER DAM HYDRO)	
PROJECT)	
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COMMISSION STAFF (“STAFF”) OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

BACKGROUND

On January 26, 2024, Idaho Power Company (“Company”) applied for approval of a Third Amendment to an existing Firm Energy Sales Agreement (“1987 Agreement”) with Fulcrum, LLC for energy generated by the Barber Dam Hydroelectric Project (“Facility”) as well as the approval of a replacement Energy Sale Agreement (“ESA”) with the Barber Pool Hydro, LLC (“Seller”).

On July 13, 1987, Idaho Power and Interwest Hydro, Inc. entered into the 1987 Agreement, which listed the nameplate capacity of the Facility as 2,400 kilowatts (“kW”).

On May 13, 1988, Interwest Hydro, Inc. assigned its interest to Bonneville Pacific Corporation, which in turn assigned its interest to Fulcrum, Inc.

On September 20, 1988, the Company and Fulcrum, Inc. entered into the First Amendment to the 1987 Agreement, which listed the nameplate capacity of the Facility as 4,200 kW.

On November 24, 1999, the Company and Fulcrum, Inc. entered into the Second Amendment to the 1987 Agreement to modify the requirements for escrow accounts as security provisions for overpayment liability.

On April 2, 2015, Fulcrum, Inc. was converted to Fulcrum, LLC.

On December 23, 2023, Idaho Power, Fulcrum, LLC, and the Seller entered a Consent, Assignment, and Assumption Agreement, where Fulcrum, LLC has assigned and the Seller has assumed the Agreement, as amended, and the rights and obligations of the Seller thereunder, with Idaho Power's consent.

On January 4, 2024, the Company and the Seller entered into the Third Amendment to the 1987 Agreement to list Barber Pool Hydro as the new Seller based on the Consent, Assignment, and Assumption Agreement and correct the nameplate capacity size to reflect the actual nameplate capacity size of 3,700 kW.

On January 17, 2024, the Company and the Seller entered into the ESA, pursuant to which the Seller would continue to sell, and the Company would continue to purchase energy generated by the Facility.

STAFF ANALYSIS

Staff reviewed the Third Amendment to the 1987 Agreement and the proposed ESA, and Staff recommends the following:

1. Approval of the Third Amendment to the 1987 Agreement.
2. Approval of the proposed ESA and declaration that all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.
3. If the Facility is modified, Staff recommends that only the net power supply expense that reflects the proper authorized rate for all energy delivered as of the first operation date of the modified Facility be included in the Company's Power Cost Adjustment, regardless of the compensation paid to the modified Facility.

I. Third Amendment to the 1987 Agreement

The Third Amendment replaced Fulcrum, LLC or its predecessors in interest under the 1987 Agreement with Barber Pool Hydro, LLC. Staff believes this is reasonable and is consistent with the Consent, Assignment, and Assumption Agreement signed by the Company, Fulcrum, LLC, and Barber Pool Hydro, LLC, on December 23, 2023.

The Third Amendment corrected the nameplate capacity size to reflect the actual nameplate capacity size of 3,700 kW, which is shown on the generating units. Because the nameplate capacity decreased from 4,200 kW in the First Amendment to 3,700 kW in the Third Amendment, Staff believes that it does not create a need to adjust the avoided cost rates contained in the 1987 Agreement. Staff also believes that the change in nameplate capacity does not have negative impacts on customers, because no overpayment will occur.

II. ESA

Staff's review of the ESA is focused on eligibility for and the amount of capacity payments, avoided cost rates, and Article XXIII (Modification). Staff recommends that the Commission approve the proposed ESA and declare that all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Capacity Payments

The ESA allows immediate capacity payments, and Staff believes this treatment is reasonable. 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 1989, 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.

Because the nameplate capacity in the ESA remains unchanged at 3,700 kW from the Third Amendment to the 1987 Agreement, which is the generator's actual nameplate capacity, Staff believes the Facility should be granted immediate capacity payments for its entire generation capacity amount over the full term of the ESA.

Avoided Cost Rates

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

Article XXIII (Modification)

Staff reviewed Article XXIII (Modification) in the ESA that addresses potential modifications to the Facility and believes the language complies with Order No. 35705.


If the Facility is modified, Staff recommends that only the net power supply expense that reflects the proper authorized rate for all energy delivered as of the first operation date of the modified Facility be included in the Company's Power Cost Adjustment, regardless of the compensation paid to the modified Facility. This treatment is consistent with the Commission direction in Order No. 35705.

STAFF RECOMMENDATION

Staff recommends the following:

1. Approval of the Third Amendment to the 1987 Agreement.
2. Approval of the proposed ESA and declaration that all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.
3. If the Facility is modified, Staff recommends that only the net power supply expense that reflects the proper authorized rate for all energy delivered as of the first operation date of the modified Facility be included in the Company's Power Cost Adjustment, regardless of the compensation paid to the modified Facility.

Respectfully submitted this 18th day of March 2024.



Michael Duval
Deputy Attorney General

Technical Staff: Yao Yin
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18TH DAY OF MARCH 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-24-06, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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