

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF
IDAHO POWER COMPANY FOR AN ORDER
APPROVING TERMINATION OF DELIVERIES
OF ENERGY FROM THE WEST BOISE WASTE
PROJECT AND THE ASSOCIATED FIRM
ENERGY SALES AGREEMENT BETWEEN
IDAHO POWER AND THE CITY OF BOISE.**

CASE NO. IPC-E-04-28

ORDER NO. 29662

On November 22, 2004, Idaho Power Company (Idaho Power; Company) filed an Application requesting a Commission Order approving termination of deliveries of energy from the City of Boise's 180 kW methane fueled generation facility located at the City's West Boise Wastewater Treatment Plant and termination of the associated 15-year non-levelized Firm Energy Sales Agreement (Agreement) dated November 8, 1991. The City's generation facility is a qualified small power production facility (QF) under the Public Utility Regulatory Policies Act of 1978 and the implementing regulations of the Federal Energy Regulation Commission (FERC). The Agreement was approved by the Commission in Order No. 23986, Case No. IPC-E-91-23. As reflected in the underlying Agreement, the estimated annual energy production is 1,104,000 kilowatt hours. The Commission is informed that the most recent production figure for the first three quarters for the year 2004 is 329,563 kilowatt hours.

In correspondence dated October 25, 2004, the City of Boise requests termination of the Firm Energy Sales Agreement for an effective date of October 25, 2004. As noted by the City, the West Boise generation facility has been experiencing significant problems with the generation equipment due to the inherent corrosive nature of the digester methane gas that fuels the equipment. Over the past 12 years, the equipment has been routinely rebuilt and repaired in an effort to prolong the life of the project. At this time, however, the City contends that the equipment is beyond repair. While the City intends to install gas conditioning devices and new generation equipment in the future, the gas conditioning equipment will not be available and in place before expiration of the term of the existing Agreement in November 2006.

Idaho Power in its Application indicates that the Company has reviewed the underlying Agreement. Because the energy payments are non-levelized, Idaho Power states that

there is no accumulated overpayment obligation. Furthermore, under the Agreement there are no provisions for liquidated damages or early termination penalties.

For the remaining term of the Agreement through October 2006, the non-levelized energy rates set out in the Agreement range from approximately 49 mills/kWh to 81 mills/kWh for an average of 68.20 mills/kWh. On October 28, 2004, Idaho Power reports that the forecasted Mid-C market values for the same time frame range between 30 mills/kWh and 68 mills/kWh for an average of 57.90 mills/kWh. The accumulative difference between the Agreement's actual energy payment and the equivalent forecasted Mid-C market energy purchases over the same time period results in the Agreement's energy payments being approximately \$35,000 greater than similar energy purchases based on the forecasted Mid-C market energy prices.

Should the Commission approve the Application, it is Idaho Power's intention to remove the interconnection equipment at the West Boise project site as requested by the City and in accordance with the terms of the Agreement.

COMMISSION FINDINGS

Idaho Power has requested a Commission Order approving termination of the 15-year Firm Energy Sales Agreement between the Company and the City of Boise. The proposed termination is at the request of the City. Because the energy payments are non-levelized, no over-payments have accumulated. The Agreement provides for no liquidated damages or early termination penalties. The Commission has reviewed the Company's filing and supporting workpapers and the underlying Agreement and finds it reasonable to approve the Application and termination of the Agreement without further notice or procedure.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA).


The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from PURPA qualified facilities and to implement FERC rules.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve termination of the 15-year Firm Energy Sales Agreement dated November 8, 1991, between Idaho Power and the City of Boise for an effective termination date of October 25, 2004.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

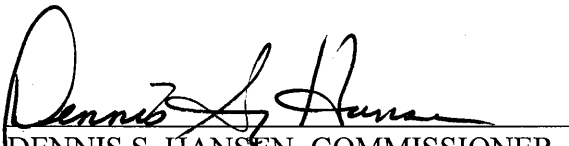
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st day of December 2004.



PAUL KJELLANDER, PRESIDENT

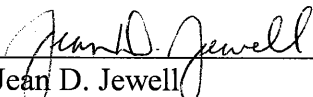


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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