

For Immediate Release

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**Idaho Power Files Wind Study; Recommends Removal
Of Temporary Limitation on Wind Projects**

BOISE—Idaho Power yesterday submitted to the Idaho Public Utilities Commission (IPUC) a major analytical report outlining the operational impacts associated with integrating intermittent supplies of energy produced at wind power projects with supplies produced by Idaho Power's generation. Submission of the study paves the way for the removal of temporary limitations to wind development authorized by the IPUC in August of 2005 at Idaho Power's request.

In an accompanying IPUC filing, the company proposed that the commission increase the size of wind projects that qualify for published avoided cost rates under the Public Utility Regulatory Policies Act (PURPA). The filing seeks to increase the size from 100 kilowatts (kW) to 10,000 average kW (10 average megawatts, or aMW) – the same level that is applicable to other PURPA resources – and to decrease the avoided cost rate paid to wind developers by the amount identified in the study for integration costs.

The results of the study indicate that Idaho Power sustains an increased cost by using the company's hydro system as the backup for the integration of wind generation. To offset a portion of these additional costs, the company proposes to pay wind developers \$10.72 per megawatt-hour (MWh) less than the current average rate of approximately \$64 per MWh for projects coming on line in 2008. However, due to its variability, the more wind that is added to the company's system, the higher the cost of integration and the greater the impact to Idaho Power's overall system stability and reliability. The report was jointly prepared by Idaho Power and EnerNex Corporation, a private wind energy consulting firm based in Knoxville, Tenn.

"We undertook this study to help the IPUC, wind developers, our customers and our company better understand the economic impacts of using our hydroelectric generation system to backup wind power," said Idaho Power Senior Vice President of Power Supply Jim Miller. "Wind power is a valuable resource that can displace fossil-fuel generation and thus reduce the level of air emissions that would otherwise have been produced. We strongly support society's desire to have a significant portion of future energy supplies come from clean, renewable energy sources.

"Wind energy will be a part of our balanced generation portfolio going forward. However, the study makes it clear that there is still a great deal of uncertainty surrounding the ultimate impact and costs of adding large amounts of intermittent wind generation to our resource portfolio."

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In its accompanying filing, the company cited the need in the future to:

- quantify how the firming requirements of wind will affect operations and maintenance costs at the company's low-cost hydro facilities;

consider the impacts on the operations and investment requirements of the company's transmission system; and

- assess the need for new, more expensive backup energy resources once wind energy growth exhausts the ability of the company's hydro system to support it.

In addition to the changes in qualifying project size and avoided cost rates, the company also is:

- seeking IPUC authorization to remove wind generation contract provisions that reduce payments to wind producers generating less than 90 percent of their estimated monthly generation amount or more than 110 percent of that amount,
- requesting authorization to charge wind developers their share of the costs associated with purchasing wind forecasting services to provide the company with forecasts of wind conditions in the geographic areas in which the company has wind interests, and
- include in future qualifying facility contracts a provision requiring developers to demonstrate monthly that its facility was mechanically capable of generating at full output during 85 percent of the hours of the month, with exceptions for scheduled maintenance.

Idaho Power is advising the commission that the company may need to ask for the implementation of a "safety net" in the event that the number of wind projects on its system reaches a point where system reliability becomes threatened. The company cautioned that the integration process was dynamic and that integration analysis would be ongoing. As more wind is integrated, Idaho Power will update the study and file new relevant cost information. Our primary concern in integrating wind is to minimize any unintended consequences of wind development on both our customers and our company," Miller said. "If the number of future projects grows to the point that our system is being unreasonably impacted, we again would seek remedy from the IPUC."

Workshop Proposed

The company proposed that the commission sanction at least one public workshop including all interested parties for the purpose of reviewing the company's study and accompanying filings and exploring settlement of any outstanding issues.

Hydro Limited As A Firming Resource

At the center of the study is how Idaho Power's controllable hydro resources would be used as the primary backup energy or "firming" generation resource to support wind energy—a practice necessary to compensate for increases or decreases in wind levels.

