

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION |) | |
| OF IDAHO POWER COMPANY FOR |) | CASE NO. IPC-E-06-2 |
| APPROVAL OF AN ENERGY SALES |) | |
| AGREEMENT FOR THE SALE AND |) | |
| PURCHASE OF ELECTRIC ENERGY |) | ORDER NO. 30059 |
| BETWEEN IDAHO POWER COMPANY |) | |
| AND CO-GEN CO, LLC |) | |

On January 26, 2006, Idaho Power Company ("Idaho Power" or "Company") filed an Application with the Idaho Public Utilities Commission requesting a declaration that all payments for purchases of energy under an Energy Sales Agreement (the "Agreement") between Idaho Power and Co-Gen Co, LLC ("Seller") dated December 29, 2005 be allowed as prudently incurred expenses for ratemaking purposes.

BACKGROUND

According to the Application, Seller owns, operates and maintains a 10 MW nameplate capacity wood waste (biomass) generation unit that is located adjacent to the Prairie Wood Products Mill in Prairie City, Oregon (the "Facility"). The Facility is a qualified small power production facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA).

Under the terms of the Agreement, Seller has elected to enter into the Agreement with Idaho Power for a one-year term. Seller further elected to receive payments from the Company computed in accordance with the Gas Market Method set out in the Company's Oregon Tariff No. E-25, Schedule 85, dated August 11, 2005 or its successor schedule as approved by the Oregon Public Utility Commission, as shown on Exhibits 1 and 2 to the Application. In essence, Idaho Power seeks approval of the payments made under an agreement for an Oregon-sited facility using an Oregon agreement, an Oregon cost methodology, with delivery of the energy in Oregon.

On February 8, 2006, the Commission issued Notices of Application and Modified Procedure in this case. The deadline for filing written comments was March 1, 2006, and Staff was the only entity to file comments. The Company filed reply comments on April 3, 2006, and the Staff filed additional comments on April 17, 2006.

THE COMMENTS

The Staff stated that most of the terms and conditions of the Agreement are nearly identical to those that are typically contained in agreements for projects located in Idaho and subject to the jurisdiction of the Commission. However, there are a few differences, primarily associated with rates. One of the primary differences between Idaho Power QF contracts in Oregon and Idaho is that avoided cost rates are computed for on-peak and off-peak hours in Oregon, while in Idaho there is no distinction between on-peak and off-peak generation. Another difference is that the energy and capacity components of the avoided cost rate are separately computed in Oregon. Under Oregon's Gas Market Method option the energy payment component is based on monthly natural gas index prices.

Because of these differences, the Staff expressed concern that the rate to be paid for purchases under the Agreement may be higher than the costs that would usually be paid in Idaho. Staff recommended that the amount approved for recovery at this time in Idaho be equal to the actual amounts paid under the contract and not to exceed the amounts that would be paid if this were an Agreement subject to the avoided cost rates set forth in Appendix B to Order No. 29646 (Avoided Cost Rates for Non-Fueled Projects, one-year contract length, on-line year 2006).

The Company stated in its reply comments that Staff's recommendation may result in the Company being unable to recover all of its expenses incurred under the Agreement. In its additional comments, Staff stated its recommendation does not preclude the Company from full recovery because the Company may seek recovery of expenses that exceed the Idaho avoided cost rate from the Oregon Public Utility Commission.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. IPC-E-06-2, including the Agreement and filed comments. Idaho Power has presented an Energy Sales Agreement with Seller and seeks recovery of payments made under the Agreement as prudently incurred expenses. The Agreement is for a 10 MW biomass generation unit located in Prairie City, Oregon.

As represented and pursuant to contract, under normal and/or average conditions the project will not exceed 10 aMW on a monthly basis. We thus find that the project is a facility entitled to recovery of payments of avoided cost rates.

We find it reasonable to allow payments made under the Agreement in accordance with the avoided cost rates published by this Commission as prudently incurred expenses for ratemaking purposes. As part of the PCA review in the coming year, we direct the Staff to examine how this project's costs compare to the Idaho avoided cost rates. The findings and conclusions of this Order are limited to the facts of this Case No. IPC-E-06-2 and are not to be considered as precedent for any other matter that may come in front of this Commission.

CONCLUSIONS OF LAW

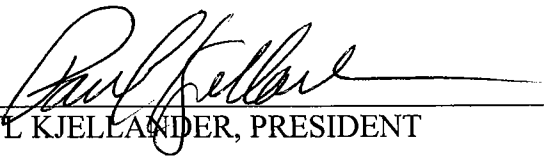
The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities and to implement FERC rules.

ORDER

IT IS HEREBY ORDERED that the payments for purchases of energy under this Energy Sales Agreement may be allowed, subject to the avoided cost rates published by this Commission in Order No. 29646, as prudently incurred expenses for ratemaking purposes.

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 with regard to any matter decided in 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.

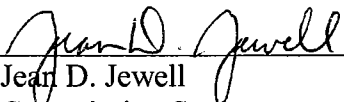
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of May 2006.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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