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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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

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

**BACKGROUND**

On February 29, 2024, Idaho Power Company (“Company”), applied for approval of an Energy Sales Agreement (“ESA”) with BP Hydro Associates (“Seller”) for electric energy generated by the Rock Creek II Hydro Project (“Facility”) and a declaration that all payments for purchases of energy under the proposed ESA be allowed as prudently incurred expenses for ratemaking purposes. Under the proposed ESA, the Company would buy from the Seller electric energy generated by the Facility, which is in Twin Falls County, Idaho.

The Company represents that the Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The Facility is currently selling energy to the

Company under an agreement executed in 1987 (“1987 Agreement”), which expires on April 2, 2024. The Company represents that the proposed ESA provides for the sale of electric energy for a 20-year term at non-levelized, non-seasonal hydro published avoided cost rates established in Order No. 35800, with full capacity payments for the entire term.

## **STAFF ANALYSIS**

Staff’s review focused on eligibility for/and the amount of capacity payments, avoided cost rates, Article XXIII (Modification), and the lapsed-contract period.

### **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 late 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 First Amendment to the 1987 Agreement listed the nameplate capacity size at 2,100 kilowatts (“kW”), but the actual nameplate capacity size is 1,900 kW, which is reflected in the proposed ESA. Because the nameplate capacity decreased from 2,100 kW to 1,900 kW, Staff believes the Facility should be granted immediate capacity payments for its entire generation capacity amount over the full term of the ESA. Staff also believes that the change in nameplate capacity does not have negative impacts on customers, because no overpayment will occur.

### **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.

### **Lapsed-Contract Period**

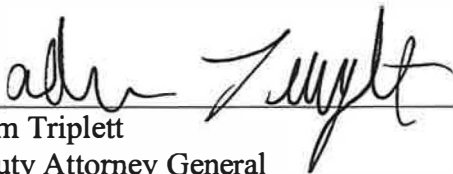
Because the proposed ESA will not be approved before the 1987 Agreement expires, there will be a lapsed-contract period from April 3, 2024, through the service date of the final order issued by the Commission. The Parties agreed that the Company will pay for any generation delivered from the Facility during the lapsed contract period at the Surplus Energy Price. *See* Response to Staff Production Request No. 1(b). The Surplus Energy Price is defined as the lesser of 85 percent of the market price or the contract price. Section 7.2 of ESA. Staff believes this arrangement is reasonable, because it is consistent with the treatment agreed upon by both parties in Case No. IPC-E-21-08 and approved in Order No. 35067. Therefore, Staff recommends that the Company pay the Seller for any generation delivered from the Facility during the lapsed-contract period at the Surplus Energy Price as defined in Section 7.2 of ESA.

### **STAFF RECOMMENDATION**

Staff recommends the following:

1. The Commission approve the proposed ESA and declare all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes;
2. If the Facility is modified, Staff recommends the Commission only allow 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; and
3. The Commission direct the Company to pay the Seller for any generation delivered from the Facility during the lapsed-contract period at the Surplus Energy Price as defined in Section 7.2 of ESA.

Respectfully submitted this 15th day of April 2024.

  
Adam Triplett  
Deputy Attorney General

Technical Staff: Yao Yin

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15<sup>th</sup> DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-24-09, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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