

DECISION MEMORANDUM

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

FROM: CECELIA A. GASSNER

DATE: JUNE 19, 2006

**SUBJECT: IN THE MATTER OF THE APPLICATION OF IDAHO POWER
 COMPANY FOR APPROVAL OF A FIRM ENERGY SALES
 AGREEMENT WITH CKTV1 ENERGY, LLC, CASE NO. IPC-E-06-15**

On April 28, 2006, Idaho Power Company (“Idaho Power” or “Company”) filed an Application requesting approval of a Firm Energy Sales Agreement dated April 28, 2006 with CKTV1 Energy, LLC (“CKTV1”). Under the Agreement, CKTV1 would sell and Idaho Power would purchase electric energy generated by CKTV1’s Treasure Valley 1 anaerobic digester gas-to-energy facility located near Caldwell, Idaho. The Company asks the Commission approve the Agreement and declare that all payments for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes. On May 26, 2006, the Commission issued a Notice of Application and Modified Procedure requesting any comments to the matter. See Order No. 30054. In addition to comments filed by Staff, the Commission received four comments from members of the general public.

THE AGREEMENT

According to the Application, CKTV1 proposed to design, construct, install, own operate and maintain a 3.2 MW anaerobic digester gas-to-energy generating facility to be located near Caldwell, Idaho (the “Facility”). The Facility will be 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, CKTV1 has elected to enter into the Agreement with Idaho Power for a 20-year term. CKTV1 further elected to contract with the Company

using the non-levelized published avoided cost rates as currently established by the Commission for energy deliveries of less than 10 aMW. All applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to CKTV1.

CKTV1 has elected November 1, 2006 as the scheduled first energy date and March 31, 2007 as the scheduled operation date for the Facility. Certain requirements have been placed on CKTV1 for Idaho Power to accept energy deliveries from the Facility. Idaho Power will monitor compliance with these initial requirements, as well as ongoing requirements throughout the term of the Agreement.

STAFF COMMENTS

Based on its review, Staff believes that the Agreement between CKTVI and Idaho Power 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. 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 CKTVI for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. The proposed effective date of the Agreement is April 28, 2006. Staff recommends approval of the Agreement.

PUBLIC COMMENTS

The Commission received four comments from the general public. Each of these comments voiced support of the Application and using the biomass waste to generate electrical power.

COMMISSION DECISION

Does the Commission desire to approve the Application for the Firm Energy Sales Agreement between Idaho Power and CKTV1?



Cecelia A. Gassner