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Monica B. Moen
Attorney II

December 15, 2006

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-06-31

In the Matter of the Application of Idaho Power Company for an Accounting Order Authorizing the Inclusion of Power Supply Expenses Associated With the Purchase of Capacity and Energy From Telocaset Wind Power Partners, LLC in the Company's Power Cost Adjustment

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Application for the above-referenced matter.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,

Monica B. Moen

MBM:sh
Enclosures

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BARTON L. KLINE ISB # 1526
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Attorneys for Idaho Power Company

Street Address for Express Mail:

1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR AN)	CASE NO. IPC-E-06- <u>31</u>
ACCOUNTING ORDER AUTHORIZING THE)	
INCLUSION OF POWER SUPPLY)	
EXPENSES ASSOCIATED WITH THE)	APPLICATION FOR AN
PURCHASE OF CAPACITY AND ENERGY)	ACCOUNTING ORDER
FROM TELOCASET WIND POWER)	
PARTNERS, LLC IN THE COMPANY'S)	
POWER COST ADJUSTMENT.)	
_____)	

COMES NOW, IDAHO POWER COMPANY ("Idaho Power" or the "Company"), and, pursuant to Rule of Procedure 52, hereby applies to the Idaho Public Utilities Commission ("IPUC" or the "Commission") for an accounting order authorizing Idaho Power to include the expenses associated with the purchase of capacity and energy from Telocaset Wind Power Partners, LLC ("Telocaset" or the "Project") in the Company's Power Cost Adjustment.

This Application is based on the following:

BACKGROUND

1. Idaho Power identified a need for wind-powered electric generation in the Company's 2004 Integrated Resource Plan ("IRP"). Specifically, the 2004 IRP indicated that Idaho Power would issue an RFP for 200 MW of wind-powered generation during the fall of 2004. Furthermore, the 2004 IRP anticipated the need for an additional 150 MW of wind-powered resources in 2008. The Company issued an RFP for 200 MW of wind-powered generation on January 13, 2005 ("2005 Wind RFP").

2. In response to the Company's 2005 Wind RFP, the Company received a total of seven bids by March 10, 2005, the offer due date. The bids ranged between 45 and 200 MW and represented nineteen projects. In April 2005, the 2005 Wind RFP Evaluation Team selected offers submitted by four short-listed respondents for further consideration.

3. On June 17, 2005, the Company filed a Petition with the Commission (Case No. IPC-E-05-22) in which Idaho Power requested that the Commission issue an order temporarily suspending Idaho Power's obligation under §§ 201 and 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA") and various Commission orders to enter into new contracts to purchase energy generated by qualifying wind-powered small power production facilities ("QFs" or "Qualifying Facilities").

4. In its Petition, Idaho Power requested that a temporary suspension of wind-powered QF resources remain in effect for a period of time sufficient to allow the Commission to investigate the impacts on Idaho Power's customers arising out of the addition of substantial amounts of wind-powered generation projects. Among other

things, the Company requested that the Commission examine whether the avoided cost methodology which was used to establish the published rates correctly measures the power supply costs the Company can actually avoid by adding intermittent wind-powered QF generating resources.

5. On August 4, 2005, the Commission issued Interlocutory Order 29839 in Case No. IPC-E-05-22. That Order reduced the published avoided cost rate eligibility cap for non-firm QF wind projects to 100 kW, required individual negotiation for larger wind QFs and established criteria for determining whether some QFs larger than 100 kW should be “grandfathered” to receive the published avoided cost rate.

6. While Case No. IPC-E-05-22 was pending and the various “grandfathering” requests were being evaluated, the Company postponed further consideration of the short-listed bids received in response to the 2005 Wind RFP until late September 2005. In September 2005, Idaho Power advised the short-listed bidders that the Company intended to resume the 2005 Wind RFP process and requested that those bidders submit a renewed proposal for 100 MW of nameplate capacity. The amount was reduced from the previous 200 MW level because of the quantity of wind the Company anticipated receiving from Qualifying Facilities under PURPA. The Company also directed the short-listed bidders to obtain interconnection costs for each of the projects.

