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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 OF )** **CASE NO. IPC-E-09-34**  
**AN AGREEMENT TO PURCHASE CAPACITY )**  
**AND ENERGY FROM USG OREGON, LLC AND )**  
**AUTHORIZE RECOVERY IN THE COMPANY'S )** **COMMENTS OF THE**  
**POWER COST ADJUSTMENT. )** **COMMISSION STAFF**  
**)**

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The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Weldon B. Stutzman, Deputy Attorney General, submits the following comments in response to Order No. 31026 issued on March 17, 2010.

**BACKGROUND**

On December 11, 2009, Idaho Power Company (Idaho Power; Company) and USG Oregon, LLC entered into a Power Purchase Agreement (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, a Boise based geothermal project developer. The Neal Hot Springs project is located approximately 12 miles west northwest of Vale, 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.

On December 28, 2009, Idaho Power filed an Application requesting approval of the Agreement and an accounting Order authorizing the Company to recover the costs of the associated purchases in its annual Power Cost Adjustment (PCA).

## **STAFF ANALYSIS**

### **Idaho Power Planning for Geothermal Resources**

The Preferred Portfolio in Idaho Power's 2004 Integrated Resource Plan (IRP) included 100 MW of geothermal generation to be online in 2008. In accordance with the Plan, the Company issued a request for proposal (RFP) in 2006 to acquire geothermal resources. Idaho Power received several proposals in response to the RFP. The Company ultimately selected a proposal from U.S. Geothermal, Inc. to develop two 13 MW phases at the Raft River site near Malta, Idaho and two phases at Neal Hot Springs near Vale, Oregon.

In its bid, U.S. Geothermal proposed a total of 45.5 MW of geothermal energy to Idaho Power and to have those facilities online between October 2007 and January 2011. Based on its winning bid from the 2006 RFP, Idaho Power entered into a Power Purchase Agreement (PPA) for approximately 13 MW of the 45.5 MW of geothermal power from Raft River Energy I LLC, an affiliate of U.S. Geothermal, Inc. On January 9, 2008, Idaho Power received an accounting order authorizing the inclusion of all power supply expenses associated with the purchase of 13 MW of energy from Raft River Energy I LLC in the Company's Power Cost Adjustment (PCA) mechanism. In its Order, the Commission noted that the PPA price was less than the existing PURPA contract price thereby providing an associated benefit to the Company and its ratepayers. Reference Order No. 30485.

Upon Commission approval of the power sales Agreement and the requested accounting treatment, the parties rescinded an existing Firm Energy Sales Agreement for 10 aMW at the same Raft River site. Reference IPC-E-05-01, Order No. 29692. No other contracts emerged at the time to fulfill the remainder of U.S. Geothermal's bid to develop 45.5 MW between the Raft

River and Neal Hot Springs sites. Effectively, Staff believes that Idaho Power received little from its 2006 RFP because the 13 MW contract with Raft River simply replaced the existing 10 MW PURPA contract at nearly the same contract rates.

In Idaho Power's 2006 IRP, the Preferred Portfolio included 150 MW of geothermal resources. Reference 2006 IRP at p. 78. At the time the 2006 IRP was completed, Idaho Power was still evaluating bids from its 2006 RFP and had yet to select U.S. Geothermal as the winning bidder. The Company's expectation, however, was that it would likely be able to acquire approximately 50 MW of geothermal generation to be online in 2009, and possibly more depending on the bids received. The 2006 IRP planned for an additional 100 MW of geothermal generation in 2021-2022. Reference 2006 IRP at pp. 96-97.

### **2008 Request for Proposals**

Idaho Power issued a new RFP in January 2008 to acquire additional geothermal resources. The RFP requested bids for up to 100 MW, with a preferred online date of June 2011. However, the RFP also stated that the Company was "willing to allow some flexibility and possible delay in the project online date."

