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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Filing and Notice of Modified Procedure issued in Order No. 32103 on November 1, 2010, in Case No. IPC-E-09-25, submits the following comments.

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 Project¹ 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 (GIA; Agreement) between Idaho Winds LLC and Idaho Power regarding the Sawtooth Wind Project (Project). 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. In addition, the Project will require substantial network transmission system upgrades to Idaho Power's system at an estimated cost of approximately \$2,176,000. The estimated construction completion date is July 22, 2011.

STAFF ANALYSIS

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. 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. The Commission indicated that 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.)

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

¹ The Alkali Wind Project was a proposed 18 MW facility to be constructed at the same location as the Sawtooth Wind Project. A power sales agreement for the Alkali Wind Project was approved on February 26, 2007, but the facility was never built. Hence, Idaho Winds requested that the power sales agreement for the Alkali project be terminated at the same time it asked for approval of the Sawtooth power sales agreement.

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.²

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 agreements. Under the cost sharing allocation,

- 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 its Application, Idaho Power offers 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

² These windfarm projects shared the same developer, interconnection, and generator interconnection agreement.

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.

One of the key elements of the Agreement is related to Generator Output Limit Control or "Re-dispatch." 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.

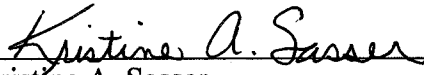
Certainly, if enough transmission upgrades were made, Idaho Power could ensure that Sawtooth would be able to deliver its full output to Idaho Power's system under *all* loading conditions. To do so however, would require more substantial and much more costly upgrades than those required in this Agreement. Although the possibility of transmission outages still exists with the amount of 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 re-dispatch in exchange for Idaho Power requiring less extensive transmission system upgrades. Furthermore, Idaho Power believes that the need for possible re-dispatch will likely be relieved in the future if the Gateway West project is built, sometime after 2015, making re-dispatch a relatively short-term possibility.

Staff acknowledges, however, that if too many projects in the Twin Falls queue or in other locations nearby are permitted to re-dispatch, 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. Staff's concern is negated somewhat, however, because of the fact that most of the projects subject to re-dispatch 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. Nevertheless, there is no discount to the avoided costs paid to facilities subject to re-dispatch, which, although extremely rare, is most likely to occur when generation from the facility is needed most.

RECOMMENDATIONS

Re-dispatch provisions similar to those contained in the Idaho Winds GIA have been included in other GIAs for projects in the Twin Falls queue and also for the Hot Springs and Bennett Creek projects. Because the Sawtooth project faces similar circumstances as these other projects, Staff believes that including re-dispatch provisions in the Idaho Winds GIA is also appropriate. Staff recommends approval of the Generation Interconnection Agreement between Idaho Winds, LLC and Idaho Power without change or condition.

Respectfully submitted this 22^{NB} day of November 2010.



Kristine A. Sasser
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF NOVEMBER 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-09-25, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE