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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-10-44  
OF A FIRM ENERGY SALES AGREEMENT )  
WITH HIDDEN HOLLOW ENERGY 2, LLC )  
FOR THE SALE AND PURCHASE OF )  
ELECTRIC ENERGY. ) COMMENTS OF THE  
\_\_\_\_\_ ) COMMISSION STAFF  
)**

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 32156 on January 10, 2011, in Case No. IPC-E-10-44, submits the following comments.

**BACKGROUND**

On December 10, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 20-year Firm Energy Sales Agreement (Agreement) between Idaho Power and Hidden Hollow Energy 2, LLC (Hidden Hollow) dated December 8, 2010. The Application states that Hidden Hollow would sell and Idaho Power would purchase electric energy generated by the Hidden Hollow Landfill Gas Project (Facility). The Application further states that Hidden Hollow proposes to design, construct, install, own, operate and maintain a 3.2 MW landfill gas generating facility to be located at Ada County's Hidden Hollow Landfill (Landfill) near Boise, Idaho. Application at 2. An

existing 3.2 MW landfill gas-powered generating unit owned by G2 Energy Hidden Hollow, LLC (G2) is already operating at the Landfill. Order No. 29928. Hidden Hollow is proposed by a separate affiliate company utilizing the same landfill gas reserves as its fuel source.

Idaho Power warrants that the Agreement comports with the terms and conditions of the various Commission Orders applicable to PURPA agreements (Order Nos. 30415 and 31025). The Agreement is for a term of 20 years and contains the current non-levelized published avoided cost rates established by the Commission in Order No. 31025 for energy deliveries of less than 10 average megawatts (aMW). The Application states that, should the Commission approve the Agreement, Idaho Power intends the effective date of the Agreement to be December 8, 2010 — the date the parties entered into the Agreement.

Hidden Hollow selected February 28, 2012, as its Scheduled First Energy Date and its Scheduled Operation Date. Agreement, Appendix B. Idaho Power asserts that various requirements have been placed upon the Hidden Hollow Facility in order for Idaho Power to accept the Facility's energy deliveries. Idaho Power states that it will monitor the Facility's compliance with initial and ongoing requirements through the term of the Agreement. The Application maintains that all applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to Hidden Hollow. Idaho Power states that the Facility is currently in good standing with the generator interconnection process. Hidden Hollow and Idaho Power have agreed to liquidated damages and security provisions of \$45 per kW of nameplate capacity. Agreement, ¶¶ 5.3.2, 5.8.1.

## **STAFF ANALYSIS**

Staff has reviewed the Agreement and confirms that it comports with all of the terms and conditions of the various Commission Orders applicable to PURPA agreements. The Agreement contains the same rates, terms and conditions as other recently-approved contracts, thus Staff does not believe that any discussion of these items is necessary.

The only unique feature of this Agreement is that it essentially represents an expansion of the previously approved G2 project and that it will utilize the same landfill gas fuel source. Because this Facility utilizes the same fuel source, Idaho Power has negotiated provisions for the Hidden Hollow project intended to preserve the lower rates of the existing G2 contract while still enabling additional generation to be developed at this location. The Hidden Hollow Agreement provides that the first


1100 scfm of fuel is dedicated to the generation units under the G2 contract.<sup>1</sup> The Hidden Hollow Agreement also allows Idaho Power to audit the fuel distribution to the various generation units. By these terms, the parties' intent is to preserve the value of the lower rates applicable to power provided under the G2 contract and prevent the Hidden Hollow Facility from providing power at a higher cost before G2's nameplate capacity is reached. Staff supports these contract provisions and believes that they adequately preserve the value of the existing contract for Idaho Power and its ratepayers.

On November 5, 2010, a Joint Petition was filed with the Commission requesting an immediate reduction in the published avoided cost rate eligibility cap from 10 aMW to 100 kW. Reference Case No. GNR-E-10-04. The Commission is processing the case by Modified Procedure with comment deadlines and a date for oral argument having already passed. Order No. 32131. The Commission has indicated that any decisions it makes in the GNR-E-10-04 case will be effective as of December 14, 2010. The Agreement submitted for approval was executed by Hidden Hollow on December 6, 2010 and by Idaho Power on December 8, 2010. The Agreement was filed for Commission approval on December 10, 2010. Because the Agreement was executed prior to December 14, 2010, Staff does not believe it should be impacted by any decisions the Commission issues in the GNR-E-10-04 case.

## RECOMMENDATIONS

Staff recommends that the Commission approve all of the Agreement's terms and conditions and declare that all payments made by Idaho Power to Hidden Hollow for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 31<sup>ST</sup> day of January 2011.

  
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Kristine A. Sasser  
Deputy Attorney General

Technical Staff: Rick Sterling

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<sup>1</sup> The 1100 scfm is an engineering calculated value of the quantity of the average fuel quality required to operate the first generation units at their nameplate capacity.

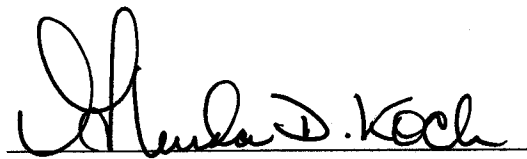
## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 31ST DAY OF JANUARY 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-10-44, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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