

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: SEPTEMBER 1, 2005

SUBJECT: CASE NO. IPC-E-05-23 (Idaho Power)
FIRM ENERGY SALES AGREEMENT – TWIN FALLS ENERGY (Hydro)

On July 6, 2005, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a 20-year Firm Energy Sales Agreement (Agreement) between Idaho Power and Twin Falls Energy Company, Inc. (Twin Falls) dated June 27, 2005. Under the Agreement, Twin Falls will sell and Idaho Power will purchase electric energy generated by the Low Line Midway Hydroelectric Project, located approximately one mile downstream from the point of the Low Line Canal origin, in an area more particularly described as the NW 1/4, of the NW 1/4 of Section 11, Township 11 S, Range 10 E, Boise Meridian, Twin Falls County, Idaho. The nameplate rating of the hydro project is 2.5 MW.

The Twin Falls Project will be a qualified small power production facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). Twin Falls has selected March 10, 2007 as the first energy date and April 1, 2007 as the scheduled operation date.

As represented by Idaho Power, the Agreement with Twin Falls comports with the terms and conditions of Commission Order No. 29632 (*U.S. Geothermal et al v. Idaho Power*) and avoided cost Order No. 29646. Twin Falls has elected to receive the levelized published avoided cost rates set forth in Order No. 29646. The Company represents that the Agreement contains the various security requirements required by the Commission for levelized agreements.

As reflected in Section 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 Twin Falls for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. The proposed effective date of the Agreement is June 27, 2005.

On August 3, 2005, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-05-23. The deadline for filing written comments was August 26, 2005. The Commission Staff was the only party to file comments. Based on its review, Staff recommends that the Agreement be approved with an effective date of June 27, 2005. Staff's review confirms that the Agreement contains the various security requirements required by the Commission for levelized agreements. Staff also confirms that the Agreement comports with the terms and conditions of the Commission's Order No. 29632 (*U.S. Geothermal et al. v. Idaho Power*) and avoided cost Order No. 29646.

COMMISSION DECISION

Idaho Power requests approval of a Firm Energy Sales Agreement with Twin Falls Energy Company, a small 2.5 MW hydro project requesting levelized rates. Commission Staff represents that the Agreement comports with the Commission's Orders and recommends approval. Does the Commission find it reasonable to approve the Twin Falls Agreement and declare that all payments pursuant to the Agreement will be allowed as prudently incurred expenses for ratemaking purposes?

Scott D. Woodbury

bls/M:IPCE0523_sw2