

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-09-25
APPROVAL OF A FIRM ENERGY SALES)	
AGREEMENT FOR THE SALE AND)	
PURCHASE OF ELECTRIC ENERGY)	
BETWEEN IDAHO POWER COMPANY)	ORDER NO. 32136
AND IDAHO WINDS LLC.)	

BACKGROUND

On September 10, 2009, Idaho Power filed an application with the Commission requesting approval of a 20-year Firm Energy Sales Agreement between Idaho Power and Idaho Winds LLC dated September 1, 2009. The application was processed by Modified Procedure. After reviewing and considering the application and comments filed by Staff and other interested parties in the case, the Commission found it reasonable to accept termination of the Alkali Wind Project contract and approve the September 1, 2009, Firm Energy Sales Agreement between Idaho Power and Idaho Winds LLC for the Sawtooth Wind Project. Order No. 30964.

On October 5, 2010, Idaho Power filed a Motion with the Commission for approval of a Generator Interconnection Agreement (Agreement) between Idaho Winds LLC and Idaho Power regarding the Sawtooth Wind Project (Project). On November 1, 2010, the Commission issued a Notice of Filing/Notice of Modified Procedure and set a comment deadline of November 22, 2010. Order No. 32103. Staff was the only party to comment. By this Order, the Commission approves the Generator Interconnection Agreement between Idaho Winds LLC and Idaho Power regarding the Sawtooth Wind Project.

THE MOTION

The Company's Motion states that interconnection of the Project is provided at 138 kV at an estimated cost to the Project of approximately \$844,000. The addition of the Project to Idaho Power's system requires substantial network transmission system upgrades at an estimated cost of approximately \$2,176,000. The estimated milestone date for construction completion is July 22, 2011.

This Agreement is the second outside of the Twin Falls queue involving PURPA generating facilities subject to Idaho Power's Schedule 72 which require substantial upgrades to Idaho Power's transmission system. The Commission first authorized a sharing formula for

transmission upgrade costs outside of the Twin Falls queue in Case Nos. IPC-E-06-34 and IPC-E-06-35 – Hot Springs Windfarm and Bennett Creek Windfarm, respectively.¹ Idaho Power asserts that the Sawtooth Wind Project will be interconnected to the same transmission line as the Hot Springs and Bennett Creek projects and the network transmission upgrades required to interconnect will have a similar impact. Therefore, as a similarly situated project, Idaho Power and Idaho Winds LLC believe it is appropriate for this Agreement to include the cost sharing allocation developed and accepted in the Cassia case and approved by the Commission in the Hot Springs and Bennett Creek interconnection agreement.

The Company requested that its Motion be processed by Modified Procedure.

The Cassia Formula

In 2006, numerous PURPA qualifying facility projects were proposed to be developed in the Magic Valley area of southern Idaho (the “Twin Falls queue”). Because these proposed projects were clustered in a defined geographic area, were subject to many of the same transmission constraints, and would utilize common transmission facilities, all of the proposed facilities in the Twin Falls queue were considered in adoption of a Settlement Stipulation in Case No. IPC-E-06-21 (the “Cassia Case”). In the Cassia Case, a cost sharing formula was adopted for determining how the costs of necessary transmission upgrades would be allocated amongst proposed projects and Idaho Power. The cost sharing was allocated as follows:

- 25% of the costs will be funded by Idaho Power and included in Idaho Power’s rate base;
- 25% of the costs will be paid by the Project as a non-refundable contribution in aid of construction (CIAC);
- 50% of the costs will be funded by the Project as an advance in aid of construction (AIAC), subject to refund by Idaho Power over a term of up to 10 years. This portion of the costs will be rate based over time as refunds are made.

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

¹ These wind farm projects shared the same developer, interconnection, and generator interconnection agreement.

transmission upgrades would be necessary. The Commission indicated that application of the Cassia Formula to other QF interconnection requests would "depend on the specific characteristics of that situation." Order No. 30414 at 11.

THE COMMENTS

Staff reviewed Idaho Power's Motion and noted that Idaho Power offered the following arguments in support of applying the Cassia Formula to the Sawtooth Wind Project:

- (1) But for the construction of the Sawtooth Wind Project, Idaho Power would not have constructed the transmission upgrades to provide adequate service to its native load customers. Therefore, Idaho Power believes a contribution by the developer of a portion of the transmission upgrade cost is appropriate.
- (2) In the Cassia case, the Commission directed Idaho Power 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). Idaho Power suggests that one way to approach that assessment is to compare the level of benefits that the Sawtooth 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, Idaho Power states, 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 required for the Sawtooth Project will provide different benefits than the transmission system benefits the Cassia upgrades provide. Consequently, the Company believes that 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) Sawtooth, like the QF projects in the Twin Falls queue, will displace or defer the need for other or similar generation projects in Idaho Power's Integrated Resource Plan 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.

