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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF MAGIC WIND LLC TO DETERMINE EXEMPTION STATUS	CASE NO. IPC-E-05-34 IDAHO POWER COMPANY'S INITIAL COMMENTS

BACKGROUND FACTS

On August 4, 2005, the Idaho Public Utilities Commission ("Commission"), in Case No. IPC-E-05-22, Order No. 29839, reduced the eligibility cap for avoided cost published rates for non-firm wind projects from 10 aMW to 100 kW, requiring individual negotiation for larger wind qualifying facilities ("QFs") and establishing criteria for assessing QF contract entitlement.

On October 20, 2005, Magic Wind LLC ("Magic Wind") initiated this proceeding to determine its exemption status with the Commission.

Part of the documentation that supported Magic Wind's claim of exemption was a Firm Energy Sales Agreement that Magic Wind had signed and tendered to Idaho Power on June 14, 2005. When Magic Wind presented the signed Firm Energy Sales Agreement to Idaho Power, it requested that Idaho Power sign the tendered Firm Energy Sales Agreement. By tendering this signed Firm Energy Sales Agreement to Idaho Power, Magic Wind satisfied one of the primary criteria for entitlement to exemption from the eligibility cap established by the Commission in Order No. 29839.

Following receipt of additional information concerning the secondary criteria discussed in Order No. 29839, Idaho Power advised Magic Wind that it agreed that the Magic Wind Project was exempt from the rate eligibility cap. Idaho Power also advised that it was prepared to enter into a Firm Energy Sales Agreement in the form previously executed by Magic Wind once Magic Wind corrected some erroneous information and provided certain missing information needed to complete the June 14, 2006 Firm Energy Sales Agreement. Idaho Power made multiple attempts between November of 2005 and April of 2006 to obtain the information from Magic Wind that was needed to finalize the Firm Energy Sales Agreement for the Magic Wind Project.[1]

Ultimately Magic Wind providing the missing information and Idaho Power was in the process of preparing the "for-signature" agreements when, on April 5, 2006, Idaho Power was advised by Magic Wind that it did not intend to enter into the Firm Energy Sales Agreement it had previously signed and submitted to Idaho Power. Magic Wind advised Idaho Power that it desired to obtain a contract that deleted material provisions from the Firm Energy Sales Agreement it had previously signed and

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[1] Copies of documents confirming Idaho Power's efforts to proceed with the June 14, 2005 FESA are attached to Idaho Power's Answer to Magic Wind's Motion for Declaratory Order.

tendered to Idaho Power and substituted selected provisions from the contract that had been negotiated between PacifiCorp and Schwendiman Wind LLC ("Schwendiman") and approved by the Commission in Order No. 3000. ("Schwendiman Agreement").

By letter dated April 25, 2006, Idaho Power reiterated its offer to purchase the generation from the Magic Wind Project in accordance with the recently completed June 14, 2006 Firm Energy Sales Agreement. In the April 25, 2006 letter Idaho Power indicated it was not willing to modify its purchase offer to include the revised rates Magic Wind was seeking. A copy of the April 25, 2006 letter from Idaho Power to Magic Wind is Exhibit D to Magic Wind's Motion for Declaratory Order.

Magic Wind subsequently filed its Motion for a Declaratory Order that is the subject of these comments.

ISSUES TO BE DECIDED

1. Has Idaho Power fully complied with its obligations under PURPA?

Section 210 of the Public Utility Regulatory Policy Act of 1978 ("PURPA"), 16 U.S.C. §§ 796, 824a-3, 824i, 824k, 2601 (1982), obligates electric utilities like Idaho Power to offer to purchase electric energy from QFs like Magic Wind pursuant to rates that meet certain criteria. Specifically, PURPA provides as follows:

> **(b) Rates for purchases by electric utilities**
>
> The rules prescribed under subsection (a) of this section shall insure that, in requiring any electric utility to offer to purchase electric energy from any qualifying cogeneration facility or qualifying small power production facility, the rates for such purchase—
>
> (1) shall be just and reasonable to the electric consumers of the electric utility and in the public interest, and

(2) shall not discriminate against qualifying cogenerators or qualifying small power producers.

