

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF IDAHO POWER COMPANY FOR )** **CASE NO. IPC-E-05-24**  
**APPROVAL OF A FIRM ENERGY SALES )**  
**AGREEMENT FOR THE SALE AND )**  
**PURCHASE OF ELECTRIC ENERGY )**  
**BETWEEN IDAHO POWER COMPANY )** **ORDER NO. 29886**  
**AND ARROW ROCK WIND, INC. )**

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On July 28, 2005, 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 Arrow Rock Wind, Inc. (Arrow Rock) dated July 28, 2005. Under the Agreement, Arrow Rock will sell and Idaho Power will purchase electric energy generated by the Arrow Rock Wind Generating Project, located near Billings, Montana, in an area more particularly described as located approximately 100 miles northwest of Billings, Montana in Wheatland County on the west side of Highway 191 in the NW 1/4 of Section 36, Township 10 N, Range 15 E. The nameplate rating of the wind facility is 19.5 MW. Under normal and/or average conditions, the project will not exceed 10 aMW on a monthly basis.

As represented, Arrow Rock will be a qualified small power production facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). Idaho Power contends that the Agreement comports with the terms and conditions of Commission Order No. 29632 (*U.S. Geothermal et al. v. Idaho Power*) and avoided cost Order No. 29646. The Agreement is for a 20-year term and contains the published non-levelized avoided cost rates set forth in Order No. 29646. Arrow Rock has selected December 1, 2005 as the scheduled Operation Date for this facility.

Arrow Rock has made arrangements with NorthWestern Energy to deliver the net energy from its Montana facility to the Idaho Power electrical system. The transmission arrangement with NorthWestern Energy means that the Company will receive firm energy from the facility rather than the intermittent energy generally associated with a wind-generating project. Energy deliveries from the Arrow Rock project are for nine months out of the year and

exclude deliveries during the spring months of March, April and May when the value of energy on the Company's system is the lowest.

Idaho Power acknowledges the Company's Petition in Case No. IPC-E-05-22 and represents that Arrow Rock was in the final stages of negotiations with Idaho Power immediately prior to the Petition filing and that prior to that date Arrow Rock had submitted an executed Agreement to the Company. It is Idaho Power's contention that Arrow Rock is appropriate for exempting from the temporary suspension requested by the Company in Case No. IPC-E-05-22.

Section 22 of the Agreement provides that the Agreement will not become effective until the Commission has approved all the Agreement's terms and conditions and declared that all payments that Idaho Power makes to Arrow Rock for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

On August 19, 2004, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-05-24. The deadline for filing written comments or protests was September 9, 2005. The Commission Staff was the only party to file comments. Staff recommends that the Commission approve the Agreement.

#### **Staff Comments**

Staff sees nothing within the Arrow Rock Agreement that either violates PURPA or that is not in compliance with prior Commission Orders. Staff believes that the Arrow Rock project is unaffected by Commission Order No. 29839 concerning intermittent wind QF published rate eligibility. Under that Order, wind projects that are firmed, as the Arrow Rock project is, are not subject to the change in published rate eligibility and grandfathering criteria.

Staff identifies aspects of the Arrow Rock project that cause Staff concern. Noting that Arrow Rock will comprise 13 wind turbines of a total 90 turbines that constitute a larger project termed the Judith Gap Project, Staff expresses concern with the potential for disaggregation of large projects into 10 aMW pieces. Staff identifies further the disparity between Idaho Power's published avoided cost rates paid for 10 aMW of Arrow Rock output and the lower NorthWestern Energy RFP price (\$31.71/MWh) that will be paid for the remaining 135-150 MW of Judith Gap output. Staff also expresses concern regarding the ownership, control, operation and maintenance of the Arrow Rock generation facility and notes that there are no Commission rules addressing QF ownership or lease arrangements. Staff believes that these identified issues can be addressed in the context of ongoing Case No. IPC-E-05-22.

## **Arrow Rock Reply Comments**

On September 23, 2005, Arrow Rock submitted Reply Comments. The purpose of Arrow Rock's reply comments is to clarify the record and correct some factual errors in Staff's comments related to the development, cost and structure of the Arrow Rock project.

Arrow Rock clarifies that it is not intending to sell any electrical energy to NorthWestern Energy in March, April and May. The energy produced from the Arrow Rock project during those months will be integrated and stored by NorthWestern for later delivery to Idaho Power. The integration service contemplated with NorthWestern is intended to be an energy-neutral service at market-based rates.

Arrow Rock notes also that it is not providing a 10 MW flat product to Idaho Power. Pursuant to Agreement the base load firm energy deliveries to Idaho Power will be 7 MW in the months of June, July and August and 9 MW in the months of September through February.

### ***Commission Findings***

The Commission has reviewed the filings of record in Case No. IPC-E-05-24, including the underlying Agreement and filed comments. We find it reasonable that the submitted Agreement be approved without further notice or procedure. IDAPA 31.01.01.204.

Idaho Power has submitted for Commission consideration and approval a Firm Energy Sales Agreement with Arrow Rock Wind, Inc. dated July 28, 2005. The Agreement is for a 20-year term and contains the published non-levelized avoided cost rates set forth in Order No. 29646. The nameplate rating of the wind facility is 19.5 MW. Under normal and/or average conditions, the project will not exceed 10 aMW on a monthly basis. We find that the energy product delivered is a firm product exempt from the change in published rate eligibility in recent Order No. 29839. We find also that the project is qualified to receive published avoided cost rates approved by the Commission in Order No. 29646. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

### **CONCLUSIONS OF LAW**

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 and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric


utilities to enter into fixed term obligations for the purchase of energy from qualified facilities and to implement FERC rules.

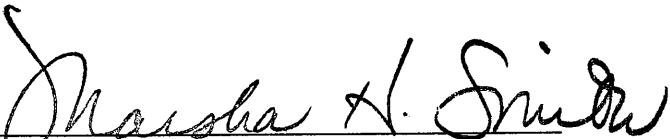
**ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the July 28, 2005 Firm Energy Sales Agreement between Idaho Power Company and Arrow Rock Wind, Inc.

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.

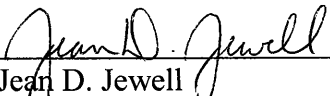
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4<sup>th</sup> day of October 2005.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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