Staff regarded the Generator Output Limit Control or "Redispatch" provisions as a key element of the Agreement. Under these provisions, Idaho Power is permitted to direct Sawtooth Wind to forcibly reduce its generation output if and when outages on specified transmission lines occur. Staff noted that, if enough transmission upgrades were made, Idaho Power could ensure that Sawtooth would be able to deliver its full output to Idaho Power's system under *all* loading conditions. To do so however, would require more substantial and much more costly upgrades than those required in this Agreement. While the possibility of transmission outages exists with the upgrades required in this GIA, Idaho Power believes that the likelihood and frequency of load-related outages on the specified transmission lines is extremely remote. Because the likelihood of transmission outages is so remote and because the cost of transmission upgrades would be so much higher to ensure deliverability under *all* conditions, Idaho Winds has agreed to be subject to redispatch in exchange for Idaho Power requiring less extensive transmission system upgrades.²

Staff acknowledged that if too many projects in the Twin Falls queue or in other locations nearby are permitted to redispatch, in the rare event transmission is severely constrained, Idaho Power will not have access to the generation provided by these facilities. The aggregate amount of generation from these facilities has grown to several hundred megawatts, collectively making it a major resource. However, Staff indicated that its concern is negated somewhat by the fact that most of the projects subject to redispatch are wind facilities, which are unlikely to be generating at or near capacity during the extremely hot hours of the year when transmission congestion is most likely to occur. Consequently, Idaho Power does not plan to rely on output from these facilities during extreme events anyway. Despite these factors, Staff noted that there is no discount to the avoided costs paid to facilities subject to redispatch, which, although extremely rare, is most likely to occur when generation from the facility is needed most.

² Idaho Power believes that the need for possible redispatch will likely be relieved in the future if the Gateway West project is built, sometime after 2015, making redispatch a relatively short-term possibility.

Because the Sawtooth Project presents similar circumstances to the projects in the Twin Falls queue and also the Hot Springs and Bennett Creek projects, Staff believes that utilization of the Cassia Formula and redispatch provisions in the Idaho Winds GIA are appropriate. Staff recommended approval of the Generator Interconnection Agreement between Idaho Winds, LLC and Idaho Power without change or condition.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs and to implement FERC rules.

The Commission has exclusive authority and jurisdiction over the interconnection and allocation of interconnection costs for QFs when an electric utility is required to interconnect under 18 C.F.R. § 292.303 of FERC's PURPA regulations (i.e., when the QF's entire output is sold to a regulated utility). 18 C.F.R. § 292.306. Under FERC rules, interconnection costs, including all reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs caused solely by such QF interconnection may be assessed by this Commission against a QF. 18 C.F.R. §§ 292.101(7); 292.306(a), (b).

The Commission has reviewed the Company's Motion, including the Generator Interconnection Agreement, and the comments of Commission Staff. We have also reviewed the Firm Energy Sales Agreement for the Sawtooth Project and our Order approving the same. Order No. 30964. Finally, the Commission has reviewed the related Cassia Case/Formula Orders wherein we approved a methodology and formula for sharing transmission upgrade costs related to QF requests for interconnection. Order Nos. 30414, 30453.

In prior cases, the Commission specifically declined to automatically apply the Cassia Formula where transmission upgrades would be necessary. In this case, we reaffirm that position. Consideration and application of the Cassia Formula will be dependent upon the specific characteristics of each interconnection request. We find the circumstances of the Sawtooth Project to be consistent with our prior cases approving use of the Cassia Formula. Order Nos. 30414 and 30453. The assignment of costs in this case balances the benefits accruing


to utility customers against the cost responsibility of the QFs who are dictating the timing and construction of the upgrade. We further find that the Cassia Formula's cost sharing approach creates an incentive for QFs to consider economic efficiencies in the siting of their generating facilities. Based on the foregoing, the Commission finds it reasonable to approve the Generator Interconnection Agreement between Idaho Power and Idaho Winds LLC, which utilizes the Cassia Formula for allocation of transmission upgrade costs for the Sawtooth Wind Project.

ORDER

IT IS HEREBY ORDERED that the Generator Interconnection Agreement between Idaho Power and Idaho Winds LLC regarding the Sawtooth Wind Project is approved without change or condition.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th day of December 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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