



Idaho Public Utilities Commission

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IDAHO PUBLIC
UTILITIES COMMISSION

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Jan Noriyuki
Commission Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd.
Building 8 Suite 201A
Boise, ID 83714

**Re: CASE NO. PAC-E-20-10
IN THE MATTER OF THE APPLICATION FOR APPROVAL OR REJECTION
OF A POWER PURCHASE AGREEMENT BETWEEN PACIFICORP AND
FALL RIVER ELECTRIC COOPERATIVE, INC.**

Attention: Ms. Noriyuki

Please find enclosed for filing a stipulation between the parties resolving all issues in the above-referenced matter addressing capacity payments.

DATED at Boise, Idaho, this *13th* day of October 2020.

Dayn Hardie
Deputy Attorney General

Enclosure

Cc: Parties of Record

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION FOR APPROVAL OR) CASE NO. PAC-E-20-10
REJECTION OF A POWER)
PURCHASE AGREEMENT) STIPULATION
BETWEEN PACIFICORP AND FALL)
RIVER ELECTRIC COOPERATIVE,)
INC.)

This stipulation (“Stipulation”) is entered into by and among Rocky Mountain Power, a division of PacifiCorp (“Company”), Staff of the Idaho Public Utilities Commission (“Staff”), and Fall River Electric Cooperative, Inc. (“Fall River”). The Stipulation refers to the Company, Staff, and Seller individually as “Party,” and collectively, as the “Parties.”

I. INTRODUCTION

The terms and conditions of this Stipulation are set forth below. The Parties agree this Stipulation represents a fair, just, and reasonable compromise of all issues raised in this proceeding, and that this Stipulation is in the public interest. The Parties, therefore, recommend that the Idaho Public Utilities Commission (“Commission”) approve the Stipulation and the terms and conditions herein. *See* IDAPA 31.01.01.272 and 274.

II. BACKGROUND

1. On June 9, 2020, the Company submitted an Application for an order approving or rejecting a Power Purchase Agreement ("Agreement") with 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 under the Public Utility Regulatory Policies Act of 1978.

2. 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.

3. 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. Based on these responses, Staff determined it would need additional time to sort out its position on capacity payments described in the Agreement.

4. 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.

5. 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.

6. 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.

7. On September 22, 2020, an email was distributed to the Commission Secretary and 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 received by Fall River for generation from the Facility. Based upon these settlement discussions, and as a compromise of the Parties' positions in this proceeding, and for other good and valuable consideration, the Parties have reached a comprehensive settlement agreement.

8. At the Commission's September 25, 2020 Decision Meeting, Staff asked the Commission to vacate the comment deadlines established by Order No. 34760 and issue an order establishing a new comment deadline to allow additional time for the Parties to finalize the Stipulation and submit comments in support of the Stipulation. On October 6, 2020, the Commission issued Order No. 34806 establishing an October 22, 2020 comment deadline in this case.

III. TERMS OF THE STIPULATION

Substantive Terms of the Stipulation

9. The Parties request that the Commission issue an order to amend the Agreement submitted with the Company's Application to resolve the following issues: (1) limit capacity payments for generation of electricity from the Facility to amounts that it has historically generated at Powerhouse #2, while withholding capacity payments for any incremental generation until January 1, 2028;¹ (2) determine the contract rate used to compare against 85% of the Non-Firm Market Price for payment of non-conforming energy; (3) apply the proper discount to the firm market price used by Company to convert it to a Non-Firm Market Price for determination of appropriate rates for non-conforming energy; and (4) correct Exhibit K of the Agreement,

¹ See Order No. 33917 which describes the Company's next capacity deficiency date for SAR-based avoided costs calculations.

changing the term “Mid-C-85” to “PV-85” to reflect the use of the Palo Verde Hub for determining the firm market price.

10. The Parties propose that upon the Commission’s final order declaring the avoided cost rates, as described herein, as just and reasonable and in the public interest, the Company and Fall River will enter into an amended agreement that includes the terms set forth in this Stipulation (“Amended Agreement”) which the Company will submit to Staff for verification through a compliance filing by November 13, 2020.

11. The Parties agree that from April 1, 2021, the date sales are to commence under the Amended Agreement, through December 31, 2027 the Company will pay Fall River for the avoided cost of capacity and the avoided cost of energy for energy generated by the Facility in each hour up to the capacity payment limit of 5,100 kilowatt-hours (“kWh”) and the Company will pay Fall River the avoided cost of energy only for energy delivered hourly in excess of 5,100 kWhs.

12. The Parties agree the Company will pay Fall River for the avoided cost of capacity and the avoided cost of energy for *all* generation from the Facility beginning January 1, 2028 through the end of the 20-year term of the Amended Agreement.²

13. The Parties agree that the energy and capacity rates in the Amended Agreement will be calculated based on the published rates approved by the Commission in Order No. 34350, effective June 1, 2019 to May 31, 2020.

