
IDAHO PUBLIC UTILITIES COMMISSION

For Immediate Release

Case No. IPC-E-04-5, Order No. 29487

May 5, 2004

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Website: www.puc.state.id.us

Commission reluctantly accepts Idaho Power contract with Emmett biomass project

Boise – The Idaho Public Utilities Commission has accepted an energy sales agreement between Idaho Power Co. and Renewable Energy of Idaho, but not without some strong wording directing the utility to follow previous commission orders that specify how such sales agreements are to be priced.

Idaho Power sought commission approval of a 20-year contract to buy energy from a 17.5-megawatt generating facility that will produce power from wood waste and other renewable materials at the old Boise Cascade Plant near Emmett. Renewable Energy of Idaho plans to design, construct and operate the biomass facility.

Federal PURPA* regulations require that utilities must buy power from qualifying renewable sources at a rate set by state commissions. Idaho limits the size of the projects that qualify for PURPA rates at no more than 10 megawatts. According to a commission order issued in 1996, rates for projects larger than 10 MW must be determined by using a specified cost model that determines a rate that is reasonable for the company, the renewable project and for customers. Instead of following that model, Idaho Power and Renewable Energy negotiated a contract based primarily on less certain forward market prices and recent Idaho Power contract purchases. Idaho Power claimed it did not have sufficient experience using the cost model and that Renewable Energy was under severe time constraints to get the project started before it would no longer be viable.

The commission ultimately approved the agreement because the rate negotiated, while a departure from approved methodology, is reasonable and the commission agreed that timeliness is critical to the project's success. The facility would dispose of waste forest materials that are immediately available, created as a result of Congress' Healthy Forests mandate.

The commission said the company's failure to follow commission-approved methodology is "both unacceptable and inexcusable," and emphasized this case sets no precedent for future cases. It warned Idaho Power that if it chooses to not abide by the methodology in future contracts, those contracts would be regarded as voluntary purchases rather than mandated purchases under PURPA and thus not subject to full cost recovery from customers.

Commissioners said if Idaho Power believes the methodology is no longer valid, "it is incumbent upon the company to make a filing with the commission and request changes."

Commissioners also did not want the project to fail because of the company's failure to follow previous commission orders. "What is persuasive in this case is the unfairness of holding the project hostage for the failure of the utility to follow" commission approved methodology, the commissioners said. "We regret that the company has placed Renewable Energy, staff and the commission in this position."

Documents related to this case are available on the commission's Web site at www.puc.state.id.us. Click on "File Room," and then on "Electric Cases," and scroll down to Case No. IPC-E-04-5. Petitions for reconsideration must be filed by no later than May 25 and can be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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*PURPA – Public Utilities Regulatory Policies Act. Passed during the energy crisis in the late 1970s, PURPA requires utilities to buy energy from qualifying small power producers that generate power from sources other than fossil fuels. The Public Utilities Commission publishes the rate the utilities must pay small power producers, a rate based on the cost the utility avoids by not generating the power itself or buying it from another source.