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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 APPROVAL )	CASE NO. IPC-E-10-45
OF A FIRM ENERGY SALES AGREEMENT )	
WITH SE HAZELTON A, L.P. FOR THE SALE )	COMMENTS OF THE
AND PURCHASE OF ELECTRIC ENERGY. )	COMMISSION STAFF
)	

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 32157 on January 10, 2011, in Case No. IPC-E-10-45, submits the following comments.

### BACKGROUND

On December 10, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 15-year Firm Energy Sales Agreement (Agreement) between Idaho Power and SE Hazelton A, L.P. (Hazelton) dated December 8, 2010. The Application states that Hazelton would sell and Idaho Power would purchase electric energy generated by the Hazelton A Hydroelectric Project (Facility) located near Jerome, Idaho.

The Application states that Hazelton has, in compliance with an *existing* agreement approved by the Commission in February 1989 (Order No. 22326), designed, constructed, installed,

owns, operates and maintains an 8.1 MW hydroelectric generating facility.<sup>1</sup> The present Agreement has been negotiated to replace the existing agreement which expired on December 31, 2010. Idaho Power warrants that the Agreement comports with the terms and conditions of the various Commission Orders applicable to PURPA agreements (Order Nos. 30415 and 31025).

The Agreement contains the current non-levelized published avoided cost rates established by the Commission in Order No. 31025 for energy deliveries of less than 10 average megawatts ("aMW"). The nameplate rating of the Facility is 8.1 MW. Hazelton has elected January 1, 2011, as its First Energy Date and Scheduled Operation Date.

Since this Facility is already interconnected and operating under its existing agreement, the processing to attain the First Energy and Scheduled Operation Date under this Agreement will include review and either acceptance or updating of previously provided documentation as well as any new requirements as specified by this Agreement. Application at 4. The Application states that, should the Commission approve the Agreement, Idaho Power intends the effective date of the Agreement to be January 1, 2011.

Idaho Power maintains that the Facility is in compliance with the Company's current Tariff Schedule 72 and interconnection and transmission processes. Even though the Facility will continue to utilize its existing interconnection and transmission facilities and capacity, Idaho Power will require completion of a Generator Interconnection Agreement (GIA) and Transmission Service Requests (TSR) in order to bring the Facility up-to-date with Idaho Power's current tariffs and processes. Hazelton and Idaho Power have agreed to liquidated damages and security provisions of \$45 per kW of nameplate capacity. Agreement, ¶¶ 5.3.2, 5.8.1.

By its own terms, the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declares that all payments made by Idaho Power to Hazelton for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

## **STAFF ANALYSIS**

As stated earlier, the Agreement submitted for approval is successor agreement to an earlier 20-year power sales agreement for the same facility that expired on December 31, 2010. The Hazelton A project has operated successfully for 20 years, and Staff has no reason to believe that it

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<sup>1</sup> Hazelton is an irrigation canal hydroelectric facility that generates power only during the irrigation season.

cannot continue to operate successfully for the proposed 15-year term of the new Agreement. The project is still certified as a Qualifying Facility under FERC rules; consequently, Staff believes that it is entitled to a new power sales agreement at published avoided cost rates.


Staff has reviewed the Agreement and confirms that it comports with all of the terms and conditions of the various Commission Orders applicable to PURPA agreements. The Agreement is substantially identical to other recently-approved contracts, and presents no new issues that merit discussion by Staff.

Although Idaho Power filed a Joint Petition with the Commission on November 5, 2010, seeking a reduction in the published avoided cost rate eligibility cap from 10 aMW to 100 kW<sup>2</sup>, Idaho Power does not believe that this Agreement should be impacted by that filing. Staff agrees. The Agreement was signed by Hazelton A on December 7, 2010 and by Idaho Power on December 8, 2010. Moreover, the filing of the Application seeking approval of the Agreement was prior to December 14, 2010, the effective date established by the Commission for its decision in Case No. GNR-E-10-04 on whether to grant the Joint Petition to reduce the published avoided cost eligibility cap.

## RECOMMENDATIONS

Staff recommends that the Commission approve all of the Agreement's terms and conditions and declare that all payments made by Idaho Power to Hazelton for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 31<sup>ST</sup> day of January 2011.

  
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Kristine A. Sasser  
Deputy Attorney General

Technical Staff: Rick Sterling

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<sup>2</sup> Case No. GNR-E-10-04.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 31<sup>ST</sup> DAY OF JANUARY 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-10-45, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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