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April 8, 2013

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. GNR-E-11-03  
PURPA SAR and IRP Methodologies – Idaho Power Company's Reply  
Comments on Reconsideration

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Reply Comments on Reconsideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Julia Hilton", with a long horizontal flourish extending to the right.

Julia A. Hilton

JAH:csb  
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S )	
REVIEW OF PURPA QF CONTRACT )	CASE NO. GNR-E-11-03
PROVISIONS INCLUDING THE )	
SURROGATE AVOIDED RESOURCE )	IDAHO POWER COMPANY'S
(SAR) AND INTEGRATED RESOURCE )	REPLY COMMENTS ON
PLANNING (IRP) METHODOLOGIES FOR )	RECONSIDERATION
CALCULATING AVOIDED COST RATES. )	
_____ )	

Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits to the Idaho Public Utilities Commission ("Commission") its Reply Comments on the reconsideration of the canal drop hydro definition and the resource-specific capacity factors of the Surrogate Avoided Resource ("SAR") methodology for canal drop hydro and the other categories.

**I. INTRODUCTION**

On February 5, 2013, the Commission issued its Order on Reconsideration in the above-captioned case. Order No. 32737. This Order was a final order as to some issues, and either granted or denied reconsideration and clarification as to some issues.

The Commission directed the parties to file comments by March 25, 2013, and reply comments by April 8, 2013, regarding the issues raised on reconsideration and clarification regarding canal drop hydro and the resource-specific capacity factors utilized in the SAR methodology. Order No. 32737 at 3-4.

Idaho Power, Commission Staff ("Staff"), the Renewable Energy Coalition ("REC"), and Twin Falls Canal Company, North Side Canal Company, Big Wood Canal Company, and American Falls Reservoir District No. 2 filed Comments on March 25, 2013. Idaho Power is mainly in support of Staff's Comments and greatly appreciates the thorough analysis contained therein. As more fully explained below, Idaho Power supports Staff's recommendation for the terminology changes, although Idaho Power believes that it is appropriate to use the months of June, July, and August for this definition. Idaho Power agrees with Staff's analysis on the peak hour period and the 90<sup>th</sup> percentile capacity factor. Idaho Power believes the Commission should use the data set presented in Idaho Power's Comments on Reconsideration in calculating Equivalent Forced Outage Rates ("EFOR") as an accurate reflection of forced outage rates for current Qualifying Facility ("QF") projects.

## **II. DEFINITION OF CANAL DROP HYDRO**

Staff proposed the use of the term "seasonal hydro" in place of "canal drop hydro" and "non-seasonal hydro" in place of "hydro." Idaho Power supports this change in terminology as a more accurate reflection that the difference in valuing these types of power deliveries is based upon their seasonal nature. The Company agrees with Staff that the important distinction is not necessarily a project's source of water but whether it generates and delivers energy "during the season of the year when capacity is most

valuable to the utility.” Staff Comments at 2-3. Staff also proposes that the Commission define a seasonal hydro project as one that generates at least 90 percent of its average annual generation during the months of April through October. Staff Comments at 2. Idaho Power has proposed that the definition of a seasonal hydro project be one that produces at least 55 percent of its generation during June, July, and August. Idaho Power Comments at 6. The Company continues to advocate for these primary generation months because they are the months during which the Company has the greatest need, as demonstrated by its annual peak loads, which have historically occurred between June 23 and July 31. See Staff Comments at 5. Using Staff’s proposed definition of a seasonal hydro project as one that delivers 90 percent of its generation from April through October does not accurately reflect Idaho Power’s peak consumption period. Using the months of June, July, and August is still greater than the period Staff identified as the Company’s historical peak hour period of June 23 through July 31. Idaho Power believes that requiring a greater amount of generation in these three months instead of spreading it out over the months of April to October is most valuable to the utility and better reflects the time during which the utility has the greatest need.

Idaho Power is also supportive of Staff’s recommendation that a project be required to demonstrate compliance with the applicable definition in its first year, with adjustment of rates retroactively if a project fails to comply. Staff Comments at 3. However, the Company believes that this compliance test should occur annually for the full term of an Energy Sales Agreement (“ESA”). If a project does not meet the test, Idaho Power believes it is appropriate to recalculate the previous year’s payments

based on non-seasonal hydro rates, with any overpayment being collected back from the project in the next 12 month period. In addition, if the project fails to meet this requirement over three consecutive years, the avoided cost rates within the ESA will be adjusted to reflect non-seasonal hydro rates for the remaining term of the ESA.

### **III. CAPACITY FACTORS FOR CANAL DROP HYDRO AND OTHER**

Idaho Power is appreciative of Staff's extensive review of the issues and data surrounding the capacity factor. The Company believes that Staff's analysis addresses any deficiencies identified by other parties. Staff's analysis results in a proposal that the peak-hour period consist of the hours between 3 p.m. and 8 p.m. on June 23 through July 31. Staff Comments at 5. Idaho Power concurs that this is a reasonable conclusion based upon the data.

Idaho Power also notes that Staff agreed with the use of the 90<sup>th</sup> percentile capacity factor as appropriate. Staff Comments at 4. In support of the 90<sup>th</sup> percentile capacity factor, Staff stated:

It is consistent with Idaho Power's IRP as Idaho Power uses 90<sup>th</sup> percentile water conditions for peak hour capacity planning in their IRP. Using a lower percentile capacity factor increases the probability that planned-on capacity will not be available when needed. Staff believes that the 90<sup>th</sup> percentile capacity factor minimizes this risk. If, instead, a 50<sup>th</sup> percentile capacity factor (the median) was used, then half of the time, planned-on capacity would not actually be available during peak hours.

*Id.* The Company believes that peak hour capacity factors presented in its Comments on Reconsideration are an appropriate calculation; however, when Staff's extensive calculations are coupled with the proposed definition of seasonal hydro, Idaho Power

would also concur that Staff's recommended peak hour and annual capacity factors are reasonable.

REC's Comments question whether an adjustment for seasonality is necessary when capacity factors are used. REC Comments at 2-3. The currently approved SAR avoided cost model produces annual published avoided cost values. The purpose of the seasonal and time of day adjustments to these published avoided cost values is to accurately reflect the value of the energy to Idaho Power based upon the time of year and time of day. These adjustments are consistent with prior Commission orders that established seasonal and time-of-day adjustments and should be retained. Seasonality and heavy and light load adjustments are not required in the recently approved incremental cost Integrated Resource Plan methodology because this model produces individual monthly heavy and light load prices which are then reflected in the ESA with a particular QF. Idaho Power believes that both are necessary in order to more precisely value the energy for the utility.

Staff's Comments also appear to introduce an adjustment to an input within the SAR model: spreading the annual fixed operations and maintenance ("O&M") cost of a proxy resource over the expected generation of the QF resource. See Staff Comments at 2. With this adjustment, if the specific QF project achieves the same capacity factor as assumed for the generic QF resource type, the QF project via payments per kilowatt-hour of production would receive the full annual fixed O&M costs as estimated for the proxy resource. Idaho Power does not disagree that the fixed O&M cost of the proxy resources when using the SAR avoided cost model is part of the proxy resource avoided cost. However, if a specific QF project does not perform at the same capacity

factor of the generic resource's capacity factor, the QF project will receive a fixed O&M payment that either exceeds or is less than the proxy resource's estimated annual fixed O&M costs. This risk of over- or under-payment is a potential downside of using the SAR proxy resource avoided cost model. To help minimize this risk of potential over- or under-payment to a QF project, the Company believes it is very important to have accurate definitions of the various QF resource types so that only projects with similar annual and peak hour capacity factors will be eligible for the same avoided cost rate schedules.

Staff has proposed a different peak hour capacity factor be applied to other QF resource types. Staff Comments at 7. Staff's proposal is different, although similar, to the Company's proposal. The basic data used to create Staff's proposed peak hour capacity factor, which is set forth in Staff's Attachment 4, is consistent with the Northwest Power and Conservation Council's data on EFOR, which is the data Idaho Power used in making its recommendation. See Idaho Power Comments at 9. Staff appears to have selected five QF resource types and averaged the individual values to arrive at Staff's proposed values. Idaho Power's proposal for a 92 percent peak hour capacity factor for other projects (92 percent, being 100 percent less a forced outage rate of 8 percent) is consistent with Attachment 4 to Staff's Comments and the Northwest Power and Conservation Council's data on EFOR. Idaho Power believes the use of the 8 percent forced outage rate (resulting in a 92 percent peak hour capacity factor) is appropriate because the majority of other recent projects that have been developed and are being proposed to Idaho Power have been landfill gas and animal manure energy recovery (digesters) projects, which have an 8 percent EFOR, although

the Company notes there is potential for development of other resource types listed in Attachment 4 to Staff's Comments.

#### **IV. CONCLUSION**

For the reasons set forth above, Idaho Power concurs with Staff's request that the Commission replace "canal drop hydro" with "seasonal hydro" and "hydro" with "non-seasonal hydro." The Company also requests that the Commission use the months of June, July, and August for this definition as set forth in Idaho Power's Comments. Idaho Power requests that the Commission apply Staff's recommendation for the peak hour period and the 90<sup>th</sup> percentile capacity factor for seasonal hydro projects. Further, with regard to capacity factors for other projects, Idaho Power asks that the Commission direct the use of a 92 percent peak hour capacity factor and an 88 percent annual capacity factor.

Respectfully submitted this 8<sup>th</sup> day April 2013.

  
\_\_\_\_\_  
JULIA A. HILTON  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 8<sup>th</sup> day of April 2013 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS ON RECONSIDERATION upon the following named parties by the method indicated below, and addressed to the following:

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