

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** SCOTT WOODBURY

**DATE:** JANUARY 11, 2005

**SUBJECT:** CASE NO. IPC-E-05-1 (Idaho Power)  
FIRM ENERGY SALES AGREEMENT – U.S. GEOTHERMAL

On January 5, 2005, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Firm Energy Sales Agreement (Agreement) between Idaho Power and U.S. Geothermal, Inc. dated December 29, 2004. Under the Agreement, U.S. Geothermal would sell and Idaho Power would purchase electric energy generated by the Raft River Geothermal Power Plant located near Malta, Idaho. U.S. Geothermal proposes to design, construct, install, own and maintain a geothermal generating facility producing 10 average megawatts on a monthly basis. The project will be a qualifying facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA).

As represented by Idaho Power, the Agreement with U.S. Geothermal comports with the terms and conditions of Commission Order No. 29632 (Case No. IPC-E-04-8, U.S. Geothermal vs. Idaho Power) and avoided cost Order No. 29646. The contract is for a 20 year term and contains the published non-levelized avoided cost rates set forth in Order No. 29646.

The following is a summary of certain provisions within the Agreement that comport with the Commission's Order No. 29632:

1. Regulatory Out Clause – This clause has been removed from the Agreement.
2. 10 MW Threshold – As specified in Commission Order No. 29632 this threshold is measured based upon 10 average monthly megawatts.

Initial Capacity Determination – As specified in Commission Order No. 29632, to be eligible for the published avoided cost rates, a facility must “. . . demonstrate that under normal or average design conditions the project will generate at no more than 10 aMW in any given month.”

Paragraph 1.7 and paragraph 4.13 of this Agreement define and specify how this requirement will be met. Idaho Power and U.S. Geothermal have agreed that U.S. Geothermal will supply Idaho Power a certificate from a professional engineer certifying that the facility’s design and operating protocols will limit generation at this facility to no more than 10 aMW in any given month.

Inadvertent Energy – As specified in Commission Order No. 29632, once a project has qualified for published avoided cost rates “. . . we also find it reasonable to cap the maximum monthly generation that qualifies for published rates at the total number of hours in a month multiplied by 10 MW.”

Paragraph 1.5 and 7.3 of this Agreement define and specify the calculation used to measure energy in excess of 10 aMW and provide that Idaho Power will accept but will not pay for any energy produced in excess of 10 aMW.

3. 90%/110% Performance Band.

Energy Payment – As specified in Commission Order No. 29632, energy deliveries outside of this performance band are purchased at a rate equal to 85% of the market price or the contract rate, whichever is less.

Paragraph 1.21 of this Agreement defines energy outside of this performance band to be “surplus energy” which is (1) all energy over 110% of the facility’s estimated generation amounts (paragraph 6.2) or (2) all of the current month’s energy if the facility’s monthly generation is less than 90% of the facility’s estimated generation amounts (paragraph 6.2) or (3) all energy delivered prior to the operation date of the facility.

Forced Outage – As specified in Commission Order No. 29632, the Forced Outage minimum outage has been revised to 48 hours and is applicable to individual generation units at the facility. Paragraph 14.3 and paragraph 6.2.4 of the Agreement specify the process, details and calculations for factoring forced outages into the computation of purchase obligations.

Revising Generation Estimates – As specified in Commission Order No. 29632, the facility will initially provide Idaho Power monthly generation

estimates for the first year of the Agreement and, beginning in the ninth month and every three months thereafter, the facility will provide Idaho Power with an additional three months of forward generation estimates. In addition, beginning with the end of the third month the facility may revise previously provided generation estimates beginning with the fourth month out from that point in time. . . . Paragraph 6.2 of the Agreement specifies the process and procedures to address revisions to generation estimates.

The Raft River Geothermal facility will interconnect with the Raft River Rural Electric Cooperative (Coop) electrical system and will wheel its energy to Idaho Power over Coop and/or BPA transmission facilities. Therefore, the facility will contract with Coop and BPA for all interconnection and transmission requirements. Metering and telemeter equipment will be installed at the facility to accurately measure and communicate the facility's energy deliveries to Idaho Power. All applicable charges and monthly operation and maintenance charges under Schedule 72 for this metering and telemetering will be assessed to U.S. Geothermal.

As reflected in Section 24 of the Agreement, the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declare that all payments Idaho Power makes to U.S. Geothermal for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. The proposed effective date of the Agreement is December 29, 2004.

#### **Staff Analysis**

Staff has reviewed the rates contained in the Agreement and finds that they comport with Order No. 29646, the most recent Commission Order establishing avoided cost rates. Staff further agrees with the representation of Idaho Power that the Agreement terms and conditions comport with the Commission's Order No. 29632 in U.S. Geothermal Complaint Case No. IPC-E-04-8. As the contract terms have been litigated and the non-levelized rates comport with Commission published rates, Staff recommends that the submitted Agreement be approved without further notice or procedure.

#### **Commission Decision**

The geothermal small power project and contract terms under consideration were the subject of the recent complaint proceeding in Case No. IPC-E-04-8. The contract terms and

conditions comport with the Commission final Order No. 29632 and non-levelized rates established in Order No. 29646.

Does the Commission agree that it is appropriate to approve the Idaho Power/U.S. Geothermal Firm Energy Sales Agreement without further notice or procedure?

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Scott Woodbury

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