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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER )**  
**COMPANY'S APPLICATION FOR APPROVAL )** **CASE NO. IPC-E-03-10**  
**OF AN AGREEMENT WITH THE )**  
**AMALGAMATED SUGAR COMPANY LLC )** **COMMENTS OF THE**  
**FOR THE SALE AND PURCHASE OF SURPLUS )** **COMMISSION STAFF**  
**ELECTRIC ENERGY. )**  
**)**  
**)**

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Lisa Nordstrom, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on December 9, 2003 submits the following comments.

On October 27, 2003, Idaho Power Company (Idaho Power; Company) and the Amalgamated Sugar Company LLC (TASCO) entered into an Agreement for the Sale and Purchase of Surplus Energy (the "Surplus Energy Agreement") under which Idaho Power agrees to purchase non-firm surplus energy generated by TASCO's Nampa electric generation facility. Idaho Power requests that the Commission approve this Agreement and declare that all payments for purchases of energy under the Agreement shall be allowed as prudently incurred expenses for ratemaking purposes.

A prior, similar Agreement between TASC0 and Idaho Power was entered into on October 31, 1998 under which Idaho Power purchased up to 2 MW of surplus electric energy from TASC0 at market-based prices. Case No. IPC-E-98-15, Order No. 27885. That Agreement was amended on July 25, 2001, wherein TASC0 decided to add an additional 8 MW of capacity to the 2 MW of generating capacity that already existed, bringing the total generating capacity at the Nampa plant to 10 MW. Under the amended Agreement, Idaho Power agreed to purchase the additional surplus energy generated by TASC0 at prices less than market-based non-firm energy prices. The amended Surplus Energy Agreement terminated on September 1, 2003. Case No. IPC-E-01-26, Order No. 28865.

The Agreement in this case begins on September 1, 2003, thus succeeding the prior Surplus Energy Agreement and its July 2001 amendment.

### **Analysis**

Electric energy to be sold under the Surplus Energy Agreement is non-firm energy and will only be available when TASC0 does not consume the electric energy in the Nampa plant. However, TASC0 is required to annually provide Idaho Power with estimated monthly surplus energy amounts before April 1 of each contract year. Thus, while Idaho Power will not know the precise amount or timing of the surplus energy it will be required to purchase from TASC0, it will at least have a fair indication. TASC0's monthly estimates of surplus energy make it firmer than most of the energy Idaho Power purchases under its Schedule 86 non-firm energy tariff, where neither the timing nor the amount of generation provided is generally known with any certainty.

Under the Agreement, the purchase price for the energy provided by TASC0 is 85 percent of the avoided energy cost as defined in Idaho Power's Schedule 86. Currently, the avoided energy cost in Schedule 86 is equal to the monthly average non-firm Dow-Jones Mid-Columbia Index price.

Because the price to be paid under the Agreement is a percentage of market price rather than a fixed price, the amount paid by Idaho Power will increase or decrease as market prices change. When Idaho Power needs the energy, the price will always be more attractive than buying from the market. When it does not need the power, Idaho Power should be able to resell the energy at the higher full market price and credit the revenue to its power sales account.

The Agreement also contains a provision that permits the parties to adjust the surplus energy price if, at the request of Idaho Power, TASCOCO agrees to provide continuous energy at a designated MW level for an agreed upon length of time. The Agreement envisions such a circumstance, for example, when Idaho Power's access to alternative sources of supply is not physically possible or when the continuing operation of Idaho Power's system is in jeopardy. In such an instance, Staff agrees that it may be advantageous to Idaho Power and its customers to pay more than 85 percent of market price. The Agreement requires Idaho Power to notify the Commission of the price paid, the energy purchased and the circumstances that the Company believes warranted such purchases.

Staff believes that the price terms agreed to in this Agreement are attractive to Idaho Power and its ratepayers. Using market prices as a basis for the purchase price, rather than the methodology established for determining long run avoided costs, is appropriate given the short-term nature of the Agreement and the fact that the energy is somewhat non-firm. Most importantly, the purchase price is consistent with the price Idaho Power pays for other non-firm energy purchases.

The term of the Agreement is for five years and will automatically renew and extend each year thereafter unless either party decides to terminate.

### **Ratemaking Treatment**

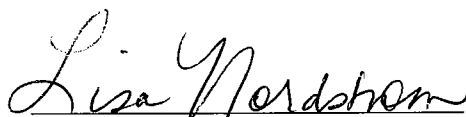
Idaho Power requests that all payments for surplus energy under the amended Agreement be allowed as prudently incurred expenses for ratemaking purposes. Staff agrees that the payments should be treated as system power supply costs and passed through the Power Cost Adjustment (PCA) mechanism, subject to Staff's normal audit. By paying 85% of market prices for these power purchases, customers will benefit by Idaho Power either offsetting market purchases at full market price or reselling power it does not need at full market price.

### **Recommendations**

Staff recommends that the Agreement for Sale and Purchase of Surplus Energy between Idaho Power and the Amalgamated Sugar Company be approved. Staff believes that the Agreement will help Idaho Power meet expected loads while reducing the Company's reliance

on purchases at full market price, thus minimizing power supply costs. Staff also recommends that the reasonably incurred costs associated with the TASC0 Agreement be passed through the PCA.

Respectfully submitted this 16<sup>th</sup> day of December 2003.

  
Lisa Nordstrom  
Deputy Attorney General

Technical Staff: Rick Sterling

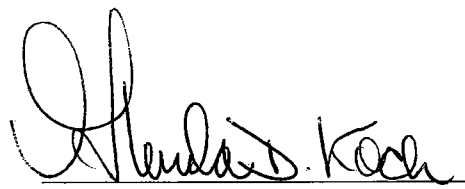
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16<sup>TH</sup> DAY OF DECEMBER 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-03-10, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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Howard Koch  
SECRETARY