"If our customers are using 2,200 MW of electricity and we're getting 200 MW of that from wind and the wind unexpectedly drops off, we need to quickly replace the lost wind generation or reduce loads," said Miller. "The study assumes that we will be able to use power from the hydro system to instantaneously take the place of any lost generation caused by the intermittent nature of wind resources.

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“One of our concerns is that our hydro system is already being used to the fullest extent possible for the benefit of our customers. To the extent we use our hydro resources to integrate wind for the benefit of wind developers rather than to optimize our existing generation system to meet the needs of our customers, there will be increased costs in operating our generating system. In fact, we ultimately will see a requirement for more generating resources in the future.”

Miller said that although significant issues still remain concerning the integration of wind, lifting the current limitation would clear the way for additional projects to be developed and would give developers some assurance that there would be a market for the power produced at the various wind farms proposed to Idaho Power.

Companion Filing Applies To All PURPA Qualifying Projects

Idaho Power also has submitted a companion filing seeking two changes that would affect all future contracts with PURPA developers. They are:

- a request for the establishment of rules to prevent wind developments larger than 10 aMW from artificially restructuring into smaller projects to qualify for the published avoided cost rate designed for projects 10 aMW and smaller, and
- a request that the rate structure for PURPA qualifying facilities be revised to reflect the difference in value between electricity produced during heavy load hours and light load hours.

Access Today's Filings

The company's complete filings are available on the IPUC Web site; www.puc.state.id.us. Copies of the company's petitions and its Wind Integration Study are available at Idaho Power's Web site; www.idahopower.com/windstudy.

Wind History and Background

In June 2005, Idaho Power asked the IPUC to temporarily suspend the company's federal obligation to buy wind power from independent developers of wind projects smaller than 10 aMW. The PURPA requires that electric utilities offer to buy power produced by small power producers at an “avoided-cost rate” equal to the cost the electric utility avoids if it would have had to generate the power itself or purchase it from another source. At that time, Idaho Power proposed to conduct a study to assess the total amount of additional wind resources the company could absorb without negatively impacting its overall power supply costs and grid reliability. The study filed yesterday provides this data.

The current avoided-cost rate that Idaho Power pays qualifying wind developers for 20-year a project coming on-line in 2008 is approximately \$64 per megawatt-hour. The IPUC determined the parameters for wind and geothermal contracts in a major case that concluded in November 2004. At that time, the commission ruled that PURPA projects 10 aMW and smaller would qualify for the avoided-cost rate.

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Several Factors Contribute To Influx Of Wind Developers

Since the current avoided costs were determined and since Congress approved a number of tax incentives for wind projects, Idaho Power has signed PURPA contracts for wind projects with a total nameplate rating of 227 MW. In addition, there are three PURPA wind projects with a nameplate rating of 60 MW currently before the commission seeking approval.

Before the combination of rates and tax incentives mentioned above, Idaho Power had less than one MW of PURPA wind-powered generation under contract. The company also recently signed a contract with Telocaset/Horizon Wind Energy to build 100 MW of wind generation in response to the utility's request for proposals.

Wind Energy Costs May Be Included In Annual Power Cost Adjustment

The money that Idaho Power pays wind developers is included as part of the overall power supply cost that is eventually recovered from customers in the company's power cost adjustment (PCA) process every spring. The cost of operating thermal resources and purchasing power, both resources that will be needed to support wind energy, also are included in the PCA cost recovery.

IPUC Responds

In August 2005, the IPUC responded to Idaho Power's moratorium request by reducing the size of non-firmed wind projects that could qualify for the avoided cost rate paid small-power producers by regulated utilities such as Idaho Power. In the commission's August 4 order, small, non-firm wind projects could be no larger than 100 kilowatts to qualify for the rate. The previous limit was 10 aMW. A kilowatt (kW) equals 1,000 watts. A MW is one million watts.

The 100 kW limit did not apply to all PURPA contracts, but only wind contracts that are not "firm," meaning they are not backed up by other energy sources.

Also exempt from the 100 kW limit were non-firm projects that signed power purchase agreements with Idaho Power before August 4, 2005 or that had submitted a completed interconnection application and paid the required fee, and had taken other substantial steps to further their projects.

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