**This section of Staff's comments contains confidential information subject to protective agreement.**

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With two proposals being withdrawn by the bidders and the third being rejected, Idaho Power was left with no viable proposals. Based on its experience, Idaho Power concluded that "the competitive RFP process is not the optimal means to acquire geothermal resources." Application, pp. 3-4. Because of the lack of success with the RFP process, the Company decided to pursue direct discussions with developers of five different potential geothermal sites, including those offered in the both the 2006 and 2008 RFPs, as well as some offered as unsolicited proposals. One of those sites, the Neal Hot Springs site, was offered as part of U.S. Geothermal's winning bid in the 2006 RFP.

**U. S. Geothermal's Neal Hot Springs Proposal**

As explained previously, U. S. Geothermal's original bid to Idaho Power in the 2006 RFP was to develop a total of 45.5 MW, split between sites at Raft River and Neal Hot Springs. The proposed online dates for each phase of development were as follows:

Raft River I	October, 2007
Raft River III	June, 2009
Neal Hot Springs I	November, 2010
Neal Hot Springs II	January, 2011

The first phase at Raft River has been developed, and although it has encountered some problems, it has been operational since mid-2008. The proposal to Idaho Power for a third phase of development at Raft River appears to have been withdrawn by U.S. Geothermal, although Idaho Power has no written documentation indicating formal withdrawal of the offer.<sup>1</sup> Staff believes that U.S. Geothermal is unable or unwilling to commit to additional phases of development at Raft River until it has fully resolved operational problems experienced with the first phase of the project and has confirmed the ability of the geothermal resource to support additional development at the site.

Negotiations for output from generation at the Neal Hot Springs site began in April 2008. Following an initial meeting between the parties, Idaho Power, in a letter to U.S. Geothermal (included as Attachment 1) raised questions and concerns about U.S. Geothermal's apparent request to increase the prices contained in its original proposal. Idaho Power indicated that it was willing to work with U.S. Geothermal to find a solution acceptable to both companies, but warned that it was critical that a contract be negotiated quickly. U.S. Geothermal's response (see Attachment 2) explained that a price update for the Raft River Unit 3 project could not be provided and that reservoir management issues with Unit 1 had to be solved before U.S. Geothermal could safely project the viability of future units at Raft River. For the Neal Hot Springs projects, U.S. Geothermal cited increased development costs since its 2006 proposal, and asserted that the proposed increased prices were the minimum required to make a viable project at Neal Hot Springs.

Negotiations for development at the Neal Hot Springs site continued throughout the summer of 2008. Electronic mail exchanges between the parties indicate an effort by Idaho Power to keep contract rates as low as possible. Idaho Power inquired as to the value to U.S. Geothermal of Oregon's Business Energy Tax Credits, the federal production tax credits, and U.S. Geothermal's profit margins. Idaho Power stated that it believed it would be appropriate for U.S. Geothermal to adjust its expected profit margins for the project to temper the financial impact of proposed contract rates that were much higher than were included in U.S. Geothermal's RFP bid. Despite Idaho Power's pressure, U.S. Geothermal maintained that the

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<sup>1</sup> The output from a second phase of development at the Raft River site was committed to another Northwest utility not located in Idaho. Phase II at Raft River has also not been developed.

increased prices it proposed were necessary to achieve a minimum rate of return and enable it to attract investment capital. (See Attachment 3).

Staff prepared a graph to compare the prices in U.S. Geothermal's original bid to the rates that were ultimately included in the Neal Hot Springs Power Sales Agreement. (See Attachment 4). As is readily apparent from the graph, the prices included in the Agreement are substantially higher than the prices that U.S. Geothermal offered in its original bid for the Neal Hot Springs site. By Staff's calculation, the contract rates are approximately 47 percent higher on a levelized basis than the rates included in the original bid.

### **Staff's Concerns about the Negotiation Process**

Staff has two primary concerns with the negotiation process between Idaho Power and U.S. Geothermal. First, prices in the Agreement submitted for Commission approval bear little resemblance to the prices contained in U.S. Geothermal's RFP bid. Without a doubt, U.S. Geothermal did experience delays in developing the Raft River I project that prevented it from progressing with plans and a contract for the Neal Hot Springs site. As the delays continued, material and equipment costs invariably increased. Some of the cost increases were likely beyond U.S. Geothermal's control; however, at the same time, there is no evidence that U.S. Geothermal made an effort to honor any of the commitments it made in its original proposal.

