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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-20-37**  
**APPROVAL OR REJECTION OF AN )**  
**ENERGY SALES AGREEMENT WITH THE )**  
**CITY OF POCA TELLO ) COMMENTS OF THE**  
**) COMMISSION STAFF**  
**)**

The Staff of the Idaho Public Utilities Commission (“Staff”) comments as follows on Idaho Power Company’s Application.

**BACKGROUND**

On November 12, 2020, Idaho Power Company (“Company”) asked the Commission to approve or reject the Company’s proposed Energy Sales Agreement (“ESA”) with the City of Pocatello, Idaho (“Seller”) for the energy generated by the Pocatello Waste Project (the “Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

The Company and Seller entered the ESA, which was signed by the Seller on November 5, 2020 and by the Company on November 9, 2020. The ESA is a replacement agreement for a previous energy sales agreement with the Company that was executed on April 24, 1985 and expires on December 31, 2020.

Under the ESA, the Seller would sell the energy generated by the Facility to the Company at published non-levelized, “Other” avoided cost rates as set by Order No. 34683 for a 20-year term. The Company states the replacement ESA contains capacity payments for its entire term, with no sufficiency period.

The Company requests the Commission issue an order approving or rejecting the ESA and, if approved, declaring all payments for the purchases of energy under the proposed ESA to be allowed as prudently incurred expenses for ratemaking purposes.

Since the Application was filed, updated and corrected Monthly Estimated Net Energy Amounts on page 16 of the ESA have been provided by the Seller to the Company, and a clerical error was discovered on page 50 of the ESA. On December 8, 2020, the Company filed replacement pages of page 16 and page 50 of the ESA.

## **STAFF REVIEW**

Staff recommends approval of the proposed ESA between the Company and Seller. Staff’s recommendation is based upon its review of the ESA, which was focused on: 1) the 90/110 rule with at least five-day advanced notice for adjusting Estimated Net Energy Amounts; 2) eligibility for and the amount of capacity payments; and 3) verification of avoided cost rates.

### 90/110 Rule and 5-Day Advanced Notice for Adjusting Estimated Net Energy Amounts

Staff confirmed the ESA contains the 90/110 Rule as required by Order No. 29632. The 90/110 Rule requires a QF to provide utilities with a monthly estimate of the amount of energy the QF expects to produce. If the QF 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 QF 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 also confirmed the ESA requires the Seller to give the Company five-day advanced notice if the Seller wants to adjust its Estimated Net Energy Amounts for purposes of complying with the 90/110 Rule. Staff believes this timeframe is reasonable and appropriate.

The Commission has approved five-day notice in other cases because the Company can more accurately plan its short-term operations if the QF submits its Estimated Net Energy Amounts closer to when the QF delivers energy to the Company. *See, e.g.,* Case Nos.

IPC-E-19-01, IPC-E-19-03, IPC-E-19-04, IPC-E-19-07, and IPC-E-19-12. These cases involved existing QFs with ample historical generation data.

While five-day notice is appropriate, longer notice could sometimes benefit the Company. For example, if a project were to give month-ahead notice before adjusting an estimate, then the Company's month-ahead planning could capture that adjustment. Under a five-day timeframe, the Company's month-ahead planning for that month would not capture that adjustment. Here, the Company expressed, through an August 4, 2020 e-mail, that the benefits of more accurate monthly estimates in short-term operations provided by the five-day notice outweigh the need for month-ahead adjustments of monthly estimates, even for new projects that lack historical generation data. Staff concurs, and believes a five-day advanced notice is appropriate for all projects.

On the original page 16 of the ESA, the monthly generation estimate is 200 kWh each month. Staff believed this to be an error, which the Company corrected through a replacement page that shows the new monthly generation estimate is 162,000 kWh each month, which results in an annual amount of 1,944,000 kWh. This annual amount more realistically aligns with the potential capacity and the amount of generation that can be produced by the facility. The Company uses these monthly amounts as the standard to determine compliance with the 90/110 Rule. However, the Seller can modify the monthly amounts five days in advance of the delivery month to adjust the standard on an ongoing basis.

#### Capacity Payment

In Order No. 32697, the Commission stated that, “[i]f 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 ESA 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 Case No. IPC-E-19-04.

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, 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. The Facility's capacity has not changed since 1993 or 1994. Because the Company went through those multiple capacity deficiency periods since 1993 or 1994, Staff is confident that the Facility has contributed to meeting the Company's need for capacity.

In addition, the amount of capacity remains unchanged in the proposed ESA. Therefore, Staff believes the Facility should be granted capacity payments for its entire capacity amount over the full term of the proposed ESA.

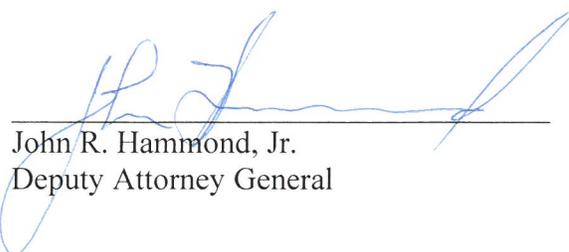
#### Verification of Avoided Cost Rates for the "Other" Category

Because the Facility is operated by methane gas from the Pocatello Wastewater Treatment Plant, the parties use avoided cost rates for the "Other" category. Staff reviewed the avoided cost rates in the proposed ESA and verified that the proposed rates are correct except for a mistake for year 2041.<sup>1</sup> Although this is beyond the contract term, in case of a future contract extension with circumstances that justify an extension of the current rate schedule, the Company submitted a replacement page that corrected the mistaken rate.

#### **STAFF RECOMMENDATIONS**

Staff recommends the Commission approve the ESA. Staff also recommends the Commission declare the Company's payments to the Seller for the purchase of energy generated by the Facility under the ESA with the replacement pages be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this  day of December 2020.

  
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John R. Hammond, Jr.  
Deputy Attorney General

Technical Staff: Yao Yin  
Bentley Erdwurm

i:umisc:comments/ipce20.37jhyybe comments

<sup>1</sup> The term of the proposed ESA is from 2021 through 2040.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16<sup>TH</sup> DAY OF DECEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-20-37, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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CERTIFICATE OF SERVICE