



IDAHO POWER COMPANY

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BOX 70 • BOISE, IDAHO 83707

IDAHO PUBLIC
UTILITIES COMMISSION

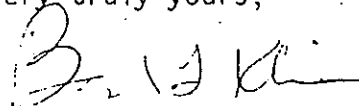
Mr John McMahon
Idaho Public Utilities Commission
Statehouse
Boise, Idaho 83720

Dear Mr McMahon:

Enclosed is a copy of the status report on the Mud Creek Project which you requested in your July 15 letter to me. Naturally, Idaho Power is disappointed, as I am sure the Commission is, that Mud Creek, the first project to come, "on line" under the Cogeneration-Small Power Production Program is performing so poorly.

Idaho Power appreciates this opportunity to work cooperatively with the Commission and Commission Staff in analyzing and resolving this problem. If you have any questions regarding any portion of this report or if you need any additional information, please contact David Meyers or myself.

Very truly yours,


Barton L. Kline
Attorney

BLK:ke
Enclosure

cc: Commissioner Swisher
Commissioner High ✓
Commissioner Ward
Wayne Skeem

STATUS REPORT

MUD CREEK HYDRO PROJECT

JULY 20, 1982

RECEIVED

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BACKGROUND

In October and December of 1981, Idaho Power Company ("Company") entered into a contract with S&S Ltd Partnership (Messrs Wayne and Daniel Skeem) of Buhl, Idaho, for purchase of power from the Mud Creek Hydro Project ("Project"): The contract was in the standard Commission-approved form. The contract calls for the production of 3,493,632 kWh annually which, under Option 3, yields a "Contract Capacity" of 532 kW.

From the beginning, the Company has made a concerted effort to cooperate with and assist Mr Skeem and S&S on the Mud Creek Project in order to ensure that this project was given every reasonable opportunity to succeed.

The Company has gone out of its way to accommodate S&S in at least two instances in particular: 1) Payment of advance funds per letter agreement dated March 16, 1982 (copy appended), to alleviate cash flow problems experienced by S&S; and 2) upon discovery that the Project interconnection/protection equipment had been modified and effectively by-passed, Company personnel worked with S&S to correct the situation and to assure that similar problems would not occur in the future. In addition, Company employees have made numerous individual efforts to accommodate and expedite this Project's getting "on-line."

GENERATION AND PAYMENTS

The Project began producing power on an intermittent basis in February 1982.

The primary concern at present is the low level of generation from the Project (much lower than projected by S&S during development of the contract), and the resulting high cost per kWh being paid for the power.

Figure 1 shows the projected Project generation based on the water flow and equipment operation data provided by S&S as compared to the actual generation for the first five months of Project operation. Obviously the actual generation to date is substantially less than that contemplated in the contract.

This poor generating performance has resulted in substantial overpayments to S&S. Table I summarizes the generation, total payments made to S&S, and the power cost in mills/kWh for the project to date.

TABLE I

<u>Month</u>	<u>Generation</u>		<u>Payments</u>		<u>Power Cost Mills/kWh</u>
	<u>kWh</u>	<u>Capacity</u>	<u>Energy</u>	<u>Total</u>	
Feb	9,640	\$12,856.67	\$ 158.00	\$13,014.67	1,350
Mar	44,203	12,856.67	724.49	13,581.16	307
Apr	41,724	12,856.67	683.00	13,540.53	325
May	58,053	12,856.67	951.49	13,808.16	238
June	<u>128,151</u>	12,856.67	2,100.39	<u>14,957.06</u>	117
TOTAL	<u>281,771</u>			<u>\$68,901.58</u>	245