Staff's second concern about the negotiations between the parties is that the scheduled operation date for the Neal Hot Springs project far exceeds the late 2010 online date originally proposed by U.S. Geothermal and the June 2011 date requested by Idaho Power in the 2006 RFP. Although the parties now estimate an online date of late 2012, under the terms of the Agreement, the project's scheduled operation date could be as late as December 31, 2017 before a delay penalty would be incurred.<sup>2</sup> As discussed previously, two of the three bids submitted in response to the 2006 RFP were withdrawn by the bidders, and the third bid was rejected by Idaho Power because the project seemed too speculative. Unknown is whether all three bids could have remained viable had the bidders known how flexible Idaho Power would be in negotiating

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<sup>2</sup> Idaho Power's Application incorrectly states that the Agreement requires an online date no later than the end of 2016.

bid prices and expected online dates. Just as with U.S. Geothermal's original bid, the prices included in all three of the rejected bids were lower than the prices ultimately included in the Neal Hot Springs contract.

In its Application, Idaho Power states that it 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. Staff agrees that there has been substantial exploration at the site, that the location is advantageous, and that the availability of transmission near the project site is beneficial. However, Staff finds it difficult to confirm that the pricing is favorable in comparison to other proposals because the other proposals were withdrawn or rejected long before serious negotiations began with U.S. Geothermal over the Neal Hot Springs site. There is no evidence to determine whether other bidders could have offered competitive bids if given the same latitude to propose revised prices and online dates as was given to U.S. Geothermal. The Neal Hot Springs proposal could have still been judged best under any circumstances, but in the end, because the process lacked competitiveness, there can be no assurance that Idaho Power obtained the best deal for ratepayers.

### **The Neal Hot Springs Unit No. 1 Agreement**

#### **Price**

The energy prices contained in the Agreement are illustrated in Attachment 4. Beginning in 2012, the flat energy price is \$96/MWh. The price escalates annually by less than four percent in the initial years, by about 1.5 to 2.3 percent in the middle 12 years of the Agreement and by approximately one percent in the last ten years.<sup>3</sup> The 25-year levelized contract price is \$117.55/MWh. The energy price stated in the Agreement will be seasonally adjusted consistent with seasonality factors currently used in Idaho Power's PURPA agreements. Seasonal price adjustments increase contract rates during those months of the year when the value of the energy

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<sup>3</sup> Idaho Power stated incorrectly in its Application that the price escalates annually by 6% in the initial years and by 1.33% in the later years of the Agreement

to the Company is highest, and decrease contract rates during those months of the year when the value of the energy is less.

As discussed previously, prices in the Agreement were arrived at through negotiation between the parties. They were not based on the original bid prices made by U.S. Geothermal, nor were they based on market price analysis by Idaho Power. In order to judge the reasonableness of the contract prices, Staff believes that there are three comparisons that can be made. First, the published levelized price for a 25-year PURPA contract signed at the same time as the Neal Hot Springs Agreement would have been \$98.93/MWh, approximately 16 percent less than the rates contained in the Agreement.<sup>4</sup> The published PURPA rates, however, are only available to facilities that generate less than 10 aMW on a monthly basis, and contracts are limited to terms of 20 years. Attachment 5 compares the rates in the Agreement to 2004, 2009 and 2010 PURPA rates, as well as to U.S. Geothermal's bid prices for Neal Hot Springs in the 2006 RFP.

A second comparison that can be made is to compare the rates in the Agreement to rates that might be offered if the project was a PURPA facility larger than 10 aMW. Pricing for large PURPA facilities is to be based on AURORA analysis of expected future market prices over the term of the Agreement.<sup>5</sup> At Staff's request, Idaho Power used the Aurora model to generate a series of expected market prices using assumptions consistent with those the Company is currently using for long-term planning purposes. AURORA generated prices in the \$50 to \$80/MWh range over the first 18 years of the contract term. By comparison, these prices are much lower than the prices negotiated in the Agreement. However, AURORA prices generally reflect the costs of energy only, with no premium included for the value of capacity. Because the Neal Hot Springs project is expected to have a capacity factor of more than 90 percent, it will provide a substantial amount of capacity to Idaho Power. Therefore, AURORA prices probably significantly underestimate the full value of power from the Project, and may not be a very fair comparison to the prices contained in the Agreement.

Another way to evaluate the reasonableness of the cost of power from the Neal Hot Springs project is to compare it to the cost of power that will be provided by the Langley Gulch

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<sup>4</sup> The 20-year levelized rate would have been \$95.56/MWh at the time the Neal Hot Springs contract was signed. However, if 25-year PURPA contracts were available, the 25-year levelized rate would have been \$98.93/MWh.

<sup>5</sup> Aurora is a proprietary power supply model used by Idaho Power for a variety of purposes, including power supply cost determinations in general rate cases, long-term analysis for integrated resource plans, and evaluations for resource acquisition decisions.

project. Both projects will be capable of operating at very high capacity factors; therefore both could be considered baseload plants. Neal Hot Springs' expected capacity factor will be 90 percent or more, and the expected capacity factor of Langley Gulch will likely be in the range of 65 percent. Moreover, both plants have similar expected online dates. Idaho Power's analysis of the Langley Gulch project produced a levelized cost of \$111.13/MWh assuming a 65 percent capacity factor and using reasonable assumptions for the plant's operating characteristics, fuel costs, and adjusting for a five-year longer project life for Langley Gulch. On a levelized basis, rates in the Neal Hot Springs agreement are \$6.42/MWh higher than estimated Langley Gulch costs. If Langley Gulch's capacity factor is higher, its costs per MWh will be lower, and the price difference compared to Neal Hot Springs will increase.

### **Renewable Energy Credits**

Under the Agreement, Idaho Power will be granted ownership of all of the Environmental Attributes associated with the Facility. Reference ¶7.1. This is one key difference between the Neal Hot Springs project and the Langley Gulch project. It is difficult to estimate the future value of RECs, especially since there is currently no state or federal requirement for Idaho utilities to possess them. Nevertheless, Staff believes it is likely that there will be a REC ownership requirement at some point in the future, and that a levelized value in the range of \$6/MWh—the approximate difference in cost between Neal Hot Springs and Langley Gulch discussed above—is plausible.

### **Project Schedule and Development Milestones**

The Agreement establishes the following four development milestones for the project:

#### **1. Exploration Schedule**

Within 30 days of Commission approval of the Agreement, USG Oregon must submit a report of the additional exploration activities required to establish an estimated MW rating of a potential generation facility at this site.

#### **2. Additional Well Development**

USG Oregon must have commenced the drilling of an additional geothermal fluid production or injection well in addition to the single existing well by June 30, 2011.

### 3. Exploration Completion and Resource Feasibility Report

By December 31, 2013, USG Oregon must have completed adequate exploration and study of the proposed site to enable USG Oregon to establish the estimated electrical generation capability of the geothermal resource.

### 4. Executed EPC Agreement and NTP

No later than December 31, 2014, USG Oregon shall have executed an engineering, procurement and construction (EPC) contract with the primary power plant contractor for construction of the Facility and a notice-to-proceed (NTP) shall have been issued.

The scheduled operation date for the project could be as late as December 31, 2017. Reference ¶1.55 and ¶1.57. The Agreement requires USG Oregon to provide quarterly progress reports to Idaho Power. Reference ¶5.2. Because the online date of the project could potentially be so many years in the future, and because of the significant milestones that must be achieved before the project can meet its scheduled operation date, Staff recommends that Idaho Power provide to Staff copies of the same quarterly progress reports that it receives from U. S. Geothermal.

### **Performance Assurances**

The Agreement requires performance assurances under the following four circumstances:

¶15.2.1 Exploration – requires a \$100,000 performance assurance in the event USG Oregon fails to satisfy the second or third project milestones, which require an exploration schedule and additional well development respectively.

¶15.2.2 Development – requires a \$250,000 performance assurance if USG Oregon fails to satisfy the fourth project milestone, which requires an executed EPC contract for construction of the facility.

