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DONOVAN E. WALKER
Lead Counsel
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July 31, 2014

VIA HAND DELIVERY

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

Re: Case No. IPC-E-14-12
Eightmile Hydro Corporation Energy Sales Agreement – Idaho Power Company's Reply Comments

Dear Ms. Jewell:

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

Sincerely,

Donovan E. Walker

DEW:csb
Enclosures

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH EIGHTMILE HYDRO CORPORATION FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE EIGHTMILE HYDRO PROJECT.	)	CASE NO. IPC-E-14-12 IDAHO POWER COMPANY'S REPLY COMMENTS

Pursuant to Order No. 33063, Notice of Modified Procedure, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits its Reply Comments. With this Reply, the Company seeks Idaho Public Utilities Commission ("Commission") approval of the Energy Sales Agreement ("ESA" or "Agreement") as submitted and provides additional information related to the change from quarterly to monthly estimates of Net Energy Amounts in the Agreement.

I. BACKGROUND AND SUMMARY

On May 27, 2014, Idaho Power submitted an application seeking the Commission's review of a Public Utility Regulatory Policies Act of 1978 ("PURPA") ESA

between Idaho Power and Eightmile Hydro Corporation for the Eightmile Hydro Project ("Project"). The Project is a 360 kilowatt ("kW") Non-Seasonal Hydro energy facility to be located near Leadore, Idaho. The Project's Scheduled First Energy Date is August 15, 2014, and its Scheduled Operation Date is August 30, 2014.

On July 24, 2014, Commission Staff ("Staff") filed Comments. Staff reviewed the ESA and discussed the terms and conditions in the ESA that are new or differing from previously approved PURPA agreements. Staff recommends that all of the new and differing terms and conditions are acceptable except for the change from quarterly to monthly estimates of Net Energy Amounts in the Agreement. Consequently, Staff recommends that the Agreement be rejected.

Idaho Power respectfully disagrees with Staff and recommends that the Commission approve the ESA as submitted. The change that allows the Project to update its initial monthly Net Energy Estimates every month, rather than every three months, is a reasonable change that continues to preserve the existing "firmness" requirements of the 90%/110% provisions, while providing a more accurate estimate of monthly generation amounts to the Company.

II. APPLICATION AND COMMENTS

A. Application. As stated in the Application, this ESA is one of the first PURPA hydro ESAs submitted subsequent to the final Commission orders from the general PURPA proceedings that made many changes to avoided cost pricing and other contractual terms and conditions.

> This ESA is the first hydro-based agreement submitted to the Commission for approval that contains revised terms and conditions subsequent to the Commission's final and reconsideration orders from Case No. GNR-E-11-03. As

> such, the form of the ESA has several terms and conditions that vary from previously approved agreements in order to comply with the Commission's recent orders. In addition, Idaho Power and the Seller have agreed to changes in some provisions that the parties propose for Commission approval.

Application, p. 4, ¶ 10. The major changes incorporated in the ESA and summarized in the Application include:

> (a) Changed the definition of "Mid-Columbia Market Energy Cost" to replace reference to the Dow Jones index with reference to the Intercontinental Exchange (ICE) index and formula consistent with the proposed settlement in Case No. IPC-E-13-25. This change is relevant to the 90/110 performance requirement;
>
> (b) Added definitions and provisions, paragraphs 1.29, 1.38, 1.39, 3.4, and 7.6, to incorporate definitions of "Non-seasonal Hydro Facility" and "Seasonal Hydro Facility" as well as "Seasonal Hydro Facility Test Periods" to incorporate and maintain separate rates for Seasonal and Non-seasonal hydro facilities, and to ensure that Seasonal hydro projects perform within the requirement of generating 55 percent of their annual generation in the months of June, July, and August;
>
> (c) Removed the provisions providing for Delay Liquidated Damages and maintained provisions to provide for Delay Security and actual delay damages as provided for by the Commission's adoption of the partial stipulation in Commission Order No. 32697;
>
> (d) Changed Article VIII, "Environmental Attributes," to indicate that the Seller owns all Environmental Attributes or Renewable Energy Credits/Certificates;
>
> (e) Changed paragraph 6.2 to allow the Seller to adjust the "Initial Year Monthly Net Energy Amounts" on a monthly, rather than quarterly, basis. This change is contrary to the Commission's direction that requires Seller revisions to be submitted no sooner than "the end of month three and every three months thereafter." Order No. 29632, p. 23. However, with the proposed change, the Seller must still provide 12 months of estimated Net Energy Amounts, and still cannot revise the immediate three months of estimated Net Energy

> Amounts. However, the Seller can submit revisions on a monthly basis, rather than once every three months. A table was added to the ESA indicating both "Notification Month" and "Future monthly Net Energy Amounts eligible to be revised," primarily to provide clarity to the confusing nature of the Estimated Net Energy Amounts and a Seller's desire to update the same. Although this change varies from Order No. 29632, both Idaho Power and the Seller propose Commission adoption of this change. The Seller gains more clarity and flexibility in adjusting its estimated energy deliveries, and Idaho Power maintains the stability in the estimates necessary for its planning and operation;
>
> (f) Revised paragraph 12.4 relating to Scheduled Maintenance to give the Seller the option to claim maintenance will be scheduled at the same time each year with one notification, in order to eliminate the requirement of sending multiple notifications for maintenance that is scheduled for the same time every year; and
>
> (g) Several other more minor revisions were made, such as moving the list of pricing from paragraph 7.1 to Appendix E and F, adding clarifying terms in Article X relating to metering and SCADA telemetry, adding a definition for "Authorized Agent," and adding a provision in the forced outage definition providing for icing events in the facility's primary motive force water source.

Application, pp. 4-6, ¶ 10.

B. <u>Staff Comments</u>. Staff reviewed the ESA and discussed the terms and conditions in the ESA that are new or differing from previously approved PURPA agreements. Staff recommends that all of the new and differing terms and conditions are acceptable except for the change from quarterly to monthly estimates of Net Energy Amounts in the Agreement. Consequently, Staff recommends that the Agreement be rejected.

> Staff recommends that the proposed Agreement be rejected because it fails to comply with the requirements of Order No. 29632. Staff does not believe that Idaho Power provided adequate justification to carve out an exception to a prior

> Commission order. However, Staff believes that a separate proceeding, in which all utilities and interested parties can actively participate, would provide a good opportunity to discuss the benefits and detriments of Idaho Power's proposed modifications to the existing generation estimate requirements.
>
> However, if the parties to the Agreement wish to revise its 90/110 requirement so as to be consistent with Order No. 29632, Staff believes all other proposed changes from prior hydro contracts are acceptable.

Staff Comments, p. 9.

Staff's primary objection is that the provision that allows a project to update its initial year estimated Net Energy Amounts on a monthly rather than a quarterly basis is contrary to Order No. 29632, from the consolidated Case Nos. IPC-E-04-08 and IPC-E-04-10. Staff Comments, p. 5. These two cases were separate complaint proceedings filed against Idaho Power by U.S. Geothermal and Bob Lewandowski/Mark Schroeder, respectively. The cases were consolidated and Order No. 29632 is the final order resolving those matters. In addition, Staff lists out and numbers seven reasons that it opposes the change from quarterly to monthly revision of estimated New Energy Amounts. Staff Comments, pp. 5-6.

C. <u>Order No. 29632</u>. In the U.S. Geothermal/Lewandowski case, the Commission considered and addressed three main issues: (1) Regulatory Out Clause; (2) 10 MW Published Rate Eligibility Definition; and (3) Implementation of a 90-110% Performance Band. Order No. 29632, p. 4. With regard to the 90-110% requirements, the Commission ordered that a 90/110 performance band was a reasonable requirement to represent the "firmness" of the Qualifying Facility's ("QF") energy deliveries under its legally enforceable obligation "to deliver its monthly estimated

production." Order No. 29632, p. 20. The Commission directed that "energy delivered in excess of the 110% should be priced at 85% of the market or the contract price, whichever is less." *Id.* The Commission further directed that it was reasonable "when the QF fails to deliver 90% of the monthly commitment amount to price all delivered energy at 85% of the market price, or the contract rate, whichever is less." *Id.*

With regard to revision of the QF's generation estimates, the Commission set forth the following findings and directives:

> The Commission finds that it is reasonable and operationally expedient to require QFs to provide Idaho Power with monthly kWh production estimates. The estimate amount is the QF's generation delivery commitment. It is the monthly production estimate that will be used in the 90/110 performance band. The Commission finds it reasonable to provide more frequent opportunities to revise generation estimates than proposed by the Company. We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate. QFs shall initially provide Idaho Power with one year of monthly generation estimates and beginning at the end of month nine and every three months thereafter provide the Company with an additional three months of forward estimates. QF opportunities for estimate revisions begin at the end of month three and every three months thereafter for the forward period beginning the fourth month out through the end of the estimate period. For planning purposes, following the first year the Company on a rolling basis will always have six months of QF production estimates.

Order No. 29632, pp. 22-23.

D. <u>Idaho Power Comments</u>. At the time of the proceedings for the U.S. Geothermal/Lewandowski complaints, during 2003, Idaho Power purchased about 75 average megawatts ("aMW") of QF generation from facilities with a nameplate capacity under contract of 182 MW. Order No. 29632, p. 14. Today, during 2013, Idaho Power

purchased about 243 aMW of QF generation from facilities with a nameplate capacity under contract of 780 MW.

Subsequent to Order No. 29632, Idaho Power implemented the 90/110 provisions, as directed by the Commission, including the provisions for making adjustments to the monthly generation estimates almost word-for-word from Order No. 29632. However, starting with the presently submitted ESA for this Project (Case No. IPC-E-14-12) and the ESAs for the Little Wood River Ranch II project (Case No. IPC-E-14-06) and Head of U Canal project (Case No. IPC-E-14-07), Idaho Power has revised the provisions for making adjustments to the generation estimates to allow QFs to revise on a monthly rather than a quarterly basis. This was seen by the Company as a relatively straightforward and non-controversial revision that maintains the integrity of the existing 90/110 performance and firmness requirements, but clarified a complicated and confusing contractual provision that talks about yearly, monthly, quarterly, and nine month time periods.

Most importantly, in the Company's decade of experience integrating QF generation into its system, and the exponential growth of PURPA QF generation on Idaho Power's system since Order No. 29632, the Company's interest in this revision is that it will result in a more accurate monthly estimate for Idaho Power's operations. The revised provisions still maintain the one year of monthly generation estimates that can be used for long-term planning, but what is ultimately more critical is the short-term, operational planning needs—and a more accurate monthly estimate is much more beneficial for integrating QF generation than locking in a three-month estimate. From the Company's perspective, the purpose of the 90/110 provisions, and the consequent

direction about revision to the estimated Net Energy Amounts used for the 90/110 requirement, is not to implement some kind of punitive pricing policy, but, rather, to get an accurate estimate and forecast of QF generation to assist in the real-time planning and operation of Idaho Power's system for the benefit of its customers in a least cost manner. The Company believes that allowing a QF facility to update its estimated monthly Net Energy Amounts on a monthly basis will result in a more accurate monthly forecast than what the Company receives currently with the quarterly revisions.

Idaho Power answered a series of seven production requests from Commission Staff related to Staff's concerns regarding the change to monthly generation estimates. Idaho Power has attached hereto as Attachment 1, and incorporates by this reference, Idaho Power Company's Response to the First Production Request of the Commission Staff. Staff's Comments provide a brief summary of some of the Company's responses to its production requests and states, "Staff agrees that much of the justification provided by Idaho Power in response to Staff production requests has merit. Nonetheless, Staff believes that a change to the notification requirements associated with the 90/110 rules is more properly addressed in a separate proceeding that includes all of the potential stakeholders." Staff Comments, p. 7. Idaho Power does not believe that a separate larger proceeding is required. In fact, the very case that established the 90/110 provisions itself, as well as the provisions for adjusting generation estimates, was a consolidation of two complaint cases against Idaho Power, not a separate, generally applicable docket for all three utilities. It was an Idaho Power docket. The findings and ordering language from Order No. 29632 are specific to Idaho Power and direct Idaho Power "to conform its QF contracting practice and Firm Energy Sales

Agreement contract provision requirements." Order No. 29632, pp. 22-24. Surely, it is appropriate to address a modification of one of these provisions within the context of an Idaho Power case seeking the review and approval or rejection of those contract provisions.

As stated in the attached responses to Staff's production requests, the new Net Energy Estimate process indentified in the ESA provides both Idaho Power and the QF with a straightforward, 30-day notification process as described in paragraph 6.2.3 of the Agreement. Response to Request No. 3. The current three-month notification process has caused significant confusion with QF projects. *Id.* Idaho Power has worked with each project individually to clear up any confusion; however, the issue still persists. *Id.* By allowing the QF to revise these Net Energy Estimates on a more frequent basis, there is a greater chance that these estimates will be more reliable values that Idaho Power can use in its short-term planning process. *Id.* Idaho Power will still have 12 months of data from the project that can be used in its long-term planning processes. *Id.* This conforms with the Commission's findings from Order No. 29632, which were also quoted by Staff in its Comments: "The Commission finds it reasonable to provide more frequent opportunities to revise generation estimates than proposed by the Company. We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate." Order No. 29632, p. 23; Staff Comments, p. 5. The main purpose being to obtain a more accurate and reliable generation estimate. The Company is of the view today that it will receive more accurate and reliable generation estimates if the QF is allowed to update such estimates on a monthly basis.

Furthermore, as stated in Response to Request No. 4, if a QF fails to meet the 90/110 performance requirements, a reduced energy payment is made to the project. The proposed change to a monthly notification of changes to the estimates could reduce the amount of times that a project misses the performance criteria. However, the purpose of the performance criteria is not to increase or reduce the energy payments to a project, but, instead, to have the project provide Idaho Power with a more accurate energy estimate that can be used in the planning of both long-term and short-term operations of the electrical system to optimize efficiency and operate in the most cost-effective manner possible.

In response to Staff's Production Request No. 6, asking to compare the Company's position today, with that which it expressed in the U.S. Geothermal/Lewandowski case, the Company responded:

> Idaho Power fully agrees with the Idaho Public Utilities Commission ("Commission") that the 90/110 performance band is a key element establishing a QF project's eligibility to receive "firm" energy prices versus "non-firm" energy prices and believes the proposed change to a 30-day notification period will maintain this 90/110 obligation. It will also enable projects to provide more meaningful energy forecasts that Idaho Power can utilize in operations of its electrical system.
>
> In the two cases noted above, the statements are correct as to what Idaho Power originally proposed in those cases. However, in Order No. 29632 (pages 22-23), the Commission found with regard to the frequency of providing estimated energy statements that:
>
>> "The Commission finds that it is reasonable and operationally expedient to require QFs to provide Idaho Power with monthly kWh production estimates. The estimate amount is the QF's generation delivery commitment. It is the monthly production estimate that will be used in the 90/110 performance band. The

> Commission finds it reasonable to provide more frequent opportunities to revise generation estimates than proposed by the Company. We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate. QFs shall initially provide Idaho Power with one year of monthly generation estimates and beginning at the end of month nine and every three months thereafter provide the Company with an additional three months of forward estimates. QF opportunities for estimate revisions begin at the end of month three and every three months thereafter for the forward period beginning the fourth month out through the end of the estimate period. For planning purposes, following the first year the Company on a rolling basis will always have six months of QF production estimates."

At the time this Order was issued (November 2004, nearly 10 years ago), there was little experience with how QF projects would be providing the generation forecasts and how accurate the forecasts would be. At that time, the Commission made a sound ruling based on the evidence presented in Case Nos. IPC-E-04-08 and IPC-E-04-10. However, 10 years of experience with the three-month generation estimation process has brought to light some shortcomings, some of those being:

- Project confusion with regard to when it can provide notification.
- Inaccurate energy estimates.
    - Monthly kilowatt-hour ("kWh") estimates provided many months prior to actual energy deliveries are not proving to be reliable energy estimates.
        - In some cases, canal irrigation water allocations (water used to run the QF canal based projects) many times are not known three months prior.

- The various approved relief mechanisms (Force Majeure, Forced Outages, and Suspension of Energy Deliveries) significantly detract from stability of the energy estimates provided by projects.

- *Monthly* kWh estimates tend to be poor indications of actual *hourly* energy deliveries.

- Short-term planning is better served by receiving more accurate estimates closer to the period in which the actual energy deliveries will occur.

Long-term planning use of this data will not materially change under the proposed new 30-day notification process. As stated in the Company's response to Staff's Request No. 2, the 12-month estimated generation is not materially changing in this new 30-day notification process.

Consistent with the Commission's findings noted above, the 90/110 performance band is being maintained, and the proposed 30-day notification period is consistent with the Commission findings stating, "We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate."

Response to Request No. 6.

Finally, in response to Staff's Production Request No. 7, the Company stated that contingent upon the Commission's approval of change to the provisions allowing a monthly revision of estimated generation in the PURPA ESA, that the Company's intent is to utilize the monthly revision provision for 90/110 contract provisions in all new hydro QF projects. Idaho Power has included the same provisions in several other hydro contracts that are fully executed and are pending Commission review. The Company has also included such provisions in a fully executed, 40 MW solar QF negotiated agreement that contains 90/110 provisions, which has been filed with the Commission for its review.

III. CONCLUSION

Idaho Power respectfully requests that the Commission approve the ESA as submitted. Staff has recommended that all provisions of the contract are acceptable with the exception of the revision to allow for 30-day updates to the QF project's estimated Net Energy Amounts. This revision will result in more accurate monthly estimates for Idaho Power's operations as compared to the quarterly updates. The revised provisions still maintain the one year of monthly generation estimates that can be used for long-term planning, but what is ultimately more critical is the short-term, operational planning needs—and a more accurate monthly estimate is much more beneficial for integrating QF generation than locking in a three-month estimate. From the Company's perspective, the purpose of the 90/110 provisions, and the consequent direction about revision to the estimated Net Energy Amounts used for the 90/110 requirement, is not to implement some kind of punitive pricing policy, but, rather, to get an accurate estimate and forecast of QF generation to assist in the real-time planning and operation of Idaho Power's system for the benefit of its customers in a least cost manner. The Company believes that allowing a QF facility to update its estimated monthly Net Energy Amounts on a monthly basis will result in a more accurate monthly forecast than what the Company receives currently with the quarterly revisions. This will be beneficial to Idaho Power's operation of its system and beneficial to customers.

Idaho Power respectfully requests that the Commission issue an order: (1) approving the ESA between Idaho Power and Eightmile Hydro Corporation without change or condition and (2) declaring that all payments for purchases of energy under

the ESA between Idaho Power and Eightmile Hydro Corporation be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 31st day of July 2014.

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 31st day of July 2014 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Kristine A. Sasser Deputy Attorney General Idaho Public Utilities Commission 472 West Washington (83702) P.O. Box 83720 Boise, Idaho 83720-0074	_X_ Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email kris.sasser@puc.idaho.gov
Eightmile Hydro Project Jordan Whittaker P.O. Box 177 Leadore, Idaho 83464	____Hand Delivered _X_ U.S. Mail ____Overnight Mail ____FAX _X_ Email twodotirrigation@gmail.com

Christa Bearry, Legal Assistant

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-14-12

IDAHO POWER COMPANY

ATTACHMENT 1

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH EIGHTMILE HYDRO CORPORATION FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE EIGHTMILE HYDRO PROJECT.	)	CASE NO. IPC-E-14-12 IDAHO POWER COMPANY'S RESPONSE TO THE FIRST PRODUCTION REQUEST OF THE COMMISSION STAFF TO IDAHO POWER COMPANY

COMES NOW, Idaho Power Company ("Idaho Power" or "Company"), and in response to the First Production Request of the Commission Staff to Idaho Power Company dated June 18, 2014, herewith submits the following information:

REQUEST NO. 1: Please confirm whether Staff's graphical depiction of paragraph 6.2.3 as shown in Table 3 above accurately represents the terms of the proposed Agreement. If Staff's depiction is not accurate, please explain why.

RESPONSE TO REQUEST NO. 1: Staff's graphical depiction in Table 3 accurately represents paragraph 6.2.3 of the proposed Energy Sales Agreement ("Agreement").

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 2: On page 6 of the Amended Application, Idaho Power states "However, with the proposed change, the Seller must still provide 12 months of estimated Net Energy Amounts, and still cannot revise the immediate three months of estimated Net Energy Amounts." Please reconcile this statement with paragraph 6.2.3 of the Agreement.

RESPONSE TO REQUEST NO. 2: The Amended Application is correct in that 12 months of estimated Net Energy Amounts will be on file with Idaho Power at all times during the term of the Agreement. However, the statement "cannot revise the immediate three months of estimated Net Energy Amounts" is not correct.

Paragraph 6.2.1 of the Agreement specifies that the Seller must provide 12 months of estimated generation data at the time the Agreement is executed. Through the term of the Agreement, paragraph 6.2.3 allows the Seller to revise this 12 months of data on a monthly basis with a minimum of 30 days notice prior to the beginning of the next month.

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 3: The Amended Application states that under the new method "the Seller gains more clarity and flexibility in adjusting its estimated energy deliveries, and Idaho Power maintains the stability in the estimates necessary for its planning and operation". Please describe what kind of "clarity" the new method allows the Seller to gain. Please list the implications, if any, of the new method to Idaho Power's planning and operation processes, and explain why the implications would not affect Idaho Power's "stability" in the estimates.

RESPONSE TO REQUEST NO. 3: The new Net Energy Estimate process identified in the Agreement provides both Idaho Power and the Seller with a straightforward 30-day notification process as described in paragraph 6.2.3 of the Agreement. The current three-month notification process has caused significant confusion with Qualifying Facility ("QF") projects. Idaho Power has worked with each project individually to clear up any confusion; however, the issue still persists.

By allowing the Seller to revise these Net Energy Estimates on a more frequent basis, there is a greater chance that these estimates will be more reliable values that Idaho Power can use in its short-term planning process. As stated in the Company's response to Staff's Request No. 2, Idaho Power will still have 12 months of data from the project that can be used in its long-term planning processes.

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 4: Please identify the pros and cons of the new method with regard to each party, compared to the current method specified in Order No. 29632.

RESPONSE TO REQUEST NO. 4: Below is a brief list of pros and cons regarding the new method.

Pros

Idaho Power

- Potential of more accurate monthly estimated Net Energy Amounts.
- More clarity of the requirement, resulting in better information from the project and fewer disputes.
- Maintains 12 months of monthly estimated Net Energy Amount data.

Project

- Potential of providing more accurate monthly estimated Net Energy Amounts.
- Less risk of failing to meet performance requirements.
- More clarity of the requirement, resulting in better information being provided to Idaho Power.

Cons

If a project fails to meet the 90/110 performance criteria, a reduced energy payment is made to the project. This change to a 30-day notification period versus the old process of a three-month notification period could reduce the amount of times a project misses this performance criteria (if the project opts to better manage its project). However, the motivation of this performance criteria is not to increase or reduce the energy payments to a project but instead to have the project provide Idaho Power with more accurate energy estimates that could be used in the planning of both long-term and short-term operations of the electrical system to optimize efficiency and operate in the most cost-effective manner possible.

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 5: Please explain why Idaho Power believes the Commission should allow use of its proposed method, instead of utilizing the existing framework as outlined in Order No. 29632.

RESPONSE TO REQUEST NO. 5: As described in the Company's response to Staff's Request Nos. 1, 2, 3, and 4, Idaho Power believes the adoption of this new process of estimating Net Energy Amounts has the potential of providing more accurate data for Idaho Power to use in operating its electrical system in the most efficient and least cost method. The process outlined in Order No. 29632 had its foundation in sound analysis and logic. However, the approximate 10 years that have lapsed since this Order was adopted (November 2004) has provided both Idaho Power and the projects significant experience with the performance criteria and a better understanding of ways to improve the process to achieve more optimal outcomes. This change to the 30-day notification period has very little impact on the 12 months of estimated generation data and provides significant potential for improved short-term energy estimates.

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 6: Order No. 29632 was born out of cases IPC-E-04-08 and IPC-E-04-10 in 2004. Back then, Idaho Power proposed to allow QFs to revise their energy estimates three times during the first year of operation and every two years thereafter. Idaho Power reasoned that a two-year interval allows the Company to more easily integrate the QF resource into its biennial IRP planning process. Please discuss whether this is still the Company's position and how Idaho Power's proposal in this case aligns with the Company's previously stated position.

RESPONSE TO REQUEST NO. 6: Idaho Power fully agrees with the Idaho Public Utilities Commission ("Commission") that the 90/110 performance band is a key element establishing a QF project's eligibility to receive "firm" energy prices versus "non-firm" energy prices and believes the proposed change to a 30-day notification period will maintain this 90/110 obligation. It will also enable projects to provide more meaningful energy forecasts that Idaho Power can utilize in operations of its electrical system.

In the two cases noted above, the statements are correct as to what Idaho Power originally proposed in those cases. However, in Order No. 29632 (pages 22-23), the Commission found with regard to the frequency of providing estimated energy statements that:

> The Commission finds that it is reasonable and operationally expedient to require QFs to provide Idaho Power with monthly kWh production estimates. The estimate amount is the QF's generation delivery commitment. It is the monthly production estimate that will be used in the 90/110 performance band. The Commission finds it reasonable to provide more frequent opportunities to revise generation estimates than proposed by the Company. We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate. QFs shall initially provide Idaho Power with one year of monthly generation

> estimates and beginning at the end of month nine and every three months thereafter provide the Company with an additional three months of forward estimates. QF opportunities for estimate revisions begin at the end of month three and every three months thereafter for the forward period beginning the fourth month out through the end of the estimate period. For planning purposes, following the first year the Company on a rolling basis will always have six months of QF production estimates.

At the time this Order was issued (November 2004, nearly 10 years ago), there was little experience with how QF projects would be providing the generation forecasts and how accurate the forecasts would be. At that time, the Commission made a sound ruling based on the evidence presented in Case Nos. IPC-E-04-08 and IPC-E-04-10. However, 10 years of experience with the three-month generation estimation process has brought to light some shortcomings, some of those being:

- Project confusion with regard to when it can provide notification.
- Inaccurate energy estimates.
    - Monthly kilowatt-hour ("kWh") estimates provided many months prior to actual energy deliveries are not proving to be reliable energy estimates.
        - In some cases, canal irrigation water allocations (water used to run the QF canal based projects) many times are not known three months prior.
    - The various approved relief mechanisms (Force Majeure, Forced Outages, and Suspension of Energy Deliveries) significantly detract from stability of the energy estimates provided by projects.
    - *Monthly* kWh estimates tend to be poor indications of actual *hourly* energy deliveries.
    - Short-term planning is better served by receiving more accurate estimates closer to the period in which the actual energy deliveries will occur.

Long-term planning use of this data will not materially change under the proposed new 30-day notification process. As stated in the Company's response to Staff's Request No. 2, the 12-month estimated generation is not materially changing in this new 30-day notification process.

Consistent with the Commission's findings noted above, the 90/110 performance band is being maintained, and the proposed 30-day notification period is consistent with the Commission findings stating, "We find that the interest of the Company in planning for QF resources is better served if the generation forecast is a reliable estimate."

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

REQUEST NO. 7: Please state whether Idaho Power intends to utilize its proposed estimation method for all new hydro QF projects.

RESPONSE TO REQUEST NO. 7: Yes, contingent upon the Commission approving this estimation process in the Agreement currently under review.

The response to this Request is sponsored by Randy C. Allphin, Energy Contracts Coordinator Leader, Idaho Power Company.

DATED at Boise, Idaho, this 8th day of July 2014.

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 8th day of July 2014 I served a true and correct copy of IDAHO POWER COMPANY'S RESPONSE TO THE FIRST PRODUCTION REQUEST OF THE COMMISSION STAFF TO IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Kristine A. Sasser Deputy Attorney General Idaho Public Utilities Commission 472 West Washington (83702) P.O. Box 83720 Boise, Idaho 83720-0074	_X_ Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email kris.sasser@puc.idaho.gov
Jordan Whittaker P.O. Box 177 Leadore, Idaho 83464	____Hand Delivered _X_ U.S. Mail ____Overnight Mail ____FAX _X_ Email twodotirrigation@gmail.com

Christa Bearry, Legal Assistant