

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: RICK STERLING

DATE: AUGUST 14, 2008

**RE: APPLICATION FOR APPROVAL OF A SCHEDULE 86, NON-FIRM
ENERGY SALES AGREEMENT BETWEEN IDAHO POWER AND
CARGILL ENVIRONMENTAL FINANCE; CASE NO. IPC-E-08-17**

On August 8, 2008, Idaho Power Company (Idaho Power; Company) submitted for approval a Uniform Agreement under Schedule 86 between Idaho Power and Cargill Environmental Finance (Cargill) for the purchase of non-firm energy (Agreement). Cargill is developing a 2.25 MW anaerobic digester near Hansen, Idaho (Project). The Project will be a qualifying small power production facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA).

Idaho Power and Cargill have entered into the July 28, 2008, Agreement pursuant to Idaho Power's Schedule 86, Cogeneration and Small Power Production-Non-Firm Energy tariff. In accordance with Schedule 86, the purchase price will be equal to 85 percent of the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Electricity Price Index for non-firm energy. A copy of the Agreement, which includes Schedule 86, is attached as Attachment A.

The Company requests that all of the terms and conditions of the Agreement be approved without change or condition and that all payments to be made under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

The Project is already operational. After the Project has operated under the Agreement for a reasonable period of time, Idaho Power expects that Cargill and Idaho Power will enter into a long-term firm energy sales agreement for the Project.

STAFF RECOMMENDATION

The Agreement is a standard agreement under Schedule 86 and contains non-firm energy rates in conformance with posted tariffs and applicable Commission orders. Consequently, Staff recommends that the Agreement be approved by minute entry without further notice or procedure.

COMMISSION DECISION

Staff recommends that the Schedule 86 tariff Agreement with Cargill be approved by minute entry without further notice or procedure. Does the Commission agree with Staff's recommendation for contract approval?


Rick Sterling

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**IDAHO POWER COMPANY
SCHEDULE 86
UNIFORM AGREEMENT**

For the Purchase of Non-Firm Energy From Qualifying Facilities

THIS AGREEMENT made this 28 day of July, 2008, between CARGILL ENVIRONMENTAL FINANCE whose mailing address is Attn: Rick Rud, 9350 Excelsior Boulevard, MS 139-4-A, Hopkins, MN 55343, e-mail: Rick_Rud@cargill.com hereinafter called Seller and IDAHO POWER COMPANY, a corporation with its principal office located at 1221 West Idaho Street, Boise, Idaho hereafter called "Company".

NOW, THEREFORE, The parties agree as follows:

1. Company shall purchase Energy produced by the Seller's Qualifying Facility located at or near 2940 South 4225 East near the town of Hansen, Idaho, County of Twin Falls State of Idaho, located in the S1/2 of Section 34 Township 11S, Range 19E, BM, in the form of three phase 60 Hz and at a nominal phase to phase potential of 480 volts, subject to emergency operating conditions of the Company. Purchases under this Agreement are subject to the Company's applicable Tariff provisions, including but not limited to Schedules 86 and 72 approved by and as may be hereafter modified by the Idaho Public Utilities Commission ("Commission") and the provisions of this Agreement.

2. Seller shall pay Company for all costs of Interconnection Facilities as provided for in Exhibit A of this Agreement and Schedule 72.

3. In addition to the charges provided under Paragraph 2, Seller shall pay to the Company the monthly Operations and Maintenance Charge specified in Schedule 72 on the Investment by the Company in Interconnection Facilities which investment is set forth in Exhibit A, attached hereto and made a part hereof. As such investment changes, in order to provide facilities to serve Seller's requirements, Company shall notify Seller in writing of additions or deletions of facilities by forwarding a dated revised Exhibit A, which shall become part of this Agreement. The monthly Operation & Maintenance Charge will be adjusted to correspond to the Revised Exhibit A.

4. The initial date of acceptance of Energy under this Agreement is subject to the Company's ability to obtain required labor, materials, equipment, satisfactory rights of way, and comply with governmental regulations.

5. The term of this Agreement shall become effective on the date first above written, and shall continue to full force and effect until canceled by Seller upon sixty (60) days prior written notice.

6. This Agreement and the rates, terms, and conditions of service set forth or incorporated herein, and the respective rights and obligations of the parties hereunder, shall be subject to valid laws and to the regulatory authority and orders, rules, and regulations of the Commission and such other administrative bodies having jurisdiction.

7. Nothing herein shall be construed as limiting the Commission from changing any rates, charges, classification or service, or any rules, regulation or conditions relating to service under this Agreement, or construed as affecting the right of the Company or the Seller to unilaterally make application to the commission for any such change.

8. This Agreement shall not become effective until the Commission approves all terms and provisions hereof without change or condition and declares that all payments to be made hereunder shall be allowed as prudently incurred expenses for ratemaking purposes.

CARGILL ENVIRONMENTAL FINANCE

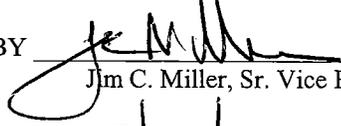
(Seller)

BY 

ITS MANAGING DIRECTOR

DATED 7/28/08

IDAHO POWER COMPANY

BY 

Jim C. Miller, Sr. Vice President, Power Supply

DATED 7/28/2008

EXHIBIT A

FACILITY AND POINT OF DELIVERY

PROJECT NO. 31615100

Bettencourt Dry Creek BioFactory, LLC

A-1 DESCRIPTION OF FACILITY

This Facility will consist of an Anaerobic Digester waste processing unit that will supply fuel to 3 Guascor SFGLD 560 engines that will drive three (3) Stamford Newage P1736D generators, each with a nameplate rating of 750 kW. Connected to Idaho Power Company using Gen-Tec GENCON II controls, ABB Isomax Breaker, and Beckwith m3410A protective relays.

A-2 LOCATION OF FACILITY

Near: Hansen, Idaho 2940 South 4225 East Twin, Falls Idaho

Sections: 34 Township: T11S Range: R19E County: Twin Falls ID.

A-3 SCHEDULED OPERATION DATE

Seller has selected July 31, 2008 as the estimated Scheduled Operation Date.

Idaho Power, based on the information supplied by the Seller, will schedule its construction in accordance with Schedule 72 and the Generation Interconnection Process.

A-4 MAXIMUM CAPACITY AMOUNT: This value will be 2.25 MW which is consistent with the value provided by the Seller to Idaho Power in accordance with Schedule 72. This value is the maximum energy (MW) that potentially could be delivered by the Seller's Facility to the Idaho Power electrical system at any moment in time.

A-5 POINT OF DELIVERY

"Point of Delivery" means, unless otherwise agreed by both Parties, the point of where the Sellers Facility's energy is delivered to the Idaho Power electrical system. Schedule 72 will determine the specific Point of Delivery for this Facility. The Point of Delivery identified by Schedule 72 will become an integral part of this Agreement.

A-6 LOSSES

If the Idaho Power Metering equipment is capable of measuring the exact energy deliveries by the Seller to the Idaho Power electrical system at the Point of Delivery, no Losses will be calculated for this Facility. If the Idaho Power Metering is unable to measure the exact energy deliveries by the Seller to the Idaho Power electrical system at the Point of Delivery, a Losses calculation will be established to measure the energy losses (kWh) between the Seller's Facility and the Idaho Power Point of Delivery. This loss calculation will be initially set at 2% of the kWh energy production recorded on the Facility generation metering equipment. At such time as Seller provides Idaho Power with the electrical equipment specifications (transformer loss specifications, conductor sizes, etc) of all of the electrical equipment between the Facility and the Idaho Power electrical system, Idaho Power will configure a revised loss calculation formula to be agreed to by both parties and used to calculate the kWh Losses for the remaining term of the Agreement. If at any time during the term of this Agreement, Idaho Power determines that the loss calculation does not correctly reflect the actual kWh losses attributed to the electrical equipment between the Facility and the Idaho Power electrical system, Idaho Power may adjust the calculation and retroactively adjust the previous months kWh loss calculations.

A-7 METERING AND TELEMETRY

Schedule 72 will determine the specific metering and telemetry requirements for this Facility. At the minimum the Metering Equipment and Telemetry equipment must be able to provide and record hourly energy deliveries to the Point of Delivery and any other energy measurements required to administer this Agreement. These specifications will include but not be limited to equipment specifications, equipment location, Idaho Power provided equipment, Seller provided equipment, and all costs associated with the equipment, design and installation of the Idaho Power provided equipment. Seller will arrange for and make available at Seller's cost communication circuit(s) compatible to Idaho Power's communications equipment and dedicated to Idaho Power's use terminating at the Idaho Power facilities capable of providing Idaho Power with continuous instantaneous information on the Facilities energy production. Idaho Power provided equipment will be owned and maintained by Idaho Power, with total cost of purchase, installation, operation, and maintenance, including administrative cost to be reimbursed to Idaho

Power by the Seller. Payment of these costs will be in accordance with Schedule 72 and the total metering cost will be included in the calculation of the Monthly Operation and Maintenance Charges specified in Schedule 72.