¶15.2.3 Delay – requires a \$250,000 performance assurance if USG Oregon fails to achieve the First Energy Date within 90 days of when it is scheduled.

¶15.2.4 Operational – requires a \$250,000 performance assurance if the project fails to provide at least 70 percent of its Annual Guaranteed Output.

Under each performance assurance, if USG Oregon fails to meet certain development and operational requirements, it must post liquid funds that will be forfeited to Idaho Power if the Agreement is ultimately terminated, or refunded if the performance assurance is cured. These

performance assurances and their associated amounts were determined through mutual negotiation of the parties. Staff believes they are reasonable.

### **Delay Liquidated Damages**

If the project fails to meet its scheduled online date, delay liquidated damages will be assessed. Under the terms of the Agreement, the project must be able to provide at least 3 MW of capacity within 31 days of the scheduled online date. Liquidated damages will be equal to 3 MW less any portion of the facility that has met the operation date requirements, multiplied by a delay price of 85 percent of market prices for the month. Delay liquidated damages are limited to a period of not more than 60 days. Reference ¶1.12. The calculation and payment of delay damages is limited to \$690,000. Reference ¶25.4

Staff believes that the requirement for delay liquidated damages is appropriate, but believes that the limitations on the amount of the damages are rather low. For example, the project's capacity is expected to be 22 MW, yet only 3 MW must be online by the scheduled operation date. Similarly, the limit on delay liquidated damages is only \$690,000, which would amount to less than half of one month's payment by Idaho Power if the full 22 MW was delivered at the 2012 contract energy rate.

### **Net Energy Shortfall Price and Annual Cap**

The Agreement requires that USG Oregon produce forecasts for the expected annual output from the project. If the actual output is not at least 90 percent of the forecast, the Agreement provides for damages to be paid for the amount of the generation shortfall. The amount of the annual damages is capped at annual amounts that begin at \$414,000 in the third year of the Agreement and increase to \$690,000 by the end of the 25-year agreement.

Staff believes that provisions for shortfall damages are necessary and appropriate, but believes that the amounts of the annual caps are quite low. The annual damage caps amount to less than half of the value of one month's expected generation from the project. Net Energy Shortfall damages were also included in U.S. Geothermal's Raft River I contract, but shortfall damages for the Neal Hot Springs project are only 38 percent higher than for Raft River I, but the capacity of the Neal Hot Springs project is 69 percent larger.

### **Termination Provisions**

If USG Oregon is unable to satisfy the fourth project milestone (executed EPC agreement and issuance of notice to proceed) due to unforeseen facility financing costs or construction costs, USG Oregon can be released from its contract obligations without owing any damages or forfeiting any amounts for performance assurances. In other words, it appears USG Oregon can simply walk away from the Agreement if it encounters unforeseen costs prior to issuing a notice to proceed to its EPC contractor. The Agreement does not define what constitutes "unforeseen facility financing costs or construction costs." Reference ¶26.5.2.

Given that the power purchase rates contained in the contract ended up being nearly 1.5 times the rates included in U.S. Geothermal's original bid, presumably due, at least in part, to increases in construction costs during the past two years, Staff believes that this contract provision relieves U.S. Geothermal of a tremendous amount of risk. The very generous contract provisions that allow for an online date as much as seven and one half years from now further increases the chances that this contract provision might eventually be exercised. Staff concedes that geothermal project development can be extremely risky, but nevertheless would have preferred contract terms that impose at least some penalty if USG Oregon is unable to complete the project.

### **Energy Curtailment Rights**

The Agreement allows Idaho Power to curtail energy deliveries from the Project in an amount up to 1,620 MWh per contract year at no cost to Idaho Power. This curtailment right will allow the Company some flexibility to dispatch the Project to benefit customers. At an expected capacity of 22 MW, however, the curtailment rights amount to only about 74 hours per year. Curtailment, Staff expects, would likely be exercised at times during the year when Idaho Power can meet load with much less expensive resources, times that most likely far exceed 74 hours per year. Consequently, Staff believes that the value of the Company's curtailment rights is minimal.

