DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

TERRI CARLOCK

MADONNA FAUNCE

KEITH HESSING

RICK STERLING

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:May 15, 1997

RE:CASE NO. WWP-E-97-4

POWER PURCHASE AGREEMENT W/RAYONIER

On May 1, 1997, The Washington Water Power Company (Water Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Power Sale Agreement (Agreement) between Rayonier and Water Power dated April 10, 1997.

Rayonier operates a PURPA qualified wood waste power electric generation facility at Plummer, Idaho.  A prior Power Sales Agreement with Wood Power Inc. for the same facility was recently terminated for a buy-out cost of $9,500,000.  Reference Case No. WWP-E-96-8, Order No 26751 issued June 3, 1997 (attached).

The related termination agreement contained the following language:

Section 4

Subject to termination of the Power Sale Agreement, WWP shall have no obligation to purchase electric power generated by the qualifying facility at avoided cost.  In the event that any person operates the qualifying facility to generate electric power for sale during the ten (10) years following termination of the Power Sale Agreement, WWP shall have a first option to purchase such electrical power at the market price of electrical power as it changes from time to time less one dollar per megawatt hour.  Wood Power and Rayonier shall require that the successors and assignees of the qualified facility assume the obligations established by this paragraph....

Rayonier has elected to resume limited generation and has requested that Water Power purchase the power output.  Water Power is exercising its option.  Pursuant to Agreement ¶ 6c:

The price paid for such power sales shall be the twenty four (24) hour market price of electric power at the Mid-Columbia as published weekly in the “Power Markets Week” reflecting the weekly index (on-peak) for Mid- Columbia, as it changes from time to time, less one dollar per megawatt hour.  The parties understand that current published reports for the Mid-Columbia reflect market prices only during heavy load hours.  Therefore, [Rayonier] agrees that WWP may subtract from the published figures for the Mid- Columbia $2 per megawatt hour in order to determine a twenty four (24) hour market price....

The Agreement by its terms will expire September 30, 2006.  Either party may terminate the Agreement with three months prior written notice.

Commission Decision:

Staff recommends that the Company’s Application be processed pursuant to Modified Procedure.  The agreement is presented as a PURPA contract.  WWP has no obligation to purchase.  The contract rate is not an avoided cost rate.  Staff would like to comment on the Company’s Application and suggest how it should be treated for accounting purposes.  Does the Commission agree that Modified Procedure is appropriate?  If not what is the Commission’s preference?

Scott Woodbury

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