

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-13-02
DETERMINATION REGARDING ITS FIRM)
ENERGY SALES AGREEMENT WITH J.R.)
SIMPLOT COMPANY FOR THE SALE AND) ORDER NO. 32790
PURCHASE OF ELECTRIC ENERGY.)
_____)**

On February 20, 2013, Idaho Power Company filed an Application with the Commission requesting a determination regarding the Firm Energy Sales Agreement (FESA, Agreement) between Idaho Power and J.R. Simplot. The Application states that Simplot would sell and Idaho Power would purchase electric energy generated by Simplot's Pocatello cogeneration plant (Facility) located near Pocatello, Idaho. Idaho Power stated that this request is for a replacement Agreement applicable to an existing project. The Company is requesting interim approval of its Agreement while the Application is reviewed because the current Agreement expires on March 1, 2013. The Company further requested that the Application be processed by Modified Procedure.

On February 28, 2013, the Commission issued a Notice of Application and Notice of Modified Procedure setting a comment deadline of March 21 and a reply deadline of March 28, 2013. Order No. 32754. The Commission granted interim approval of the Agreement, subject to adjustments, until such time as the Agreement is approved by final Order of the Commission. By this Order, we approve the Agreement between Idaho Power and J.R. Simplot without change or condition.

THE APPLICATION

The Application states that Simplot has elected to contract with Idaho Power for a two-year term using non-levelized published avoided cost rates as currently established by the Commission for energy deliveries of less than 10 aMW. As a cogeneration plant, the Facility is classified within the "other" category of the published rates.

A. The Agreement

The present Agreement has been negotiated to replace the existing Agreement which expired on March 1, 2013. The avoided cost rates contained in this Agreement are lower than the avoided cost rates contained in the expiring Agreement. Because the Facility is an existing

QF whose previous contract with Idaho Power is expiring, this Agreement contains capacity payments for the entire term of the Agreement. As an existing QF that has been delivering energy to Idaho Power pursuant to an existing agreement, the replacement Agreement specifies that the scheduled operation date for this Facility shall be no later than 120 days after a Commission final non-appealable Order has been issued approving the replacement Agreement.

The nameplate rating of this Facility is 15.9 MW. Having chosen a published rate contract, 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. Under the terms of the Agreement, Idaho Power will accept the excess energy (Inadvertent Energy), but will not purchase or pay for the Inadvertent Energy.

Various requirements have been placed upon Simplot in order for Idaho Power to accept energy deliveries from this Facility. Idaho Power states that it will continue to monitor compliance with these requirements through the full term of the Agreement. The Company maintains that the Agreement, as signed and submitted, contains non-levelized published avoided cost rates in conformity with applicable Commission Orders. Idaho Power further states that all applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Simplot.

The Application states that the Agreement was executed in compliance with Commission Orders directing the implementation of PURPA for the State of Idaho. PURPA QF generation must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. In order for this Facility to maintain its current DNR status there must be an Agreement associated with its transmission service request (TSR) to maintain compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and compliance with FERC requirements. A lapse of time between the Facility's expiring agreement and replacement firm energy sales agreement places its status as a DNR and its associated TSR in jeopardy. In order to provide for the continued and uninterrupted operation of the cogeneration Facility and its associated plant (to maintain DNR status), the parties requested, and were granted, interim approval of the Agreement while the Commission completes its review.

By its own terms, the Agreement will not become finally effective until the Commission has approved all of the Agreement's terms and conditions and declares that all

payments made by Idaho Power to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.

THE COMMENTS

Staff was the only person or party to file comments. Staff reviewed the rates contained in the Agreement and confirmed that they are in accordance with the currently approved published avoided cost rates. Staff noted that the replacement Agreement contains explicit language regarding curtailment pursuant to 18 C.F.R. § 292.304. Staff also observed that Mid-Columbia Market Energy Cost has been defined as the monthly volume weighted average of Dow Jones Mid-C index prices. The prior agreement between the parties did not specify that volume would be used to compute the weighted average. Based on its review, Staff recommended that the Commission approve the Agreement's terms and conditions.

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 replacement Agreement, and the comments and recommendations of Commission Staff. We find that the J.R. Simplot project is qualified to receive the non-levelized published avoided cost rates contained in the Agreement. We further find that the proposed Agreement contains acceptable contract provisions consistent with PURPA, FERC regulations and this Commission's prior Orders. We find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

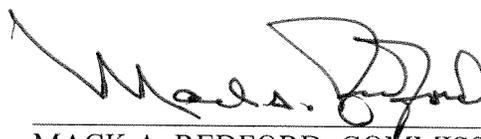
IT IS HEREBY ORDERED that the February 19, 2013, Firm Energy Sales Agreement between Idaho Power Company and J.R. Simplot is approved without change or condition. We further declare that all payments made by Idaho Power to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

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) 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 17th day of April 2013.



PAUL KJELLANDER, PRESIDENT

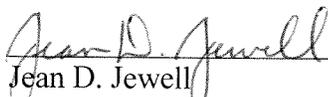


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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