### **Right of First Offer to Participate in Future Development**

The Agreement grants to Idaho Power a right of first offer to purchase the output if additional generation capacity is added in the future at the project site or in close proximity to the site. An amendment to the Agreement, a separately negotiated power purchase agreement, or

whole or partial ownership of the Facility or the additional generation facilities are offered as options. Reference ¶29.7.5. In addition, the Agreement provides Idaho Power the first right to purchase the facility assets if the owner proposes to sell them during the term of the Agreement. Reference ¶29.7.1.

Staff believes that these contract rights provide some value to Idaho Power, although limited. Because the project will be located in Idaho Power's service territory, Idaho Power would seem to be an obvious potential buyer anyway. Moreover, Idaho Power would have to compete with other potential buyers and would likely hold an advantage due to having direct transmission access.

### **Rights for Extension of the Contract Term**

As provided in ¶5.1.2 of the Agreement, Idaho Power has an option to extend the terms of the Agreement; however, any extension would require re-negotiation of the terms and conditions. If Idaho Power exercises its option to extend the term of the Agreement, Staff recommends that the Commission require any new or amended agreement be submitted for review and approval.

### **Transmission and Interconnection**

Because of the project's location, Idaho Power states that only a relatively minor system upgrade is necessary in order to make sufficient firm transmission capacity available for the full output of the project to be delivered to Idaho Power's Treasure Valley load center. The Project will advance the cost of the transmission upgrade and receive credit for its advanced funds based on its capacity and the OATT rate. In accordance with a completed Large Generation Interconnection Agreement, the Project will pay all interconnection costs and the schedule for completion of installation and construction of all required interconnection equipment is consistent with the Project's expected energy delivery dates.

### **General Comments**

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.

Staff has discussed each of these benefits previously and agrees that they do, in fact, add value to the project, even though the value may be difficult to quantify. Nevertheless, Staff believes that the terms of the Agreement are quite generous to USG Oregon. Prices in the contract are significantly higher than PURPA rates, the project's online date might not occur for more than seven years from now, the delay and shortfall damages and associated caps seem low, and USG Oregon can terminate the Agreement without penalty if project costs are higher than it expects. Furthermore, the Agreement was negotiated outside of a competitive acquisition process.

Although Staff would have preferred more rigorous contract terms, Staff recognizes that geothermal project development is high risk. Without some concessions by Idaho Power, it may have otherwise had to forego the contract. Staff believes that other Western states, particularly those with RPS requirements, would be very willing to pay a premium to acquire geothermal generation. Despite some tradeoffs, this Agreement preserves a native geothermal resource for Idaho Power's ratepayers. That in itself has some value in Staff's opinion.

### **Accounting Treatment**

Idaho Power intends to include the expenses associated with the purchases from the Project in FERC Account 555. 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-QF power purchase expenses, with 95 percent of the variations captured through the Company's PCA mechanism until the next general rate case, at which time the Company will be allowed to include the costs of the Agreement in base rates.

Staff believes the accounting treatment proposed by Idaho Power is appropriate.

### **STAFF RECOMMENDATIONS**

Despite certain concerns expressed in these comments, Staff recommends that the Commission approve all of the Agreement's terms and conditions as submitted, and declare that all payments Idaho Power makes to USG Oregon, LLC for purchases of energy from the Neal Hot Springs Unit #1 generation facility will be allowed as prudently incurred expenses for

ratemaking purposes. Staff further recommends that the cost of power purchased under the Agreement be recovered in Idaho Power's annual PCA, with 95 percent of the variations captured through the Company's PCA mechanism until the next general rate case, at which time the Company will be allowed to include the costs of the Agreement in base rates.

Staff also recommends that Idaho Power be ordered to provide to Commission Staff copies of the progress reports that must be prepared by USG and submitted to Idaho Power as provided in ¶5.2 of the Agreement.

Further, if Idaho Power exercises its option to extend the term of the Agreement as provided in ¶5.1.2, or if the contract is amended for any other reason, Staff recommends that the Commission require any new or amended agreement be submitted for review and approval. In addition, Staff recommends that any amendment to the Agreement or separate agreements for additional development at the same site as discussed in ¶3.1.1(c) be submitted for Commission approval.

