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Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

THE APPLICATION OF IDAHO POWER FOR	)	
CONSIDERATION OF AN ENERGY SALES	)	CASE NO. IPC-E-19-03
AGREEMENT WITH KOYLE HYDRO	)	
	)	COMMENTS OF THE
	)	COMMISSION STAFF
	)	
	)	

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**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

### BACKGROUND

On February 6, 2019, Idaho Power Company ("Idaho Power" or "Company") filed an Application seeking approval or rejection of an Energy Sales Agreement ("ESA" or "Agreement") with Koyle Hydro Inc. ("Koyle") for energy generated by the Koyle Small Hydro Project ("Facility"). The Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Facility is a 1.4 MW nameplate capacity hydro facility near Gooding, Idaho.

The ESA contains a five-day ahead Net Energy Amount monthly adjustment consistent with the Company's Application in IPC-E-19-01.

The Facility has been delivering energy to Idaho Power under a Power Purchase Agreement dated February 15, 1983. The proposed Agreement contains capacity payments for

the Facility for the entire term of the ESA, with no sufficiency period. Koyle has elected an ESA with a 20-year term with published non-levelized non-seasonal hydro avoided-cost rates. The Facility has a scheduled First Energy Date under the ESA of April 1, 2019.

## **STAFF ANALYSIS**

Staff recommends approval of the proposed ESA between Idaho Power and Koyle Hydro, Inc. Staff's justification is based upon its review of the ESA, which focused on: (1) 90/110 firmness rules; (2) eligibility for and the amount of capacity payments; (3) verification of non-seasonal hydro status; and (4) adherence to the capacity size threshold to qualify for published rates.

### 90/110 Rule

Qualifying facilities (QF) provide a monthly estimate of the amount of energy they expect to produce. If the QF delivers more than 110 percent of the estimated amount, energy delivered in excess of 110 percent is priced at the lesser of 85 percent of the market price or the contract price. If the QF delivers less than 90 percent of the estimated amount, total energy delivered is priced at the lesser of 85 percent of the market price or the contract price. Order No. 29632. Staff verified that this provision is included in the ESA.

Koyle requested that notification of adjustments to monthly estimated amounts used for the 90/110 rule be reduced from one-month advanced notice to five-day advanced notice prior to the upcoming delivery month. A change in the amount of advance notice was first proposed and subsequently approved in a renewal ESA between the J.R. Simplot Co. and Idaho Power for generation from Simplot's Pocatello cogeneration plant in Case No. IPC-E-19-01. Order No. 34263. Consistent with the Commission Order in that case, Staff recommends approval of the reduced notification requirement for reasons in this case described below.

Staff continues to believe that five business days' notice is reasonable and could potentially provide more accurate information for the Company to use in its short-term planning as it enters into the delivery month. This would be true for any contract regardless if it is a new or renewal contract because as a general rule, forecasts are typically more accurate closer to the time of execution. However, the Koyle facility, like the Simplot facility, has been delivering energy to the Company since the 1980's and therefore has extensive historical production data

that the Company can use for both short-term and long-term planning. Staff believes that the advantages of the availability of historical data for longer-term planning outweighs the disadvantages associated with the five-day advanced notice.

Staff still has concerns when the Company lacks extensive historical production data. Staff would like to see more information comparing the advantages and disadvantages of five-day advanced notice versus one-month advanced notice for both short-term and longer-term planning for QFs without extensive historical data. Staff recommends that these types of QF contracts be examined on a case-by-case basis.

#### Capacity Payment

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 includes immediate payment of capacity." Staff verified that this project is being paid for capacity at the end of the original contract, and thus the proposed avoided cost rates should include capacity payment for the full term of the replacement contract.

#### Non-Seasonal Hydro Status

A "seasonal hydro" project is a hydro generation facility that produces at least 55% of its annual generation during the months of June, July, and August. Staff verified that this project does not generate 55% of its annual generation during the three months according to its Monthly Estimated Net Energy Amounts provided, and thus it is categorized as a "non-seasonal hydro" project. Staff confirmed that the ESA is based on the avoided cost rates of non-seasonal hydro resources.

#### Capacity Size Threshold

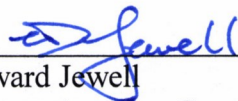
In order for a hydro project to qualify for published rates, the project capacity cannot exceed 10 aMW. Project capacity is determined on a monthly basis under normal or average design conditions. In other words, the maximum monthly generation that qualifies for published rates is capped at the total number of hours in the month multiplied by 10 MW. Order No. 29632 at 14. This project has a 1,405 kW nameplate capacity and therefore produces less

than 10 aMW on a monthly basis under normal or average conditions. Staff verified that the project is eligible for published avoided cost rates.

### **STAFF RECOMMENDATION**

Staff recommends the Commission approve the ESA. Staff also recommends the Commission declare Idaho Power's payments to Koyle Hydro for the purchase of energy generated by the Koyle Small Hydro project under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 14<sup>th</sup> day of March 2019.

  
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Edward Jewell  
Deputy Attorney General

Technical Staff: Yao Yin  
Travis Culbertson  
Rachelle Farnsworth

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14<sup>TH</sup> DAY OF MARCH 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-19-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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