No such rule prescribed under subsection (a) of this section shall provide for a rate which exceeds the incremental cost to the electric utility of alternative electric energy. (16 U.S.C. §§ 824a-3(b))

In this instance Idaho Power has offered to purchase the energy to be generated by Magic Wind in accordance with the rates that this Commission has determined, on multiple occasions, meet the above-described criteria and are just, reasonable and non-discriminatory. Magic Wind has not alleged that the rates in the Firm Energy Sales Agreement Idaho Power has offered to sign are not consistent with the above-referenced provisions of PURPA. Magic Wind has not alleged that the Firm Energy Sales Agreement, or any portion of it, offered by Idaho Power is unreasonable.

This brings us to the first question presented by Magic Wind's Motion for Declaratory Order. Under PURPA, once a utility has offered to purchase electric capacity and energy from a QF in accordance with a legally-enforceable obligation containing rates, terms and conditions that this Commission has previously determined to be just, reasonable and non-discriminatory, can the QF require the utility to accept alternative rates, terms and conditions solely because the QF believes those alternative rates, terms and conditions are more favorable to the QF?

Idaho Power does not believe that PURPA or the orders of this Commission permit such a result. It is the utility's obligation to offer to purchase in accordance with 16 U.S.C. §§ 824a-3(b). If the utility has offered to purchase the QF's capacity and energy in accordance with a legally enforceable obligation that contains rates, terms and conditions that the Commission has found to be just, reasonable and non-discriminatory, the utility has fully complied with its obligations under PURPA.

Magic Wind has the burden of proof to demonstrate that Idaho Power is not in compliance with PURPA. If Magic Wind claims that any portion of the Firm Energy Sales Agreement that it signed and tendered to Idaho Power and Idaho Power has agreed to sign is inconsistent with the requirements of 16 U.S.C. §§ 824a-3(b), it must identify those provisions and present a prima facie case to the Commission that the selected provisions are inconsistent with PURPA. Magic Wind's Motion for Declaratory Order does not raise any such claims or present any evidence of PURPA non-compliance and as a result its Motion should be dismissed. While Idaho Power believes that Magic Wind's failure to identify any non-compliance on Idaho Power's part is dispositive, if the Commission decides to further consider the Motion, it should address the following questions.

2. <u>What remedy should be applied when a QF generates an amount of energy that is outside of the 90%/110% performance band?</u>

Magic Wind is not requesting that the Commission modify the 90%/110% performance band. The 90%/110% performance band is the contract mechanism that encourages QFs to accurately estimate the amounts of energy they will deliver to the utility each month.

Magic Wind ***is*** requesting that the Commission do away with the remedy that the Commission itself established in Orders Nos. 29632 and 29682 issued in Case Nos. IPC-E-04-08 and IPC-E-04-10, to be applied if a QF fails to provide the amount of energy it committed to deliver during the month and the deviation between the contract

amount and the actual delivered amount falls outside the 90%/110% performance band.[2]

The remedy contained in the Firm Energy Sales Agreement that Idaho Power offered to Magic Wind is the remedy the Commission itself established in Orders Nos. 29632 and 29682 issued in Case Nos. IPC-E-04-08 and IPC-E-04-10 ("U.S. Geothermal Case"). In the U.S. Geothermal Case, Idaho Power had proposed that if the QF delivered an amount of energy outside the 90%/110% performance band, it would be paid the full contract price for the energy actually provided within the 90% / 110% performance band, but would be required to reimburse Idaho Power for its costs to replace any shortfall in deliveries. Idaho Power proposed that its replacement costs be measured by using non-firm energy prices determined in accordance with Idaho Power's Commission-approved Schedule 86, Cogeneration and Small Power Production, Non-Firm Energy, prices less the contract price.[3] If the non-firm energy prices were less than the contract price, there was no shortfall liability calculated. If the Schedule 86 prices exceed the contract price the QF's total shortfall liability was capped at a level equal to 150% of the contract price multiplied by the shortfall amount. Energy provided in excess of the 110% upper bound of the performance band would be purchased at Schedule 86 rates. Prior to the U.S. Geothermal case, the Commission

