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DONOVAN E. WALKER
Lead Counsel
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February 20, 2013

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-13-02
J.R. Simplot Company – Idaho Power Company's Application Regarding
Energy Sales Agreement

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Application.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-13-02
A DETERMINATION REGARDING THE)
FIRM ENERGY SALES AGREEMENT FOR) APPLICATION
THE SALE AND PURCHASE OF ELECTRIC)
ENERGY BETWEEN IDAHO POWER)
COMPANY AND J.R. SIMPLOT COMPANY)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with RP 52 and the applicable provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), hereby respectfully applies to the Idaho Public Utilities Commission ("Commission") for an Order accepting or rejecting the Energy Sales Agreement ("ESA") between Idaho Power and J.R. Simplot ("Simplot" or "Seller") under which Simplot would sell and Idaho Power would purchase electric energy generated by the Simplot-Pocatello cogeneration plant ("Facility") located near Pocatello, Idaho. This request is for a replacement ESA applicable to an existing project.

Additionally, the parties respectfully request interim approval of this ESA during the Commission's review, as the current agreement expires on March 1, 2013. In support of this Application, Idaho Power represents as follows:

I. INTRODUCTION

1. Simplot currently has a PURPA Firm Energy Sales Agreement ("FESA") with Idaho Power for this Facility that expires on March 1, 2013. The ESA submitted herewith is a replacement contract for the same Qualifying Facility ("QF") contracting with the same utility for a new term and with a new contract. This ESA complies with the Commission's Order Nos. 32697 and 32737 from Case No. GNR-E-11-03. The ESA contains published rates for projects of 10 average megawatts ("aMW") or less. Because the Facility is an existing QF whose previous contract with Idaho Power is expiring (replacement contract) the ESA contains capacity payments for the entire term of the agreement, with no sufficiency period. Pursuant to the Commission's direction in its Reconsideration Order No. 32737, the rates were calculated by Commission Staff for a QF in the "other" categorization pursuant to the Surrogate Avoided Resource (SAR) avoided cost methodology.

2. The avoided cost rates contained in this ESA are lower than the avoided cost rates contained in the expiring FESA. The ESA was signed by Simplot on February 15, 2013, was signed by Idaho Power on February 19, 2013, and is for a term of two years. The ESA was executed in compliance with the Commission's Orders directing the implementation of PURPA for the state of Idaho, contains the most recent avoided cost rates pursuant to the Commission's February 5, 2012, Order, and the Facility has been delivering energy to Idaho Power under a previously existing, but

expiring, PURPA FESA. To provide for the continued and uninterrupted operation of this cogeneration Facility and its associated plant, the parties hereby respectfully request interim approval of the ESA during the Commission's review of the same.

II. BACKGROUND

3. Sections 201 and 210 of PURPA, and pertinent regulations of the Federal Energy Regulatory Commission ("FERC"), require that regulated electric utilities purchase power produced by cogenerators or small power producers that obtain QF status. The rate a QF receives for the sale of its power is generally referred to as the "avoided cost" rate and is to reflect the incremental cost to an electric utility of electric energy or capacity or both, which, but for the purchase from the QF, such utility would generate itself or purchase from another source. The Commission has authority under PURPA Sections 201 and 210 and the implementing regulations of FERC, 18 C.F.R. § 292, to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules.

4. On December 18, 2012, the Commission issued Order No. 32697 which established parameters for published and negotiated avoided cost rate calculations. The Commission further established and defined numerous contractual terms and conditions for standard power purchase agreements entered into between regulated utilities and qualifying QFs. On January 2, 2013, the Commission issued Errata to Order No. 32697, which corrected published avoided cost rates to include energy payments not discounted by transmission and line loss. On February 5, 2013, the Commission issued Reconsideration Order No. 32737, which further clarified certain terms and conditions of power purchase agreements and established published avoided

cost rates for "replacement" contracts. This Application seeks the Commission review, and approval, of the ESA containing published avoided cost rates as calculated by Commission Staff for a replacement ESA applicable to an existing project.

III. THE ENERGY SALES AGREEMENT

5. On February 19, 2013, Idaho Power and Simplot entered into an ESA pursuant to the terms and conditions of the various Commission Orders applicable to this PURPA agreement for a replacement contract. See Order Nos. 32697 and 32737. A copy of the ESA is attached to this Application as Attachment 1. Under the terms of this ESA, Simplot elected to contract with Idaho Power for a two-year term using the non-levelized "other" published avoided cost rates as currently established by the Commission for energy deliveries of less than 10 aMW and for a replacement ESA. This ESA was executed by Simplot on February 15, 2013. It was subsequently executed by Idaho Power on February 19, 2013, and now filed for the Commission's review on February 20, 2013.

6. Simplot proposes to operate and maintain a 15.9 megawatt ("MW") (Maximum Capacity Amount) cogeneration facility to be located near Pocatello, Idaho. The Facility will be a QF under the applicable provisions of PURPA. As defined in paragraph 1.18 and paragraph 4.1.3 of the ESA, Simplot will be required to provide data on the Facility that Idaho Power will use to confirm that under normal and/or average conditions, the Facility will not exceed 10 aMW on a monthly basis. Furthermore, as described in paragraph 7.5 of the ESA, should the Facility exceed 10 aMW on a monthly basis, Idaho Power will accept the energy (Inadvertent Energy) that does not

exceed the Maximum Capacity Amount, but will not purchase or pay for this Inadvertent Energy.

7. As the Facility is an existing QF that has been delivering energy to Idaho Power pursuant to a previously existing FESA, the ESA specifies the Scheduled Operation Date for this Facility shall be no later than 120 days after a final, non-appealable Order has been issued approving this agreement. See Appendix B. However, the intent of the parties is to seek interim approval of this ESA and to provide for the continued and uninterrupted operation of the Facility pursuant to the new terms and conditions, including the lower avoided cost rates, contained in this new ESA. Various requirements have been placed upon Simplot in order for Idaho Power to accept energy deliveries from this Facility. Idaho Power will continue to monitor compliance with these requirements. In addition, Idaho Power will monitor the ongoing requirements through the full term of this ESA.

8. The ESA, as signed and submitted by the parties thereto, contains non-levelized published avoided cost rates in conformity with applicable Commission Orders. All applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Simplot.

9. The Facility, and its previous agreement, predates Idaho Power's Schedule 72 and the current generator interconnection requirements applicable to a PURPA QF on Idaho Power's system. The previous "interconnection agreement" was contained within the expiring FESA. As such, it was necessary for Simplot, as part of this ESA, to execute a Generator Interconnection Agreement ("GIA") pursuant to Schedule 72. A Schedule 72 GIA between Simplot and Idaho Power was executed on

February 19, 2013. PURPA QF generation must be designated as a network resource ("DNR") to serve Idaho Power's retail load on its system. In order for the Facility to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request ("TSR") in order to maintain compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and to maintain compliance with FERC requirements. A lapse in the Facility's power purchase agreement with Idaho Power places its status as a DNR and its associated TSR in jeopardy. As such, the parties respectfully request interim approval of this ESA in order to provide for the continuous operation of the Facility, no resulting lapse in its power sales agreement with Idaho Power, and ensure that the current DNR status is maintained.

10. Article 21 of the ESA provides that the ESA will not become effective until the Commission has approved all of the ESA's terms and conditions and declared that all payments Idaho Power makes to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

IV. MODIFIED PROCEDURE

11. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to prepare and present its testimony in such hearing.

12. Additionally, the parties request interim approval of the ESA, during the Commission's review of the same, prior to the March 1, 2013, expiration of the existing

FESA in order to ensure the continued operation of the Facility, to prevent a potential lapse in the power sales agreement, and to ensure the Facility's DNR status and TSR remains intact.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

13. Communications and service of pleadings, exhibits, orders, and other documents relating to this proceeding should be sent to the following:

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Lead Counsel
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P.O. Box 70
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Randy C. Allphin
Energy Contract Administrator
Idaho Power Company
1221 West Idaho Street
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VI. REQUEST FOR RELIEF

14. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing the interim approval of the ESA to take effect upon the March 1, 2013, expiration of the existing FESA; (2) authorizing that this matter may be processed by Modified Procedure; (3) accepting or rejecting the ESA between Idaho Power Company and J.R. Simplot Company, without change or condition; and (4) declaring that all payments for purchases of energy under the ESA between Idaho Power Company and J.R. Simplot Company, be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 20th of February 2013.


DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 20th day of February 2013 I served a true and correct copy of the within and foregoing APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

J.R. Simplot Company

Attention: Corporate Secretary
J.R. Simplot Company
P.O. Box 27
Boise, Idaho 83707

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email don.sturtevant@simplot.com

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Christa Beary, Legal Assistant