

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF
IDAHO POWER COMPANY FOR APPROVAL
OF AN AGREEMENT FOR SALE AND
PURCHASE OF ELECTRIC ENERGY
BETWEEN IDAHO POWER COMPANY AND
RENEWABLE ENERGY OF IDAHO, INC.**

CASE NO. IPC-E-04-5

ORDER NO. 29487

On February 19, 2004, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Firm Energy Sales Agreement (Agreement) between Idaho Power and Renewable Energy of Idaho, Inc. (Renewable Energy) dated February 12, 2004. The Commission in this Order approves the submitted Agreement and reminds the Company of its obligation to follow Commission orders and to compute avoided cost rates in accordance with Commission approved avoided cost methodology.

Renewable Energy proposes to design, construct, install, own, operate and maintain a 17.5 megawatt (MW) biomass (primarily wood waste) generating facility to be located at the old Boise Cascade Plant site near Emmett, Idaho (the Project). The Project will be a qualified small power production facility (QF) under the Public Utilities Regulatory Policies Act of 1978 (PURPA).

Under the terms of the Agreement, Renewable Energy has elected to contract with Idaho Power for a 20-year term. The Agreement contains non-levelized published avoided cost rates as currently established by the Commission for energy less than 10 MW and a negotiated price for energy over 10 MW.

As in recent prior submitted agreements, Idaho Power utilizes a cogeneration small power producer (CSPP; QF) agreement that is consistent for all CSPP projects regardless of their resource (wind, hydro, geothermal, wood waste, etc.) and that incorporates (1) current IPUC Orders, (2) current technologies, and (3) current utility industry standards. The submitted Agreement, the Company states, contains many of these concepts as well as unique negotiated provisions due to the fact that the Project wishes to routinely deliver more than 10 MW to Idaho Power. The following is a brief description of some of these concepts and unique provisions:

A: Ten MW or Smaller Project Size and Eligibility for the Published Avoided Cost Rate: Noting that the Commission has established a 10 MW size limit for PURPA projects eligible for QF published avoided cost rates, Idaho Power points out that the Commission did not specify how the 10 MW limit was to be measured. Historically, the nameplate rating of the facility has been considered to be the measurement for this limit. Idaho Power suggests in this filing that it is reasonable that this limitation be based on that energy delivery to the utility and not nameplate rating.

Many QF facilities, due to less than 100% capacity factors and unknown incremental fuel supplies, the Company contends, are not able to commit to a long-term firm commitment of the incremental energy production above 10 MW. To address this issue, Idaho Power has developed the concept of "Optional Energy." The concept of Optional Energy, the Company contends, maintains the integrity of the 10 MW limitation and the QF published avoided cost rates but also allows the project developer the ability to assess its specific facility's performance, capital cost and other risk/benefit factors in designing the size of the QF's individual facilities.

Optional Energy is all energy that the Project delivers to Idaho Power that exceeds 10,000-kilowatt hours in a single hour, typically non-firm energy, as defined in ¶ 1.18 of the Agreement. Optional Energy is identified through hourly metering. The price of this energy is a price negotiated between Idaho Power and the specific project. As non-firm energy, Idaho Power considers the value of this energy to be a variable current month market based price.

Renewable Energy requested that fixed prices be established for its Optional Energy rather than receiving the monthly variable market prices. Idaho Power and Renewable Energy, therefore, negotiated fixed prices for the Optional Energy (Section 7.5 of the Agreement) in consideration of the Project providing year-ahead firm commitments of the monthly Optional Energy amounts (Section 6.4 of the Agreement).

Also applied to this Optional Energy are Company-developed Shortfall and Surplus Energy concepts (Sections 7.7 and 7.8 of the Agreement), as previously included in the Company's Tiber Montana LLC contract approved by the Commission in Order No. 29232 and the recently submitted Agreement with United Materials of Great Falls, Inc. (Case No. IPC-E-04-1).

B. Seasonality: As an incentive for Renewable Energy to deliver energy to the Company during times when it is of greater value to Idaho Power, the Company has refined the