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[2] In their responses to Idaho Power's comments in Case No. PAC-E-05-9, both PacifiCorp and Schwendiman objected to Idaho Power's describing the remedy to be applied when a QF fails to generate the amount of energy it had previously agreed to provide as "damages" or "liquidated damages". They preferred the term "non-conforming energy." Because Idaho Power will be required to make up any shortfalls or dispose of any excess energy delivered by QFs, Idaho Power believes it is correct to describe any costs Idaho Power incurs due to the QF's failure to deliver the agreed-upon amounts of energy as damages. However, to avoid creating an issue, in these comments Idaho Power will not refer to liquidated damages but will refer to the provisions as the "remedy" for deliveries of energy outside the 90%/110% performance band.

[3] Idaho Power's Schedule 86 non-firm energy prices are set at 85% of the monthly weighted average of non-firm Mid-C index prices.

had approved 3 contracts between Idaho Power and various QFs which contained the above-described remedy for deliveries outside the 90%/110% performance band.

In the U.S. Geothermal Case, the Commission rejected Idaho Power's proposed remedy and directed Idaho Power to use the remedy that is included in the Firm Energy Sales Agreement Idaho Power has tendered to Magic Wind. In the remedy the Commission adopted in U.S. Geothermal decision, when energy deliveries in any month fall short of the 90% performance band, that month's energy deliveries are purchased at Schedule 86 prices or the contract price, whichever is lower. Deliveries in excess of 110% are also paid at Schedule 86 prices.

Since the Commission established the remedy described in the U.S. Geothermal case, the Commission has approved 17 contracts between Idaho Power and various QFs which include the remedy described in the U.S. Geothermal case. These QF contracts represent 185.8 MW of QF capacity. Clearly the remedy the Commission established in U.S. Geothermal has not prevented robust growth in QF contracts.

As Idaho Power understands the provisions of the Schwendiman Agreement, if the QF fails to deliver within the 90%/110% performance band, the published rate is reduced by an amount equal to PacifiCorp's assumed fixed cost for a simple cycle natural gas-fired combustion turbine. This payment structure sets a price floor and price cap for all deliveries outside the 90%/110% performance band. This price floor and cap is equal to about 80% of the published rates. Market price at the time of the deliveries outside the 90%/110% band is not a consideration in the Schwendiman Agreement.

A general comparison of the operation of the two remedies discloses the following: If the Commission grants Magic Wind's Motion and requires all utilities to adopt the Schwendiman remedy, in months when market prices are less than the Schwendiman price floor, utility customers would pay more than they would have paid under the market-based performance band established by the Commission in the U.S. Geothermal Case. As shown in Exhibit 1, in 2003, 2004 and so far in 2006, Idaho Power's Schedule 86 prices have been lower than 80% of QF contract prices.

Conversely, when market prices are higher than the capped prices in the Schwendiman Agreement, customers will pay less than they would have under the market-based price remedy established in the U.S. Geothermal Case. As shown in Exhibit 1, there was a benefit to customers under the Schwendiman remedy in 2005.

Idaho Power can certainly understand why QF developers would prefer a price floor that limits their down-side exposure. Under the Schwendiman price floor concept, QFs can safely adjust their monthly energy delivery commitment amounts upward within the 90%/110% performance band with less risk. This approach subtly shifts financial risk from the QF developers to Idaho Power's customers.

