

DECISION MEMORANDUM

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

FROM: KIRA DALE PFISTERER

DATE: APRIL 13, 2005

RE: CASE NO. IPC-E-05-12
FIRM ENERGY SALES AGREEMENT- PRISTINE SPRINGS #3

On March 4, 2005, Idaho Power Company filed an Application requesting approval of a Firm Energy Sales Agreement (Agreement) between Idaho Power and Pristine Springs, Inc. dated February 18, 2005. On March 22, 2005, the Commission issued a Notice of Application and solicited comments regarding the proposed Agreement. *See* Order No. 29739. No comments were received other than those submitted by Commission Staff.

THE AGREEMENT

Under the Agreement, Pristine Springs will sell and Idaho Power will purchase electric energy generated by the Pristine Springs hydroelectric generation facility. Facility #3 is located on Warm Creek, north of Twin Falls, Idaho in an area more particularly described as the NW ¼ of Section 19, Township 9 South, Range 17 East, Boise Meridian, Jerome County, Idaho. The Pristine Springs facility #3 will be a qualified small power production facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Agreement was developed pursuant to Commission Order Nos. 29632 (*U.S. Geothermal et al. v. Idaho Power*) and 29646 (setting avoided costs effective December 1, 2004) and will replace the previously approved Schedule 86, Uniform Agreement for the sale of non-firm energy. *See* Order No. 29234. In the proposed Agreement, the parties agree to a ten-year contract term and to use the non-levelized published avoided cost rates as currently established by the Commission for energy deliveries of no more than 10 average MW. The Pristine Springs facility #3 consists of a single hydroelectric generation unit. The nameplate rating and maximum generation capability of the Pristine Springs facility #3 is 200 kW.

Because the Pristine Springs facility #3 is currently interconnected and selling energy to Idaho Power under an existing Schedule 86, non-firm agreement, interconnection to the Company's distribution system is completed. The previously established interconnection costs set out in the Schedule 86 will be used to value the interconnection costs under the proposed Agreement. The applicable monthly Schedule 72 charges will apply.

Within the proposed Agreement, various requirements have been placed upon Pristine Springs in order for Idaho Power to accept energy deliveries from the Pristine Springs facility #3. Idaho Power proposes to monitor compliance with these initial requirements and, once the requirements have been met, the existing Schedule 86 agreement will be terminated. As reflected in Article 24 of the Agreement, the Agreement will not become effective until the Commission has approved all the Agreement's terms and conditions and declares that all payments that Idaho Power makes to Pristine Springs for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF COMMENTS

Staff reviewed the Agreement and found that it comports with the terms and conditions of Commission Order Nos. 29632 (*U.S. Geothermal*) and 29646 (2004 avoided costs). Staff confirmed that the contract is for a ten-year term and contains the published non-levelized avoided cost rates set forth in Order No. 29646. Staff also noted that this Agreement is intended to replace an existing Schedule 86 Uniform Agreement. Because the previous Schedule 86 Agreement contains no generation commitment and no termination date, it should remain in effect until the new Agreement becomes effective. Therefore, Staff recommends approval of the Pristine Springs #3 Agreement as presented by Idaho Power.

COMMISSION DECISION

Does the Commission wish to accept Staff's recommendation and approve the Pristine Springs #3 Agreement as presented by Idaho Power?


Kira Dale Pfisterer