14. For purposes of determining which rate to pay for Non-Conforming Energy (if any) delivered in each month subject to the 90/110 firmness requirements, the Parties agree to determine

² Qualifying Facilities in Idaho with published rate contracts currently start receiving capacity payments for the entire year during the year when the capacity deficiency date occurs.

whether to use 85% of the Non-Firm Market Price or the Conforming Energy Purchase Price by calculating a Weighted-Average Conforming Energy Purchase Price for the Conforming Energy Purchase Price. The Parties further agree that the “Weighted-Average Conforming Energy Purchase Price” will be calculated by taking the revenue that would have been earned by the Facility in a given month as if all energy was Conforming Energy divided by the total energy generated by the Facility for that month. (*See* Attachment A, for examples of the calculation of the “Weighted-Average Conforming Energy Purchase Price”).

15. The Parties agree that for the special case when the 85% of the Non-Firm Market Price is lower than the Weighted-Average Conforming Energy Purchase Price and Fall River’s generation for a given month exceeds the 110% threshold for purposes of the 90/110 firmness requirements, the rate that will be applied for all generation from the Facility during the month will use a weighted-average rate between the Weighted-Average Conforming Energy Purchase Price and 85% of the Non-Firm Market Price weighted by the amount of generation below and above the 110% upper threshold, respectively. (*See* Attachment A, Scenario 5, for example of payment calculations).

16. The Parties agree the monthly firm market Palo Verde market price will be discounted by 82.4% to arrive at the Non-Firm Market Price for purposes of 90/110 firmness requirements.

17. The Parties agree that Exhibit K of the Agreement referring to the use of Mid-C-85 as the source of the market price for purposes of the 90/110 firmness requirements will be changed to PV-85 to correctly reflect the use of the Palo Verde Hub in the Amended Agreement.

18. All of the agreements contained in this Stipulation are conditioned on and subject to compliance with all other contract terms contained within the original Agreement and carried over to the Amended Agreement.

General Terms and Conditions

19. The Commission's Rules of Procedure 248—IDAPA 31.01.01.248—authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result IDAPA 31.01.01.276. While the Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

20. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

21. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and to the other Parties to this proceeding, within 15 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party will be bound or prejudiced by the terms of this Stipulation, and each Party will be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to present a case as it deems appropriate. The Parties agree that if a Party exercises its right to withdraw under this paragraph as a result of such Commission

action, the original application and Agreement will remain pending as submitted by PacifiCorp for further comment and Commission consideration as was the case prior to execution of this Stipulation.

22. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same or a Commission order approving the same shall in any manner be argued or considered as precedential in any future case except with regard to issues expressly called-out and resolved by this Stipulation. This Stipulation does not resolve and does not provide any inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called-out and settled herein. Nothing in this Stipulation shall be construed to modify or supersede existing settlement agreements entered by or among parties to this Stipulation.

23. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Stipulating Party will use its best efforts to support the terms and conditions of this Stipulation. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Stipulating Party shall take a position in that judicial review proceeding in opposition to the Stipulation.

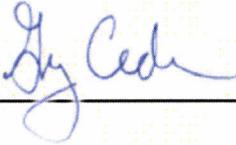
24. The Parties agree that a hearing is not necessary and respectfully request that this Stipulation be processed under Modified Procedure, i.e., by written submissions rather than by hearing, pursuant to the timeline already established by the Commission in Order No. 34806. IDAPA 31.01.01.201 *et. seq.* The Company, and Staff will, and Fall River may, file testimony or comments to explain and offer further support for this Stipulation.

Respectfully submitted this 3rd day of October 2020.

Rocky Mountain Power

By 

Fall River Electric Cooperative

By 

Idaho Public Utilities Commission Staff

By 

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

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
3	9	9	0	100	50
4	9	9	0	90	40
5	10	10	0	90	40
6	12	10	2	90	40
7	9	9	0	90	40
8	8	8	0	100	50
9	12	10	2	100	50
10	10	10	0	100	50
Total	96	92	4		

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

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 13th DAY OF OCTOBER 2020, SERVED THE FOREGOING **STIPULATION**, IN CASE NO. PAC-E-20-10, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

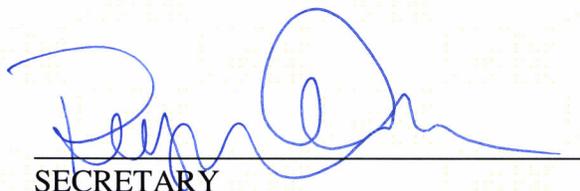
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SECRETARY