

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF PACIFICORP DBA ROCKY MOUNTAIN</b>	)	<b>CASE NO. PAC-E-09-09</b>
<b>POWER FOR APPROVAL OF A POWER</b>	)	
<b>PURCHASE AGREEMENT BETWEEN</b>	)	
<b>ROCKY MOUNTAIN POWER AND BELL</b>	)	<b>ORDER NO. 30989</b>
<b>MOUNTAIN HYDRO LLC</b>	)	

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On December 4, 2009, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a 20-year Power Purchase Agreement between PacifiCorp and Bell Mountain Hydro, LLC (Bell Mountain) dated November 17, 2009 (Agreement).

**THE AGREEMENT**

Bell Mountain intends to construct, own, operate and maintain a Pelton-wheel hydroelectric generating facility (Facility) for the generation of electric power located approximately 40 miles north of Howe, Idaho, in Butte and Lemhi Counties at a location more particularly described as: SW 1/4 of the SW 1/4, Section 7, Township 10N, Range 27E, Boise Meridian. Bell Mountain warrants that the Facility will be a qualified small power production facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). Agreement ¶ 3.2.6.

The facility is described as the following:

Two creeks, Bell Mountain Creek and Mahogany Creek, feed into a two-mile canal, which Seller has recently lined, and 16,000 feet of new steel pipe. Seller has also installed a new Pelton-wheel and a new 290 kW generator. The water is used both for irrigation and power production. Water flow is year-round and irrigation season is from April to October. Seller has a non-consumptive water right to generate power. Seller has the ability to store approximately 10 acre-feet of water in the canal (the "Pond"), which is equivalent to about seven hours of generation at the Facility Capacity Rating.

Seller has no right to directly or indirectly regulate the flow of water to the Facility except the cycling, or storing, of approximately 10 acre-feet of water in the canal immediately upstream of the Facility's generating structure.

Agreement, Exh. A.

The submitted Agreement, as reflected in the Application, is the result of negotiation and compromise. PacifiCorp will pay Bell Mountain non-levelized conforming energy or non-conforming energy purchase prices for net output adjusted for the month and on-peak/off-peak hours in accordance with Commission Order Nos. 30423 (monthly and daily price multipliers), 30480 (SAR methodology – fuel cost component), and 30744 (Conforming Energy Annual Rates). The parties recognizing the intermittent nature of the resource have also agreed to include a mechanical availability guarantee (MAG) and as a surrogate adopts the Company's current \$5.10/MWh wind integration cost adjustment. Agreement ¶ 5.1. In addition, the Agreement contains provisions for delay liquidated damages (¶ 2.3) to secure the established scheduled commercial operation date of December 15, 2009.

The nameplate rating of the Facility is 290 kW. Agreement, Exh. A. The estimated annual net generation is 1,102,530 kWh. Agreement, Exh. D. Under normal and/or average conditions, the Facility will not exceed 10 aMW in any calendar month. Should the Facility exceed 10 aMW on a monthly basis, PacifiCorp may accept inadvertent energy at its sole discretion, but will not purchase or pay for inadvertent energy. Agreement ¶ 5.3.

The Scheduled Commercial Operation Date of the Facility is December 15, 2009. Agreement ¶ 2.2.4. Agreement ¶ 2.1 provides that the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declares that all payments PacifiCorp makes to Bell Mountain are just and reasonable and legitimate expenses, all of which the Commission will allow PacifiCorp to recover in rates in Idaho in the event other jurisdictions deny recovery of their proportionate share of said expenses.

On December 17, 2009, the Commission issued a Notice of Application and Modified Procedure in Case No. PAC-E-09-09. The deadline for filing written comments was January 8, 2010. Commission Staff was the only party to file comments. Staff recommends approval of the Agreement as submitted.

With one notable exception, Staff states that the terms and conditions in the Agreement are similar to other recent PURPA contracts approved by the Commission and are in conformance with prior Commission Orders. PacifiCorp will pay Bell Mountain non-levelized conforming energy or non-conforming energy purchase prices for net output adjusted for the month and on-peak/off-peak hours in accordance with Commission Order Nos. 30423 (monthly

and daily price multipliers), 30480 (SAR methodology – fuel cost component), and 30744 (conforming energy annual rates).

The exception referred to by Staff relates to the inclusion of an integration discount in the rates to be paid to Bell Mountain by PacifiCorp, and to the corresponding requirement for a Mechanical Availability Guarantee (MAG). Requirements for an integration discount and a MAG are normally reserved for wind generation projects, and are designed to account for the costs associated with the intermittency of the generation. Bell Mountain's project in this case is a hydro facility. The contract parties propose use of the wind integration adjustment as a surrogate for hydro.

The Bell Mountain facility is a small hydro project that uses irrigation water for power production. Water flow is year-round and the irrigation season runs from April to October. The source of water is two small mountain streams that apparently have poor historical streamflow records. Bell Mountain has the ability to store approximately 10 acre feet of water in an upstream pond, which is equivalent to about 7 hours of generation at the facility capacity rating. Nevertheless, the project's owner is not confident that he has the ability to predict streamflows accurately enough to satisfy the 90/110 percent performance band rule. Reference Commission Order No. 29632. Under the performance band concept, the QF is required to make monthly production estimates. Energy produced below 90% or above 110% of the monthly forecasted production is priced at a discount equal to 85% of the market or contract price, whichever is less.

Recognizing the intermittent nature of the resource, the parties have agreed as a surrogate to the 90/110 requirement to include a 90% MAG and adopt the Company's current \$5.10/MW wind integration cost adjustment. Agreement ¶ 5.1. Staff notes that the 90% MAG requirement in the Agreement is higher than the 85% MAG requirement for wind projects. Staff believes, however, that the deviation from prior Orders is justifiable in this case because of the very small size of the project (290 kW), and because the contract rates and terms are the result of negotiation and compromise.

Staff notes that the integration discount used by the parties in this case was developed based on the effects of integrating intermittent wind generation, not based on the effects of intermittent hydro generation. While some of the costs for intermittent wind integration may be

similar to intermittent hydro generation, Staff notes that no study has been done to analyze hydro specifically.

### **COMMISSION FINDINGS**

The Commission has reviewed the filings of record in Case No. PAC-E-09-09, including the underlying agreement and filed comments and recommendations of Commission Staff. We continue to find it reasonable to process the Company's Application under Modified Procedure. IDAPA 31.01.01.204.

PacifiCorp has presented a Power Purchase Agreement with Bell Mountain Hydro LLC for Commission consideration and approval. The Agreement is for a 290 kW hydro generating facility located in Butte and Lemhi Counties, Idaho. As represented and pursuant to agreement, under normal and/or average conditions the project will not exceed 10 aMW on a monthly basis. We thus find the project is qualified to receive the published avoided cost rates approved by the Commission.

The Commission finds that the Agreement submitted in this case contains acceptable contract provisions and includes the non-levelized published rates approved by the Commission in Order No. 30480. We find the integration cost and Mechanical Availability Guarantee contract provisions (Agreement ¶ 5.1) to be the result of negotiation and in the context of this QF project to be acceptable. We find it reasonable that the submitted Agreement be approved without further notice or procedure. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities (QFs) and to implement FERC rules.

## ORDER

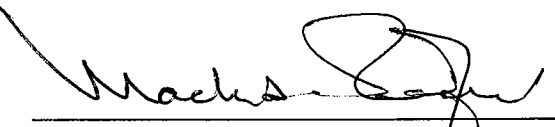
In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission approves the November 17, 2009 Power Purchase Agreement between PacifiCorp dba Rocky Mountain Power and Bell Mountain Hydro LLC.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

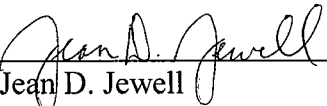
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25<sup>th</sup> day of January 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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