If the Commission chooses to consider Magic Wind's proposal to do away with the remedy the Commission fashioned in the U.S. Geothermal Case, Idaho Power believes the Commission should also consider allowing Idaho Power to utilize the remedy included in Idaho Power QF agreements prior to the U.S. Geothermal Case as a reasonable choice alternative. As will be discussed later in these comments, this remedy presents a more accurate measure of the costs Idaho Power and other utilities will experience if QFs fail to generate within the 90%/110% performance band.

3. **Should QF developers be permitted to unilaterally select the rates, terms and conditions to be included in QF contracts?**

By seeking a Declaratory Order, Magic Wind is requesting that the Commission order Idaho Power, PacifiCorp and Avista to include one selected portion of a contract negotiated between PacifiCorp and Schwendiman in all subsequent QF contracts. If the Commission issues the order Magic Wind is seeking, QFs will then have the unilateral right to "cherry pick" each of the contracts that this Commission approves between utilities and QFs and select those rates, terms and conditions that the QF prefers and require all three utilities to include *only* those provisions in the agreements between the QFs and the utilities.

A specific example of this situation is contained in the Firm Energy Sales Agreement Magic Wind has presented to Idaho Power. Paragraph 5.3 of the Firm Energy Sales Agreement Idaho Power has offered to Magic Wind provides that "Seller's failure to achieve the Operation Date within ten (10) months of the Scheduled Operation Date will be an event of default." The counterpart for this provision in the Schwendiman Agreement requires Schwendiman to achieve its Commercial Operation Date on or before the Scheduled Commercial Operation Date. If this does not occur, Delay Liquidated Damages shall be calculated and collected from the seller for every day after the Scheduled Commercial Operation Date until the actual Commercial Operation Date occurs (limited to 120 days) Magic Wind has not proposed to include Section 2 of the Schwendiman Agreement in the Firm Energy Sales Agreement it is now seeking to obtain from Idaho Power.

This is the asymmetrical result Magic Wind is seeking to obtain with its Motion. Granting Magic Wind's Motion will, at a minimum, have a chilling effect on meaningful contract negotiations between QFs and utilities.

The ultimate outcome of the granting of Magic Wind's Motion may well be a mandatory standard form contract applicable to all three utilities. The Commission has considered and rejected this approach in the past. In its initial implementation of PURPA in Idaho, the Commission required each utility to file a standard form contract that would not be subject to negotiation. In relatively short order, this Commission recognized that standard form contracts were not desirable and eliminated the standard form contract requirement. In Order No. 18190, issued in Case No. U-1006-200, the Commission stated:

> In keeping with the freedom to contract approach announced in this Order, the Commission will no longer require that Idaho Power Company retain a standard form contract on file at the Commission in the Company's official tariff book. Our position on this issue remains essentially unchanged. A standard form contract will automatically evolve (and has already done so) to meet the needs of the typical project. . . . However, we shall henceforth look to results and will no longer involve ourselves in the drafting of such documents unless called upon to assist by the utility. We retain the right, or rather the duty, to hear complaints that arise during the negotiating process and to order relief from unconscionable contract terms.
>
> Case No. U-1006-200, Order No. 18190.

By filing this Motion Magic Wind is asking that the Commission move away from its above-described "freedom to contract" approach and return to a Commission mandated standard form contract for all utilities. Idaho Power submits that it is not in the public interest for the Commission to return to a policy of standardized one-size-fits-all QF contracts.

Of course, if the Commission decides that it intends to grant Magic Wind's Motion, and order Idaho Power, Avista and PacifiCorp to adopt the remedy from the Schwendiman Agreement, the utilities should be permitted to include Section 2 from the Schwendiman Agreement in the Firm Energy Sales Agreement that is developed by the Commission.

4. <u>Is there a better remedy to address the costs Idaho Power and its customers will incur when QFs generate outside the 90%/110% performance band?</u>

Idaho Power believes that it is important that any remedy to be applied when a QF generates outside of the 90%/110% band be based on market prices. Regardless of whether a QF under-delivers or over-delivers, in all likelihood, Idaho Power will use the wholesale markets to make up the shortfall or dispose of the excess. As a result, market prices are an appropriate component of the measurement of the costs Idaho Power will incur if a QF fails to perform.

