DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

RICK STERLING

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:FEBRUARY 18, 1997

RE:CASE NO. IPC-E-96-24

FIRM ENERGY SALES AGREEMENT-FIRST AMENDMENT

IPCO/LEMOYNE HYDRO PROJECT

On December 19, 1997, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of an amendment to a Firm Energy Sales Agreement (Agreement) between Idaho Power and John R. LeMoyne for the LeMoyne Hydro Project.  On January 15, 1997, Idaho Power submitted revised amendment pages 2 and 3, requesting that the original pages be removed and discarded and replaced with the two revised pages.

LeMoyne Hydro Project is located in the Northwest quarter of Section 1, Township 8 South, Range 13 East, Boise Meridian, Gooding County Idaho.  The underlying Agreement dated April 23, 1985 and addendum dated June 28, 1985 were approved by the Commission in Order No. 19772.  The Agreement is for a 35 year term.

The proposed amendment dated December 3, 1996 incorporates several changes that have occurred since the Agreement was first signed.  The most significant change is a modification of the facility’s generator size and type from 50 horsepower synchronous (37kW) to 100 horsepower induction (75kW).  Under the amended Agreement the annual net energy production is increased from 232,000 kWh to 580,000 kWh.  Agreement ¶ 6.3.  A new ¶ 1.6 is added defining excess net energy, as all net energy which exceeds 21,270 kWh in any calendar month.  As amended, the base payment (¶ 7.1.1) and adjustable payment (¶ 7.1.2) are for the first 21,270 kWh of net energy delivered in any calendar month.  Adjustable payment amounts are amended as per Commission Order No. 25880 in Case No. IPC-E-94-5.  Payments for excess net energy under ¶ 7.1.3 of the amended agreement are to be as follows:

March-May 33.87 mils/kWh

June-September 55.30 mils/kWh

October-February 46.09 mils/kWh

The first energy date of the enlarged project was November 30, 1995.

Additional changes proposed are to Agreement Article XXVII-Notices, ¶ B-1 Description of Facility, ¶ B-5 Point of Delivery, ¶ B-9 Reactive Power, ¶ B-11 Costs (original language deleted in its entirety and costs of interconnecting facilities and related O&M charges separated into two categories.  (1.  Equipment originally installed in 1984 and (2.  Equipment installed to accommodate 1985 increase in capacity), and Appendix D Lump Sum Payment (new schedule).

The Company requests that the first amendment be approved without change or condition and that all costs relating thereto be allowed to Idaho Power as prudently incurred expenses for ratemaking purposes.

Staff Analysis:

Staff has reviewed the proposed amendment and recommends approval.  The rates for the excess energy are levelized and derived from those approved in Order No. 25932, Case No. IPC-E-93-28.  The contract length for excess energy is 24.6 years.  The contract length has been set so that the terms of the amendment expire at the same time as the original Agreement.  The 1995 on-line date was used because the first energy date was November 30, 1995.  Rates from Order No. 25932 were used because they were the rates in effect at the time the amendment was negotiated.  Staff  notes that although approval is just now being requested, Idaho Power has been making purchases from the project at these rates since the project addition went on-line November 30, 1995.

Commission Decision:

Does the Commission find the submitted first amendment terms to be reasonable and acceptable?  Does the Commission find payments made under the amended agreement to be prudently incurred expenses for ratemaking purposes?  Does the Commission have any comment regarding the lapse in time between the November 30, 1995 project addition and the December 3, 1996 amendment and subsequent Application?

Scott Woodbury

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