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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE AMENDMENT TO)	
THE FIRM ENERGY SALES AGREEMENT)	CASE NO. IPC-E-13-07
BETWEEN IDAHO POWER COMPANY AND)	
CLARK CANYON HYDRO, LLC FOR THE)	COMMENTS OF THE
SALE AND PURCHASE OF ELECTRIC)	COMMISSION STAFF
ENERGY.)	
_____)	

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 Amendment and Notice of Modified Procedure issued in Order No. 32791 on April 17, 2013, in Case No. IPC-E-13-07, submits the following comments.

BACKGROUND

On May 20, 2011, Idaho Power Company (Idaho Power; Company) and Clark Canyon, LLC (Clark Canyon) entered into a Firm Energy Sales Agreement (Agreement) for the sale and purchase of electric energy from a 4.7 MW hydroelectric facility to be located near Dillon, Montana. On July 19, 2011, the Commission approved the Agreement without change or condition. *See* Order No. 32294. The Agreement contains a First Energy Date of November 1, 2012, and a Scheduled Operation Date of March 31, 2013.

Because the project failed to achieve its First Energy Date and its Scheduled Operation Date, on March 20, 2013, Idaho Power filed a Motion to Amend its Firm Energy Sales Agreement with Clark Canyon. The amendment extends the First Energy Date to November 30, 2013 and extends the Scheduled Operation Date to December 31, 2013. The amendment also adds a provision granting Idaho Power a first right of purchase should the facility be sold and provides for payment of liquidated damages and continued maintenance of delay security.

STAFF ANALYSIS

Idaho Power maintains that the avoided cost rates contained in the Agreement are substantially similar to the avoided cost rates that the project would receive if it entered into a new contract at today's rates. Idaho Power calculated the Net Present Value (NPV) of the estimated energy payments under the current contract as well as under a new contract at today's rates. Energy payments under the current contract are two percent higher in NPV terms than energy payments under a new contract.

However, the existing Agreement splits renewable energy credits equally between the Company and the project rather than assigning all of them to the project as would be required under a new contract. In addition, the amendment requires Clark Canyon to pay \$211,500 in delay liquidated damages. Idaho Power contends that these factors more than make up for the slightly higher NPV of the existing contract as compared to a new contract. Furthermore, Clark Canyon will maintain the posting of liquid financial security in the amount of \$211,500 with an expiration no sooner than April 30, 2014. Idaho Power asserts that the amendment is fair and equitable and in the public interest.

Staff performed an analysis similar to that of Idaho Power by calculating the NPV of the estimated energy payments under the current contract as well as under a new contract at today's rates. However, Staff used assumptions that differed slightly than those used by Idaho Power.¹ Staff's analysis indicated that the NPV of the energy payments under the current contract would be lower than the energy payments under a new contract. In other words, Staff found that the current contract would cost Idaho Power less than a new contract. The benefits of remaining with

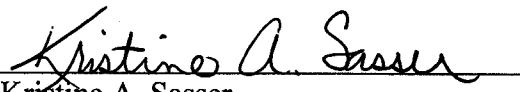
¹ Staff used a discount rate of 8.18% consistent with the rate used in the avoided cost rate model used to compute published avoided cost rates, rather than 7% used by Idaho Power. Staff also computed NPV beginning January 1, 2014, the assumed Scheduled Operation date for the project, rather than January 1, 2013 as used by Idaho Power. Staff also used actual monthly heavy and light load hours, rather than annual splits used by the Company. Finally, Staff computed NPV on a monthly basis, rather than an annual basis.

the current contract are enhanced by both the payment of delay liquidated damages and the value of ownership of half of the renewable energy credits.

RECOMMENDATIONS

Staff recommends that the Commission approve the amendments to the Agreement between Idaho Power and Clark Canyon and declare that all payments made by Idaho Power to Clark Canyon for purchases of energy be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 3RD day of May 2013.


Kristine A. Sasser
Deputy Attorney General

Technical Staff: Rick Sterling
Cathleen McHugh

i:umisc:comments/ipce13.7ksrpscm comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF MAY 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-13-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

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