To some extent, both the Schwendiman remedy and the Commission's U.S. Geothermal remedy fail to fully recognize the role market prices play in replacement costs of energy.

If the Commission decides to consider changes or alternatives to the remedy it fashioned in the U.S. Geothermal case, Idaho Power recommends that the Commission also consider re-instituting the remedy it approved in Idaho Power's contracts with Fossil Gulch Wind Park LLC, Renewable Energy of Idaho and Horseshoe Bend Wind Park LLC as a reasonable choice. This remedy more accurately models Idaho Power's potential damages if the QF fails to generate within the 90%/110%

performance band. This remedy allows the QF to be paid full price for energy actually delivered up to 110% but requires the QF to reimburse Idaho Power for the costs Idaho Power incurs to replace an energy delivery shortfall. This approach is consistent with normal commercial practices and industry standard measurement of costs for failure to deliver in wholesale energy purchase and sale transactions.

5. <u>The rates contained in Exhibits B and C of Magic Wind's Motion should not be considered on modified procedure.</u>

With one caveat, Idaho Power agrees that processing this case on modified procedure is appropriate. In the main, Magic Wind's Motion presents the Commission with purely legal and policy questions. However, determination of the specific rates described in Exhibits B and C to Magic Wind's Motion is not a policy question. If the Commission decides, as a matter of policy, to consider elimination of the U.S. Geothermal remedy, then a formal hearing will need to consider the new rates requested by Magic Wind. Idaho Power has been unable to fully understand or replicate the rates computed by Dr. Reading and set out in Exhibits B and C to Magic Wind's Motion. In addition, Dr. Reading indicates that the rates he has computed are based on data from the Company's 2004 IRP. Idaho Power cannot confirm or agree that Dr. Reading has accurately or reasonably applied 2004 IRP data. In addition, the Company's 2006 IRP is in the final stages of preparation and Idaho Power submits that it would be appropriate to compare, and if necessary, update any numbers Dr. Reading may have used from the 2004 IRP to make sure they are consistent with current estimates of simple cycle combustion turbine costs, assumed capacity factors and other cost assumptions Dr. Reading made. As a result, if the Commission decides to

eliminate the U.S. Geothermal remedy and require use of the Schwendiman remedy for Idaho utilities, the Commission should bifurcate this proceeding to allow for adequate time and process to analyze the new rates proposed by Magic Wind. In that case, a hearing would be necessary and modified procedure would not be appropriate for determining the specific rates to be included in any contract with Magic Wind and other future QF contracts.

CONCLUSION

1. Idaho Power respectfully requests that the Commission deny Magic Wind's Motion for Declaratory Order and refrain from issuing the declaratory order requested by Magic Wind. Idaho Power has offered to sign the Firm Energy Sales Agreement which Magic Wind tendered to Idaho Power on June 14, 2005. In so doing Idaho Power has fully complied with its obligations under PURPA by offering to enter into the Firm Energy Sales Agreement tendered by Magic Wind. Magic Wind has not alleged or proven that Idaho Power is not in compliance with PURPA in its transactions with Magic Wind.

2. The Firm Energy Sales Agreement offered to Magic Wind is the same Firm Energy Sales Agreement that this Commission has approved 17 times resulting in contracts equal to 185.8 MW of new QF capacity. Four additional contracts (34.5 MW) are currently progressing through the Commission process seeking approval. These 21 projects, totaling approximately 220 MWs, consist of hydro, geothermal, wind, landfill gas, industrial waste and anerobic digestor projects. In light of this robust and diverse contracting record, it is impossible for Magic Wind and other

QFs to legitimately argue that the U.S. Geothermal remedy adversely impacts QF development.