Respectfully submitted this 3<sup>rd</sup> day of May 2010.



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Weldon B. Stutzman  
Deputy Attorney General

Technical Staff: Rick Sterling

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Confidential Attachment 1  
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Confidential Attachment 2  
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Confidential Attachment 3  
Comments  
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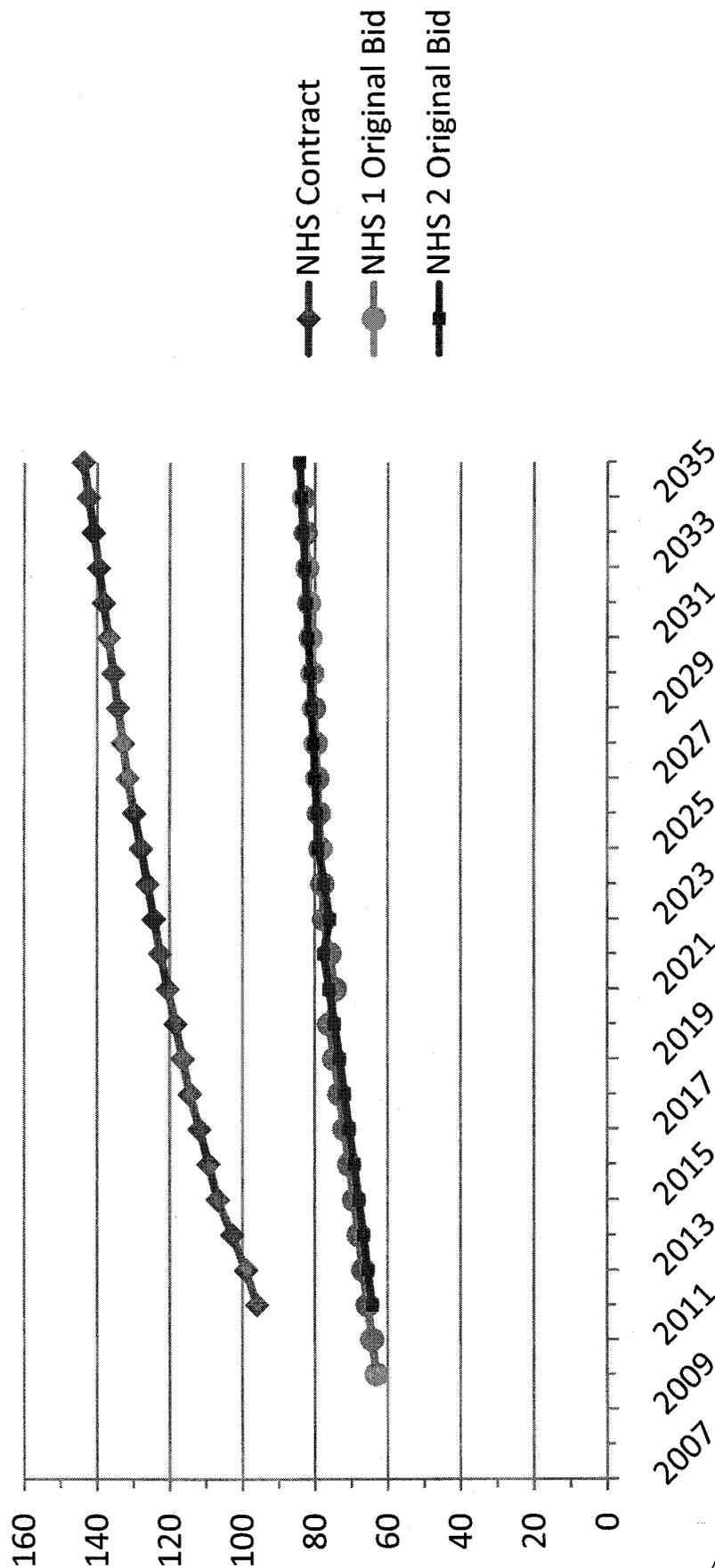
