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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Exergy Development Group of Idaho LLC

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASSIA WIND FARM LLC ET AL.)	CASE NO. IPC-E-06-21
)	
v.)	
)	COMMENTS OF EXERGY
IDAHO POWER COMPANY)	DEVELOPMENT GROUP OF IDAHO
)	LLC
)	
)	
)	

COMES NOW, Exergy Development Group of Idaho LLC, hereinafter referred to as "Exergy," and pursuant to that Notice of Complaint and Notice of Comment Deadlines issued by this Commission on September 27, 2006 and hereby lodges its Comments on the Complaint filed by the Cassia Wind Farm LLC, ("Cassia").

Cassia's statement of the case and the Commission's Notice fairly set out the facts and correctly identify this Commission as the jurisdictional entity with authority over the dispute. Exergy is similarly situated with Cassia in this matter in that it holds contracts for the construction of several small wind parks in the Twin Falls area of Idaho Power's service territory. Exergy respectfully urges this Commission to, as requested by Cassia, order Idaho

Power to proceed with the interconnection of Cassia and other QF's without assignment to them of any grid upgrade costs.

THE N-1 ISSUE
CAN BE ADDRESSED BY WIND GENERATORS
WITHOUT TRANSMISSION UPGRADES

An N-1 contingency is commonly known as a planning contingency where one piece of the transmission system fails during a time when the transmission is loaded at its peak. It is a system planning tool that assumes all of the wind resources are on line at the time of peak loading on the transmission system. However the N-1 assumptions are inappropriately applied in this instance. While transmission system peaks may occur at times other than load system peaks, we can be confident there is a strong relationship between the two. Idaho Power and Rocky Mountain Energy both experience their load peaks in the summer and last July 24 they, along with the rest of the Western Interconnect, experienced record peak loads. However, wind resources were notably not producing during the time of the system peak last July 24. This is not because the turbines were not available, but because typically during unusually hot periods in the intermountain west, the weather is dominated by high pressure systems with little gradient resulting in the wind being very calm. The lack of wind generating resources on July 24 was well documented in the press. Because wind is not competing for generating space when the system's peak in the summer it makes no sense to plan an N-1 contingency with the assumption that all wind capacity is on line.

But the Commission need not rely on historical or meteorological patterns to assure itself that the transmission system is built and planned to meet all possible contingencies. Wind, by its very nature is variable. During times of transmission peak that are planned for in the N-1

contingency, the utility should be given the right to trip the wind resources off line. That would not affect the reliability of the wind resource over time as the occurrence of an actual N-1 contingency is extremely rare. New wind projects in the Twin Falls area should be permitted the right to connect to the system with the understanding that they may be curtailed during the occurrence of an N-1 event.

IDAHO POWER'S PROPOSAL
TO ALLOCATE TRANSMISSION UPGRADES TO WIND DEVELOPERS
IS CONTRARY TO ESTABLISHED FERC POLICY

It is clear that FERC does not have jurisdiction over the interconnection of QFs to Idaho Power's system when those QFs connect for the purpose of selling their output to Idaho Power. FERC does, however, have jurisdiction over interconnections when those QFs interconnect for the purpose of utilizing Idaho Power's transmission system to sell to a third party. Although all of the wind projects in the Twin Falls area are selling to Idaho Power, there is no reason they could not have chosen to wheel their power over Idaho's transmission system to sell to Rocky Mountain Power or to Idaho Power in its capacity as an Oregon investor-owned utility.

In such cases, FERC has had many opportunities to address whether a QF or IPP can be assigned responsibility for transmission system upgrades even when the QF or IPP project is the cause of the need for the upgrade. FERC has consistently and unequivocally held that all transmission customers share the responsibility for such upgrades:

Thus, the basic premise of average system transmission rates is that all customers share in all costs of the grid, without regard to which customer caused the various construction projects, because all grid additions benefit all customers using the grid.

Alabama Power Co., FERC Docket No. ER93-191-000 at pp. 7 – 8; 66 FERC ¶ 61,309 (1993).

As the FERC has explained:

[T]he Commission [FERC] has long held that an integrated transmission grid is a cohesive network moving electricity in bulk. The Commission has rejected the direct cost assignment of integrated grid facilities to requirements customers *even if the grid facilities would not be installed but for a particular customers' service*. The Commission has reasoned that, even if a customer can be said to have caused the addition of a grid facility, the addition represents a system expansion used by and benefiting all users due to the integrated nature of the grid.

Appalachian Power Company, FERC Docket No. ER93-200-000 at pp. 3 – 4; 66 FERC ¶ 61,151 (1993). Emphasis provided.

The issue is well settled:

[G]rid upgrades . . . are system transmission costs and are ineligible for recovery through direct assignment as interconnection costs. Rather, such costs must be recovered through the public utility's transmission rates reflecting, at the utility's option, either the average cost of the transmission grid or the incremental cost of the transmission grid.

Western Mass. Elec. Co., FERC Docket No. ER92-67-000 at p. 8; 77 FERC 61,268

All transmission customers must pay for transmission system upgrades regardless of whether those upgrades were triggered by an individual QF or IPP, "it does not matter that the grid construction would not have occurred but for a request from a particular customer."

Western Mass. Elec. Co., FERC Docket No. ER93-219-001 at p. 8; 66 FERC ¶ 61,167.

It is important to note that we are talking about transmission system upgrades and NOT the cost of interconnection. There is no dispute that interconnection costs are clearly the responsibility of the generator requesting interconnection.

That a transmission system upgrade is caused by a generator that is connecting pursuant to a PURPA contract does not change FERC's view of the integrated transmission network and

who shares in the cost of that system:

The Commission has also held that the direct assignment of the kinds of costs at issue here, as proposed by WMECO, is not required by PURPA. The treatment of grid upgrade costs is controlled by “well-established Commission policy developed under the Federal Power Act. 66 FERC at 61,335”

Id. at p. 8.

FERC’s policy that all transmission customers should pay for the grid is well founded. Here Idaho Power is bringing a mix of new resources (both from QFs and resources Idaho Power itself plans to construct) to its load center. Regardless of whether the resources it acquires are QFs or company-owned resources, the transmission system connecting the Boise load center with the rest of the system will have to be upgraded. All of Idaho Power’s customers should be responsible for those upgrades based on the well-established public policy that has been articulated by FERC.

DISCRIMINATORY TREATMENT

If one of the QFs in the Twin Falls area requested wheeling service to Idaho Power’s service territory in Oregon, the transmission system upgrade for that QF would be FERC jurisdictional and, hence, rolled into Idaho Power’s transmission rates. If that QF’s neighbor sought to sell to Idaho Power in Idaho, according to Idaho Power’s proposal, it would be directly assigned the costs of the transmission upgrade. However, there is no difference in the delivery of the power from the two identically situated generators. In fact, the load center being served is the same because Ontario, Oregon is part of the Boise valley load center. However, Idaho Power proposes to treat each radically differently in terms of cost recovery. This is a *prima facie* case of discriminatory treatment of similarly situated customers. The only solution to such discriminatory treatment is for this Commission to roll in the costs of transmission system upgrades without direct assignment.

CREDITS SHOULD BE BASED
ON FULL CAPACITY OF THE
WIND GENERATOR AND NOT ON ENERGY PRODUCTION

If QFs are charged for upgrades and then credited back their contributions over time, the credits should be based on the capacity of the wind park and not on the energy produced. Doing so maintains the symmetry of the transaction in that the initial transmission upgrade charges are based on the capacity of the interconnect request, therefore the credit should also be based on the capacity of the QF. In addition, if the wind developers are forced to “invest” in Idaho Power’s transmission system they should be compensated at the same returns that Idaho Power earns on its own investment in its transmission system. Any carrying charge on such contributions must be set at Idaho Power’s return on equity rate in order to make the wind developers close to whole..

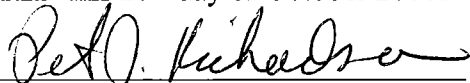
POLICY DECISION

This is a policy decision on the Commission’s part and does not require an evidentiary hearing. The policy should be guided, however, by the Federal policy to encourage the development of cogeneration and small power production facilities as a matter of national importance and, subsequently, national security. It should also be guided by the policy against assigning transmission system upgrades to individual generators where the upgrades result in an expansion of the network grid.

WHEREFORE, Exergy respectfully requests that this Commission grant Cassia’s prayer for relief in this proceeding and order Idaho Power to roll in the costs of transmission upgrades

that are necessary to serve its load center in and around the City of Boise.

DATED this 27th day of October 2006.

By 

Peter Richardson

Attorneys for Exergy Development Group of Idaho LLC

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 17th day of May, a true and correct copy of the within and foregoing REPLY COMMENTS, were served electronically via e-mail and by U.S. Mail, postage prepaid, to:

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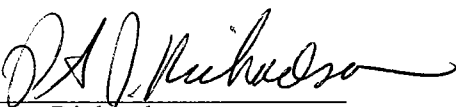
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Peter Richardson