7. In June 2006, after the interconnection cost studies for each of the short-listed projects were completed and provided to the Company, the Company concluded the 2005 Wind RFP selection process and advised Telocaset Wind Power Partners, LLC, of Houston, Texas that it was the preferred bidder. The parties

commenced negotiations of a Power Purchase Agreement (“PPA”). Those negotiations concluded in December 2006.

GENERAL DESCRIPTION OF THE TELOCASET PPA

8. The PPA with Telocaset guarantees an output of 196,000 MWh and a planned capacity of 100.65 MW. Total installed nameplate capacity will not exceed 104 MW. The term of the PPA is 20 years beginning with the operation date. Idaho Power has an option to extend the term of the agreement an additional ten years. Should Telocaset choose to sell its facility, the PPA provides that Telocaset first offer to sell its facility to Idaho Power.

9. The Project, located in eastern Oregon, will deliver its energy to a point on the LaGrande-Brownlee 230 kV transmission line. The Project expects to have an attractive output profile with considerable generation in the summer coincident with high irrigation loads, considerable generation in the winter during the heating demand season and lesser generation in the spring and fall shoulder months.

10. Prices under the PPA will be seasonally adjusted. The price for energy will start at a base rate of \$48.00/MWh with an annual escalation rate of 3%. No payment is required by Idaho Power for energy deliveries over maximum contract amounts. The price paid for all energy delivered includes the value of all renewable attributes (Green Tags) associated with wind generation.

11. The PPA requires that Telocaset deliver detailed forecasting data, including wind velocity and duration, to the Company. The Project will provide Idaho Power with real time access to the forecasting service used by Telocaset, including forecasts of the energy to be delivered during the next hour, next day, and next week.

Access to the real time wind forecasting data is expected to assist Idaho Power when integrating the wind generation into the Company's resource supply mix.

12. The PPA contains provisions similar to the 90%-110% delivery provisions contained in the Company's QF contracts. Should the Telocaset Project fail to provide good and reliable forecasts and useful data, the Company may invoke 90%-110% delivery requirements. In addition to the shortfall damages that the Company would receive under the 90%-110% provisions of the PPA, the Project would also be subject to additional damages and caps.

13. The PPA also includes penalties should the Project fail to deliver the guaranteed annual output of 196,000 MWh. If the Project is unable to make up its delivery obligations to the Company during a three year true-up period (including the year at issue), the Project will pay Idaho Power an amount equal to the rate of \$25.00/MWh, subject to a cap of \$500,000/year. The PPA provides that both the price to be paid for shortfalls and the cap of the Project's liability for energy delivery shortfalls will be escalated at 3% per year.

14. The obligations of the Project will be secured by a guaranty issued by Goldman Sachs. Should the credit rating of Goldman Sachs fall below a predetermined level, Goldman Sachs will be required, by the terms of the PPA, to post a liquid form of performance assurance. The obligations of Idaho Power will be secured by Idaho Power's balance sheet.

15. The PPA provides for certain "bridge" financing to Telocaset by Idaho Power to cover Telocaset's cost exposure to acquire certain long lead-time items such as a transformer and certain engineering and design expenditures while the

Commission is considering this Application. To that end, Idaho Power will establish a reserve account and fund the cost to enable Telocaset to proceed prior to IPUC approval of this Application.

SERVICE OF PLEADINGS

16. Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

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Barton L. Kline
Idaho Power Company
P.O. Box 70
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Jim Miller
Sr. VP - Power Supply
Idaho Power Company
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Ric Gale
VP - Pricing and Regulatory
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MODIFIED PROCEDURE

17. The Company requests that this matter be processed under modified procedure.

REQUEST FOR ORDER

18. Idaho Power respectfully requests that the Commission issue its order finding that the Power Purchase Agreement with Telocaset Wind Power Partners, LLC is prudent and approving inclusion of the prudently incurred power purchase expenses associated with the Telocaset PPA in the Company's Power Cost Adjustment.

DATED at Boise, Idaho, this 15th day of December 2006.



MONICA B. MOEN
Attorney for Idaho Power Company