

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-24-09
COMPANY’S APPLICATION FOR)
APPROVAL OR REJECTION OF AN)
ENERGY SALES AGREEMENT WITH BP) ORDER NO. 36223
HYDRO ASSOCIATES FOR THE SALE AND)
PURCHASE OF ELECTRIC ENERGY FROM)
THE ROCK CREEK II HYDRO PROJECT)
)

On February 29, 2024, Idaho Power Company (“Company”), applied for approval of an Energy Sales Agreement (“ESA”) with BP Hydro Associates (“Seller”) for energy generated by the Rock Creek II Hydro Project (“Facility”).

On March 25, 2024, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 36119. Commission Staff (“Staff”) submitted the only comments.

Having reviewed the record, the Commission issues this Order approving the Company’s Application as follows.

THE APPLICATION

The Company seeks approval of a proposed 20-year ESA for the energy generated at the Facility to replace the existing ESA formed in 1987, which expired on April 2, 2024 (“1987 ESA”). Under the proposed ESA, the Company will purchase electrical energy from the Facility at non-levelized, published avoided cost rates for non-seasonal hydro resources as currently established by the Commission in Case No. GNR-E-23-02 with full capacity payments for the entire term.

The Facility’s Scheduled First Energy Date and Scheduled Operation Date under the proposed ESA is April 3, 2024. The proposed ESA also requires projected energy delivery estimates five days before the beginning of the following month to comply with the 90/110 firmness requirements consistent with past Commission orders. However, the proposed ESA will become effective only upon the Commission’s approval and determination that all payments the Company makes to Seller for energy purchases will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF COMMENTS

Staff reviewed the Application and proposed ESA, focusing on capacity payment, the amount of such payments, avoided cost rates, Article XXIII (Modification), and the lapsed-contract period. Based on this review, Staff recommended that the Commission approve the proposed ESA and that all payments for energy made under it be allowed as prudently incurred expenses for ratemaking. Staff further recommended that, if the Facility is modified, the Commission allow only net power supply expense reflecting the proper authorized rate for all energy delivered from the modified facility's first operation date be included in the Company's Power Cost Adjustment. Regarding Facility generation delivered during the lapsed-contract period, Staff recommended the Company pay the Seller the Surplus Energy Price as defined in Section 7.2 of the proposed ESA.

1. Capacity Payments

The proposed ESA allows immediate capacity payments, which Staff believed was reasonable. In support of this belief, Staff noted that the Facility has operated throughout the Company's capacity deficiency periods since the 1980s. Because the Facility contributed to satisfying the Company's capacity needs, Staff believed the Facility should be granted immediate capacity payments for its entire generation capacity amount for the full term of the proposed ESA.

Additionally, the First Amendment to the 1987 ESA overstated the nameplate capacity for the Facility. The proposed ESA corrects this error, decreasing the stated nameplate capacity from 2,100 kW to 1,900 kW. As no overpayment will ensue, Staff did not believe the correction in nameplate capacity would negatively impact consumers.

2. Avoided Cost Rates

Staff verified the accuracy of the avoided cost rates contained in the proposed ESA.

3. Article XXIII (Modification)

After reviewing Article XXIII (Modification) of the proposed ESA, Staff believed that the language in the proposed ESA addressing potential modifications to the Facility complies with Order No. 35705. However, following a future modification, Staff recommended that the Company's Power Cost Adjustment include only the net power supply expense reflecting the proper authorized rate for all energy delivered from the first operation date of the modified Facility, regardless of the actual price paid for the generation. Staff indicated that this would be consistent with Order No. 35705.

4. Lapsed-Contract Period

Staff noted that the proposed ESA will not be approved before the 1987 ESA expires, producing a lapsed-contract period from April 3, 2024, through the service date of the Commission's Final Order in this case. Anticipating this, the Parties agreed that the Company will pay the Surplus Energy Price (as defined in Section 7.2 of the proposed ESA)¹ for energy delivered during such a lapse period. Staff noted this arrangement is consistent with another agreement between the parties that the Commission approved in Case No. IPC-E-21-08. *See* Order No. 35067. Therefore, Staff believed it is reasonable for the Company to pay the Seller the Surplus Energy Price as defined in Section 7.2 of the proposed ESA for any generation delivered from the Facility during the lapsed-contract period.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, 502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502, 61-503. Based on our review of the record, including the Application, proposed ESA, and Staff's comments, we find it reasonable to grant the Company's Application.

The expiration of the 1987 ESA necessitates the formation of a new ESA. Since the Facility has contributed to meeting the Company's capacity needs for decades, the provision of immediate capacity payments under the proposed ESA is reasonable.

Additionally, an accurate description of the nameplate capacity of the Facility will aid in future interpretation and application of the proposed ESA by reducing the risk of future confusion or error. Accordingly, we find it reasonable to revise the nameplate capacity of the Facility as proposed in the ESA.

Furthermore, in prior cases, we have approved ESAs with updated provisions relating to facility modifications in some of the Company's other ESAs, if revision is necessary. The proposed ESA here complies with Order No. 35705, in which we identified certain concerns with an article in another ESA that similarly addressed facility modifications. If the Facility is modified,

¹ Section 7.2 of ESA defines the Surplus Energy Price as the lesser of 85 percent of the market price or the contract price.

the Company's shall include only the net power supply expense reflecting the authorized rate for all energy delivered from the first operation date of the modified Facility in the Power Cost Adjustment, regardless of the actual amount paid for the generation. Accordingly, based on our review, we find it fair, just, and reasonable to approve the proposed ESA for energy generated by the Facility and that all payments for purchases of energy under the proposed ESA be allowed as prudently incurred expenses for ratemaking purposes.

We next address the Company and Seller's agreement regarding the purchase of energy delivered between the April 2, 2024, expiration of the 1987 ESA and the effective date of the proposed ESA. The Company and Seller anticipated this and agreed that the Company will pay the Surplus Energy Price (as defined in Section 7.2 of the proposed ESA) for energy delivered during such a lapse period. We find that this is a reasonable method of addressing the lapse period and approve the Company and Seller's agreement to do so.

ORDER

IT IS HEREBY ORDERED that an Energy Sales Agreement between the Company and Seller for energy generated by the Facility is approved.

IT IS FURTHER ORDERED that if the Facility is modified, the Company's shall include in its Power Cost Adjustment only the net power supply expense reflecting the authorized rate for all energy delivered from the first operation date of the modified Facility, regardless of the actual amount paid for the generation.

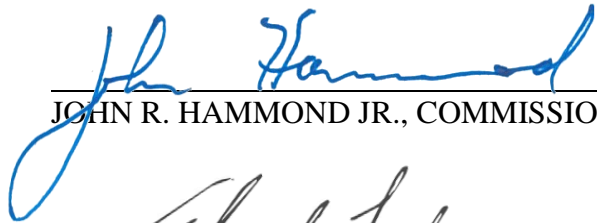
IT IS FURTHER ORDERED that the Company shall pay the Seller the Surplus Energy Price for energy delivered during the lapse period.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th day of June 2024.



ERIC ANDERSON, PRESIDENT




JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios Sanchez
Commission Secretary

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