

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: FEBRUARY 3, 2015

SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OR REJECTION
OF A REPLACEMENT ENERGY SALES AGREEMENT WITH J.R.
SIMPLOT, CASE NO. IPC-E-15-02

On January 30, 2015, Idaho Power Company filed an Application requesting that the Commission accept or reject an Energy Sales Agreement between Idaho Power and J.R. Simplot Company, for the sale and purchase of electric energy generated by the Simplot-Pocatello cogeneration project located near Pocatello, Idaho. Idaho Power asks that its Application be processed by Modified Procedure.

THE AGREEMENT

On January 30, 2015, Idaho Power and Simplot entered into an Agreement pursuant to the terms and conditions of various Commission Orders applicable to this PURPA agreement for "other" projects. Under the terms of the Agreement, Simplot elected to contract with Idaho Power for a one-year term using the non-levelized other published avoided cost rates as currently established by Commission Orders for energy deliveries of less than 10 average megawatts (aMW).

Prior to the negotiation of this Agreement, this project has been delivering energy to Idaho Power in accordance with an agreement dated February 13, 2013, that expires on March 1, 2015. Simplot proposes to continue to operate and maintain its 15.9 MW energy facility. The facility is a QF under the applicable provisions of PURPA. The nameplate rating of the project is 15.9 MW. Simplot will be required to provide data on the facility that Idaho Power will use to confirm that under normal and/or average conditions, the facility will not exceed 10 aMW on a monthly basis. Furthermore, should the facility exceed 10 aMW, Idaho Power will accept the energy (inadvertent energy) that does not exceed the maximum capacity amount, but will not purchase or pay for the inadvertent energy.

As the facility is already interconnected and selling energy to Idaho Power, the Agreement specifies a Scheduled First Energy Date and Schedule Operation Date of March 1, 2015, but shall be no later than 120 days after the Commission issues a final, non-appealable Order approving the Agreement. The parties recognize that information provided under the previous agreement may still be applicable to this replacement Agreement. As specified in the Agreement, Idaho Power shall review the previously provided information and will accept the information as previously submitted, request updates to that information, and/or require new information to satisfy compliance with the various requirements for Simplot to be granted a First Energy Date and Operation Date for this replacement Agreement. In addition, Idaho Power will monitor the ongoing requirements through the full term of this Agreement.

The Agreement, as signed and submitted by the parties, contains non-levelized published avoided cost rates in conformity with applicable Commission Orders. All applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Simplot.

Idaho Power explains that the Agreement contains several terms and conditions that vary from previously approved agreements in order to comply with the Commission's recent Orders. The changes include: reference to the Intercontinental Exchange (ICE) index and formula; modified provisions regarding delay liquidated damages and delay security; reference to Simplot ownership of environmental attributes; provisions providing for revision of initial year monthly net energy amounts on a monthly rather than quarterly basis; provisions allowing Simplot the option to claim maintenance will be scheduled at the same time each year with one notification; and several other minor provisions.

As with all PURPA QF generation, the project must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. In order for the project to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request that maintains compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with FERC requirements.

By its own terms, the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declares that all payments made by Idaho Power to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with a 14-day comment deadline.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 14-day comment deadline?

/s/ Kristine Sasser

Kristine A. Sasser
Deputy Attorney General

M:IPC-E-15-02_ks