BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASSIA GULCH WIND PARK, LLC AND CASSIA WIND FARM, LLC,	**CASE NO. IPC-E-06-21**
COMPLAINANTS,	**NOTICE OF MOTION TO APPROVE SETTLEMENT STIPULATION AND DISMISS COMPLAINT**
v.	
IDAHO POWER COMPANY,	**NOTICE OF MODIFIED PROCEDURE**
RESPONDENT.	**NOTICE OF COMMENT/REPLY DEADLINES**

COMPLAINT

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 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. 30087. The Projects will sell their entire output to Idaho Power.

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 underlying 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. Most of the requests are from wind generating projects that are PURPA qualifying facilities. The Cassia projects are among those wind generation QFs requesting interconnection. The projects requesting interconnection are placed in a transmission "queue" which is managed by Idaho Power in accordance with rules established by FERC. Exhibit A to the Stipulation shows the requesting projects which have signed facility study agreements, paid the required deposits and remain in the queue in the order they made their interconnection request.

In June 2006 Idaho Power, based on engineering studies, was of the opinion that in order to interconnect with all of the projects in the queue, it would be necessary to construct network upgrades to the transmission system with a total estimated cost of approximately $60 million. With the exception of a relatively small portion of the system upgrade costs to be borne by Idaho Power, the Company claimed and asserted 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.

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.

On November 28, 2006, the Commission held oral argument in Boise 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. Thereafter with the tacit consent of the parties the Commission took the matter under advisement and an informal stay of proceedings ensued.

YOU ARE HEREBY NOTIFIED that on June 13, 2007, Idaho Power and Cassia filed a Joint Motion to Dismiss the underlying complaint in Case No. IPC-E-06-21 and to approve a related June 13, 2007 Settlement Stipulation. Reference IDAPA 31.01.01.272-276.

SETTLEMENT STIPULATION

Idaho Power and Cassia present for Commission consideration a Settlement Stipulation that they contend is in the public interest and that represents a fair, just and reasonable compromise of the issues raised in Cassia's complaint in Case No. IPC-E-06-21. The Stipulation sets forth the basic principles of the settlement agreement between Cassia and Idaho Power. Upon approval of the Stipulation, Cassia and Idaho Power will negotiate definitive interconnection agreements and amendments or addenda to the Firm Energy Sales Agreements and all other documents or instruments that may be required.

The key component of the Stipulation is the concept of "redispatch." Idaho Power's estimated cost of approximately $60 million to complete necessary transmission network upgrades was based on the assumption that the requesting projects in the transmission queue would not be dispatchable. Pursuant to Stipulation ¶ 9, Cassia has agreed to install, at its expense, equipment and communication facilities necessary to reduce its energy output to a predetermined set-point within ten (10) minutes of when Idaho Power requires a reduction to the set-point. Of course, Idaho Power notes that it cannot utilize these same facilities to increase Cassia's generation so the Cassia projects are not fully "dispatchable" in the normal utility sense. However, for convenience, in the Stipulation, Cassia's agreement to reduce generation is referred to as "Cassia Redispatch." Idaho Power will call for a Cassia Redispatch only when necessary to respond to system emergencies or when identified transmission lines are out of service. Redispatch would be implemented pro rata with other requesting projects in the queue who have agreed to similar redispatch protocols.

Based on Cassia's commitment to Cassia Redispatch, and assuming the other requesting projects in the queue make similar commitments, Idaho Power performed additional analysis to determine network upgrades that would be necessary to preserve system integrity. This is referred to in the Stipulation as the "Redispatch Study" and costs for each requesting project are shown in Exhibit B, Table B6 to the Stipulation. As reflected in the Stipulation, the original estimate of $60 million decreases to approximately $11 million under the Redispatch Study.

Idaho Power and Cassia believe that the redispatch component of the Stipulation is in the public interest for two reasons. First, the redispatch approach allows Idaho Power to significantly reduce the required investment to preserve system integrity and represents a least-cost, but prudent, solution to the identified problem. Second, the "Cassia Redispatch" commitment undertaken by Cassia allows the Cassia projects to be available to Idaho Power as a resource with some ability to respond to system emergencies.

Flowing from the Redispatch Study, the Stipulation addresses responsibility for network upgrade costs, sharing of network upgrade costs, refunds and interests on refunds and security for payment.

Network upgrade costs will be allocated to each requesting project, including the Cassia projects, based on: (a) their election of whether to be subject to redispatch, (b) their order in the Idaho Power queue, and (c) based on the megawatt interconnection capacity of each requesting project, their pro rata share of the costs for the network upgrade required to interconnect one or more requesting projects and the interconnection capacity that the particular network upgrade adds.

Pursuant to ¶ 13 of the Stipulation, Idaho Power and the requesting projects will share the costs of the five planned phases of network upgrade as follows:

- Idaho Power will assume 100% of cost responsibility for phase one and will include this cost in its rate base. Phase one upgrades will likely have been required for native load in the near future.

- Remaining four phases:

  - 25% of the costs will be provided by the project as a non-refundable contribution in aid of construction (CIAC);

  - 25% of the costs will be funded by Idaho Power and included in Idaho Power's rate base;

  - 50% of the costs will be funded by projects as an advance in aid of construction (AIAC) subject to refund. These costs will be rate based using standard regulatory accounting principles.

While the proposed sharing formula is not based on any rigorous cost study, it reflects the considered judgment of the parties that it is a reasonable compromise of the competing points of view presented in the case and recognizes that electric power transmission systems by their nature are joint use facilities and that many economic theories exist relating to cost allocation of joint use facilities.

In concluding that the proposed sharing formula is in the public interest, Idaho Power is mindful of its earlier position in this proceeding that "but for" the construction of the requesting projects in the queue, the transmission upgrades originally identified by Idaho Power would not be needed to provide adequate service to Idaho Power native load customers. As a result, amounts paid by customers for network upgrades could result in customers paying more than avoided costs for generation from Cassia and other QFs because their generation requires network upgrades. While this situation remains substantially unchanged, Idaho Power believes that there are a number of cost savings that will mitigate, if not totally eliminate, the adverse affects on customers.

First, Idaho Power is of the opinion that the transmission upgrades identified in Table B1 in Exhibit B of the Stipulation will provide the Company with a more robust transmission system serving the Magic Valley and the Wood River Valley. Although it is impossible to quantify the precise amount of system benefit to native load customers that is provided by the network upgrades, Idaho Power nevertheless expects some future customer benefit to flow from the strengthened transmission system.

Second, power generation from QF projects, such as the Cassia projects, serves to some extent, to place or defer the need for other generation projects in the Company's Integrated Resource Plan (IRP). The costs for network upgrades for IRP generation projects would normally be recovered from native load customers, either embedded in the energy rate in a power purchase agreement or as a Company transmission investment included in rate base.

Third, under the settlement arrangements set out in the Stipulation, Idaho Power believes it would be able to successfully defend a comparability claim brought by a FERC jurisdictional customer claiming that Idaho Power and the Commission have given unlawful preferential treatment to QF resources.

The final reason Idaho Power believes the Stipulation is fair is that the non-refundable 25% portion funded by the QF project will never be placed in rate base. This combination and the fact that 50% of the network upgrade will be refundable over time, it contends, will provide an economic signal to QFs with the objective of balancing optimal siting of energy resource with interconnection costs.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. IPC-E-06-21 and has preliminarily found that the public interest in the tendered Stipulation and Settlement Agreement and Idaho Power's desire to utilize the terms and conditions contained in the Stipulation and Settlement Agreement as a template for the negotiation of additional interconnection agreements may not require a hearing to consider the issues presented and that issues raised by the filing of Idaho Power and Cassia may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the tendered Settlement Stipulation and Idaho Power's proposal to utilize the terms and conditions as a template for negotiation of additional interconnection agreements and the use of Modified Procedure in Case No. IPC-E-06-21 is **Wednesday, July 25, 2007**.

YOU ARE FURTHER NOTIFIED that the **deadline for filing reply comments** in Case No. IPC-E-06-21 is **Monday, August 6, 2007**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. IPC-E-06-21 should be mailed to the Commission, Idaho Power and Cassia at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power and Cassia at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Joint Motion and Settlement Stipulation in Case No. IPC-E-06-21 may be viewed at www.puc.idaho.gov by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W. Washington Street, Boise, Idaho and at the principal business office of Idaho Power Company, 1221 West Idaho Street, Boise, Idaho.

DATED at Boise, Idaho this 26th day of June 2007.

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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