

## DECISION MEMORANDUM

**TO:** COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL

**DATE:** JUNE 18, 2008

**SUBJECT:** CASE NO. IPC-E-08-13 (Idaho Power)  
CAPACITY/ENERGY PURCHASE AGREEMENT WITH PPL  
ENERGYPLUS, LLC REQUEST FOR ACCOUNTING ORDER AND PCA  
RECOVERY APPROVAL

On June 16, 2008, Idaho Power Company (Idaho Power; Company) filed an Application with the Commission for an Order approving a firm wholesale Power Purchase Agreement (Agreement) between Idaho Power and PPL EnergyPlus, LLC (EnergyPlus). The Company requests accounting treatment that will allow Idaho Power to include the expenses associated with the purchase of capacity and energy from EnergyPlus in the Company's Power Cost Adjustment (PCA). Included in the Company's filing in this case is the prefiled direct testimony of Karl Bokenkamp, General Manager of Power Supply Operations.

The EnergyPlus Agreement replaces an Idaho Power/PPL Montana contract that will expire at the end of August 2009. Reference Order No. 29286, Case No. IPC-E-03-08. In the spring of 2008, the Company issued a Request for Proposals (RFP) to replace the expiring contract. EnergyPlus was the successful bidder. EnergyPlus is the marketing arm of PPL Montana. As a result, it has access to the generating resources owned and operated by PPL Montana.

Contracting with EnergyPlus is advantageous, the Company contends, because existing constraints on the west side of Idaho Power's system made power purchases on the east side of the Company's system preferable. The principal provisions of the Power Purchase Agreement with EnergyPlus call for a firm power purchase for the heavy load hours, six days a week (Monday through Saturday), 16 hours a day (6 x 16) in the months of June, July and

August (except for NERC holidays). These are the time periods identified in the Company's 2006 IRP as critical peak hours. The term of the Agreement is two years, June 1 through August 31 of each year beginning in 2010 and ending in 2011. The quantity of energy purchased is 83 MW per hour. The price to be paid for this energy is \$92.25 per MWh. After adjusting for losses, Idaho Power will actually receive approximately 80 MW per hour under the PPA.

The Company contends that the energy costs of \$92.25/MWh are competitive and favorable when compared to alternative resource options. The Company's heavy load forward price curves for Mid-Columbia (Mid-C) are slightly above the PPA contract price. The limited duration of the PPA reduces the risk by dovetailing with the Company's ongoing efforts to develop energy efficiency programs that target the Company's summer peak loads and with the Company's planned acquisition of new base load resources in 2012 through its current request for proposals. Cost comparisons are detailed in the Company's prefiled testimony. To give the Commission an idea of current market prices, in accordance with the Company's risk management policy, Idaho Power states it has already purchased heavy load energy for August 2008 at prices between \$110 and \$120 per MWh.

As consideration for EnergyPlus's agreement to hold the price in the PPA firm to allow time for Commission review and approval, Idaho Power has paid EnergyPlus a deposit in the amount of \$100,000 that is refundable if the Application is approved by the Commission no later than August 4, 2008. If the Commission does not approve the Agreement by that deadline, the Company will forfeit the deposit and either party may terminate the Agreement.

In addition to power costs under the Agreement, Idaho Power states it will purchase firm monthly transmission service across Northwestern Energy's transmission system to the Jefferson point of delivery. At current rates under Northwestern Energy's open access transmission tariff (OATT), the maximum charge for monthly firm transmission service is \$3.42 per kW of reserved capacity per month. Losses are charged at four percent. After consideration of losses and transmission costs, Idaho Power will incur a total cost of approximately \$101 per MWh under the PPA.

Idaho Power proposes that costs associated with acquiring firm monthly transmission service from Northwestern Energy's transmission system be booked in Book Account 565 Transmission of Electricity by Others. These monthly transmission costs will not flow through the Company's Power Cost Adjustment (PCA). Idaho Power proposes that the cost for power

acquired through the EnergyPlus Agreement be booked in FERC Account 555, Purchased Power, and that the costs upon contract approval flow through the Company's PCA. Until the costs of the contract are included in a general revenue proceeding, any contract costs associated with the Agreement will be considered deviation from the base and, therefore, only 90% of the Idaho jurisdictional costs will be borne by customers.

Idaho Power requests that its Application be processed under Modified Procedure, by written submission rather than by hearing. Reference Commission Rules of Procedure IDAPA 31.01.01.201-204.

Idaho Power requests that the Commission issue an Order approving the Power Purchase Agreement between Idaho Power and EnergyPlus and approving Idaho Power's requested accounting treatment for inclusion of the power purchase expenses associated with the EnergyPlus Agreement in the Company's Power Cost Adjustment.

#### **COMMISSION DECISION**

Idaho Power requests that the Commission approve its Power Purchase Agreement with PPL EnergyPlus, LLC and authorize recovery of power purchases under the Agreement in its PCA. The Company requests that its Application be given expedited consideration and be processed pursuant to Modified Procedure. If approval is not obtained prior to August 4, 2008 Idaho Power states that it will forfeit a deposit in the amount of \$100,000. Staff agrees with the Company proposed procedure and recommends that the Application be processed pursuant to Modified Procedure with a comment deadline of July 24, 2008. Does the Commission agree?



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Scott D. Woodbury  
Deputy Attorney General

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