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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF IDAHO POWER FOR APPROVAL OR )** **CASE NO. IPC-E-19-01**  
**REJECTION OF AN ENERGY SALES )**  
**AGREEMENT WITH J.R. SIMPLOT )**  
**COMPANY – POCATELLO COGENERATION )** **COMMENTS OF THE**  
**AND SMALL PURCHASED POWER PROJECT )** **COMMISSION STAFF**  
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The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company’s Application.

**BACKGROUND**

On January 2, 2019, Idaho Power Company (“Idaho Power” or “Company”) filed an Application seeking approval of an Energy Sales Agreement (“ESA” or “Agreement”) with the J.R. Simplot Company (“Simplot”). Under the Agreement, Idaho Power would purchase electric energy generated by Simplot’s Pocatello cogeneration and small power project (“Facility”). The Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978.

Under the proposed ESA, Simplot would sell and the Company would purchase electric energy generated by Simplot’s Pocatello Cogeneration and Small Purchased Power Project. The Facility has a nameplate capacity of 15.9 MW, but is operated so as not to exceed 10 aMW on a monthly basis under normal conditions. Application at 4.

The Agreement contains proposed modifications to Simplot's generation forecasting requirements under the 90/110 performance band. *Id.* at 5. The Agreement also contains proposed modifications to Simplot's obligations to report generation disruptions. *Id.*

The ESA is a replacement contract for a 2016 Agreement approved by the Commission in Order No. 33471. Because the ESA would replace a contract that paid the Facility capacity payments, the ESA contains capacity payments for the entire term of the Agreement. *Id.* The term of the Agreement is three years. Agreement at 12.

## **STAFF REVIEW**

The proposed contract differs from the current contract in two areas: (1) A more detailed procedure for declaring suspension of energy deliveries, and (2) A reduced lead time for notification of adjustments to Estimated Net Energy Amounts needed for 90/110 firmness requirements. Staff reviewed these two sets of modified provisions as well as other standard terms in the proposed Agreement and recommends approval.

### Seller Declared Suspension of Energy Deliveries

The proposed Agreement provides greater detail in the procedure for declaring suspension of energy deliveries than what is contained in the current contract approved in IPC-E-16-01. In a meeting with Staff, Simplot represented that the current contract did not provide sufficient guidance and could lead to disagreements when declaring suspension of energy deliveries. The proposed language does not change the basic nature of the current provision, but provides additional clarity to the specific steps when the seller initiates a declaration.

### 90/110 Performance Band

QFs provide a monthly estimate of the amount of energy they expect to produce in each month. When a QF's monthly generation is either less than 90% of the estimated generation amount, or more than 110% of the estimated generation amount, utilities pay QFs 85% of the market price, or the contract rate, whichever is less. Order No. 29632. Staff verified that this provision is included in the ESA.

Parties in the proposed Agreement reduced the notification period for adjustments to Estimated Net Energy Amounts from at least one month in advance as approved in Order

No. 33103 to at least five business days in advance prior to the delivery month. Staff believes this reduction in lead time has merit for the Simplot Facility and recommends approval of the change.

Order No. 33103 states, “The intent of a QF providing generation estimates has always been to assist the utility in forecasting and operational planning so that the utility can provide the most reliable service possible to its customers.” Forecasts take place within various time horizons. The Company states, and Staff believes, that a five-day lead time may improve the accuracy of the generation forecasts for near-term operations. In its production response, the Company states:

Idaho Power’s forecasting processes would continue to utilize various sources of data and information in moving from a month-ahead forecast to day-ahead and real-time operations. If a QF can provide estimates of generation deliveries nearer to the month of actual deliveries, it stands to reason that the estimated Net Energy Amount may be more accurate than if it is providing it a month in advance. If a change to a QF’s monthly Net Energy Amount is significant, the ‘at least five days in advance’ requirement allows for the minimum amount of time to make any necessary changes to Idaho Power’s near-term forecasts/operations. Production Response to Request No. 3 (emphasis added).

Staff agrees with Idaho Power that forecasts may be more accurate five days in advance compared to one month in advance and believes the reduced lead time is sufficient for the Company to make any necessary changes to its near-term forecasts and operations. Although Idaho Power did not address how a five-day lead time can affect its month-ahead planning, Staff believes the Company can rely on Simplot’s historic generation data for its longer-term planning.

Idaho Power indicated in its production responses that it finds it reasonable to apply the five day ahead lead time to all ESAs with 90/110 provisions. Response to Production Request No. 5, No. 6, No. 7, No. 8, and No. 9. For existing contracts, Idaho Power acknowledged that the change would require a commission-approved amended contract. Response to Production Request No. 10.

Staff believes that it is likely reasonable for other renewal ESAs to contain the five day ahead lead-time notification, but will continue to evaluate ESAs with the provision on a case-by-case basis. Staff would like to see more information on how the change will affect the Company’s month-ahead planning and longer-term planning. In addition, Staff is concerned whether it is appropriate for new ESAs to contain only a five day ahead lead-time notification.

In those circumstances, the Company does not have historical generation information from those projects to rely upon for month-ahead and longer-term planning purposes. If the Company submits new ESAs with the five day ahead lead-time notification to the Commission for approval, Staff expects to see supporting data and strong reasoning why the five day ahead lead-time notification should be approved.

As a consequence to this change, Staff believes that a five day lead-time notification would likely allow more of Simplot's energy production to fall within the 90/110 performance band, resulting in better compliance with 90/110 requirements.

#### Capacity Payment

This Facility is being paid for capacity at the end of the original contract. "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." Order No. 32697. Staff verified that the proposed avoided cost rates include capacity payment for the full term of the replacement contract.

#### Capacity Size Threshold

In order for a cogeneration 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. The Facility has a nameplate capacity of 15.9 MW, but is operated under 10 aMW on a monthly basis under normal conditions. Thus, Staff verified the project is eligible for the published avoided cost rates.

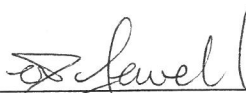
#### Published Avoided Cost Rates

Page 3 of the Application states that "Simplot elected to contract with Idaho Power for a three-year term using the non-levelized, *non-seasonal hydro* published avoided cost rates..." Idaho Power admits through Response to the First Production Request that this is not correct. It should read "non-levelized '*other*' published avoided cost rates." Despite the mistake, Staff confirms that the avoided cost rates included in the ESA are the published avoided cost rates for "other" resources.

**STAFF RECOMMENDATIONS**

Staff recommends the Commission approve the ESA. Staff also recommends the Commission declare Idaho Power's payments to Simplot under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 13<sup>th</sup> day of February 2019.

  
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Edward J. Jewell  
Deputy Attorney General

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i:umisc/comments/ipce19.1ejyyrf comments

## CERTIFICATE OF SERVICE


I HEREBY CERTIFY THAT I HAVE THIS 13<sup>TH</sup> DAY OF FEBRUARY 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-19-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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