

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: SEPTEMBER 20, 2006

SUBJECT: CASE NO. IPC-E-06-21 (Idaho Power)
CASSIA WIND FARM LLC ET AL. V. IDAHO POWER

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 have 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 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 is such that, if assigned to Cassia, the economic viability of the Projects would be seriously compromised.

Cassia requests that the Commission process its request for an Order regarding QF responsibility for transmission upgrade costs pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Specifically Cassia recommends a 30-day comment period for the utility to file a responsive pleading (including a complete statement of its argument and legal authorities) followed by a 14-day comment period for reply brief or memorandum. Thereafter, the matter could be set for oral argument, after which the matter would be fully submitted to the Commission for decision. Cassia requests that the Commission specify that any service dates are

“in-hand” dates, with service to be accomplished by personal delivery or electronic mail. Cassia’s filing in this case is accompanied by supporting memorandum and affidavit.

COMMISSION DECISION

The Commission is apprised that Idaho Power and Cassia agree that it is procedurally appropriate to initially determine the policy issue as to whether transmission system upgrade costs required to meet N-1 contingency planning conditions can be allocated to QFs connecting to the system. Not at issue are the engineering and planning assumptions of Idaho Power and the Company’s underlying claim that system upgrades are in fact necessary. Staff contends that the policy issue raised by Cassia is one of generic consequence. Staff has provided electronic copies of Cassia’s complaint to both PacifiCorp and Avista and recommends that the utilities be provided the opportunity to address the generic policy issue raised by Cassia. Staff recommends that a schedule for filing initial and reply comments, memorandum and legal authorities be established and that tentative date for oral argument be scheduled. Does the Commission agree with the recommended procedure?

Scott Woodbury

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