A-8 NETWORK RESOURCE DESIGNATION AND TRANSMISSION SERVICE REQUEST

Idaho Power cannot accept or pay for generation from this Facility until a Transmission Service Request (“TSR”) and a Network Resource Designation (“NRD”) application have been accepted by Idaho Power’s delivery business unit. Federal Energy Regulatory Commission (“FERC”) Rules require Idaho Power to prepare and submit the TSR and NRD. Because much of the information Idaho Power needs to prepare the TSR and NRD is specific to the Seller’s Facility, Idaho Power’s ability to file the TSR and NRD in a timely manner is contingent upon timely receipt of the required information from the Seller. **Seller’s failure to provide complete and accurate information in a timely manner can delay the First Energy Date and may result in Seller paying higher costs for interconnection.**

- i.) Transmission Service Request (TSR)– Idaho Power will prepare and submit the TSR within a reasonable period of time after the Seller (a) provides written confirmation that the Generation Interconnection Agreement (“GIA”) between Seller and Idaho Power’s delivery business unit has been executed for this Facility and (b) provides all of the Facility-specific details required to complete the TSR.
- ii.) Network Resource Designation – Idaho Power will complete and file the NRD application within a reasonable period of time after a) this Agreement has been executed by both parties and b) the TSR has been filed and accepted and c) all necessary information has been received from the Seller to enable Idaho Power to complete the NRD application.

SCHEDULE 86
COGENERATION AND SMALL
POWER PRODUCTION NON-FIRM
ENERGY

AVAILABILITY

Service under this schedule is available throughout the Company's service territory within the State of Idaho.

APPLICABILITY

Service under this schedule is applicable to any Seller that:

1. Owns or operates a Qualifying Facility with a nameplate capacity rating of less than 10 MW and desires to sell Energy generated by the Qualifying Facility to the Company on a non-firm, if, as, and when available basis;
2. Meets all applicable requirements of the Company's Schedule 72 and the Generation Interconnection Process.

DEFINITIONS

Avoided Energy Cost is the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Electricity Price Index (Dow Jones Mid-C Index) prices for nonfirm energy published in the Wall Street Journal. If the Dow Jones Mid-C Index prices are not reported for a particular day or days, the average of the immediately preceding and following reporting periods or days will be used.

Designated Dispatch Facility is the Company's Boise Bench Dispatch Center.

Energy means the non-firm electric energy, expressed in kWh, generated by the Qualifying Facility and delivered by the Seller to the Company in accordance with the conditions of this schedule. Energy is measured net of Losses and Station Use.

Generation Facility means equipment used to produce electric energy at a specific physical location, which meets the requirements to be a Qualifying Facility.

Generation Interconnection Process is the Company's generation interconnection application and engineering review process developed to ensure a safe and reliable generation interconnection.

Interconnection Facilities are all facilities reasonably required by Prudent Electrical Practices and the National Electric Safety Code to interconnect and safely deliver Energy from the Qualifying Facility to the Company's system, including, but not limited to, connection, transformation, switching, metering, relaying, communications, disconnection, and safety equipment.

Losses are the loss of electric energy occurring as a result of the transformation and transmission of electric energy from the Qualifying Facility to the Point of Delivery.

SCHEDULE 86
COGENERATION AND SMALL
POWER PRODUCTION NON-FIRM
ENERGY
(Continued)

DEFINITIONS (Continued)

Point of Delivery is the location where the Company's and the Seller's electrical facilities are interconnected.

Prudent Electrical Practices are those practices, methods and equipment that are commonly used in prudent electrical engineering and operations to operate electric equipment lawfully and with safety, dependability, efficiency and economy.

PURPA means the Public Utility Regulatory Policies Act of 1978.

Qualifying Facility is a cogeneration facility or a small power production facility which meets the PURPA criteria for qualification set forth in Subpart B of Part 292, Subchapter K, Chapter I, Title 18, of the Code of Federal Regulations.

Schedule 72 is the Company's service schedule which provides for interconnection to non-utility generation or its successor schedule(s) as approved by the Commission.

Seller is any entity that owns or operates a Qualifying Facility and desires to sell Energy to the Company.

Standby Power is electrical energy or capacity supplied by the Company during an unscheduled outage of a Qualifying Facility to replace energy consumed by the seller which is ordinarily supplied by the Seller's Qualifying Facility.

Station Use is electric energy used to operate the Qualifying Facility which is auxiliary to or directly related to the generation of electricity and which, but for the generation of electricity, would not be consumed by the Seller.

Supplementary Power is electric energy or capacity supplied by the Company which is regularly used by a Seller in addition to the Energy and capacity which the Qualifying Facility usually supplies to the Seller.

PURCHASE PRICE

The Company will pay the Seller monthly, for each kWh of Energy delivered and accepted at the Point of Delivery during the preceding calendar month, an amount equal to 85 percent of the monthly Avoided Energy Cost.

SCHEDULE 86
COGENERATION AND SMALL
POWER PRODUCTION NON-FIRM
ENERGY
(Continued)

CONDITIONS OF PURCHASE AND SALE

The conditions listed below shall apply to all transactions under this schedule.

