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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OR REJECTION OF A POWER PURCHASE AGREEMENT BETWEEN PACIFICORP AND FALL RIVER ELECTRIC COOPERATIVE, INC.	**CASE NO. PAC-E-20-10** **COMMENTS OF THE COMMISSION STAFF IN SUPPORT OF SETTLEMENT STIPULATION**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On June 9, 2020, the Company submitted an Application for an order approving or rejecting a Power Purchase Agreement ("Agreement") with Fall River Electric Cooperative ("Fall River") for energy generated by the Felt Hydro Facility ("Facility"), a small hydro facility in Teton County, Idaho. The Facility is a qualifying facility ("QF") under the Public Utility Regulatory Policies Act of 1978.

On July 1, 2020, Fall River intervened in the case.

On July 2, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure establishing an August 17, 2020 comment deadline and an August 24, 2020 reply comment deadline. *See* Order No. 34717.

On July 31, 2020, Staff sent its Second Production Request to the Company. Staff received responses to requests 8-11 on August 10, 2020 and requests 12-14 on August 11, 2020. Staff determined it would need additional time to sort out its position on capacity payments described in the Agreement.

On August 17, 2020, Staff filed initial comments and asked the Commission to amend the comment deadline to allow additional time to analyze the data and finalize its position on capacity payments through supplemental comments.

At the August 18, 2020 Decision Meeting, Staff asked the Commission to vacate the comment deadlines established in Order No. 34717 and establish new comment deadlines to allow for public comments on October 1, 2020 and reply comments on October 15, 2020.

On August 25, 2020, the Commission issued a Notice of Amended Comment Deadlines to allow for public comments on October 1, 2020 and reply comments on October 15, 2020. *See* Order No. 34760.

On September 22, 2020, an email was distributed to the Commission Secretary, the Company, and Fall River (Staff, the Company, and Fall River are collectively the "Parties") providing notice that settlement discussions had begun and the Parties would work toward resolving issues raised in Staff's August 17, 2020 comments under IDAPA 31.01.01.272. The email described the Parties intentions to reach settlement on the issue of rate bifurcation for capacity and energy payments for generation from the Facility.

At the September 29, 2020 Decision Meeting, in anticipation of filing an all parties settlement stipulation, Staff asked the Commission to vacate the comment deadlines established in Order No. 34760 and establish a new comment deadline for comments on October 22, 2020.

On October 6, 2020, the Commission issued Order No. 34806 vacating the October 1, 2020 and October 15, 2020 comment deadlines established in Order 34760 and established a new October 22, 2020 comment deadline.

On October 13, 2020, the Parties filed a Stipulation that resolves all outstanding issues in this docket. Staff's comments are filed in support of the Stipulation.

STAFF ANALYSIS

Staff has reviewed the Stipulation that resolves all issues identified in the Agreement between Fall River and the Company. Staff believes the provisions contained within the

Stipulation are fair, just, and reasonable, and therefore recommends Commission approval. The resolutions included in the Stipulation include: (I) limiting capacity payments for generation of electricity from the Facility to amounts historically generated at Powerhouse #2, while withholding capacity payments for any excess incremental generation until January 1, 2028[1], (II) determining the contract rate used to compare against 85 % of the Non-Firm Market Price for payment of non-conforming energy; (III) applying the proper discount to the firm market price used by the Company to convert it to a Non-Firm Market Price for determining payment for non-conforming energy; and (IV) correcting Exhibit K of the Agreement, changing the term "Mid-C-85" to "PV-85 to reflect the use of the Palo Verde Hub for determining the market price.

I. Limiting Capacity Payments by Setting an Eligibility Limit of 5,100 kilowatt-hours ("kWh")

Staff supports the Parties' Agreement to limit capacity payments for hourly generation of electricity from the Facility to 5,100 kWhs until January 1, 2028—the maximum amount Powerhouse #2 has historically generated in any given hour. The Facility consists of two powerhouses: Powerhouse #1 has a nameplate capacity rating of 1,950 kilowatts ("kW"). Powerhouse #1 has been out of operation for 14 years and has not contributed to the Company avoiding capacity costs.[2] Powerhouse #2 has a nameplate capacity rating of 5,500 kW. Generation exceeding the hourly 5,100 kWh capacity payment cap reasonably represent the incremental future generation from Powerhouse #1. After January 1, 2028, the Parties have agreed Fall River will receive capacity payments for all amounts generated from the Facility, because this is when the Company's system becomes capacity deficient. *See* Order No. 33917. This provision is supported by Commission Orders 32697, 34200, 34295, and 33357.

Order No. 32697 states 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 would include immediate payment of capacity." Because Powerhouse #1 has not been operational since 2006, it is not being paid for capacity at the end of the current contract.

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[1] Order No. 33917 approved that the Company's first deficit year that starts in July 2028; however, the Surrogate Avoided Resource ("SAR") model calculates capacity payments from January 1 of the first deficit year.
[2] Powerhouse #1 is anticipated to be operational before the current contract expires on March 31, 2021.

Therefore, the new renewal contract should not include immediate payment of capacity for Powerhouse #1.

In Order Nos. 34200 and 34295, the Commission recognized that the contribution of a QF to meet the Company's capacity needs during a previous contract period was required for immediate payment of capacity in a renewal contract. However, the Company has not been able to rely on any capacity contribution from Powerhouse #1 due to it not operating.

Finally, in Order No. 33357, the Commission expressed that as long as the QF renews its contract and continuously sells power to the utility, the QF is entitled to capacity payments based on the capacity deficiency date established at the time of its initial contract. Because Powerhouse #1 has not operated continuously, it should be treated as a new project without immediate capacity payments.

To determine the 5,100 kWh capacity payment eligibility limit, Staff examined hourly generation data from 2015 through 2020, which is illustrated in Table No. 1, below. This data represents a period when only Powerhouse #2 was in operation. Because 5,100 kWhs is approximately the maximum amount that Powerhouse #2 can generate in an hour, capping capacity payments at this hourly amount, until December 31, 2027, will ensure that Fall River will receive compensation commensurate with the amount of capacity cost that it has avoided for the Company's system prior to the renewal date. The Parties agreed this was reasonable.

Table No. 1: Frequency of Hourly Generation Amounts from 1/1/15 through 8/31/20

Hourly Generation Amount (kWhs)	*Number of Occurrences*	*Cumulative %*	
Up to 4500	37536	75.56%	
4500 - 4550	1163	77.91%	
4550 - 4600	340	78.59%	
4600 - 4650	573	79.74%	
4650 - 4700	1435	82.63%	
4700 - 4750	2441	87.55%	
4750 - 4800	5345	98.31%	
4800 - 4850	720	99.76%	
4850 - 4900	84	99.93%	
4900 - 4950	22	99.97%	
4950 - 5000	0	99.97%	
5000 - 5050	1	99.97%	
5050 - 5100	14	100.00%	Maximum Actual Average Capacity
5100 - 5150	0	100.00%	
5150 - 5200	0	100.00%	
5200 - 5250	0	100.00%	
5250 - 5300	0	100.00%	
5300 - 5350	0	100.00%	
5350 - 5400	0	100.00%	
5400 - 5450	0	100.00%	
5450 - 5500	0	100.00%	Nameplate Capacity

Staff provides contract prices for hourly generation up to 5,100 kWh and above 5,100 kWh in Attachment A.

II. Determining Contract Rate used to compare against 85% of the Non-Firm Market Price for payment of Non-conforming Energy Before January 1, 2028

As stipulated, Staff supports the use of a Weighted-Average Conforming Energy Purchase Price as a contract price to compare against 85% of the Non-Firm Market Price for payment of non-conforming energy for purposes of the 90/110 rule, before January 1, 2028. To comply with 90/110, QFs provide a monthly estimate for the amount of energy they expect to produce. If the QF delivers more than 110% of the estimated amount, energy delivered in excess of 110% is priced at the lesser of 85% of the market price or the contract price. If the QF delivers less than 90% of the estimated amount, total energy delivered is priced at the lesser of 85% of the market price or the contract price. Order No. 29632.

A combination of four different contract prices can be applied during a month for each hour differentiated by prices for on and off-peak and prices with and without capacity payments, depending on hourly generation amounts. The Weighted-Average Conforming Energy Purchase Price is an average contract price weighted by the generation amount in each hour. It is calculated by taking the total revenue that would have been earned by the QF in a given month, as if all energy was conforming energy, and divided by the total energy generated by the QF for that month.

When the Facility generates outside of the 90/110 band, the Weighted-Average Conforming Energy Purchase Price is compared to 85% of the Non-Firm Market Price. If the Weighted-Average Conforming Energy Purchase Price is less than 85% of the Non-Firm Market Price, regardless if the amount of energy is above or below the 90/110 band, the on and off-peak, and with and without capacity payment contract pricing structure can be applied for each hour in the month as if all energy is conforming. If 85% of the Non-Firm Market Price is less than the Weighted-Average Conforming Energy Purchase Price, then 85% of the Non-Firm Market Price can be used to calculate payments for generation amounts for all hours in the month. Other than using the Weighted-Average Conforming Energy Purchase Price to compare to 85% of the Non-Firm Market Price, the original Agreement adequately deals with these situations.

However, for the special case when actual generation in a given month is above 110% of the estimated amount, and when the Weighted-Average Conforming Energy Purchase Price is higher than 85% of the Non-Firm Market Price, the Stipulation requires the Amended Agreement to reflect use of the average of the Weighted-Average Conforming Energy Purchase Price and 85% of the Non-Firm Market Price weighted by the amount of generation below and above 110% of the estimated amount, respectively, to calculate payments. Effectively, the generation amount below 110% of the estimated amount is paid at the Weighted-Average Conforming Energy Purchase Price, and the generation amount above the 110% of the estimated amount is paid at the lower of 85% of the Non-Firm Market Price and the contract price, complying with Order No. 29632. (Calculations of all the scenarios are illustrated in Attachment B.)

III. Applying the 82.4% discount to the firm market price used by Company to convert it to a Non-Firm Market Price for determining payment for non-conforming energy

Staff is in support of applying the 82.4% discount to the firm market price to convert it to a non-firm market price for the purpose of the 90/110 rule as stipulated. The market price referred to in Order No. 29632 is a non-firm market price. Originally, in Order No. 29632, market price was defined as "the monthly weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Index (Dow Jones Mid-C Index) prices for non-firm energy." However, the Dow Jones Mid-C Index was discontinued in 2013, and Case No. IPC-E-13-25 was initiated to find a replacement market index for non-firm energy. Because firm energy is more valuable than non-firm energy, the Commission authorized that 82.4% of the monthly arithmetic average of each day's Intercontinental Exchange ("ICE") daily firm Mid-C Peak Avg and Mid-C Off-Peak Avg index prices to be used as a replacement market index for non-firm energy. Order No. 33053. Since then, the 82.4% discount has been used in Idaho Power's and Avista's PURPA contracts when non-firm market prices are not available.

IV. Correcting Exhibit K of the Agreement, changing the term "Mid-C-85" to "PV-85 to reflect the use of the Palo Verde Hub for determining the market price.

Staff is in support of changing the term "Mid-C-85" to "PV-85" to reflect the use of the Palo Verde Hub as stipulated.

CONCLUSION AND RECOMMENDATIONS

Staff believes that the Stipulation, agreed to by all Parties, represents a fair, just, and reasonable solution to the issues identified in this proceeding and that it is in the public interest. Staff recommends that the Commission approve the Stipulation.

Respectfully submitted this 22nd day of October 2020.

Dayn Hardie
Deputy Attorney General

Technical Staff: Yao Yin
Mike Louis

i:umisc/comments/pace20.10dhyyrf comments settlement

Year	Contract Price for Hourly Generation up to Capacity Payment Limit ($/MWh)	Contract Price for Hourly Generation above Capacity Payment Limit ($/MWh)
2021	56.35	29.07
2022	58.16	30.48
2023	60.92	32.84
2024	64.25	35.76
2025	67.53	38.62
2026	69.88	40.55
2027	71.26	41.50
2028	73.63	73.63
2029	74.96	74.96
2030	76.77	76.77
2031	78.28	78.28
2032	81.21	81.21
2033	83.48	83.48
2034	85.71	85.71
2035	87.86	87.86
2036	90.30	90.30
2037	92.19	92.19
2038	94.21	94.21
2039	96.37	96.37
2040	99.30	99.30
2041	101.13	101.13

Monthly Weighting Factors

	HLH	LLH
JAN	103%	94%
FEB	105%	97%
MAR	95%	80%
APR	95%	76%
MAY	92%	63%
JUN	94%	65%
JUL	121%	92%
AUG	121%	106%
SEP	109%	99%
OCT	115%	105%
NOV	110%	96%
DEC	129%	120%

Case No. PAC-E-20-10 - Example illustrating calculations of payments for conforming and non-conforming energy.

Note: Data and rates are contrived for illustration purposes.

Rates	On-Peak	Off Peak
Below cap - Energy + Capacity ($/kWh)	100	90
Above cap - Energy ($/kWh)	50	40

Hourly Capacity Payment Eligibility Cap (kWh) = 10

Example Month: Assumes only 10 hours in the month.	Hour	Energy generated (kWh)	Energy below cap (kWh)	Energy above cap (kWh)	Rate below cap ($/kWh)	Rate above cap ($/kWh)
	1	9	9	0	100	50
	2	8	8	0	100	50
Hi Load Hours	3	9	9	0	100	50
	4	9	9	0	90	40
	5	10	10	0	90	40
	6	12	10	2	90	40
Low Load Hours	7	9	9	0	90	40
	8	8	8	0	100	50
	9	12	10	2	100	50
Hi Load Hours	10	10	10	0	100	50
Total		96	92	4		

Scenario :		Scenario 1	Scenario 2		Scenario 3		Scenario 4		Scenario 5	
Scenario Description:		All Energy is Conforming Energy	Energy is below 90% threshold. Contract Rate is lower than Market Rate. Note: Revenue calculated using the Weighted-Average Conforming Energy Purchase Price is the same as using Scenario 1 rates for conforming energy .		Energy is below 90% threshold. Market Rate is lower than Contract Rate. Note: Market rate is used for all generation in the month.		Energy is above 110% threshold. Contract Rate is lower than Market Rate. Note: Revenue calculated using the Weighted-Average Conforming Energy Purchase Price is the same as using Scenario 1 rates for conforming energy .		Energy is above 110% threshold. Market Rate is lower than Contract Rate. Note: Rate is weighted by generation, using contract rate and generation below 110% threshold and market rate and generation above 110% threshold.	
90/110 Forecast:	kWh	100		110		110		80		80
90% of Forecast:	kWh	90		99		99		72		72
110% of Forcast:	kWh	110		121		121		88		88
85% of Non-firm Market Rate:	$/kWh			95		70		95		70
Weighted-Average Conforming Energy Purchase Price:	$/kWh			93.75		93.75		93.75		93.75
	Hour	Payment ($)	Rate ($/kWh)	Payment ($)	Rate ($/kWh)	Payment ($)	Rate ($/kWh)	Payment ($)	Rate ($/kWh)	Payment ($)
	1	900.00	93.75	843.75	70.00	630.00	93.75	843.75	91.77	825.94
	2	800.00	93.75	750.00	70.00	560.00	93.75	750.00	91.77	734.17
	3	900.00	93.75	843.75	70.00	630.00	93.75	843.75	91.77	825.94
	4	810.00	93.75	843.75	70.00	630.00	93.75	843.75	91.77	825.94
	5	900.00	93.75	937.50	70.00	700.00	93.75	937.50	91.77	917.71
	6	980.00	93.75	1,125.00	70.00	840.00	93.75	1,125.00	91.77	1,101.25
	7	810.00	93.75	843.75	70.00	630.00	93.75	843.75	91.77	825.94
	8	800.00	93.75	750.00	70.00	560.00	93.75	750.00	91.77	734.17
	9	1,100.00	93.75	1,125.00	70.00	840.00	93.75	1,125.00	91.77	1,101.25
	10	1,000.00	93.75	937.50	70.00	700.00	93.75	937.50	91.77	917.71
Total Revenue for Month:		9,000.00		9,000.00		6,720.00		9,000.00		8,810.00

Mike Louis:
Weighted-Average Conforming Energy Purchase Price = total month revenue as if all energy is conforming / total energy generated during month

Weighted-Average Conforming Energy Purchase Price=$9000 / 96 kWh = $93.75/kWh

Mike Louis:
Rate for Scenario 5 = ((generation less than or equal to 110% of 90/110 forecast x Weighted-Average Conforming Energy Purchase Price) + (generation greater than 110% of 90/110 forecast x 85% of Non-firm Market Rate))/Total Energy Generated

Rate for Scenario 5 = ((88 kWh x $93.75/kWh) + (96 kWh - 88 kWh) x ($70/kWh)) / 96 kWh = $91.77/kWh

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22nd DAY OF OCTOBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF IN SUPPORT OF SETTLEMENT STIPULATION,** IN CASE NO. PAC-E-20-10, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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