

## DECISION MEMORANDUM

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

**FROM:** SCOTT WOODBURY

**DATE:** OCTOBER 5, 2007

**SUBJECT:** CASE NO. IPC-E-06-34 (Idaho Power/Hot Springs)  
CASE NO. IPC-E-06-35 (Idaho Power/Bennett Creek)

On September 12, 2007, Idaho Power Company (Idaho Power; Company) filed Motions with the Idaho Public Utilities Commission (Commission) in Case Nos. IPC-E-06-34 and IPC-E-06-35 requesting approval of Generation Interconnection Agreements (GIA) dated September 13, 2007 between the Company and Hot Springs Windfarm LLC (Hot Springs) and Bennett Creek Windfarm LLC (Bennett Creek). Interconnection service will be provided at 138 kV for the integration of 24 induction generator wind turbines for Bennett Creek/Hot Springs Windfarms. The interconnect location is (Township 4S, Range 8E, Section 23) Elmore County, Idaho. The total project output is 39.6 MW. Total transmission network upgrades (special facilities) cost is estimated to be \$2,155,000. The milestone date for construction completion is March 15, 2008.

Firm Energy Sales Agreements (and First Amendments) were earlier approved by the Commission between Idaho Power and Hot Springs in Case No. IPC-E-06-34 (Order Nos. 30246 and 30398) and Bennett Creek in Case No. IPC-E-06-35 (Order Nos. 30245 and 30399).

The Generation Interconnection Agreements are the first outside of the Twin Falls queue involving PURPA generating facilities subject to Idaho Power Schedule 72 which involve substantial upgrades to Idaho Power's transmission system. The allocation of costs from the transmission upgrades for the two projects was not addressed in Commission Order No. 30414 in Case No. IPC-E-06-21 (the Cassia Gulch Wind Park and Cassia Wind Farm (collectively Cassia) case).

In the Cassia case, the Commission approved a settlement which implemented a cost-sharing arrangement (Cassia Formula) under which Idaho Power will contribute 25% of the cost of the needed transmission upgrades, Cassia will make a non-refundable 25% contribution in aid of construction (CIAC) to support the transmission upgrades and Cassia will make an advance in aid of construction (AIAC) for the remaining balance of the cost of the upgrades. The AIAC will be refunded to the Cassia projects over time if they fully perform their Firm Energy Sales Agreements with Idaho Power.

In Order No. 30414, the Commission concluded that use of the Cassia Formula was appropriate for the Cassia Wind Farms as well as the other PURPA generation projects in the Twin Falls 138 kV transmission queue. However, the Commission did not authorize the Company to automatically apply the Cassia Formula in other locations on its system where transmission upgrades would be required. Instead, the Commission indicated that the application of any terms or conditions approved as a part of the settlement in the Cassia case to other QF interconnection requests “will depend on the specific characteristics of that situation.” Order No. 30414, p. 11.

In the GIAs between Idaho Power and Bennett Creek and Hot Springs, the parties have agreed to apply the Cassia Formula to share the costs of the transmission upgrades.

In concluding that it is appropriate to use the Cassia Formula for sharing costs of transmission upgrades, Idaho Power applied the Commission findings and conclusions in Order No. 30414 as follows:

1. But for the construction of the Hot Springs and Bennett Creek Windfarms, Idaho Power would not have constructed the transmission upgrades described in the Generator Interconnection Agreements to provide adequate service to its native load customers. Therefore, a contribution by the developers of a portion of the transmission upgrade cost is appropriate.
2. Idaho Power believes that in Order No. 30414, the Commission directed the Company to assess the benefits of individual transmission upgrades taking into consideration “the system wide benefits that accrue to all customers on an integrated transmission grid.” Order No. 30414, p. 10. One way to approach that assessment is to compare the level of benefits that the upgrades will provide to the system with the level of benefits provided in the Cassia case. The Company acknowledges that it is nearly impossible to precisely quantify the relative system benefits conferred by two distinct and geographically separate transmission upgrades. However, transmission engineers can exercise their judgment and their

knowledge of transmission systems they have designed and operate. Based on their informed judgment, Idaho Power's transmission engineers are of the opinion that the transmission upgrades identified in the GIAs will provide different benefits than the transmission system benefits the Cassia upgrades will provide. Where the Cassia upgrade will install a new transformer to interconnect the 230 and 138 kV transmission systems in the western portion of the Magic Valley, the improvements contemplated herein will upgrade (replace the line conductor) and update (replace poles, insulators and hardware not capable of supporting the larger conductor) an older transmission line. Some facilities on the line interconnecting the Bennett Creek and Hot Springs projects may have been providing service since 1921. The use of the Cassia Formula is reasonable in this circumstance.

3. The Company is also of the opinion that the application of the Cassia Formula in this case will maintain the balance between "the benefits accruing to the customers of the grid with the cost responsibility of the QF necessitating the timing and the construction of the upgrade." Order No. 30414, p. 11.
4. Hot Springs and Bennett Creek, like the QF projects in the Twin Falls queue, will displace or defer the need for other or similar generation projects in the Company's Integrated Resource Plan (IRP) that would likely require related transmission investment by the Company. Order No. 30414, p. 11.
5. Idaho Power believes that application of the Cassia Formula in this instance will allow it to successfully defend a comparability claim brought by a Federal Energy Regulatory Commission (FERC) jurisdictional customer claiming that Idaho Power and the Commission had given unlawful, preferential treatment to QF resources.

On September 18, 2007, the Commission issued a Notice of Motion for Approval of Generation Interconnection Agreements and Modified Procedure in Case Nos. IPC-E-06-34 and IPC-E-06-35. The deadline for filing written comments was October 4, 2007. The Commission Staff was the only party to file comments. Staff recommends approval of the Hot Springs/Bennett Creek Generation Interconnection Agreement. Staff agrees with all of the reasons cited by Idaho Power as justification for applying the Cassia Formula to the Hot Springs and Bennett Creek projects. Although not cited by Idaho Power, Staff believes that another reason for supporting use of the Cassia Formula in this instance is because it creates an incentive for QFs to consider economic efficiencies in the siting of their generating facilities and reduces

the potential for the shifting of costs from QFs to the Company and its customers that might occur if no transmission upgrade costs were assessed against the QF.

The primary difference between the Hot Springs/Bennett Creek GIA and the Cassia case, Staff notes, is that the Hot Springs/Bennett Creek GIA has no provisions for redispatch. In the Cassia case, the parties were able to negotiate an arrangement wherein Cassia and other projects using the same transmission facilities could potentially have their generation reduced when transmission capacity was limited. In exchange for the redispatchability by Idaho Power, Cassia and the other projects in the Twin Falls queue are responsible for a much lower transmission upgrade cost than would otherwise be required. In this case, however, by agreeing to bear its share of the costs to fully upgrade the capacity of the transmission line, Hot Springs/Bennett Creek will always be able to deliver their output. Thus, there will no need for redispatch.

Noting that the underlying Power Sales Agreements for Hot Springs and Bennett Creek include the 90/110% performance requirement that provide for discounted payments in the event the project's predicted monthly performance falls outside of the performance band, Staff states that it does not object to the requirement for only 50% Mechanical Availability Guarantee as a condition for Hot Springs and Bennett Creek to receive repayment for advance in aid of construction (AIAC) network upgrades. However, Staff notes that in possible future instances where a higher Mechanical Availability Guarantee is required as a condition for receiving firm energy rates in a Power Sales Agreement, Staff believes that the same higher Mechanical Availability Guarantee should be required in order for the projects to receive repayment AIAC network upgrades.

### **COMMISSION DECISION**

Idaho Power submits Generation Interconnection Agreements for Bennett Creek and Hot Springs and contends they are consistent with Schedule 72, the Commission's Cassia Order No. 30414, and that they are in the public interest. Staff agrees with the Company and recommends their approval. Does the Commission find it reasonable to approve the Bennett Creek/Hot Springs Generation Interconnection Agreements?

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Scott Woodbury

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