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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-08-21
OF A SPECIAL CONTRACT TO SUPPLY)
ELECTRICAL POWER TO HOKU) SUPPLEMENTAL COMMENTS
MATERIALS, INC.) OF THE COMMISSION STAFF
)**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Neil Price, Deputy Attorney General, in response to Idaho Power Company's Motion to Delay Start Date of the Hoku Energy Sales Agreement ("ESA" or "Agreement" or "Special Contract") and for approval of an Amended and Restated ESA, submits the following comments.

BACKGROUND

On October 24, 2008, Idaho Power Company ("Idaho Power" or "Company") filed an Application with the Commission seeking approval of an ESA to supply electrical power to Hoku Materials, Inc. ("Hoku"). On March 16, 2009, the Commission issued Order No. 30748 approving the Agreement. As stated in the Agreement the ESA start date is June 1, 2009 and the ESA is to be effective through May 31, 2013. Under the terms of the approved ESA, contract demand is to vary between 42 MW and 82 MW. The lower contract demand periods are during Idaho Power's peak demand summer months. Reduced contract demand during summer periods through 2011 allows Idaho Power to build or otherwise obtain transmission and/or generation to

supply Hoku's 2012 contract demand of 82 MW year around. For pricing purposes the ESA is divided into two blocks. The first pricing block, called Block 2, includes all Hoku usage up to 25 MW. This block is priced at Schedule 19T embedded cost rates. The second pricing block, called Block 1, includes all monthly usage above 25 MW and is priced at avoided cost rates.

On May 28, 2009, Idaho Power Company filed a "Motion to Delay Start Date" of the ESA. The filing included a letter agreement signed by Idaho Power and Hoku representatives. The filing promised a revised Agreement to follow. On June 22, 2009, an "Amended and Restated" ESA was filed with the Commission. The revised ESA provides for varying amounts of contract demand over the contract term but does not exceed the 82 MW approved in the prior ESA. See Section 6.1.1 of the revised ESA which is attached. The revised ESA also delays the start date until December 1, 2009, and provides for the application of Schedule 91, Energy Efficiency Rider, to Hoku's First Block charges beginning December 1, 2011.

STAFF ANALYSIS

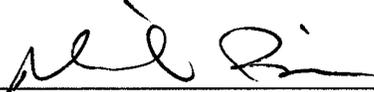
Given the state of the national economy, the Staff understands why a delay in the contract start date may benefit Hoku. Idaho Power Company agreed to the delayed start date and other contract modifications. Apparently those two parties expect benefits from the delayed start date and the new ESA. Staff's concern centers on the impact to Idaho Power's other customers. Changes in the ESA may substantially affect the Company's power supply costs and the Company's Power Cost Adjustment (PCA) mechanism and, thus, other customers. The Staff has reviewed the filing, met with Company representatives and reviewed impacts to the Company's Operating Plan due to the delayed start date. The Operating Plan showed that in a couple of instances advanced purchases were made due to the inclusion of the Hoku load in the plan. The Company first included the June 2009 Hoku load in its operating plan in September of 2008. Unwinding those purchases, when necessary, created different revenue streams that led to profits and losses. The Company demonstrated that the profits and losses approximately netted to zero. The Staff's review found no disadvantage to other customers caused by the delayed start date or other contract changes.

RECOMMENDATIONS

The Staff's review of changes included in the new Hoku ESA found no harm to any affected party. The application of the Energy Efficiency Rider to Hoku first Block sales

beginning December 1, 2011 benefits customers. Therefore, the Staff recommends that the Company's Motion to Delay the ESA start date be approved and that the new ESA between Hoku and the Company be approved.

Respectfully submitted this ^{9th} day of July 2009.



Neil Price
Deputy Attorney General

Technical Staff: Keith Hessing

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF JULY 2009, SERVED THE FOREGOING **SUPPLEMENTAL COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-08-21, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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