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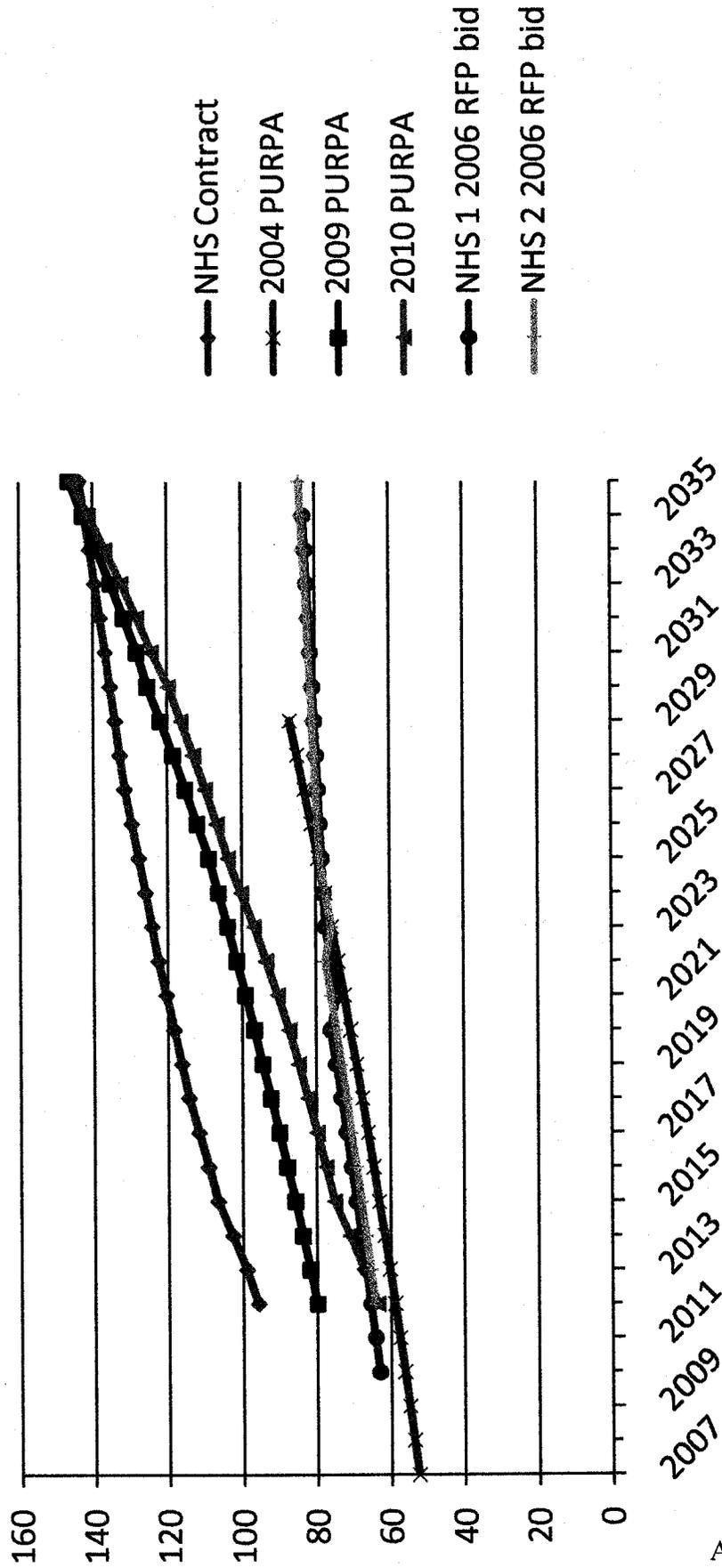
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## Neal Hot Springs Original Bid Prices vs. Contract Prices



## Neal Hot Springs Original Bid Prices, Contract Prices & PURPA Rates

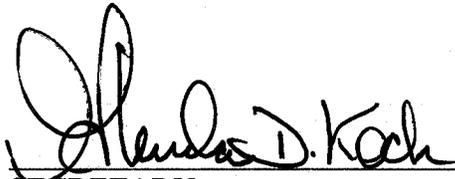


## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS **3RD** DAY OF MAY 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-09-34, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY