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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR APPROVAL)
OF A FIRM ENERGY SALES AGREEMENT)
FOR THE SALE AND PURCHASE OF)
ELECTRIC ENERGY BETWEEN IDAHO)
POWER COMPANY AND J. R. SIMPLOT)
COMPANY)
_____)

CASE NO. IPC-E-06-3

COMMENTS OF THE
COMMISSION STAFF

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on March 3, 2006, submits the following comments.

BACKGROUND

On February 10, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Firm Energy Sales Agreement between Idaho Power and J.R. Simplot Company (Simplot) dated February 8, 2006 (Agreement). Simplot currently owns, operates and maintains an 18.75 MW cogeneration facility (Project) at its industrial site near Pocatello, Idaho. The facility is located in the South 1/2 of Section 7, Township 6 South, Range 34 East, Boise Meridian, Power County,

Idaho. The Project is a qualified cogeneration facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). As reflected in the Company's Application, the Simplot Project is currently interconnected to Idaho Power and is selling energy to Idaho Power as a qualifying facility (QF) in accordance with a Firm Energy Sales Agreement dated June 18, 2004 and an approved effective date of March 1, 2004. Reference Case No. IPC-E-04-16, Order No. 29577.

The existing Firm Energy Sales Agreement is a one-year agreement which permits automatic renewals of one year on March 1 of each year. The Agreement also specifies that, with appropriate notice, either party may terminate the Agreement effective March 1. Simplot has timely requested to terminate the existing Firm Energy Sales Agreement for this Project and enter into a new Firm Energy Sales Agreement for its Pocatello facility. Idaho Power contends that the terms of the new Agreement conform to the terms and conditions of Commission Order No. 29632 (*U.S. Geothermal et al. v. Idaho Power*) and Commission avoided cost Order No. 29646 (Case No. IPC-E-04-25) for energy deliveries of less than 10 aMW.

ANALYSIS

There are two primary differences between the submitted Agreement and the one it replaces. First, under the terms of the submitted Agreement, Simplot has elected to contract with Idaho Power for a seven-year term. This will eliminate the automatic annual renewals that occurred under the prior Agreement, thereby establishing greater certainty with regard to the length of Simplot's generation commitment. Staff has no objection to a seven-year contract term.

The second primary difference between the submitted Agreement and the prior Agreement lies in the definition of the 10 MW threshold for eligibility for published avoided cost rates. Under the prior Agreement, Simplot was limited to generating no more than 10,000 kWh per hour. Under the submitted Agreement, Simplot is limited to generating no more than 10 average MW per month. This revised generation limit is consistent with the definition of the 10 MW threshold as established in the *U.S. Geothermal* case (Order No. 29632). The revised generation limit is considerably less restrictive than the limit under the prior Agreement.

The Agreement contains non-levelized published avoided cost rates established by the Commission in Order No. 29646 (December 2004) for energy deliveries less than 10 aMW per month for a contract year beginning February 8, 2006. Because the prior Agreement was renewed

automatically at the prevailing avoided cost rates during each renewal year, the submitted Agreement contains the same rates as it would have contained under the prior Agreement.

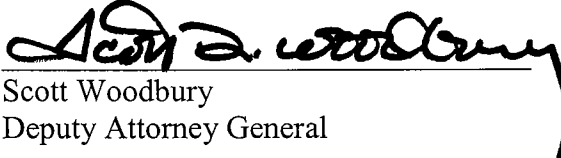
As reflected in Agreement ¶ 1.13 and specified in Item B-3 of the Agreement Appendix B, the maximum capacity of the cogeneration facility is 12 MW. As defined in Agreement ¶ 1.9 and as described further in ¶ 4.1.3, Simplot will be required to provide data on the facility that Idaho Power will use to determine whether, under normal and/or average conditions, the facility will not exceed 10 aMW on a monthly basis. Idaho Power has reviewed the historical generation data for the Simplot facility. As reflected in Agreement ¶ 7.3, should the Simplot facility exceed 10 aMW on a monthly basis, Idaho Power will accept any energy (Inadvertent Energy) that does not exceed the maximum capacity amounts; however, Idaho Power will not purchase or pay for this Inadvertent Energy. This provision is consistent with provisions that have been included in all Idaho Power PURPA contracts signed after Order No. 29632 in the *U.S. Geothermal* case.

The estimated annual generation amount under the submitted Agreement has been revised upwards from the prior Agreement by approximately 10 percent to more accurately reflect the actual historical generation. Despite the revised generation estimates, however, the Project is still estimated to generate considerably less than 10 aMW per month.

RECOMMENDATION

Staff recommends approval of the Agreement with an effective date of February 8, 2006.

Respectfully submitted this 24th day of March 2006.


Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 24TH DAY OF MARCH 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-06-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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