

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR AN ) CASE NO. IPC-E-07-17  
ACCOUNTING ORDER AUTHORIZING )  
THE INCLUSION OF POWER SUPPLY ) NOTICE OF APPLICATION  
EXPENSES ASSOCIATED WITH THE )  
PURCHASE OF ENERGY FROM RAFT ) NOTICE OF  
RIVER ENERGY I LLC IN THE ) MODIFIED PROCEDURE  
COMPANY'S POWER COST ADJUSTMENT )  
) NOTICE OF  
) COMMENT/PROTEST DEADLINE**

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YOU ARE HEREBY NOTIFIED that on October 5, 2007, Idaho Power Company (Idaho Power; Company) filed an Application requesting an accounting order authorizing the inclusion of all power supply expenses associated with the purchase of energy (13 MW) from Raft River Energy I LLC in the Company's Power Cost Adjustment (PCA) mechanism. The underlying Power Purchase Agreement (PPA) for 13 MW is pursuant to a Company Request for Proposal (RFP) for geothermal resources and is the initial agreement with U.S. Geothermal, Inc. of what will total 45.5 MW of geothermal energy. If the PPA is approved, the Company proposes to rescind an existing Firm Energy Sales Agreement with U.S. Geothermal for 10 aMW (IPC-E-05-1, Order No. 29642) at the same site.

**Background**

Pursuant to an identified need for geothermal resources first identified in the Company's 2004 Integrated Resource Plan (IRP) Idaho Power on June 2, 2006 issued a Request for Proposal (RFP) for 100 MW of geothermal resource. In February 2007, the Company chose to negotiate power purchase contracts with U.S. Geothermal, Inc., a Boise company with geothermal resources in Cassia County, Idaho.

In its bid, U.S. Geothermal, Inc. proposes to offer a total of 45.5 MW of geothermal energy to Idaho Power and to have those facilities online between October 2007 and January 2011. The parties have negotiated and executed a Power Purchase Agreement (PPA) dated September 24, 2007 for approximately 13 MW of the 45.5 MW of geothermal power from Raft River Energy I LLC, an affiliate of U.S. Geothermal, Inc., for its facility known as Raft River Geothermal Power Plant Unit No. 1, located approximately 15 miles southeast of Malta, Idaho.

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Agreements for the remaining 32.5 MW of power will be submitted to the Commission separately from this filing.

Currently, a Commission-approved Firm Energy Sales Agreement (Agreement) is in place between Raft River Energy I LLC and Idaho Power for a 10 aMW facility at this identical location (Case No. IPC-E-05-1, Order No. 29692). The approved project is a qualifying facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). If the Commission approves the PPA and authorizes inclusion of the power supply expenses associated with the energy from the Raft River Geothermal Power Plant Unit No. 1 in the Company's PCA, Idaho Power proposes that the Company's December 29, 2004 Agreement with Raft River Energy I LLC be rescinded upon satisfaction by Raft River Energy I LLC of all requirements to attain a first energy date as specified within the PPA.

**Power Purchase Agreement — Idaho Power/Raft River Energy I LLC**

Raft River Energy I LLC initially guarantees an annual output of 108,186,000 kWh and a 90% capacity factor beginning with the third contract year. The term of the PPA is 25 contract years from the operation date (February 1, 2008). Idaho Power has an option to extend the term of the PPA for an additional period mutually agreeable to both parties. Should Raft River Energy I LLC choose to sell its facility, the PPA provides that Raft River first offer to sell its facility to Idaho Power.

Under the existing PURPA Agreement for this site, the project is restricted to providing 10 aMW of energy to Idaho Power. Energy over 10 aMW (Inadvertent Energy) may be delivered to Idaho Power under the existing PURPA Agreement but no payment is required for this Inadvertent Energy. The actual geothermal equipment and generation unit under this PPA are identical to the equipment being constructed under the current PURPA Agreement. As part of the negotiations for this PPA, upon approval of this PPA by the Commission, Idaho Power has agreed to retroactively pay for Inadvertent Energy delivered under the PURPA Agreement. The price for the Inadvertent Energy will be the lesser of either 85% of the weighted average of Mid-C, non-firm on and off peak prices or the monthly PPA price for the applicable months when the Inadvertent Energy was delivered to Idaho Power. If this PPA is not approved by the Commission, the existing PURPA Agreement terms and conditions will remain in effect which include no payments for Inadvertent Energy.

The project is physically connected to the Raft River Rural Electric Cooperative (RREC) electrical system and will wheel its energy across the RREC and Bonneville Power Administration (BPA) transmission systems to deliver its energy to Idaho Power at the Minidoka Substation. The PPA allows and Idaho Power contemplates in the future working with BPA to reduce the BPA transmission costs for this project.

Prices under the PPA will be seasonally adjusted consistent with the seasonality factors currently being used in Idaho Power's PURPA agreements, with the highest rates being paid during the Company's peak energy usage months. The price for energy will start at an annual base rate of \$52.50/MWh, escalating annually at a rate of 2.1% through 2020. For the remaining term, the price for energy will escalate annually at a rate of 0.6% with the resulting energy price in 2032 being \$73.92/MWh. In addition to the energy price, a transmission cost of approximately \$1.75/MWh will be added to determine the total delivered price per MWh.

Idaho Power contends that the energy prices within this PPA compare favorably against the prices contained within the PURPA Agreement for this same location. Because the PPA has a 25-year term while the PURPA Agreement has only a 20-year term, a direct comparison of prices under this PPA to PURPA published avoided costs, the Company states, is not available. However, the current non-levelized PURPA published avoided cost for calendar year 2007 is \$52.69 and if the 20<sup>th</sup> contract year non-levelized PURPA published avoided cost is escalated at the same rate as previous years, an approximate PURPA price for calendar year 2032 would be \$93.14. In addition to this cost savings, Idaho Power states the PPA includes other provisions that are superior to a PURPA agreement including but not limited to the receipt of renewable energy credits, forecasting and security provisions, and performance assurances.

No payment is required by Idaho Power for energy deliveries over maximum contract amounts. The price paid for all energy delivered includes the value of renewable attributes (green tags or RECs) associated with 3 MW of geothermal generation for the first 10 years of the Agreement. For the remaining 15 years of the PPA, Idaho Power will receive 51% of the green tags associated with 13 MW of geothermal generation.

The PPA requires that Raft River Energy I LLC deliver detailed hourly, daily and weekly forecasting of net energy deliveries to Idaho Power Company. If the project fails to provide timely, reliable and useful forecasts to Idaho Power as detailed and required by this PPA, the PPA contains provisions similar to the 90%/110% delivery provisions contained in the

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Company's current PURPA agreements that will become effective and replace the annual performance requirements within this PPA.

The PPA further requires the project to post a \$750,000 security deposit by the end of the third contract year which will be available for Idaho Power to draw upon in the event damages are assessed against the project. The \$750,000 security deposit is required to be maintained for the full term of the Agreement which includes replenishment if any withdrawals occur during the term of the PPA.

### **Cost Recovery**

Idaho Power requests full cost recovery of expenses under the PPA through its PCA mechanism. Idaho Power notes that under the Company's current PCA mechanism, the Company recovers only 90% of changes from base level net power supply costs through the PCA for non-PURPA projects with the remaining 10% acting as an incentive for efficiency. The Commission found at that time that it was "appropriate to exclude any future non-CSPP [cogeneration, small power production] firm purchases from the PCA unless the Company has first obtained Commission approval to include them." Order No. 24806 at 23. Unlike typical wholesale power supply transactions done in day-ahead or real-time markets, Idaho Power states that it has gone through an extensive RFP process to identify the geothermal PPA that will provide the best value to its customers. Full recovery of power supply expenses associated with 10 MW of the 13 MW encompassed in this PPA, the Company notes, are already subject to the Commission-approved PURPA Agreement currently in place between Raft River Energy I LLC and Idaho Power at the same facility. Under the new PPA, Idaho Power will continue to purchase the same electrons but at a lower cost to customers.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed and considered the Company's Application in Case No. IPC-E-07-17. The Commission has preliminarily determined that the public interest regarding the Company's Application may not require a hearing to consider the issues presented and that the issues raised by the Application may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified

Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case No. IPC-E-07-17 is **Friday, December 21, 2007**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. IPC-E-07-17 should be mailed to the Commission and the Company at the addresses reflected below.

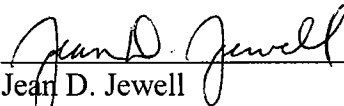
Commission Secretary	Lisa D. Nordstrom
Idaho Public Utilities Commission	Barton L. Kline
PO Box 83720	Idaho Power Company
Boise, ID 83720-0074	1221 W. Idaho Street (83702)
	PO Box 70
Street Address for Express Mail:	Boise, ID 83707-0070
	E-mail: <a href="mailto:lnordstrom@idahopower.com">lnordstrom@idahopower.com</a>
472 W. Washington Street	<a href="mailto:bkline@idahopower.com">bkline@idahopower.com</a>
Boise, ID 83702-5983	

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Application in Case No. IPC-E-07-17 may be viewed at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W.

Washington Street, Boise, Idaho and at the general business office of Idaho Power Company,  
1221 West Idaho Street, Boise, Idaho.

DATED at Boise, Idaho this *31<sup>st</sup>* day of October 2007.

  
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Jean D. Jewell  
Commission Secretary

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