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UTILITIES COMMISSION

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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-10-38
OF A FIRM ENERGY SALES AGREEMENT)	
BETWEEN IDAHO POWER AND COLD)	
SPRINGS WINDFARM, LLC)	
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IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-10-39
OF A FIRM ENERGY SALES AGREEMENT)	
BETWEEN IDAHO POWER AND DESERT)	
MEADOW WINDFARM, LLC)	
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IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-10-40
OF A FIRM ENERGY SALES AGREEMENT)	
BETWEEN IDAHO POWER AND HAMMETT)	
HILL WINDFARM, LLC)	
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IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-10-41
OF A FIRM ENERGY SALES AGREEMENT)	
BETWEEN IDAHO POWER AND MAINLINE)	
WINDFARM, LLC)	
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IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-10-42
OF A FIRM ENERGY SALES AGREEMENT)	
BETWEEN IDAHO POWER AND RYEGRASS)	
WINDFARM, LLC)	

**IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR APPROVAL) CASE NO. IPC-E-10-43
OF A FIRM ENERGY SALES AGREEMENT)
BETWEEN IDAHO POWER AND TWO PONDS)
WINDFARM, LLC) COMMENTS OF THE
) COMMISSION STAFF
)
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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 Applications and Notice of Modified Procedure issued in Order No. 32123 on November 23, 2010, in Case Nos. IPC-E-10-38, -39, -40, -41, -42 and -43, submits the following comments.

BACKGROUND

On November 16, 2010, Idaho Power Company filed six Applications requesting approval of six 20-year Firm Energy Sales Agreements (FESAs) between Idaho Power and Cold Springs Windfarm, LLC; Desert Meadow Windfarm, LLC; Hammett Hill Windfarm, LLC; Mainline Windfarm, LLC; Ryegrass Windfarm, LLC; and Two Ponds Windfarm, LLC. The six projects are all located near Mountain Home, Idaho. The Applications are nearly identical and recite that each wind generating project will have a maximum capacity amount of 23 MW. The projects will all be “qualifying facilities” (QFs) under the applicable provisions of the federal Public Utility Regulatory Policies Act of 1978 (PURPA).

On November 12, 2010, Idaho Power and each of the six wind projects entered into their respective FESAs. The Applications maintain that the terms and conditions of the FESAs comport with the Commission’s Orders applicable to PURPA wind projects. Application at 2 *citing* Order Nos. 30415, 30488, 30738, and 30744. Under the terms of the FESAs, the wind projects agree to sell energy to Idaho Power for a 20-year term using the current non-levelized published avoided cost rates as currently established by the Commission in Order No. 31025 for energy deliveries of less than 10 aMW. The six FESAs were executed by the developer on November 2, 2010.¹ Idaho Power requests that the Applications be processed under Modified Procedure.

¹ Although Idaho Power filed a Joint Petition on November 5, 2010, seeking a reduction in the published avoided cost rate eligibility cap from 10 MW to 100 kW, the Company believes that these six FESAs “should not be impacted by that filing.” Applications at 3.

1. Output. The nameplate rating for each of the six wind projects is 23 MW. As defined in Sections 1.17 and 4.1.3 of the FESAs, each wind project will be required to provide data to Idaho Power to confirm under normal and/or average conditions, that each project will not exceed 10 aMW on a monthly basis. Applications at 3. Should the project exceed 10 aMW on a monthly basis, Idaho Power will accept the energy “that does not exceed 23 MW on a monthly basis, but will not pay for the energy that exceeds 10 aMW on a monthly basis.” *Id.*

2. Mechanical Availability Guarantee. The parties’ Agreements contain a Mechanical Availability Guarantee (MAG) calculation in conformance with Commission Order No. 30488 (Case No. IPC-E-07-03). The MAG provision approved in Order No. 30488 provides that the wind project demonstrate each month (except for scheduled maintenance and force majeure events) that the wind project is “physically capable of generating at full output during 85 percent of the hours in the month. Failure to comply with the Mechanical Availability Guarantee would result in the payment of liquidated damages.” Order No. 30488 at 6.

3. Damages and Security. The parties have agreed to Delay Liquidated Damages and associated Delay Security provisions of \$45 per kW of nameplate capacity.

4. Operational Date. Each FESA provides that the “Scheduled First Energy Date” is December 31, 2011, and the “Scheduled Operation Date” is December 31, 2012. Applications at 4. The Agreements further provide that it is the wind developer’s responsibility to work with Idaho Power’s Delivery business unit to ensure that there is sufficient time and resources for Idaho Power to construct the necessary “interconnection facilities, and transmission upgrades if required, in time to allow the Facility to achieve the December 31, 2012, Scheduled Operation Date.” Applications at 5. Delay damages may be assessed if the wind developer is unable to obtain the necessary interconnection facilities and transmission upgrade (if necessary). Idaho Power anticipates that it will provide the wind developer a “Facility Study Report” containing the technical information and payment schedules for the interconnection materials no later than January 7, 2011. *Id.* at 4. Following the delivery of the Facility Study Report, the parties must then enter into a Generator Interconnection Agreement. The Applications acknowledge that Idaho Power can accommodate the output from the six wind projects without transmission network upgrades. *Id.* at 5.

5. Energy Price. The parties’ FESAs provide for non-levelized published avoided cost rates. The rates for the non-levelized energy are in accordance with the Commission’s Order No. 31025, as adjusted by Order No. 30415 for heavy load and light load energy delivery; and further adjusted in accordance with Commission Order No. 30488 for wind integration charges and with seasonalization

factors set out in Section 7 of the FESA. In addition, the Agreements note that the developers will be responsible for paying applicable interconnection charges and monthly operation and maintenance charges under Idaho Power's Schedule 72.

6. Interconnection. Each of the FESAs states that the wind projects will interconnect with Idaho Power's transmission network via a single 230 kV line at T4S, R9E, Sec 21 in Elmore County.

7. Effective Date. The FESAs will not become effective until the Commission has approved all of the FESAs terms and conditions and declares that all payments made by Idaho Power to the wind projects for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

STAFF ANALYSIS

All six of the Agreements submitted for approval are identical except for the names of the facilities and the LLCs under which each is being developed. All six of the projects are also proposed to be built in the same general vicinity as shown on the map included as Attachment 1. The projects are located in the same general area as two existing facilities originally developed by the same developer, the Bennett Creek and Hot Springs projects. Reference Case Nos. IPC-E-06-35, Order No. 30245 and IPC-E-06-34, Order No. 30246, respectively.

The six facilities collectively are expected to generate 303,648 MWhs annually. Under the non-levelized rates in the Agreements, the annual value of the expected generation will be approximately \$18.8 million in 2013 increasing to approximately \$36.9 million in 2032, or a total of \$547.4 million over the 20-year term of the Agreements. The collective net present value of the generation over the life of the Agreements will be approximately \$208.9 million.

All of the terms and conditions included in the Agreements are consistent with recent Commission orders. In addition, the rates included in the Agreements are those currently in effect. Reference Order No. 31025. Consequently, there are no grandfathering issues associated with the Agreements, nor are there any disputes between the parties over any terms and conditions.

The only significant issue relates to the transmission capacity available on Idaho Power's system at the proposed point of interconnection. At the time the Projects initially made application to Idaho Power for transmission interconnection studies, the expected nameplate capacity of each Project was 20 MW. However, as the transmission studies progressed, design of the Projects also progressed. Ultimately, the developer of the Projects narrowed his potential turbine choices to two manufacturers. Both equipment choices would result in a nameplate capacity for each Project of 23 MW, rather than


the 20 MW proposed initially. As a result, it will be necessary for the developer to make a request for additional transmission capacity using the routine Idaho Power interconnection and transmission capacity process. The developer shall be responsible for all costs associated with this additional capacity request. Consequently, until additional studies are completed and Idaho Power confirms that the full 23 MW capacity of each Project can be accommodated on the transmission system, under the terms of the Agreements, each Project will be limited to delivering no more than 20 MW.

Although Idaho Power filed a Joint Petition on November 5, 2010, seeking a reduction in the published avoided cost rate eligibility cap from 10 MW to 100 kW, the Company believes that these six FESAs "should not be impacted by that filing." Applications at 3. Staff agrees that because these Agreements were signed and submitted for approval prior to the Commission rendering any decisions on the Joint Petition filed November 5, 2010, the Agreements should not be affected.

STAFF RECOMMENDATION

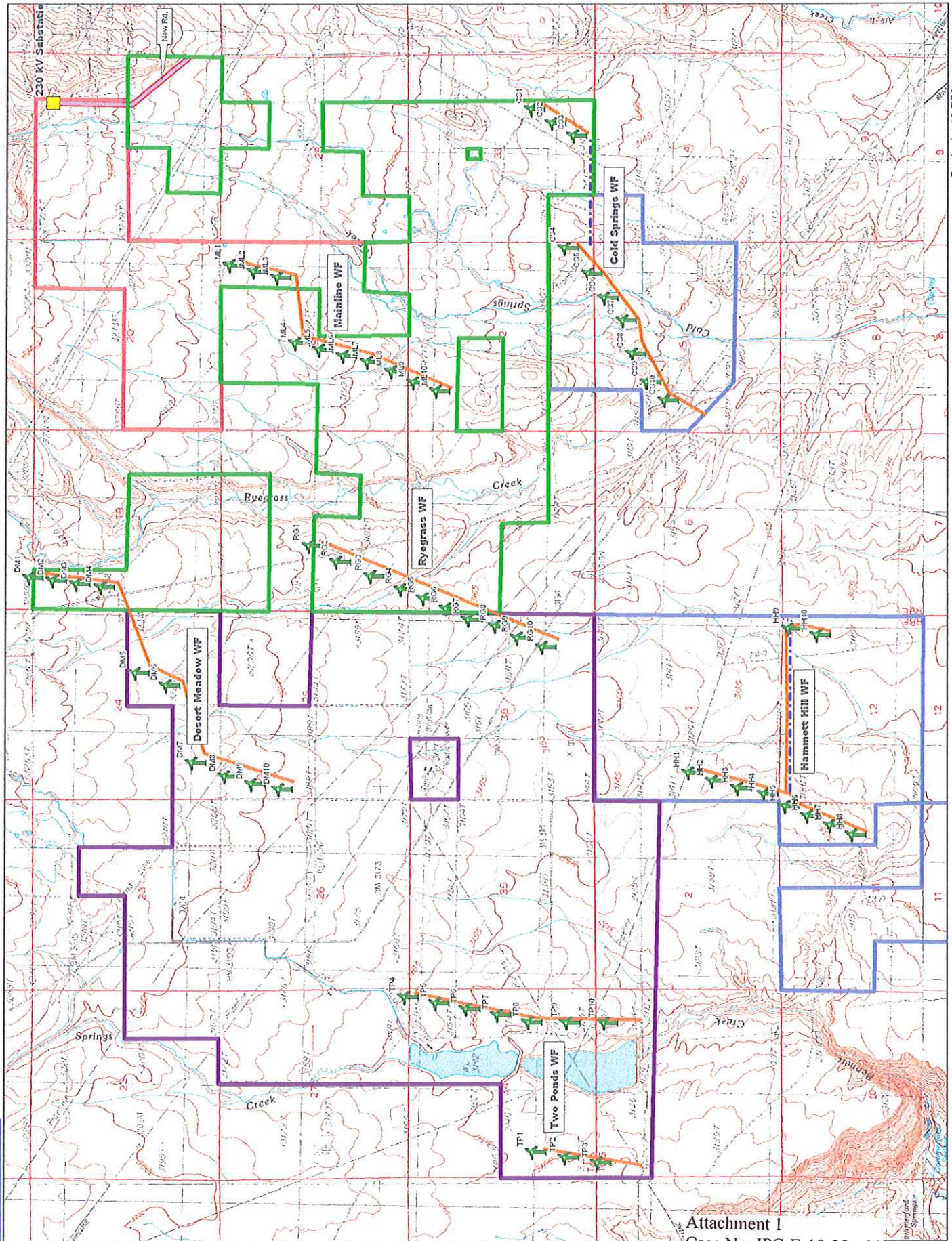
Staff recommends that the Commission approve all of the terms and conditions of the six Agreements and declare that all payments made by Idaho Power for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 15TH day of December 2010.


Kristine A. Sasser
Deputy Attorney General

Technical Staff: Rick Sterling

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Attachment I
Case No. IPC-E-10-38, -39
-40, -41, -42, -43
Staff Comments
12/15/10

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TN
NAD (11.0.0.0)

Scale 1 : 43,750
1" = 3,645.8 ft
Data Zoom 12-2

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF DECEMBER 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-10-38_39_40_41_42_43, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE