

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASSIA GULCH WIND PARK, LLC AND)	
CASSIA WIND FARM, LLC,)	CASE NO. IPC-E-06-21
)	
COMPLAINANTS,)	
)	
v.)	NOTICE OF
)	ORAL ARGUMENT
IDAHO POWER COMPANY,)	
)	
RESPONDENT.)	

On September 13, 2006, Cassia Gulch Wind Park, LLC and Cassia Wind Farm, LLC (collectively Cassia or the Projects) filed a complaint against Idaho Power Company (Idaho Power; Company) with the Idaho Public Utilities Commission (Commission) requesting a Commission declaration and determination that, as a matter of law and policy, the cost responsibility for transmission system upgrades to meet N-1 contingency planning conditions should not be assigned to PURPA qualifying facilities (QFs) connecting to the system, but rather, should be rolled into the utility's plant-in-service rate base and recovered from rates and charges for utility service of native load and other transmission customers. Cassia's filing in this case is accompanied by supporting memorandum and affidavit.

Cassia Gulch Wind Park, LLC and Cassia Wind Farm, LLC are QFs within the meaning of the Public Utility Regulatory Policies Act of 1978 (PURPA). Each of the Projects has signed Commission approved Firm Energy Sales Agreements with Idaho Power. Reference Case No. IPC-E-06-10, Order No. 30086; Case No. IPC-E-06-11, Order No. 30086. The Projects will sell their entire output to Idaho Power.

As reflected in the Cassia filing, this complaint involves a dispute concerning the terms and conditions of interconnection by QFs to Idaho Power's high voltage transmission system. While the Federal Energy Regulatory Commission (FERC) has jurisdiction with respect to interconnection for non-QF generators, state commissions, including the Idaho Commission, have jurisdiction with respect to interconnection terms for PURPA qualifying facilities when the facilities sell their entire output to a regulated utility. Citing FERC Docket No. RM02- 12-000, Order No. 2006 Standardization of Small Generator Interconnection Agreements and Procedures,

May 12, 2005, ¶ 517 (“States continue to exercise authority over QF interconnections when the owner of the QF sells the output of the QF only to the interconnected utility or to on-site customers”).

BACKGROUND

As reflected in the complaint, as part of its integrated backbone electric transmission system, Idaho Power owns and operates a 138 kV transmission system in the Twin Falls, Idaho area. Idaho Power has received requests for the integration of up to 200 MW of new generation to be connected to the 138 kV system. Under normal operating conditions (“N-0”) the existing Idaho Power transmission has capacity sufficient to absorb the potential new generation in the Twin Falls area. It, however, is common utility practice to model or evaluate the operation of backbone transmission assuming that one line of a system is out of service (“N-1 contingency”). Idaho Power believes that under N-1 contingency conditions the addition of 200 MW of generation at the Twin Falls 138 kV system could create thermal overloads within its integrated system. To prevent the possible occurrence of thermal overloads under N-1 contingency conditions Idaho Power proposes to construct a series of transmission system upgrades in four phases. The estimated total cost of the transmission system upgrade is approximately \$60 million. With the exception of a relatively small portion of the system upgrade costs to be borne by Idaho Power, the Company claims and asserts that the \$60 million cost of its transmission system upgrades should be borne, in the first instance, by the QFs proposing to connect to the Idaho Power transmission system. The magnitude of these additional transmission system upgrade costs, Cassia contends, is such that, if assigned to Cassia, the economic viability of the Projects would be seriously compromised.

On September 27, 2006, the Commission in Case No. IPC-E-06-21 issued a Notice of Complaint (Regarding QF Responsibility for Transmission Upgrade Costs) and established a schedule for written comments. In its Notice and Order No. 30135, the Commission stated

The Commission finds that the issue as to whether transmission system upgrade costs required to meet N-1 contingency planning conditions can and should be allocated to QFs requesting interconnection is a policy issue with generic implications for the state’s major electric utilities, i.e., Idaho Power Company, PacifiCorp dba Rocky Mountain Power and Avista Corporation dba Avista Utilities. The issue is also one that affects PURPA qualifying facilities. We find the question presented has significant ramifications for the future development of QF projects in areas where transmission upgrade is required. An adequate record before the Commission must be developed.

Cassia recommends that the matter be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. It remains to be seen whether an adequate record to resolve the policy question presented can be developed in a paper case. The Commission is willing to consider this matter without a hearing unless it subsequently appears that the public interest requires a different procedure and method of record development.

Comments in Case No. IPC-E-06-21 were filed by Idaho Power, Rocky Mountain Power, Avista, Cassia, Exergy Development Group of Idaho, LLC, Commission Staff and other interested parties.

YOU ARE HEREBY NOTIFIED that the Commission has reviewed the filed comments and Cassia's request for oral argument. The Commission finds it reasonable to grant oral argument on the threshold issue presented for Commission determination by Cassia, i.e., whether a QF selling generation to a utility has a responsibility to pay the transmission upgrade costs that result from and that would not be incurred but for the QF's request for interconnection. Accordingly, the Commission will conduct a **hearing for oral argument** in this matter on **TUESDAY, NOVEMBER 28, 2006 COMMENCING AT 9:30 A.M. AT THE COMMISSION'S HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE, IDAHO.**

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

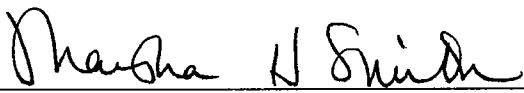
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.idaho.gov

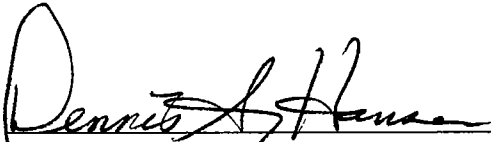
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 and that the Commission may enter any final Order consistent with its authority.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

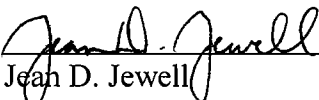
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *17th* day of November 2006.

Out of the Office on this Date
PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/N:IPC-E-06-21_sw