3. The Commission should be reluctant to retrace its prior steps and encourage the establishment of what amounts to a standard form contract for all utilities in Idaho. This is the logical ultimate outcome of granting Magic Wind's Motion.

4. If the Commission is inclined to reconsider the remedy it established in the U.S. Geothermal case, the Commission should also consider the remedy it approved in the QF contracts Idaho Power submitted prior to the U.S. Geothermal case. This remedy does the best job of measuring Idaho Power's potential costs if a QF fails to generate within the 90%/110% performance band.

5. If the Commission desires to revisit the remedy it established in the U.S. Geothermal case, it should allow utilities to include other provisions that the Commission has approved in other QF contracts such as Section 2 of the Schwendiman Agreement.

6. Modified procedure is an appropriate process for deciding the policy and legal issues presented by Magic Wind's Motion. It is not a sufficiently rigorous process for review and approval of the new rates Magic Wind proposes to implement via its Motion.

DATED at Boise, Idaho, this 26th day of June, 2006.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 26th day of June, 2006, I served a true and correct copy of IDAHO POWER COMPANY'S INITIAL COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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BARTON L. KLINE

EXHIBIT 1

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

Non Levelized 2005 Prices

Percent of estimated performance	Idaho Power contract payment	PacifiCorp Contract Payment	Difference between Idaho Power contract and PacifiCorp contract
60.00%	$1,352,079	$1,270,679	$81,400
70.00%	$1,577,618	$1,482,642	$94,976
80.00%	$1,802,899	$1,694,360	$108,539
90.00%	$2,382,904	$2,382,904	$0
100.00%	$2,647,502	$2,647,502	$0
110.00%	$2,912,100	$2,912,100	$0
120.00%	$3,137,638	$3,124,063	$13,575
130.00%	$3,362,919	$3,335,781	$27,138
140.00%	$3,588,458	$3,547,744	$40,714
150.00%	$3,813,698	$3,759,422	$54,276
160.00%	$4,038,939	$3,971,100	$67,838
170.00%	$4,264,477	$4,183,063	$81,413
180.00%	$4,489,758	$4,394,782	$94,976

Made use of 2005 Idaho Power Schedule 86 Prices

Jan	$38.68
Feb	$40.83
Mar	$41.10
Apr	$40.77
May	$23.38
Jun	$28.56
Jul	$35.28
Aug	$52.71
Sep	$60.61
Oct	$67.29
Nov	$59.95
Dec	$72.04

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

Non Levelized 2003 Prices

Percent of estimated performance	Idaho Power contract payment	PacifiCorp Contract Payment	Difference between Idaho Power contract and PacifiCorp contract
60.00%	$937,682	$1,030,122	($92,440)
70.00%	$1,094,100	$1,201,957	($107,857)
80.00%	$1,250,336	$1,373,594	($123,258)
90.00%	$1,931,787	$1,931,787	$0
100.00%	$2,146,293	$2,146,293	$0
110.00%	$2,360,798	$2,360,798	$0
120.00%	$2,517,217	$2,532,634	($15,417)
130.00%	$2,673,452	$2,704,271	($30,819)
140.00%	$2,829,870	$2,876,106	($46,236)
150.00%	$2,986,074	$3,047,711	($61,637)
160.00%	$3,142,277	$3,219,315	($77,038)
170.00%	$3,298,695	$3,391,151	($92,456)
180.00%	$3,454,931	$3,562,788	($107,857)

Made use of 2003 Idaho Power Schedule 86 Prices

Jan	$27.74
Feb	$32.27
Mar	$35.77
Apr	$25.21
May	$21.22
Jun	$24.28
Jul	$37.22
Aug	$33.07
Sep	$30.97
Oct	$27.38
Nov	$29.04
Dec	$32.61

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

Non Levelized 2004 Prices

Percent of estimated performance	Idaho Power contract payment	PacifiCorp Contract Payment	Difference between Idaho Power contract and PacifiCorp contract
60.00%	$1,080,713	$1,129,112	($48,399)
70.00%	$1,260,992	$1,317,460	($56,468)
80.00%	$1,441,054	$1,505,591	($64,537)
90.00%	$2,117,424	$2,117,424	$0
100.00%	$2,352,542	$2,352,542	$0
110.00%	$2,587,661	$2,587,661	$0
120.00%	$2,767,940	$2,776,009	($8,069)
130.00%	$2,948,002	$2,964,140	($16,138)
140.00%	$3,128,281	$3,152,488	($24,207)
150.00%	$3,308,312	$3,340,583	($32,271)
160.00%	$3,488,343	$3,528,678	($40,335)
170.00%	$3,668,622	$3,717,026	($48,404)
180.00%	$3,848,684	$3,905,157	($56,473)

Made use of 2004 Idaho Power Schedule 86 Prices

Jan	$42.25
Feb	$31.54
Mar	$31.59
Apr	$36.19
May	$31.66
Jun	$26.25
Jul	$40.83
Aug	$30.86
Sep	$29.76
Oct	$34.70
Nov	$39.13
Dec	$36.06

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

	Levelized 2003 Prices		
Percent of estimated performance	**Idaho Power contract payment**	**PacifiCorp Contract Payment**	**Difference between Idaho Power contract and PacifiCorp contract**
60.00%	$937,682	$1,226,987	($289,305)
70.00%	$1,094,100	$1,431,662	($337,561)
80.00%	$1,250,336	$1,636,100	($385,764)
90.00%	$2,300,968	$2,300,968	$0
100.00%	$2,556,468	$2,556,468	$0
110.00%	$2,811,968	$2,811,968	$0
120.00%	$2,968,386	$3,016,642	($48,256)
130.00%	$3,124,621	$3,221,081	($96,459)
140.00%	$3,281,040	$3,425,755	($144,716)
150.00%	$3,437,243	$3,630,155	($192,912)
160.00%	$3,593,446	$3,834,555	($241,109)
170.00%	$3,749,865	$4,039,229	($289,365)
180.00%	$3,906,100	$4,243,668	($337,568)

Made use of 2003 Idaho Power Schedule 86 Prices

Jan	$27.74
Feb	$32.27
Mar	$35.77
Apr	$25.21
May	$21.22
Jun	$24.28
Jul	$37.22
Aug	$33.07
Sep	$30.97
Oct	$27.38
Nov	$29.04
Dec	$32.61

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

	Levelized 2004 Prices		
Percent of estimated performance	**Idaho Power contract payment**	**PacifiCorp Contract Payment**	**Difference between Idaho Power contract and PacifiCorp contract**
60.00%	$1,080,713	$1,363,824	($283,111)
70.00%	$1,260,992	$1,591,324	($330,333)
80.00%	$1,441,054	$1,818,562	($377,508)
90.00%	$2,557,579	$2,557,579	$0
100.00%	$2,841,572	$2,841,572	$0
110.00%	$3,125,566	$3,125,566	$0
120.00%	$3,305,845	$3,353,066	($47,222)
130.00%	$3,485,907	$3,580,304	($94,397)
140.00%	$3,666,186	$3,807,805	($141,619)
150.00%	$3,846,217	$4,035,000	($188,783)
160.00%	$4,026,248	$4,262,195	($235,947)
170.00%	$4,206,526	$4,489,695	($283,169)
180.00%	$4,386,589	$4,716,933	($330,344)

Made use of 2004 Idaho Power Schedule 86 Prices

Jan	$42.25
Feb	$31.54
Mar	$31.59
Apr	$36.19
May	$31.66
Jun	$26.25
Jul	$40.83
Aug	$30.86
Sep	$29.76
Oct	$34.70
Nov	$39.13
Dec	$36.06

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Annual estimated MWH	**52,560**

