

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-10-45
APPROVAL OF A FIRM ENERGY SALES)	
AGREEMENT WITH SE HAZELTON A,)	
L.P. FOR THE SALE AND PURCHASE OF)	ORDER NO. 32181
ELECTRIC ENERGY.)	

On December 10, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 15-year Firm Energy Sales Agreement (Agreement) between Idaho Power and SE Hazelton A, L.P. (Hazelton) dated December 8, 2010. The Application states that Hazelton would sell and Idaho Power would purchase electric energy generated by the Hazelton A Hydroelectric Project (Facility) located near Jerome, Idaho.

On January 10, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure setting a 21-day comment deadline. Staff was the only party to file comments. By this Order, the Commission approves the Agreement between Idaho Power and Hazelton without change or condition and declares that all payments made by Idaho Power to Hazelton be allowed as prudently incurred expenses for ratemaking purposes.

THE AGREEMENT

The Application states that Hazelton has, in compliance with an *existing* agreement approved by the Commission in February 1989 (Order No. 22326), designed, constructed, installed, owns, operates and maintains an 8.1 MW hydroelectric generating facility.¹ The present Agreement has been negotiated to replace the existing agreement which expires on December 31, 2010. 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 Application states that the Agreement 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 nameplate rating of the Facility is 8.1 MW. Hazelton has elected January 1, 2011, as its First Energy Date and Scheduled

¹ Hazelton is an irrigation canal hydroelectric facility that generates power only during the irrigation season.

Operation Date. Because this Facility is already interconnected and operating under its existing agreement, the processing to attain the First Energy and Scheduled Operation Date under this Agreement will include review and either acceptance or updating of previously provided documentation as well as any new requirements as specified by this Agreement. Application at 4. The Application states that, should the Commission approve the Agreement, Idaho Power intends the effective date of the Agreement to be January 1, 2011.

Idaho Power maintains that the Facility is in compliance with the utility's current tariff Schedule 72 and interconnection and transmission processes. Even though the Facility will continue to utilize its existing interconnection and transmission facilities and capacity, Idaho Power will require completion of a Generator Interconnection Agreement (GIA) and Transmission Service Requests (TSR) in order to bring the Facility up-to-date with Idaho Power's current tariffs and processes. Hazelton 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.

By its own terms, the 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 Hazelton for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

THE COMMENTS

As previously stated, the Agreement submitted for approval is a successor agreement to an earlier 20-year power sales agreement for the same facility that expired on December 31, 2010. The Hazelton A project has operated successfully for 20 years, and Staff has no reason to believe that it cannot continue to operate successfully for the proposed 15-year term of the new Agreement. The project is still certified as a qualifying facility under FERC rules; consequently, Staff believes that it is entitled to a new power sales agreement at published avoided cost rates.

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 is substantially identical to other recently-approved contracts and presents no new issues that merit discussion by Staff.

Although Idaho Power filed a Joint Petition with the Commission on November 5, 2010, seeking a reduction in the published avoided cost rate eligibility cap from 10 aMW to 100

kW², Idaho Power does not believe that this Agreement should be impacted by that filing. Staff agrees. The Agreement was signed by Hazelton A on December 7, 2010, and by Idaho Power on December 8, 2010. Moreover, Idaho Power's Application seeking approval of the Agreement was filed with the Commission prior to the December 14, 2010, effective date established by the Commission for its decision in Case No. GNR-E-10-04. Consequently, Staff recommended that the Commission approve all of the Agreement's terms and conditions and declare that all payments made by Idaho Power to Hazelton for purchases of energy be allowed as prudently incurred expenses for ratemaking purposes.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, and the issues raised in this matter pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities (QFs) and to implement FERC rules.

The Commission has reviewed the record in this case, including the Application, the Agreement, and the comments and recommendations of Commission Staff. Based on the record, we find that the proposed Agreement submitted in this case contains acceptable contract provisions including the non-levelized published avoided cost rates approved by the Commission in Order No. 31025. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that the December 8, 2010, Firm Energy Sales Agreement between Idaho Power and Hazelton is approved without change or condition.

IT IS HEREBY CERTIFIED that if the energy project identified in this Order is constructed as specified above, the completed facility will generate at least twenty-five (25) kilowatts of electricity and may be eligible for a tax rebate pursuant to *Idaho Code* §63-3622QQ.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7)

² Case No. GNR-E-10-04.

days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11th day of February 2011.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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