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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-10-19
OF A FIRM ENERGY SALES AGREEMENT)	
WITH GRAND VIEW SOLAR PV 1, LLC FOR)	COMMENTS OF THE
THE SALE AND PURCHASE OF ELECTRIC)	COMMISSION STAFF
ENERGY)	
_____)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on July 1, 2010 in Case No. IPC-E-10-19, submits the following comments.

BACKGROUND

On June 14, 2010, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a 20-year Firm Energy Sales Agreement¹ between Idaho Power and Grand View Solar PV One, LLC (Grand View) dated June 8, 2010 (Agreement).

¹ The Agreement was included as Attachment No. 1 with Idaho Power's Application to the Commission. The Agreement contains Appendices A, B, C, and D.

Under the terms of the Agreement, Grand View will sell and Idaho Power will purchase electric energy generated by the Grand View photovoltaic solar power project (Facility) located on approximately 180 acres, 16 miles west of Mountain Home, Idaho. The nameplate rating of the Facility is 20 MW. Agreement, Appendix B-1. However, due to the diurnal and intermittent generation of a solar resource, the Facility's generation is not expected to generate more than 10 average MW on a monthly basis under normal and/or average conditions. Grand View warrants that the Facility is a qualifying facility (QF) under applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). Agreement at ¶ 3.2.

The Agreement contains the non-levelized published avoided cost rates approved in Order No. 30744 and comports with the terms and conditions of Order Nos. 30738 (SAR non-fueled cost variables) and 30415 (daily load shape adjustment). *Id.* at ¶ 7.1. Grand View has selected a Scheduled Operation Date of January 1, 2011. Agreement, Appendix B-3.

STAFF ANALYSIS

Nearly all of the rates, terms and conditions in the Agreement are the same as those contained in other PURPA contracts recently approved by the Commission. Consequently, Staff does not believe it is necessary to address them in detail. However, there are two issues that Staff does believe need to be addressed: 1) Whether the project should be grandfathered to be eligible to receive the published avoided cost rates in effect prior to March 16, 2010, and 2) Whether an integration cost discount should be applied to the published rates due to the intermittency of solar generation.

Grandfathering

Idaho Power notes that on the June 8, 2010, date of contract signing the purchase rates set forth in the Agreement (consistent with Order No. 30744) had been replaced by the lower rates of Order No. 30125 approved by the Commission on March 16, 2010, in Case No. GNR-E-10-01. Idaho Power recites that the Commission has previously determined grandfathering eligibility for (older and higher) published avoided cost rates by requiring (1) a signed power sales agreement executed prior to the change in rates; or (2) a meritorious complaint filed prior to the new rates effective date demonstrating project maturity and that, but for the actions of the utility, a sales agreement would have been signed prior to the change in rates. Although no complaint has been filed with the Commission, by signing the Agreement and voluntarily presenting it to the

Commission, Idaho Power represents that it believes Grand View meets the second criteria established by the Commission and should be entitled to the rates contained in Order No. 30744.

In determining that Grand View was entitled to grandfathering under the higher rates of Order No. 30744, the Company contends that Grand View satisfied the following grandfathering criteria prior to March 16, 2010:

a. Interconnection and Transmission

- i. Filed an interconnection application; and
- ii. Received and accepted an interconnection feasibility study report for the project and paid any requested study deposits (or established credit) for the next phase of the interconnection process in accordance with Schedule 72; and
- iii. Received confirmation from Idaho Power that transmission capacity is available for the project and/or received accepted transmission capacity study results and cost estimates.

b. Purchase Power Agreement

- i. An agreement was materially complete prior to March 16, 2010, and except for routine Idaho Power final processing, an agreement would have been executed by both parties prior to March 16, 2010.

Application at p. 5.

With respect to the Power Purchase Agreement criteria, the Company represents that Grand View and Idaho Power had resolved all material outstanding contract issues prior to March 16, 2010. Shown below is a timeline outlining events associated with Grand View's contract negotiations with Idaho Power:

- December 24, 2009: Idaho Power receives a letter and signed agreement from Grand View Solar. Because the agreement is not in the most current form, Idaho Power treats this communication as an invitation to negotiate.
- February 18, 2010: Idaho Power presents a negotiated PURPA agreement to Grand View Solar.
- March 8, 2010: Grand View Solar suggests discussion of a non-PURPA agreement for this project. The

initial offer (price, RECs, etc.) appears to have merit so Idaho Power begins evaluating the non-PURPA agreement suggested by Grand View Solar.

- March 9, 2010: Idaho Power's previously filed Transmission Service Request is accepted by the Idaho Power Transmission group, granting 20 MW of Transmission Capacity with no significant network upgrades required.
- March 16, 2010: The Commission issues Order No. 31025 changing the avoided cost rate.
- May 6, 2010: Idaho Power completes its evaluation of a non-PURPA agreement with Grand View Solar and elects not to proceed. The Company notifies Grand View Solar that it should advise the Company if it wishes to pursue a PURPA agreement.
- June 8, 2010: Grand View Solar and Idaho Power execute the PURPA agreement originally contemplated and negotiated in February 2010.
- June 14, 2010: Idaho Power filed an Application seeking Commission approval of the PURPA agreement entered into with Grand View Solar.

