

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: JANUARY 11, 2007

SUBJECT: CASE NO. IPC-E-06-29 (Idaho Power)
AGREEMENT FOR SALE AND PURCHASE OF SURPLUS ENERGY
IDAHO POWER/AMALGAMATED SUGAR (TASCO)

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 surplus electric energy up to 3 MW from TASCO's refined sugar production facility in Twin Falls at prices that are less than market-based non-firm energy prices.

The submitted Agreement dated November 20, 2006 replaces a prior Agreement, dated August 11, 2001. The prior surplus energy agreement was approved by the Commission in Order No. 28910 dated December 6, 2001. The prior agreement was for a five-year term that expired in August 2006. The initial term of the new Agreement is for one contract year. The Agreement renews automatically from year to year unless terminated pursuant to contractual notice requirements.

As reflected in the Application, Idaho Power states that negotiation of the Agreement and execution of the Agreement by TASCO predated Order No. 30179 issued by the Commission in Case No. IPC-E-06-18, the Company's Application for authority to institute a uniform Schedule 72 interconnection agreement. Therefore, the Agreement, the Company states, does not include the modifications approved in that Order.

Idaho Power under the Agreement will purchase up to 3 MW of surplus electric energy generated by the electric generating equipment located at TASCO Twin Falls plant. The energy purchased will be surplus energy not otherwise consumed by TASCO at the Twin Falls plant. 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. Setting the purchase price at a discount from market price, Idaho Power contends, assures that when the Company 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 wholesale market price.

Idaho Power requests that the Agreement be approved without change or condition and requests a Commission determination that all payments for purchases of energy incurred under the Agreement be allowed as prudently incurred expenses for ratemaking purposes. Should the Commission approve the Agreement, Idaho Power intends to consider the effective date of the Agreement to be November 20, 2006.

On December 19, 2006, the Commission issued a Notice of Application and Modified Procedure in Case No. IPC-E-06-29. The deadline for filing written comments was January 10, 2007. The Commission Staff was the only party to file comments. 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 believes that the prices agreed to are attractive to Idaho Power and its ratepayers. Customers will benefit from the Agreement by Idaho Power offsetting higher purchase power costs or reselling power it does not need.

COMMISSION DECISION

Idaho Power requests approval of an Agreement for Sale and Purchase of Surplus Energy between Idaho Power and Amalgamated Sugar Company. The Agreement replaces a five-year contract which expired in August 2006. The new Agreement changes the term from five years to annual renewal. No other substantive changes were made. Staff recommends that the Agreement be approved. Does the Commission continue to find Modified Procedure appropriate? Does the Commission find it reasonable to approve the Agreement?

Scott D. Woodbury

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