1. The Company shall purchase Energy from any Seller that offers to sell Energy to the Company.
2. As a condition of interconnection with the Company, the Seller shall:
 - a. Complete and maintain all requirements of interconnection in accordance with Schedule 72.
 - b. Complete and maintain all requirements of the Company's Generation Interconnection Process.
 - c. Submit proof to the Company of all insurance required by paragraph 12.
 - d. Obtain written confirmation from the Company that all conditions to interconnection have been fulfilled prior to operation of the Generation Facility. Such confirmation shall not be unreasonably withheld by the Company.
3. The Seller shall never deliver or attempt to deliver energy to the Company's system when the Company's system serving the Seller's Generation Facility is de-energized for any reason.
4. The Seller and the Company shall each indemnify the other, their respective officers, agents, and employees against all loss, damage, expense, and liability to third persons for injury to or death of persons or injury to property, proximately caused by the indemnifying party's construction, ownership, operation or maintenance of, or by failure of, any of such party's works or facilities used in connection with purchases under this schedule. The indemnifying party shall, on the other party's request, defend any suit asserting a claim covered by this indemnity. The indemnifying party shall pay all costs that may be incurred by the other party in enforcing this indemnity.
5. The Company shall offer to provide Standby Power and Supplementary Power to the Seller. Charges for Supplementary and Standby Power will be in accordance with the Company's Schedule 7 as that schedule is modified from time to time by the Commission.
6. The Seller shall maintain voltage levels acceptable to the Company.
7. The Seller shall maintain at the Qualifying Facility or such other location mutually acceptable to the Company and Seller, adequate metering and related power production records, in a form and content recommended by the Company.

SCHEDULE 86
COGENERATION AND SMALL
POWER PRODUCTION NON-FIRM
ENERGY
(Continued)

CONDITIONS OF PURCHASE AND SALE (Continued)

Either the Seller or the Company after reasonable notice to the other party, shall have the right, during normal business hours, to inspect and audit any or all such metering and related power production records pertaining to the Seller's account.

8. During a period of shortage of energy on the Company's system, the Seller shall, at the Company's request and within the limits of reasonable safety requirements as determined by the Seller, use its best efforts to provide requested Energy, and shall, if necessary, delay any scheduled shutdown of the Qualifying Facility.

9. The Company and the Seller shall maintain appropriate operating communications through the Designated Dispatch Facility.

10. The Company shall not be obligated to accept, and the Company may require the Seller to curtail, interrupt or reduce deliveries of Energy if the Company, consistent with Prudent Electrical Practices, determines that curtailment, interruption or reduction is necessary because of line construction or maintenance requirements, emergencies, or other critical operating conditions on its system.

11. If the Company is required by the Commission to institute curtailment of deliveries of electricity to its Customers, the Company may require the Seller to curtail its consumption of electricity in the same manner and to the same degree as other Customers within the same Customer class who do not own Generation F facilities.

12. The Seller shall secure and continuously carry liability insurance coverage for both bodily injury and property damage liability in the amount of not less than \$1,000,000 each occurrence combined single limit.

Such insurance shall include an endorsement naming the Company as an additional insured insofar as liability arising out of operations under this schedule and a provision that such liability policies shall not be canceled or their limits of liability reduced without 30 days' written notice to the Company. The Seller shall furnish the Company with certificates of insurance together with the endorsements required herein. The Company shall have the right to inspect the original policies of such insurance.

13. The Seller shall grant to the Company all necessary rights of way and easements to install, operate, maintain, replace, and remove the Company's metering and other Interconnection Facilities including adequate and continuing access rights to the property of the Seller. The Seller warrants that it has procured sufficient easements and rights of way from third parties as are necessary to provide the Company with the access described above. The Seller shall execute such other grants, deeds, or documents as the Company may require to enable it to record such rights of way and easements.

Idaho Power Company

I.P.U.C. No. 29, Tariff No. 101

Original Sheet No. 86-5

IDAHO PUBLIC UTILITIES COMMISSION

Approved
Feb. 29, 2008

Effective
March 1, 2008

Per O.N. 30508

Jean D. Jewell Secretary

SCHEDULE 86
COGENERATION AND SMALL
POWER PRODUCTION NON-FIRM
ENERGY
(Continued)

CONDITIONS OF PURCHASE AND SALE (Continued)

14. Depending on the size and location of the Seller's Qualifying Facility, it may be necessary for the Company to establish additional requirements for operation of the Qualifying Facility. These requirements may include, but are not limited to, voltage, reactive, or operating requirements.

IDAHO
Issued per Order No. 30508
Effective - March 1, 2008

Issued by IDAHO POWER COMPANY
John R. Gale, Vice President, Regulatory Affairs
1221 West Idaho Street, Boise, ID