

DECISION MEMORANDUM

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

FROM: CECELIA A. GASSNER

DATE: NOVEMBER 30, 2005

SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF A FIRM ENERGY SALES AGREEMENT, CASE NO. IPC-E-05-29

On October 19, 2005, Idaho Power Company (Idaho Power) filed its Application for approval of a 20-year Firm Energy Sales Agreement (Agreement) for the sale and purchase of electric energy with G2 Energy Hidden Hollow, LLC, a Georgia limited liability company (G2). Under the Agreement, G2 will sell and Idaho Power will purchase electric energy generated by the Hidden Hollow Landfill Gas Project located at Ada County's Hidden Hollow Landfill near Boise (the Project). The nameplate rating of the Project is 3.2 MW.

THE APPLICATION

On November 8, 2005, the Commission issued a Notice of Modified Procedure, seeking comments on the Application on or before November 29, 2005. The Commission received two public comments and comments from the Staff.

The Project will be a qualified small power production facility (QF) under the applicable provisions of the Public Utilities Regulatory Policy Act of 1978 (PURPA). G2 has selected March 1, 2006 as the scheduled operation date for the Project.

As represented by Idaho Power, the Agreement with G2 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. G2 has elected to receive the non-levelized published avoided cost rates set forth in Order No. 29646, as set forth in further detail in Section VI of the Agreement.

According to the Application, Idaho Power and G2 entered into the Agreement on or about October 11, 2005 pursuant to the rates, terms and conditions specified in Commission Order Nos. 29632 and 29646. Section 24 of the Agreement provides that “the Agreement shall not become effective until the Commission approves all terms and provisions thereof without change or condition and declares that all payments to be made hereunder shall be allowed as prudently incurred expenses for ratemaking purposes.” The proposed effective date is October 11, 2005.

COMMENTS

Two comments from the public were submitted in this matter. On November 23, 2005, Mr. Bob Harder of Meridian submitted a comment regarding the availability of certain equipment that may be relevant to the generation of electricity from landfill gases. On November 29, 2005, Ms. Vera Noyce of Boise submitted a comment in support of the Application.

Staff reviewed the Agreement and believes that it comports with the rates, terms and conditions of Commission Order No. 29632 (*U.S. Geothermal, et al. v. Idaho Power*) and avoided cost Order No. 29646. Because the Project will utilize landfill gas as its fuel source, the Commission’s recent Order (Order No. 29839) temporarily restricting entitlement for wind projects does not apply.

To Staff’s knowledge, the Project will be the first electrical generation facility in the State to use landfill gas as its source. Staff is uncertain as to whether the fuel supply will diminish over time and whether the Project can continue to produce its rated output over the 20-year life of the Agreement. Staff is also uncertain as to whether the facility’s equipment will endure over the full term of the Agreement. Nevertheless, because this is a non-levelized Agreement, there will be no overpayment liability and thus no risk to Idaho Power or its ratepayers if the Agreement is terminated early.

Section 24 of the Agreement provides that the Agreement will not become effective until the Commission has approved all the Agreement’s terms and conditions and declared that all payments that Idaho Power makes to G2 for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. The proposed effective date of the Agreement is October 2005.

Staff recommends approval of this Agreement with an effective date of October 11, 2005.

COMMISSION DECISION

Does the Commission wish to approve this Agreement with an effective date of October 11, 2005?



Cecelia A. Gassner

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