Levelized 2005 Prices

Percent of estimated performance	Idaho Power contract payment	PacifiCorp Contract Payment	Difference between Idaho Power contract and PacifiCorp contract
60.00%	$1,352,079	$1,270,679	$81,400
70.00%	$1,577,618	$1,482,642	$94,976
80.00%	$1,802,899	$1,694,360	$108,539
90.00%	$2,382,904	$2,382,904	$0
100.00%	$2,647,502	$2,647,502	$0
110.00%	$2,912,100	$2,912,100	$0
120.00%	$3,137,638	$3,124,063	$13,575
130.00%	$3,362,919	$3,335,781	$27,138
140.00%	$3,588,458	$3,547,744	$40,714
150.00%	$3,813,698	$3,759,422	$54,276
160.00%	$4,038,939	$3,971,100	$67,838
170.00%	$4,264,477	$4,183,063	$81,413
180.00%	$4,489,758	$4,394,782	$94,976

Made use of 2005 Idaho Power Schedule 86 Prices

Jan	$38.68
Feb	$40.83
Mar	$41.10
Apr	$40.77
May	$23.38
Jun	$28.56
Jul	$35.28
Aug	$52.71
Sep	$60.61
Oct	$67.29
Nov	$59.95
Dec	$72.04

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Jan - May estimated MWH	**21,744**

Non Levelized 2006 Prices

Percent of estimated performance	Idaho Power contract payment	PacifiCorp Contract Payment	Difference between Idaho Power contract and PacifiCorp contract
60.00%	$396,516	$450,662	($54,146)
70.00%	$462,660	$525,833	($63,173)
80.00%	$528,748	$600,944	($72,196)
90.00%	$845,144	$845,144	$0
100.00%	$938,981	$938,981	$0
110.00%	$1,032,818	$1,032,818	$0
120.00%	$1,098,961	$1,107,989	($9,028)
130.00%	$1,165,049	$1,183,100	($18,050)
140.00%	$1,231,193	$1,258,271	($27,078)
150.00%	$1,297,240	$1,333,341	($36,101)
160.00%	$1,363,287	$1,408,410	($45,123)
170.00%	$1,429,431	$1,483,581	($54,151)
180.00%	$1,495,519	$1,558,692	($63,174)

Made use of 2006 Idaho Power Schedule 86 Prices

Jan	$37.69
Feb	$41.03
Mar	$36.45
Apr	$14.87
May	$22.47
Jun	$0.00
Jul	$0.00
Aug	$0.00
Sep	$0.00
Oct	$0.00
Nov	$0.00
Dec	$0.00

Idaho Power Company

Cogeneration and Small Power Production

Theoretical Project

Nameplate	**20.00 MW**
Capacity Factor	**30.00%**
Jan - May estimated MWH	**21,744**

	Levelized 2006 Prices		
Percent of estimated performance	**Idaho Power contract payment**	**PacifiCorp Contract Payment**	**Difference between Idaho Power contract and PacifiCorp contract**
60.00%	$396,516	$533,740	($137,224)
70.00%	$462,660	$622,769	($160,109)
80.00%	$528,748	$711,726	($182,978)
90.00%	$1,000,943	$1,000,943	$0
100.00%	$1,112,079	$1,112,079	$0
110.00%	$1,223,214	$1,223,214	$0
120.00%	$1,289,358	$1,312,243	($22,885)
130.00%	$1,355,446	$1,401,200	($45,754)
140.00%	$1,421,590	$1,490,229	($68,640)
150.00%	$1,487,637	$1,579,138	($91,501)
160.00%	$1,553,684	$1,668,046	($114,362)
170.00%	$1,619,827	$1,757,075	($137,248)
180.00%	$1,685,915	$1,846,032	($160,117)

Made use of 2006 Idaho Power Schedule 86 Prices

Jan	$37.69
Feb	$41.03
Mar	$36.45
Apr	$14.87
May	$22.47
Jun	$0.00
Jul	$0.00
Aug	$0.00
Sep	$0.00
Oct	$0.00
Nov	$0.00
Dec	$0.00