

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: RICK STERLING

DATE: NOVEMBER 6, 2012

**RE: COMPLIANCE WITH THE INSURANCE PROVISIONS OF BIRCH
CREEK TROUT HYDRO'S PURPA CONTRACT**

On November 1, 2012, Idaho Power submitted a copy of a letter it sent to Birch Creek Trout Hydro, a PURPA Qualifying Facility, regarding the administration of compliance with the insurance provisions of Birch Creek Trout Hydro's contract. Because Idaho Power's letter concerns a request to deviate from the express terms of the PURPA contract, Commission approval is required.

The PURPA Power Sales Agreement ("Agreement") between Clifton E. Jensen ("Seller") and Idaho Power dated July 1, 1983, for the Birch Creek Hydro project, approved by the Commission in Order No. 15746, requires the Seller to continuously carry Valued Loss of Income ("VLI") Insurance in amounts equal to the Accumulated Capacity Overpayments. In PURPA contracts containing levelized rates, such as this one, overpayment occurs during the first part of the contract term because the levelized rate paid for power purchases exceeds the estimated value of the power. In the latter years of the contract, the reverse occurs. Because this Agreement contains levelized rates, the VLI insurance requirement is intended to provide security to Idaho Power customers for initial overpayments, and subsequent underpayments associated with the levelized rate in the event the project permanently or partially curtails its output prior to the end of the full term of the Agreement.

Birch Creek Hydro has requested that Idaho Power consider accepting a Certificate of Deposit ("CD") payable to Idaho Power in lieu of providing VLI insurance. Idaho Power agreed to consider its request as long as the CD provided liquid security available to Idaho Power that

meets or exceeds the value of the VLI insurance. Birch Creek, in turn, provided a 5-year CD, payable to Idaho Power, in an amount of \$11,400.

Staff believes that the CD furnished by Birch Creek provides an acceptable source of liquid security, comparable to the security that would otherwise be provided by VLI insurance. Consequently, Staff recommends approval of the parties request to substitute a CD in lieu of VLI insurance.

COMMISSION DECISION

Does the Commission wish to approve the request of Idaho Power to accept a CD in lieu of VLI insurance as overpayment security in its PURPA contract with Birch Creek Trout?


Rick Sterling

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