

DECISION MEMORANDUM

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

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 26, 2010

SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF A FIRM
ENERGY SALES AGREEMENT WITH YELLOWSTONE POWER,
CASE NO. IPC-E-10-22

On August 13, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 15-year Firm Energy Sales Agreement (the "Agreement") between Idaho Power and Yellowstone Power, Inc. (Yellowstone Power) dated July 28, 2010 (the "Project").

THE AGREEMENT

The Application states that the Project is a biomass fueled, combined heat and power project to be co-located in Emmett, Idaho, with the recently commissioned Emerald Forest Sawmill. Power will be generated using steam created from the controlled burning of the woody biomass fuel. Waste heat from the Project will be utilized to operate the dry kilns associated with the sawmill. Application at 2. Idaho Power warrants that the Agreement comports with the terms and conditions of the various Commission Orders applicable to PURPA agreements (Order Nos. 30415, 30488, 30738, and 30744). Application at 2.

The Agreement is for a term of 15 years and contains the non-levelized published avoided cost rates established by the Commission in Order No. 30744 for energy deliveries of less than 10 average megawatts ("aMW").¹ Because the Agreement is dated July 28, 2010, Order No. 31025 (effective March 16, 2010) would require that the rates paid to Yellowstone under the Agreement be the rates set out in Order No. 31025 rather than the higher rates

¹ Although the nameplate rating of the generator will be 11.7 MW, under normal/average conditions the Project will not exceed 10 average MW on a monthly basis.

approved by the Commission in Order No. 30744. The Application states that, with respect to the power purchase agreement criteria, Yellowstone Power and Idaho Power had resolved and agreed to all material outstanding contract issues prior to March 16, 2010. Application at 7. Therefore, Idaho Power determined that Yellowstone Power meets the criteria to be “grandfathered” and receive the avoided cost rate established by Order No. 30744. Application at 5.

Yellowstone Power selected a Scheduled Operation Date of December 31, 2011, for the Project. Idaho Power asserts that Yellowstone Power is current in all of its interconnection study payments and, so long as it continues to provide requested information in a timely manner and pay invoices on time, it appears that the interconnection can be completed by the Scheduled Operation Date.

The Agreement provides that the Yellowstone Power Agreement will not become effective until the Commission has approved all of the Agreement’s terms and conditions and declares that all payments made by Idaho Power to Yellowstone Power for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

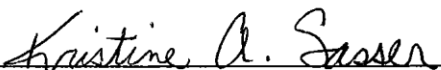
Idaho Power requests that its Application be processed by Modified Procedure pursuant to Commission Rules of Procedure 201-204. IDAPA 31.01.01.201-.204.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with comments due no later than October 1, 2010.

COMMISSION DECISION

1. Does the Commission wish to process this case under Modified Procedure with comments due no later than October 1, 2010?



Kristine A. Sasser
Deputy Attorney General

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