As noted above, a complete contract was negotiated and presented to Grand View Solar on approximately February 18, 2010. Shortly thereafter, at Grand View's suggestion, the parties engaged in discussions regarding an alternative non-PURPA power purchase agreement. Idaho Power completed an evaluation and review of a non-PURPA agreement for the project, and on or about May 6, 2010, elected not to proceed further. The effect of pursuing the evaluation of a non-PURPA power purchase with the Facility, the Company states, essentially placed the otherwise complete, but unexecuted, PURPA Agreement on hold, during which time the Commission's Order No. 31025 was issued changing the published avoided cost rate. In Idaho Power's opinion the Agreement would have been signed by both parties prior to March 16, 2010, if the Company had not taken additional time to evaluate and pursue a possible non-PURPA power purchase agreement. Application at p. 6.

Staff has reviewed the timeline and the information exchanged by the parties. Staff is convinced that, despite not having a signed agreement prior to March 16, 2010, the draft contracts that were exchanged prior to that date were materially the same as the Agreement eventually signed by both parties. Indeed, a negotiated PURPA agreement was presented by Idaho Power to Grand View on February 18, 2010. If PURPA negotiations had not been put on hold in order for the parties to consider a non-PURPA agreement, Staff is reasonably convinced that the parties would have otherwise consummated the PURPA Agreement prior to the change in avoided cost rates. Based on the facts presented, Staff believes that the Facility should qualify for a contract incorporating the Order No. 30744 rates (i.e., the rates in effect prior to March 16, 2010).

With respect to the Interconnection and Transmission criteria, Idaho Power represents that Grand View is current in all its interconnection study payments. So long as Grand View continues to provide requested information in a timely manner and pay invoices on time, Idaho Power believes that the interconnection can be completed in time for Grand View to achieve its January 1, 2011, Scheduled Operation Date for the Facility.

In further support of its Application, Idaho Power states that the Facility Agreement contains the most recent contract terms and conditions, including the liquidated damages and security provisions previously approved by the Commission in the contracts for the Arena Drop hydro project and the Dry Creek anaerobic digester project. Order Nos. 31060 and 31034, respectively.

Integration

Clearly, solar PV generation can be intermittent due to cloud cover, especially when the entire project is concentrated in one area. Some intermittency may be predictable hours or perhaps days in advance, while intermittency due to individual clouds may be highly unpredictable at any time scale. The upward and downward ramps of generation can present operational challenges for the utility, similar to the challenges of integrating wind. As more wind and solar projects are added to a utility's system, the integration challenges increase.

Although numerous studies have been conducted to attempt to quantify the costs of integrating wind, Staff is not aware of any studies in the region that have attempted to quantify the costs of integrating intermittent solar generation. Even in the desert southwest where central station solar generation is rapidly emerging, little data has been collected and no research has been done to study and quantify solar integration costs. Although wind and solar may share some of the same

intermittent characteristics, they are not exactly the same. In comparison to each other, Staff is uncertain whether solar integration is more or less costly than wind integration.

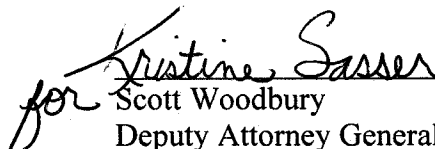
All recent QF contracts for wind projects have included a wind integration cost that is applied as a discount to reduce published avoided cost rates. For Idaho Power for example, the wind integration discount varies from approximately \$4.20 to \$6.50 per MWh depending on the length of the contract and the time of the year. The first few wind contracts approved by the Commission, however, did not include a wind integration adjustment because the costs of wind integration had yet to be quantified.

This Agreement does not include any discount to account for solar integration costs. While there are undoubtedly some integration costs, they cannot be quantified at this time. Because of the lack of data and studies on solar integration, Staff sees the Grand View project as an opportunity to begin acquiring the needed data and to start performing the analysis necessary to quantify solar integration costs. If the Grand View project proves successful, additional solar development is sure to follow. When Idaho Power eventually has the data and analysis to support a solar integration charge, Staff recommends those charges be included in PURPA contracts. Until then, however, Staff supports not including an integration charge in the Grand View Solar Agreement. Staff urges the Commission to strongly encourage Idaho Power to collect data from this project that might be used in the future to assess solar integration costs.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Firm Energy Sales Agreement between Idaho Power Company and Grand View Solar PV One, LLC, without change or condition and declare that all payments for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 19TH day of August 2010.


for Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling
i:umisc:comments/ipce10.19swrps comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF AUGUST 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-10-19, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE