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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-18-12
OR REJECTION OF AN ENERGY SALES)	
AGREEMENT WITH MCCOLLUM)	
ENTERPRISES, LIMITED PARTNERSHIP, FOR)	COMMENTS OF THE
THE SALE AND PURCHASE OF ELECTRIC)	COMMISSION STAFF
ENERGY FROM THE CANYON SPRINGS)	
HYDRO PROJECT.)	
)	

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application.

BACKGROUND

On September 11, 2018, Idaho Power Company ("Company") filed an Application seeking approval of an Energy Sales Agreement ("ESA" or "Agreement") between the Company and McCollum Enterprises, L.P. ("McCollum"). The facility operated by McCollum is a qualifying facility ("QF" or "Facility") under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Application at 2. The QF is near Twin Falls, Idaho.

Under the proposed ESA, McCollum would sell to Idaho Power electric energy generated by the Canyon Springs Hydro Project. The Canyon Springs Hydro Project is a 112 kilowatt nameplate capacity QF under PURPA.

The Facility sells electricity to the Company in accordance with a Schedule 86 Uniform Agreement dated September 22, 2004.

McCollum has elected an ESA with a 20-year term with published non-levelized non-seasonal hydro avoided-cost rates.

The Agreement states that the First Energy Date, the Scheduled Operation Date, and the termination date of the Schedule 86 Uniform Agreement will be the first day of the month following the Commission's approval of its Agreement.

The Company asks the Commission to accept or reject the ESA and, if accepted, to declare that Idaho Power's payments under the ESA will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF REVIEW

Staff has reviewed the proposed rates and believes Idaho Power should not include capacity payments in the avoided cost rates at the start of the contract term. Staff believes the QF is not eligible for capacity payments until after the first capacity deficit date of July 2026 occurs as determined in Case No. IPC-E-17-12. *See* Order No. 33898.

The facility is currently paid under Schedule 86 on a non-firm, as-available basis, which does not include capacity payments. In Order No. 32697, the Commission stated:

if a QF project is being paid for capacity at the end of the contract term and the parties are seeking renewal/extension of the contract, the renewal/extension would include immediate payment of capacity. An existing QF's capacity would have already been included in the utility's load and resource balance and could not be considered surplus power.

The Commission further clarified this through Order No. 32871:

unless capacity payments were being made to a QF at the expiration of a PURPA Agreement, capacity payments would not be immediately payable upon renewal or extension of an Agreement. In other words, we find that the renewal or extension of an Agreement with a QF will only include immediate payment for capacity if the QF seeking renewal or extension was being paid for capacity at the end of the prior Agreement.

Staff believes that the above Commission Orders are in the context of firm QF contract renewals. In order for a QF to receive capacity payments at the end of its previous contract, it cannot be compensated as a non-firm resource under Schedule 86, as is the case for this project. To receive payment for contributions for avoided capacity cost, a QF is currently required to

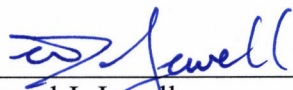
agree to contractual conditions of firmness by supplying electricity within a 90% to 110% band of its projected monthly output. *See* Commission Order No. 29632. Since the Canyon Springs Hydro Project has not been operating under these conditions and was only supplying energy on an as-available basis, the Company should not have been able to count on the Project to supply capacity during peak needs. This would require the Company to plan for and obtain other resources. However, since the QF is now willing to make a commitment through a new agreement to supply firm power, Staff believes that the QF is entitled to capacity payments only after the currently authorized first capacity deficit date occurs. Due to the change in commitment to firmness with the proposed contract, Staff believes this is analogous to an entirely new agreement. Staff believes that it is the Commission's intent to determine capacity payment eligibility based on the date a QF first enters a contract to sell firm energy, and selling energy under Schedule 86 is not a contract to sell firm energy.

All other terms and conditions contained in the proposed ESA are consistent with prior Commission orders.

STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the ESA after Idaho Power and the QF modifies the avoided cost rates and adopt the rates that include capacity payment from the first deficit date of July 2026, instead of rates that include capacity payment for the full-term.

Respectfully submitted this 30th day of October 2018.



Edward J. Jewell
Deputy Attorney General

Technical Staff: Yao Yin
Rachelle Farnsworth

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CERTIFICATE OF SERVICE

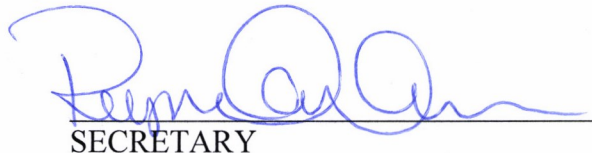
I HEREBY CERTIFY THAT I HAVE THIS 30th DAY OF OCTOBER 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-18-12, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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