(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF THE THIRD AMENDMENT TO FIRM ENERGY SALES AGREEMENT FOR THE MAGIC RESERVOIR HYDROELECTRIC GENERATING PROJECT. | ))))))) | CASE NO. IPC-E-98-14ORDER NO. 27839 |

On November 6, 1998, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commis­sion) in Case No. IPC-E-98-14 requesting approval of a proposed Third Amendment to a July 10, 1987, Firm Energy Sales Agreement between Idaho Power and Magic Reservoir Hydroelectric, Inc. (MRHI; successor in interest to Cook Electric, Inc.) for the Magic Reservoir Hydroelectric Generating Project.

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) Idaho Power is required to purchase energy from qualifying small power production facilities (QFs). The Magic Reservoir project is a QF.  In Order No. 21690 in Case No. U-1006-292, the Commission established security provisions for the overpayment liability that results from levelized QF contracts.  The Commission’s Order required QFs to establish maintenance reserve and low water reserve escrow accounts in an Idaho financial institution.

Since the Commission initially established the requirement for escrow accounts, Idaho Power reports that one by one the local banks have opted to exit the business of providing the required account services.  For the past several years, Idaho Power states that the only Idaho bank willing to provide this escrow service has been Wells Fargo Bank.  Idaho Power has now been advised by several QF developers that Wells Fargo also desires to cease providing this service.

In response to a notice from Wells Fargo, MRHI contacted Idaho Power and proposed a simplified alternative escrow account arrangement that it represents is acceptable to First Security Bank.  The procedure described in the Third Amendment would allow funds from the maintenance reserve account and low water reserve account to be mingled in a single account with separate accounting for each of the two reserved amounts.  Permitted withdrawals from the single account requires two signatures, either by two Idaho Power signatories or by one Idaho Power signatory and one Magic Reservoir Hydroelectric, Inc. signatory.  Idaho Power states that such an arrangement will allow it to effectively monitor and control disbursements from the account.

Commission Notices of Application and Modified Procedure in Case No. IPC-E-98-14 were issued on November 18, 1998.  The deadline for filing written comments was December 9, 1998.  The Commission Staff was the only party to file written comments.  Staff  recommends approval and believes that the alternative escrow account arrangements outlined in the proposed Third Amendment are reasonable and perhaps even superior to the existing escrow.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. IPC-E-98-14 including the filed comments of the Commission Staff.  We have reviewed the underlying security requirements established in Case No. U-1006-292.  We have reviewed our Orders in Case No. U-1006-294 (Cook Electric, Inc.) wherein we considered the original Firm Energy Sales Agreement and First Amendment.  We have also reviewed Case No. IPC-E-88-11 wherein we approved the assignment of interest in the Agreement to Magic Reservoir Hydroelectric, Inc. and the Second Amendment.  We continue to find security provisions for overpayment liability to be necessary and reasonable.  We find the substitute escrow arrangements set out in the submitted Third Amendment to be reasonable and acceptable.  Reference ON 21690.  We continue to find payments made under the Agreements to be prudently incurred expenses for ratemaking purposes.

CONCLUSIONS OF LAW

1.  The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code.

2.  The Idaho Public Utilities Commission has authority under the Public Utility Regulatory Policies Act of 1978 (PURPA) and implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations to purchase energy from small power producers and to implement FERC rules.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the submitted Third Amendment to the Firm Energy Sales Agreement between Idaho Power Company and Magic Reservoir Hydroelectric, Inc. be and the same is hereby approved.

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                  day of December 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

December 24, 1998