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Arrow Rock Wind, Inc.

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IDAHO PUBLIC
UTILITIES COMMISSION

June 24, 2005

IPC-E-05-22

Idaho Public Utilities Commission
P. O. Box 83720
Boise, ID 83270-0074

Delivered via Facsimile: 208-334-3762

Subject: Arrow Rock Wind – QF Contract with Idaho Power

Dear Commissioners:

This letter is written pursuant to a firm energy sales agreement, which we have negotiated with Idaho Power. This contract was negotiated over the past several months with Idaho Power. In the normal course of business Idaho Power forwarded a contract for our signature on June 16, 2005. I signed this contract on June 18, 2005 and returned it to Idaho Power via overnight mail, pursuant to Idaho Contract Power Administrator Randy Allphin's letter of June 16, 2005, a copy of which is attached. The Idaho Power letter states that Idaho Power would sign the contract and forward to PUC for approval.

On Thursday, June 23, 2005, Arrow Rock was informed by Randy Allphin that Idaho Power had filed a petition to suspend Idaho Power's requirement to sign PURPA wind contracts on June 17, 2005 and until such time as Idaho Power received direction from the PUC on this petition, Idaho Power would not be signing any wind PURPA contracts.

Generation projects require substantial planning periods and the resulting good faith negotiation for the contract supporting the project was fully concluded and agreed upon on June 14, 2005. Idaho Power negotiated the QF Agreement with Arrow Rock Wind in the normal course of business, which included a unique arrangement in which Arrow Rock, rather than Idaho Power would be responsible for firming and shaping the intermittent nature of the wind resource. The documentation clearly demonstrates that the Arrow Rock project was fully negotiated prior to the June 17th Petition from Idaho Power. The "mandatory contracting for purchases of wind QF resources" was completed prior to Idaho Power's Petition.

The Arrow Rock Wind structure demonstrates that firming of intermittent resource does not necessarily need to be the sole responsibility of host utility. Therefore the Arrow Rock resource does not maintain the reliability, ancillary service and integration characteristics that are the basis of Idaho Power's Petition. The firm, flat energy delivery to Idaho Power can easily be integrated into their system and provides substantial value. In fact, Idaho Power recognized that the June 17th Petition would be limited to "new contracts for purchases of energy from (intermittent) wind-powered QFs. The suspension (request) would not affect new contract with QFs utilizing other generating technologies." The firm, flat energy structure places the cost of integration upon Arrow Rock and as such mitigates the basis of concerns identified by Idaho Power. In our opinion the firm, flat Arrow Rock project is actually a superior resource to other generation technologies.

Specifically, the Arrow Rock Wind project has a very unique arrangement that elevates its energy deliveries to Idaho Power to a significantly more favorable energy product than the typical intermittent energy from a wind facility. As a value-added and innovative solution to the complex nature of intermittent resources, Arrow Rock Wind has, at its sole cost, secured firming and shaping services to provide a firm, flat delivery, as negotiated, to Idaho Power of 9 MW September through February and 7 MW June through August. Therefore, Idaho Power is not required to provide ancillary services, integration and reliability measures.

By this same letter, I request that Idaho Power sign this contract within the next seven to ten days and submit to the PUC for approval. Your assistance and insight at the PUC is sincerely appreciated.

Very truly yours,



Ted S. Sorenson, President

pc. Randy Allphin, Idaho Power



Randy C. Allphin
Contract Administrator

June 16, 2005

Ted S Sorenson
Manager, Arrow Rock Wind
5203 South 11th East
Idaho Falls, ID 83404

Dear Mr. Sorenson,

Enclosed are three copies of the Arrow Rock Wind Project PURPA Firm Energy Sales Agreement. Please sign each copy and return all three copies to me no later than Thursday, June 23, 2005. Idaho Power reserves the right to modify this agreement if it is not received back by the close of business of the before stated date.

US Mail:

Idaho Power Company
Attn: Randy Allphin
P O Box 70
Boise, ID 83707

Overnight Mailing Address:

Idaho Power Company
Attn: Randy Allphin
1221 W Idaho
Boise, ID 83702

Also enclosed for your signature is a Consent to Disclosure that is required to be posted as public information to enable Idaho Power Company to execute this agreement.

Upon receipt of the three signed copies, and the Consent to Disclosure, Idaho Power will post the Consent to Disclosure in the appropriate public notifications and then obtain the Idaho Power Company signatures.

I will return one complete signed copy to you for your records, prepare and file one copy with the Idaho Public Utilities Commission (IPUC) requesting approval of the agreement and keep the third copy for our records.

As we have discussed, this agreement requires Idaho Power review and accept the transmission agreement you will be obtaining for this project from Northwestern and the

Lease Agreement for these wind turbines. It would be prudent to include a copy of the signed Transmission agreement and the Lease agreement with the Firm Energy Sales Agreement that is filed with the IPUC for approval. The application and all attached documents (Firm Energy Sales Agreement, Transmission Agreement, Lease Agreement etc) that are submitted to the IPUC in the approval process are posted to the IPUC web page and become public documents. If you desire any of the documents to not be filed as public documents please clearly mark the documents as confidential and notify me of your desire at the time you provide the documents to me.

If you have any questions please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Randy C Allphin".

Randy C Allphin
Idaho Power Company