

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-09-34</b>
<b>APPROVAL OF AN AGREEMENT TO</b>	)	
<b>PURCHASE CAPACITY AND ENERGY</b>	)	<b>NOTICE OF APPLICATION</b>
<b>FROM USG OREGON, LLC AND</b>	)	
<b>AUTHORIZE RECOVERY IN THE</b>	)	<b>NOTICE OF</b>
<b>COMPANY’S POWER COST ADJUSTMENT</b>	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>ORDER NO. 31026</b>

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YOU ARE HEREBY NOTIFIED that on December 28, 2009, Idaho Power Company filed an Application requesting approval of a Purchase Power Agreement and an accounting order authorizing the Company to recover purchases of energy and associated costs from the USG Oregon, LLC, Neal Hot Springs Unit No. 1 geothermal generation facility. The Company seeks recovery of its costs and purchases in its annual Power Cost Adjustment (PCA).

YOU ARE FURTHER NOTIFIED that Idaho Power asserts it indicated in both its 2004 and 2006 Integrated Resource Plans (IRPs) that it intended to actively seek acquisition of geothermal generating resources. In 2006, the Company issued a request for proposal (RFP) to acquire geothermal resources and then entered into an agreement with U.S. Geothermal to purchase power from its Raft River No. 1 geothermal power plant. Idaho Power issued a new request for proposal in 2008 to acquire additional geothermal resources. The Company received three responses, two of which were withdrawn by the bidders, and the Company concluded that the third bid was too speculative and thus unacceptable. The Company’s Application states that this experience with the unsuccessful RFP process demonstrates that “the competitive RFP process is not the optimal means to acquire geothermal resources.” Application, pp. 3-4. Accordingly, the Company actively pursued discussions with developers of five different potential geothermal sites, including the Neal Hot Springs site. The Company believes the Neal Hot Springs development is advantageous for several reasons, including (1) substantial prior geotechnical exploration at the site, (2) its location in Idaho Power’s service area and proximity to Treasure Valley load centers, (3) available transmission capacity, and (4) favorable energy pricing in comparison to other proposals.

NOTICE OF APPLICATION  
 NOTICE OF MODIFIED PROCEDURE  
 ORDER NO. 31026

YOU ARE FURTHER NOTIFIED that on December 11, 2009, Idaho Power and USG Oregon, LLC entered into a Power Purchase Agreement providing for the Company's purchase of energy from the Neal Hot Springs Unit No. 1 geothermal generation facility. USG Oregon, LLC is a subsidiary of U.S. Geothermal. The Neal Hot Springs project is located approximately 12 miles west northwest of Vail, Oregon. The project is expected to produce approximately 22 MW of power with an estimated online date late in 2012. The Purchase Agreement provides an initial term of 25 years with an option for Idaho Power to extend the term of the Agreement. The Agreement provides that Idaho Power will receive the rights to all environmental attributes and renewable energy credits now available or created during the term of the Agreement. The Agreement grants Idaho Power the first right of offer to participate in any future U.S. Geothermal resource development at the site or in close proximity to the site.

YOU ARE FURTHER NOTIFIED that the energy price stated in the Agreement will be seasonally adjusted consistent with seasonality factors currently used in Idaho Power's PURPA agreements. The Company asserts that seasonal prices give the correct price signal by promoting production when the value of the energy to the Company is highest. Beginning in 2012, the flat energy price is \$96/MWh. The price escalates annually by 6% in the initial years and by 1.33% in the later years of the Agreement. The approximate 25-year levelized contract price is \$117.56/MWh. This compares to a levelized price for a 20-year PURPA contract of \$95.56/MWh. The Company asserts that, while the price of energy under this Agreement is higher than energy purchased under PURPA contracts, there are benefits to this Agreement that bring value to Idaho Power's customers that PURPA contracts do not. The Company identifies these benefits as (1) the Company's rights to any of the project's renewable energy credits, (2) the limited ability to curtail energy, (3) the right of first offer on ownership of other site development, (4) exploration, development and construction milestone requirements and associated damages, and (5) the right to extend the terms of the contract. The Application states that with the addition of a relatively minor system upgrade, sufficient firm transmission capacity is available for the full output of the project to be delivered to Idaho Power's load centers.

YOU ARE FURTHER NOTIFIED that because the Agreement is not a PURPA contract, the Company proposes that the cost of power purchased under the Agreement be recovered in its annual PCA in a manner similar to other non-qualified facility power purchase expenses. The Company requests that its Application be processed by Modified Procedure, that

the Commission find that the Agreement is prudent for ratemaking purposes and that the Commission approve its request for recovery of the power purchase expense associated with the Agreement in the Company's power cost adjustment rate.

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or in opposition with the Commission within forty-five (45) days from the service date of this Notice and ten (10) days to file reply comments. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application may be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, Idaho 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Barton L. Kline  
Donovan E. Walker  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-Mail: [bkline@idahopower.com](mailto:bkline@idahopower.com)  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices or on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

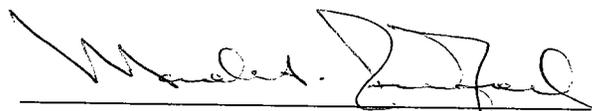
#### **ORDER**

IT IS HEREBY ORDERED that the Application of Idaho Power Company for approval of the purchase of energy from USG Oregon, LLC, Neal Hot Springs Unit No. 1 geothermal generation facility be processed by Modified Procedure, IDAPA 31.01.01.201-.204. Persons interested in submitting written comments in this matter must do so within forty-five (45) days from the service date of this Notice and ten (10) days thereafter to file reply comments.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17<sup>th</sup>  
day of March 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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