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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S PETITION TO INCREASE	)	
THE PUBLISHED RATE ELIGIBILITY CAP	)	CASE NO. IPC-E-07-03
FOR WIND POWERED SMALL POWER	)	
PRODUCTION FACILITIES; and	)	SETTLEMENT STIPULATION
	)	
TO ELIMINATE THE 90%/110%	)	
PERFORMANCE BAND FOR WIND	)	
POWERED SMALL POWER PRODUCTION	)	
FACILITIES	)	
	)	

1. This Settlement Stipulation ("Stipulation") is entered into by and among Idaho Power Company ("Idaho Power" or "the Company"), Renewable Northwest

Project and NW Energy Coalition ("Northwest Coalition) and the other signatories to this Stipulation, all of which are individually referred to as "Party" or collectively referred to as, the "Parties".

## I. INTRODUCTION

2. The Parties agree this Stipulation represents a fair, just and reasonable compromise of the issues raised in this proceeding and this Stipulation is in the public interest. The Parties believe that the Stipulation and its acceptance by the Idaho Public Utilities Commission ("IPUC" or "the Commission"), represents a reasonable resolution of the issues identified in this matter. The Parties, therefore, recommend that the Commission, in accordance with Rule of Procedure (RP) 274, approve the Stipulation and all of its terms and conditions without material change or condition.

## II. BACKGROUND

3. In Case No. IPC-E-05-22, the Commission endeavored to properly determine the appropriate pricing of intermittent generation purchased from Qualified Facilities ("QFs") pursuant to Section 201 and 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA") and ascertain whether any related utility integration costs were fully reflected in the published avoided cost rates. Pending this determination, the Commission issued Order No. 29839 in August 2005 reducing the published rate eligibility cap for intermittent QFs using wind as the motive force ("Wind QFs") from 10 average MW per month to 100 kW and required individual contract negotiations for Wind QFs larger than 100 kW.

Idaho Power subsequently performed a study to quantify the additional costs it would incur directly related to purchasing a significant amount of wind generation ("Wind

Integration Study" or "Study"). In February 2007 Idaho Power filed the Study with the Commission, together with the Petition that initiated this docket proposing a \$10.72/MWh integration adjustment to published avoided cost rates that was substantiated by the Study. In addition, the Company's Petition requested that the Commission issue an order:

A. Raising the cap on entitlement to published avoided cost rates for intermittent Wind QFs from the current level of 100 kW to 10,000 average kW per month ("10 average MWs/mo" or "10 aMW"); and

B. Reducing the published avoided cost rates applicable to intermittent Wind QFs to compensate for the increase in system costs due to wind variability as requested; and

C. Authorizing Idaho Power to purchase state-of-the-art wind energy production forecasting services that will provide Idaho Power with forecasts of wind conditions in those geographic areas in which Wind QFs are located. The Petition requested that the order further provide that Wind QFs reimburse the Company for their share of the on-going cost of the wind forecasting service; and

D. Authorizing the Company to include a "mechanical availability guarantee" ("MAG") in all contracts with new intermittent Wind QFs. The MAG would require intermittent Wind QFs to demonstrate monthly that, except for scheduled maintenance and events of force majeure, the Wind QF project was physically capable and available to generate at full output during 85% of the hours in the month; and

E. If the Commission orders the requested changes to the published rates, authorizes the acquisition and funding of the wind forecasting services and authorizes

the inclusion of mechanical availability guarantees in future contracts for purchases of energy from intermittent Wind QFs, Idaho Power proposed that the Commission remove the requirement that the 90%/110% performance band be included in new contracts for energy purchases from intermittent Wind QFs.

Interested parties participated in multiple workshops and settlement discussions in both the IPC-E-05-22 and IPC-E-07-03 dockets.

As a result of those workshops and settlement discussions, as a compromise of the positions of the Parties to this case, and for other consideration as set forth below, the Parties agree to the following terms:

3. **Terms of the Stipulation.**

(a.) Idaho Power's published avoided cost rates for Wind QFs will be adjusted to recognize an assumed cost of integrating the energy generated by Wind QFs as a part of the Company's generating resource portfolio. The rate adjustment will be applied in three tiers, increasing as the total amount of wind integrated onto Idaho Power's system grows. The integration charge for each Wind QF project will be calculated at the time a Wind QF project achieves its Operation Date as that term is defined in the Firm Energy Sales Agreement ("FESA") between the Company and the Wind QF. The integration charge will be calculated as a percentage (7%, 8% or 9%) of the current 20-year, levelized, avoided cost rate, subject to a cap of \$6.50/MWh. The integration charge as calculated on the Operation Date will remain fixed throughout the term of the contract and will be applied as a decrement to the applicable published rate according to the table below:

	<u>Amount of wind online</u>	<u>Integration charge (cap)</u>
Tier 1	0 to 300 MW	7% (\$6.50/MWh)
Tier 2	301 to 500 MW	8% (\$6.50/MWh)
Tier 3	501 MW and above	9% (\$6.50/MWh)

In this Stipulation, the term "amount of wind online" means the cumulative amount of installed megawatts of wind generation capable of delivering energy in real time to Idaho Power's system on the date when a Wind QF achieves its Operation Date. Provided however that FESAs with Wind QFs which have been approved by the Commission as of the date of this Stipulation will count toward the cumulative "amount of wind online" for as long as such FESAs are in effect. If the generating capacity associated with a Wind QF causes the amount of wind online to exceed 300 MW or to exceed 500 MW, such Wind QF will be subject to the applicable integration cost for Tier 2 or Tier 3, respectively.

The term "applicable published rate" means the applicable avoided cost rate approved by the Idaho PUC for purchases of power from QFs producing less than 10aMW, for the relevant contract year and time period of energy generation.

(b.) The "90%/110%" performance band approved by the Commission in Order No. 29632 will be eliminated from the template Firm Energy Sales Agreement for future Wind QFs. The 90%/110% performance band will be replaced in future FESAs by the integration charge described in paragraph 3(a) above, a mechanical availability guarantee as described in Idaho Power's Petition in this case, IPC-E-07-03 and a wind forecasting charge as described in paragraph 3(f) below. QFs currently holding approved FESAs which include the 90%/110% performance band can elect to amend their existing FESAs to replace the 90%/110% performance band with the mechanical availability guarantee but if they make that election, they will be subject to

the wind integration charge and wind forecasting charge in effect when their wind QF project achieves its Operation Date.

(c.) No later than October 31, 2007, Idaho Power will publish an amendment to the Study to reflect the additional analyses presented by the Company in the public workshops held in IPC-E-07-03. Idaho Power will make such amendment publicly available on Company websites and in other appropriate venues.

(d.) Idaho Power will convene an informal wind integration cost working group which will meet at least two times during 2008 to discuss Idaho Power's wind integration study and new data related to wind integration costs.

(e.) Idaho Power will review its expected cost of wind integration in light of the best available scientific data and actual operating experience. Expected wind integration cost information will be included in the Company's integrated resource planning ("IRP") process in the same way that costs for other generating resources are included in the IRP.

(f.) Idaho Power will contract with a nationally recognized wind energy production forecasting vendor to produce a wind energy production cost for Idaho power's service area. The cost of this wind energy production forecasting will be allocated to all Wind QFs holding FESAs with Idaho Power on a uniform per MW basis. The cost attributable to an individual Wind QF will be shared equally between Idaho Power and the Wind QF, with an annual cap on the Wind QFs maximum liability for such costs set at 0.1% of the total energy payments Idaho Power made to the Wind QF under the applicable FESA during the previous Contract Year. During the first Contract Year, the cap will be set at 0.1% of the Wind QFs total energy payments for the first

Contract Year. As this cap will not be known until the first Contract Year is complete, Idaho Power will deduct the Wind QFs calculated share each month during the first year and subsequently refund any overpayment (payments that exceed the cap) in equal monthly amounts over the ensuing Contract Year. Idaho Power will consult with Wind QFs in setting up the protocols for the wind energy forecasting program. It is Idaho Power's intent that the wind energy forecasting program be practical and cost effective.

4. **Reasonable Compromise:** The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to this Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

5. **Best Efforts for Approval:** The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. The Parties shall support this Stipulation before the Commission and no Party shall appeal a Commission Order approving this Stipulation or an issue resolved by this Stipulation. If this Stipulation is challenged by any person not a party to this Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation

agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

6. **Right to Withdraw:** If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 7 days of the date of such action by the Commission, to withdraw from this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's Order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt convening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

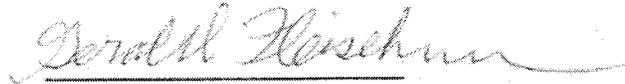
7. **Public Interest:** The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

8. **Commission Approval:** The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

9. **Counterparts:** This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Respectfully submitted this 29 day of November 2007.

GERALD FLEISCHMAN

A handwritten signature in cursive script, appearing to read "Gerald Fleischman", written in dark ink.

GERALD FLEISCHMAN

SETTLEMENT STIPULATION