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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR APPROVAL) CASE NO. IPC-E-06-29
OF THE AGREEMENT FOR SALE AND)
PURCHASE OF SURPLUS ENERGY BETWEEN)
IDAHO POWER COMPANY AND THE) COMMENTS OF THE
AMALGAMATED SUGAR COMPANY LLC -) COMMISSION STAFF
TWIN FALLS FACILITY.)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on December 19, 2006, submits the following comments.

BACKGROUND

On November 21, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of an Agreement for Sale and Purchase of Surplus Energy (Agreement) between Idaho Power and Amalgamated Sugar Company, LLC (TASCO) under which Idaho Power agrees to purchase up to 3 MW of surplus electric energy from TASCO's refined sugar production facility in Twin Falls (Twin Falls Plant) at prices that are less than market-based non-firm energy prices. The

term of the Agreement will run for one year following the initial service date. Should the Commission approve this Agreement, Idaho Power intends to consider the Effective Date of the Agreement to be November 20, 2006.

This Agreement replaces an August 11, 2001 agreement that was previously approved by the Commission in Order No. 28910. The prior agreement was for a five-year term, which expired in August 2006. This new Agreement is identical to the prior agreement with the exception of changes to the term from five-years to annual renewals. The Agreement may be terminated by either party upon 60 days notice. In addition, minor changes were required in the new Agreement to reflect the continuity with the previously expired agreement.

ANALYSIS

Electric energy to be sold under the Agreement is non-firm energy and will only be available if TASC0 does not consume the electric energy in the Twin Falls Plant. The surplus energy to be purchased from TASC0 is priced at 85% of the monthly weighted average non-firm Dow Jones Mid-Columbia Index price. Because the price to be paid under the Agreement is a percentage of market price rather than a fixed price, the amount paid by Idaho Power will increase or decrease as market prices change. When Idaho Power needs the energy, the price will always be more attractive than buying from the market. When it does not need the power, Idaho Power should be able to resell the energy at the higher full market price and credit the revenue to its power sales account.

Staff believes that the prices agreed to in this Agreement are attractive to Idaho Power and its ratepayers. These prices are the same as would be paid by Idaho Power to other non-firm generation under Schedule 86. Customers will benefit from the Agreement by Idaho Power offsetting higher purchase power costs or reselling power it does not need.

Idaho Power requests that all payments for surplus energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes. Staff believes that the payments should be treated as system power supply costs similar to other PURPA power supply costs.

Negotiation and execution of the Agreement by TASC0 pre-dated Order No. 30179 issued by the Commission in Case No. IPC-E-06-18, the Company's Application for authority to institute a Schedule 72 Uniform Interconnection Agreement. The submitted Agreement, therefore, does not include the modifications approved in that Order. One of those modifications

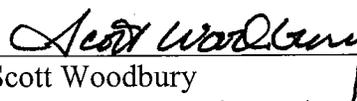
is the provision for an interconnection agreement that is separate from the power sales agreement. Other modifications related to the adoption of IEEE 1547 standards. Because the Twin Falls Plant is an existing facility that is already interconnected and that has already been selling surplus energy to Idaho Power, in Staff's opinion, none of the recent modifications to Schedule 72 are particularly germane or critical anyway. In this Agreement, interconnection requirements are included as part of the power sales Agreement.

RECOMMENDATION

Staff recommends that the Agreement between Idaho Power and the Amalgamated Sugar Company for its Twin Falls plant be approved. Staff believes that the Agreement will help Idaho Power meet expected loads while reducing the Company's reliance on purchases at full market price, thus minimizing power supply costs.

Staff also recommends that all payments for purchases of energy under the Agreement for Sale and Purchase of Surplus Energy between Idaho Power Company and The Amalgamated Sugar Company, LLC – Twin Falls Facility be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 10th day of January 2007.



Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF JANUARY 2007, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-06-29, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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