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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER'S )  
PETITION FOR APPROVAL OR DENIAL OF ) CASE NO. IPC-E-19-35  
AN ENERGY SALES AGREEMENT WITH )  
LITTLE WOOD IRRIGATION DISTRICT )  
FOR THE SALE AND PURCHASE OF ) COMMENTS OF THE  
ELECTRIC ENERGY FROM THE LITTLE ) COMMISSION STAFF  
WOOD RIVER RESERVOIR HYDRO )  
PROJECT )**

**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 November 8, 2019, Idaho Power Company ("Idaho Power" or "Company") filed an Application requesting consideration of an Energy Sales Agreement ("ESA" or "Agreement") with Little Wood Irrigation District ("Little Wood") for energy generated by the Little Wood River Reservoir Hydro project ("Facility"). The Facility is a 2.85 megawatt ("MW") nameplate capacity hydro facility near Carey, Idaho. The Facility is a qualifying facility ("QF") under the Public Utility Regulatory Policies Act of 1978. The Facility has a scheduled First Energy Date under the ESA of March 1, 2020.

The Agreement contains published non-seasonal, non-levelized hydro avoided cost rates for a 20-year term. The ESA would replace an existing power sales agreement between the Company and Little Wood dated August 17, 1984, which expires February 29, 2020.

The Company requests the Commission declare all payments for purchases under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

## **STAFF REVIEW**

Staff recommends approval of the proposed ESA between Idaho Power and Little Wood. Staff's review is focused on: 1) the 90/110 rule with at least five-day advanced notice for adjusting Estimated Net Energy Amounts; 2) the eligibility for and the amount of capacity payments; 3) the non-seasonal hydro rates; and 4) requirements for Designated Network Resource ("DNR") status.

### 90/110 Rule

QFs provide a monthly estimate of the amount of energy they expect to produce. If the QF delivers more than 110 percent of the estimated amount, energy delivered in excess of 110 percent is priced at the lesser of 85 percent of the market price or the contract price. If the QF delivers less than 90 percent of the estimated amount, total energy delivered is priced at the lesser of 85 percent of the market price or the contract price. Order No. 29632. Staff verified that this provision is included in the ESA.

The ESA adopted a five-day advanced notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. The Commission has approved a five-day revision to monthly generation estimates in previous cases, recognizing that Estimated Net Energy Amounts that are closer to the time of delivery can improve the accuracy of input used by the Company for short-term operational planning. *See* Case Nos. IPC-E-19-01, IPC-E-19-03, IPC-E-19-04, IPC-E-19-07, and IPC-E-19-12. The Facility has been generating energy since 1985, and the Company has a long generation history for the QF. Staff believes a five-day advanced notice is appropriate.

## Capacity Payment

There are two issues Staff analyzed regarding eligibility of capacity payments for the Facility. The first issue deals with whether or not the QF is eligible for immediate capacity payments for the full term of the contract. The second issue deals with a change in the nameplate capacity of the Facility included in the original ESA as compared to the lower nameplate capacity stated in the renewal contract. Based on its analysis, Staff believes the Facility should be granted immediate capacity payments for all generation during the full term of the replacement contract.

In Order No. 32697, the Commission stated 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 includes immediate payment of capacity.” Although the original contract did not contain a capacity payment, Staff believes the Facility should be granted capacity payment for the full term of the replacement contract, as was granted by the Commission to the Black Canyon #3 project in Order No. 34295.

Similar to the Black Canyon #3 project, the Facility in its original contract included avoided cost rates without a capacity payment as determined in Order No. 18190, effective September 1, 1983, because the Company was, at that time, energy constrained and not capacity constrained. Since about the year 2000, the Company has added significant amounts of capacity such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Company went through those multiple capacity deficiency periods during this Facility’s initial 35-year contract term, Staff is confident that the project has contributed to the Company’s need for capacity and should be eligible for immediate payment for avoided capacity with the renewal of the contract.

Additionally, Staff notes that the total nameplate capacity in the renewal ESA has changed from the original ESA. The nameplate capacity stated in the renewal ESA is 2,850 kW, which is less than the nameplate capacity of 3,000 kW stated in the original contract. Because the updated amount is less than the amount the Company has included for purposes of resource planning, the Company should have avoided the cost of new capacity additions by at least the smaller amount. Thus, Staff believes the Facility should be granted capacity payments for all generation produced by the Facility. Had the nameplate capacity increased instead of decreased,

Staff believes that the amount of the increase would not have been eligible for capacity payments until the Company becomes capacity deficient.

#### Non-Seasonal Hydro Rates

Parties in this case chose to use non-seasonal rates for this project. A "seasonal hydro" project is a hydro generation facility that produces at least 55% of its annual generation during the months of June, July, and August. Order No. 32802. Although the monthly generation estimates show this project has potential to produce over 55% of its annual generation during the summer months, the parties still agree to use non-seasonal rates, because the historical generation record shows "the QF would not comply with the requirements of an ESA containing seasonal hydro published avoided cost prices on an ongoing basis without making changes to the operation of the Facility." The Company's Response to the First Production Request of Commission Staff. Staff verified that the proposed non-seasonal rates are correct and comply with Order No. 34350.

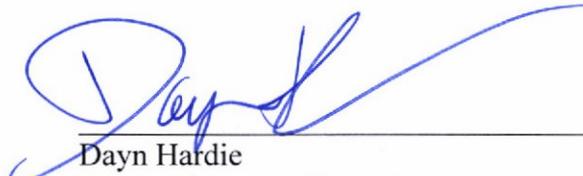
#### Designated Network Resource (DNR)

The original contract contained an incomplete sentence that described the continued DNR status. The Company added a portion to the sentence to make it complete in replacement page 39 of Appendix B. The new sentence states "[t]he DNR status will continue if this Agreement is 1) executed and approved by the Commission; 2) a General Interconnection Agreement ("GIA") has been executed by both parties; and 3) the Seller is in compliance with all requirements of that GIA." Staff believes it is reasonable and acceptable.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission approve the ESA and declare Idaho Power's payments to Little Wood for the purchase of energy generated by the Little Wood River Reservoir Hydro project under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 13<sup>th</sup> day of January 2020.



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Dayn Hardie  
Deputy Attorney General

Technical Staff: Yao Yin

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13<sup>TH</sup> DAY OF JANUARY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-19-35, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY