

## DECISION MEMORANDUM

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

**FROM:** KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL

**DATE:** DECEMBER 28, 2010

**SUBJECT:** IDAHO POWER'S APPLICATION FOR APPROVAL OF A FIRM ENERGY SALES AGREEMENT WITH HAZELTON, CASE NO. IPC-E-10-45

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.

### 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.<sup>1</sup> 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 Operation Date. Since this Facility is already interconnected and operating under its existing

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

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.

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.

#### **COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure?

  
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Kristine A. Sasser  
Deputy Attorney General

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