

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: DECEMBER 19, 2006

SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF A POWER PURCHASE AGREEMENT WITH TELOCASET WIND POWER PARTNERS, LLC., CASE NO. IPC-E-06-31

On December 15, 2006, Idaho Power filed an Application seeking approval of a Power Purchase Agreement (PPA) with Telocaset Wind Power Partners, LLC. Idaho Power asks that the expenses associated with the purchase of capacity and energy from the PPA be included in the Company's annual Power Cost Adjustment (PCA).

THE APPLICATION

This PPA is the result of Idaho Power's Request for Proposals (RFP) for 200 MW of wind-powered generation that originated with the Company's 2004 Integrated Resource Plan (IRP). Application at 2. The Company issued an RFP for 200 MW of wind-powered generation on January 13, 2005. *Id.* In September 2005, the RFP was revised to ask for 100 MW, instead of the 200 MW level, because of the quantity of wind the Company anticipated receiving from PURPA qualifying facilities (QFs). *Id.* at 3. In June 2006, Telocaset Wind Power Partners of Houston, Texas was selected as the preferred bidder of the 2005 Wind RFP process. *Id.*

Idaho Power and Telocaset concluded negotiation of this PPA in December 2006. *Id.* at 4. The PPA guarantees an output of 196,000 MWh (annually) has a planned capacity of 100.65 MW. *Id.* The term of the PPA is 20 years, with an option for Idaho Power to extend the term of the Agreement an additional 10 years. *Id.* If Telocaset should wish to sell the facility, the PPA provides Idaho Power with a first right of refusal. *Id.*

The wind project is located in eastern Oregon, and would deliver its energy to a point on the LaGrande-Brownlee 230 kV transmission line. *Id.* at 4. The project is expected to have an output profile with higher output coinciding with the summer and winter peak demand. *Id.*

Prices under the PPA adjust seasonally and start at a base rate of \$48.00/MWh with an annual escalation rate of 3%. *Id.* No payment is required for energy deliveries in excess of the maximum contract amount and Idaho Power will retain all green energy tags from the project. *Id.* The PPA also provides that Telocaset will deliver detailed forecasting data, including wind velocity and duration, to Idaho Power. *Id.* The data will include real time access to the forecasting service used by the project, including forecasts of energy to be delivered during the next hour, next day, and next week. *Id.* This is expected to assist Idaho Power when integrating the wind generation into the Company's resource supply mix. *Id.* at 5.

The PPA contains provisions, similar to the 90/110 percent delivery provisions contained in Idaho Power's QF contracts, which would provide for damages and caps. *Id.* The PPA also contains penalties should the project fail to deliver the guaranteed annual output of 196,000 MWh. *Id.* Additionally, the obligations of the project will be secured by a guaranty issued by Goldman Sachs. *Id.* Should the credit rating of Goldman Sachs fall below a predetermined level, Goldman Sachs will be required to post a liquid form of performance assurance. *Id.* The obligations of Idaho Power will be secured by Idaho Power's balance sheet. *Id.* The PPA also provided 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. *Id.* at 5-6. Idaho Power states it will establish a reserve account and fund the cost to enable Telocaset to proceed prior to approval of the Application. *Id.* at 6.

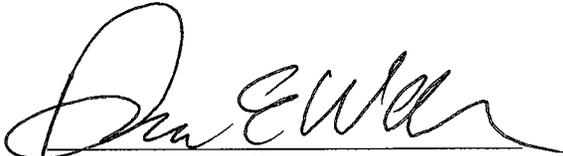
Idaho Power requests that the Commission issue an order finding that the PPA is prudent and approving inclusion of the prudently incurred power purchase expenses associated with the PPA in the Company's annual PCA. *Id.* The Company requests that its Application be processed by Modified Procedure. *Id.*

STAFF RECOMMENDATION

Staff has reviewed the Company's Application and recommends that the Commission issue a Notice of the Company's Application and establish a deadline for interested parties to petition for intervention prior to determining whether Modified Procedure would be appropriate.

COMMISSION DECISION

Does the Commission wish to issue Notice of the Company's Application, and establish a deadline for intervention prior to determining whether Modified Procedure would be appropriate? – or does the Commission wish to process this case by Modified Procedure and set a comment deadline?



Donovan E. Walker