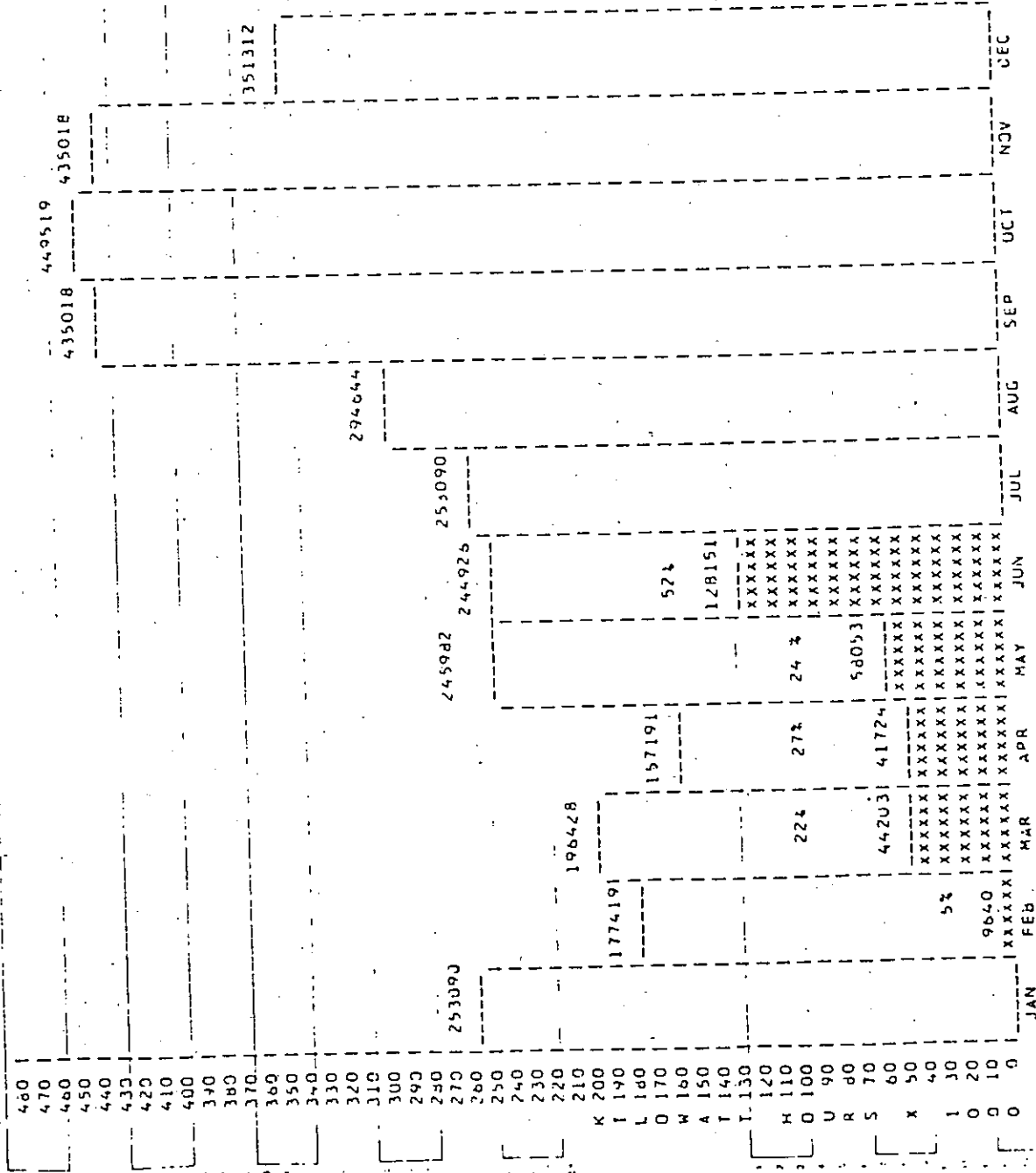


FIGURE 1

SLS PARTNERSHIP
MUD GREEN SMALL POWER PRODUCTION SITE
ACTUAL GENERATION VERSUS PROJECTED GENERATION

Based on the total generation of 281,771 kWh, and total payments of \$68,901.58, the overall cost for power received by the Company from the Project to date is about 245 mills/kWh.

The payment for this generation, at the average contract rate of 60.53 mills/kWh, would be \$17,055.60. On this basis, the current total payment of \$68,901.58 represents an overpayment of \$51,845.98 to date.

ANALYSIS

Since the Company has not been directly involved in the design, construction, and operation of this Project, it has no specific basis on which to make an informed evaluation of the reasons why the performance has been below expectations. We have been informed that Mr Skeem of S&S intends to provide such an analysis of the Project for review by the Company and the Commission.

Although Project performance appears to be improving recently, it appears highly unlikely that this Project will produce the contracted amount of generation during this contract year. Therefore, unless immediate action is taken to reduce the "Contract Capacity" payments, the close of the contract year will probably find S&S in an overpayment condition. Further, the existing contract remedies offer little realistic hope for the Company to recover these overpayments, especially if the Project encounters financial difficulties to the extent that it cannot continue to operate without capacity payments at the present level.