DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

RANDY LOBB

DATE:JANUARY 4, 1996

RE:CASE NO. IPC-E-95-19

RUPERT & GLENNS FERRY COGENERATION PROJECTS

AMENDMENT(S) TO FIRM ENERGY SALES AGREEMENT(S)

On December 19, 1995, Rupert Cogeneration Partners Ltd. (Rupert) and Glenns Ferry Cogeneration Partners Ltd. (Glenns Ferry) filed an Application with the Idaho Public Utilities Commission (Commission) requesting Commission approval of proposed first and second amendments to the respective Firm Energy Sales Agreement(s) of Rupert and Glenns Ferry with Idaho Power Company.  The executed amendments were filed with the Commission on January 3, 1996 (attached).

Rupert Cogeneration Partners Ltd. is the developer of a natural gas cogeneration project (approximately 10 MW) adjacent to the Magic Valley Foods, Inc. potato processing facility in Rupert, Idaho.  The estimated annual net firm energy production is 83,220,000 kWh.  The Agreement dated June 25, 1993, provides for levelized rates over a 20 year contract term.  Reference Case No. IPC-E-93-15, Order No. 25050.  The scheduled operation date is January 1, 1996.

Glenns Ferry Cogeneration Partners Ltd. is the developer of a natural gas cogeneration project (approximately 10 MW) at the Magic West Potato Processing Facility in Glenns Ferry, Idaho.  The estimated annual net firm energy production is 83,220,000 kWh.  The Agreement dated December 9, 1992, provides for levelized rates over a 20-year contract term.  Reference Case No. IPC-E-92-32, Order No. 24674.  Scheduled operation date pursuant to First Amendment is January 1, 1996.  Reference Case No. IPC-E-94-7, Order No. 25505.

The submitted amendments  make the following changes:

Article 4.1.8 Security Interests (Rupert)

¶ 4.1.7.1 The first mortgage lien amount is increased from $15 million to $17 million.

¶ 4.1.7.2 The term “encumbrance” is further defined.

Article 4.1.8 Security Interests  (Glenns Ferry)

¶ 4.1.8.1 The first mortgage lien amount is increased from $15 million to $17 million.

¶ 4.1.8.2 The term “encumbrance” is further defined.

Article 13.3 Energy Acceptance

¶ 13.3.2 Idaho Power’s obligations in the event of curtailment are further defined.

Article 14.2 Insurance

¶ 14.2.4 Alternative language added regarding business interruption (loss of income) insurance.

¶ 14.2.4(c) Amount of authorized deductible increased from ten days to thirty days gross daily revenues from sale of electrical energy.

Article 16 Force Majeure

¶ 16.4 Language added to clarify that obligation to pay liquidated damages as a result of permanent curtailment will not be excused even if the permanent curtailment arises out of an event of force majeure.

Article 21 Disputes and Default

¶ 21.2 Amended to permit cure of default “within a commercially reasonable time” but not within 60 days.

¶ 21.4.2 Debt Service Reserve Account requirement amount changed from 20% of the facility’s estimated gross revenue from net firm energy sales for the first contract year to 50% of the facility’s estimated annual debt service.

¶ 21.4.3 Amended to permit seller, with Company approval, to substitute Debt Service Loan in lieu of Debt Service Reserve Account.

Article 27 Notices

Notice Requirement of Seller Amended.

Agreement Appendix B, Special Facilities, Point of Delivery, Metering and Operation Date

Deleted in its entirety and substitute language submitted.

Scheduled operation date extended to March 7, 1996.

Agreement Appendix C, Lump Sum Refund Payment for Permanent Curtailment  (Glenns Ferry only)

Deleted in its entirety and substitute language submitted.

Refund Payment Amount adjusted for change in scheduled operation date.

The negotiated changes have been reviewed by Staff.  It is Staff’s belief that the proposed changes do not materially affect the risk to the Company or its customers and that the amendment(s) should be approved.  Staff recommends that the changes be approved by Minute Entry.

Commission Decision

Does the Commission wish to approve the proposed amendments to the Rupert and Glenns Ferry Firm Energy Sales Agreements?  By Order or Minute Entry?  Does the Commission continue to find that all costs incurred by Idaho Power related to the Firm Energy Sales Agreements shall be allowed as prudently incurred expenses for ratemaking purposes?

Scott Woodbury

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