

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: SCOTT WOODBURY

DATE: AUGUST 9, 2005

SUBJECT: CASE NO. IPC-E-05-25 (Idaho Power)
FIRM ENERGY SALES AGREEMENT – ARROW ROCK WIND, INC.

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.

COMMISSION DECISION

Idaho Power has presented a Firm Energy Sales Agreement with Arrow Rock Wind, Inc. for Commission consideration and approval. Staff has submitted a Production Request to the Company and is awaiting a response. Staff recommends that the Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Does the Commission agree with Staff's recommended procedure?

Scott D. Woodbury

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