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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OR REJECTION OF THE POWER PURCHASE AGREEMENT BETWEEN PACIFICORP AND MINK CREEK HYDRO LLC	)	**CASE NO. PAC-E-21-14** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its attorney of record, Erick Shaner, Deputy Attorney General, submits the following comments:

BACKGROUND

On June 11, 2021, Rocky Mountain Power, a division of PacifiCorp ("Company"), requested the Commission approve or reject a Power Purchase Agreement ("PPA") with Mink Creek Hydro LLC ("Seller") for energy generated by a 2.95-megawatt hydroelectric facility ("Facility"). The Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978.

The Facility is in Franklin County, Idaho near Preston. The Facility has been delivering energy to the Company under a power purchase agreement dated May 21, 1985, which expires March 31, 2022. The Company states that the PPA contains published, non-seasonal, non-levelized avoided cost rates for a 20-year term.

STAFF ANALYSIS

Staff's review has focused on the nameplate capacity rating, capacity payment eligibility, avoided cost rates, the 90/110 Rule, and the long-range forecasting. Staff recommends that the Commission approve the agreed upon PPA with two sets of rates, one with avoided cost of capacity and avoided cost of energy for up to 2.70 Megawatt-hours ("MWh") each hour and the second only with avoided cost of energy for production above that level until the Company's first capacity deficiency date.

Nameplate Capacity Rating

The 1985 contract listed the nameplate capacity rating of the Facility at 2.70 MW. The as-built nameplate capacity rating was 2.95 MW. There has been no modification to the generator since the original installation. *See* Response to Staff's Production Request No. 1.

In PacifiCorp's 2019 Integrated Resource Plan, the peak capacity contribution for the Facility was 1.02 MW. The contribution was determined from the resource's generation in MWh for the year and divided by the hours in the year to calculate the average MW. *See* Response to Staff's Production Request No. 3. The actual capacity payment amount that the Facility will receive depends on its actual generation, instead of its nameplate capacity rating.

Capacity Payment Eligibility

Staff is confident that the project has contributed to meeting the Company's need for capacity during the term of the original 1985 contract and should receive capacity payments in the proposed PPA for generation for the first 2.70 MWh each hour from the Facility.

This QF was paid for capacity at the end of the original contract term, and according to Commission Order No. 32697, a QF only receives compensation for capacity when the utility is capacity deficient, unless it is a renewal/extension project that was paid for capacity at the end of the original contract. In addition, during the QF's original contract term the Company has added significant resources to meet its capacity deficiencies, which also qualifies it for immediate capacity payments as in Case Nos. IPC-E-19-04, IPC-E-19-30, and IPC-E-19-35.

Avoided Cost Rates

The proposed PPA allows immediate capacity payments each hour up to 2.70 MWhs, while generation amounts in excess of 2.70 MWhs would not receive capacity payments until

2029, the first deficit year. Staff looked at historical generation from the facility and did not see an indication that the Facility would exceed the 2.70 MWh hourly cap as proposed. *See* Response to Staff Production Request No. 2. Staff recommends approval of the PPA and Exhibits as filed. These rates are fair and reasonable and are based on Commission approved published rates.

<u>90/110 Rule</u>

The 90/110 Rule requires the seller of a qualifying facility to provide utilities with a monthly estimate of the amount of energy the seller expects to produce. If the seller 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 seller delivers less than 90 percent of the estimated amount, then the utility must buy total energy delivered for the lesser of 85 percent of the market price or the contract price. *See* Order No. 29632 at 20.

Staff confirmed the PPA contains the 90/110 Rule as required by Commission Order No. 29632 and believes that the advanced notice provisions and market prices used for determining prices outside of the 90/110 band are reasonable.

Advanced Notice

The PPA uses a 10-day advanced notice to revise future monthly estimates. If the Company develops a web-based or other electronic noticing or scheduling system for the Seller to provide estimates, the timeframe will be revised to a 5-day advanced notice. Staff believes any timeframe between a month in advance and 5 days in advance is reasonable. The Commission allowed a month-ahead timeframe in Order No. 33103, which states:

> The intent of a QF providing generation estimates has always been to assist the utility in forecasting and operational planning so that the utility can provide the most reliable service possible to its customers. We find that a provision allowing for monthly generation estimate updates is consistent with that purpose.

Later, the Commission also allowed a 5-day timeframe in several cases, recognizing that monthly estimates provided closer to the time of delivery can improve the accuracy of input used for short-term operational planning. *See* Order Nos. 34263 and 34870.

Market Prices

The Company uses Palo Verde Hub to establish market prices for the purpose of the 90/110 Rule. Staff believes the Company's determination of market prices is fair and reasonable.

Two Sets of Avoided Cost Rates

Prior to the first deficit year, the Company has proposed to use a Weighted-Average Conforming Energy Purchase Price based on two sets of rates, one with immediate capacity payments and one without, as the contract price when comparing to market price when energy production is outside the 90/110 band. Staff recommends approval of this methodology.

<u>Long-Range Forecasting</u>

The Seller agrees to provide an annual update to the 12 X 24 generation profile described in Section 6.7.1 of the PPA. Although the Commission does not require 12 X 24 generation profiles for contracts that use published rates, Staff does not oppose this provision agreed upon by the parties.

<u>Interconnection Agreement</u>

The Seller and the Company are in the process of securing a new stand-alone generation interconnection agreement that will replace the interconnection provisions in the expiring PPA. This generation interconnection agreement is required before the PPA becomes effective. Staff recommends it be filed in this case when executed.

STAFF RECOMMENDATION

Staff recommends:

a. The Commission approve the agreed upon PPA and exhibits as filed;
b. The executed stand-alone generation interconnection agreement be filed with the Commission; and
c. The Commission approve the PPA and find that the avoided cost prices set forth in the PPA are prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 29th day of July 2021.

Erick Shaner
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29th DAY OF JULY 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-21-14, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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