

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: DECEMBER 28, 2010

**SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF A FIRM
ENERGY SALES AGREEMENT WITH HIDDEN HOLLOW, CASE NO.
IPC-E-10-44**

On December 10, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 20-year Firm Energy Sales Agreement (Agreement) between Idaho Power and Hidden Hollow Energy 2, LLC (Hidden Hollow) dated December 8, 2010. The Application states that Hidden Hollow would sell and Idaho Power would purchase electric energy generated by the Hidden Hollow Landfill Gas Project (Facility) located near Boise, Idaho.

THE AGREEMENT

The Application states that Hidden Hollow proposes to design, construct, install, own, operate and maintain a 3.2 MW landfill gas generating facility to be located at Ada County's Hidden Hollow Landfill (Landfill). Application at 2. An existing 3.2 MW landfill gas-powered generating unit owned by G2 Energy Hidden Hollow, LLC (G2) is already operating at the Landfill. Order No. 29928. Hidden Hollow is proposed by a separate affiliate company utilizing the same landfill gas reserves as its fuel source.

Because this Facility utilizes the same landfill gas fuel source as the previously approved G2 project, Idaho Power has negotiated provisions for the Hidden Hollow project intended to preserve the value of the G2 contract while still enabling additional generation to be developed at this location. The Hidden Hollow Agreement provides that the first 1100 scfm of

fuel is dedicated to the generation units under the G2 contract.¹ The Hidden Hollow Agreement also allows Idaho Power to audit the fuel distribution to the various generation units. By these terms, the parties' intent is to preserve the value of the lower rates applicable to power provided under the G2 contract and prevent the Hidden Hollow Facility from providing power at a higher cost before G2's nameplate capacity is reached.

Idaho Power warrants that the Agreement comports with the terms and conditions of the various Commission Orders applicable to PURPA agreements (Order Nos. 30415 and 31025). The Agreement is for a term of 20 years and contains the current non-levelized published avoided cost rates established by the Commission in Order No. 31025 for energy deliveries of less than 10 average megawatts ("aMW"). The Application states that, should the Commission approve the Agreement, Idaho Power intends the effective date of the Agreement to be December 8, 2010 – the date the parties entered into the Agreement.

Hidden Hollow selected February 28, 2012, as its Scheduled First Energy Date and its Scheduled Operation Date. Agreement, Appendix B. Idaho Power asserts that various requirements have been placed upon the Hidden Hollow Facility in order for Idaho Power to accept the Facility's energy deliveries. Idaho Power states that it will monitor the Facility's compliance with initial and ongoing requirements through the term of the Agreement. The Application maintains that all applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to Hidden Hollow. Idaho Power states that the Facility is currently in good standing with the generator interconnection process. Hidden Hollow and Idaho Power have agreed to liquidated damages and security provisions of \$45 per kW of nameplate capacity. Agreement, ¶¶ 5.3.2, 5.8.1.

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 Hidden Hollow for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

Idaho Power requests that its Application be processed by Modified Procedure pursuant to Commission Rules of Procedure 201-204. IDAPA 31.01.01.201-.204.

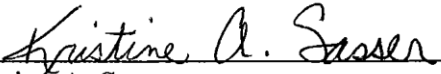
¹ The 1100 scfm is an engineering calculated value of the quantity of the average fuel quality required to operate the first generation units at their nameplate capacity.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure?



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Deputy Attorney General

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