Office of the Secretary
Service Date
December 23, 2010

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF A FIRM ENERGY SALES AGREEMENT WITH RYEGRASS WINDFARM, LLC FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY.	)	**CASE NO. IPC-E-10-42** **ORDER NO. 32148**

On November 16, 2010, Idaho Power Company filed an Application with the Commission requesting approval of a 20-year Firm Energy Sales Agreement (the "Agreement") between Idaho Power and Ryegrass Windfarm, LLC (the "Facility"). The Application states that Ryegrass would sell and Idaho Power would purchase electric energy generated by the Facility located near Mountain Home, Idaho. The Application further states that the Facility will be a "qualifying facility" (QF) under the applicable provisions of the federal Public Utility Regulatory Policies Act of 1978 (PURPA). The Company requested that its Application be processed by Modified Procedure.

On November 24, 2010, the Commission issued a Notice of Application and Notice of Modified Procedure setting a 21-day comment deadline. Staff was the only party to file comments. By this Order, the Commission approves the Agreement between Idaho Power and Ryegrass without change or condition and declares that all payments made by Idaho Power to Ryegrass be allowed as prudently incurred expenses for ratemaking purposes.

THE AGREEMENT

On November 12, 2010, Idaho Power entered into a 20-year Agreement with Ryegrass to purchase energy using the 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 Application maintains that the terms and conditions of the Agreement comport with the Commission's Orders applicable to PURPA wind projects. Application at 2 *citing* Order Nos. 30415, 30488, 30738, and 30744.

The nameplate rating for the Facility is 23 MW. As defined in Sections 1.17 and 4.1.3 of the Agreement, 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. Application 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.*

The Agreement includes the Mechanical Availability Guarantee (MAG), wind integration cost reduction, and wind forecasting cost sharing required by Commission Order No. 30488. The parties have also agreed to Delay Liquidated Damages and associated Delay Security provisions of $45 per kW of nameplate capacity. Agreement at ¶¶ 5.3.2 and 5.8.1, respectively.

The Agreement provides a Scheduled First Energy Date of December 31, 2011, and Scheduled Operation Date of December 31, 2012. Application at 5. The Agreement states that its wind project will interconnect with Idaho Power's transmission network via a single 230 kV line at T4S, R9E, SEC 21 in Elmore County. Agreement, Appendix B. The Application states that a System Impact Study was performed which indicated that the existing transmission system can accommodate the output from the Facility without transmission network upgrades. Application at 5.

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

THE COMMENTS

All of the terms and conditions included in the Ryegrass Agreement are consistent with recent Commission orders. Staff identified the only significant issue as the transmission capacity available on Idaho Power's system at the proposed point of interconnection. At the time the Project initially made application to Idaho Power for transmission interconnection studies the expected nameplate capacity of the Project was 20 MW. However, as the transmission studies progressed, design of the Project also progressed. The developer's turbine choices would result in a nameplate capacity 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 should 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 the

Facility can be accommodated on the transmission system, under the terms of the Agreements, Staff believes that the Facility should be limited to delivering no more than 20 MW.

Staff noted that Ryegrass's Agreement with Idaho Power was submitted for approval along with five other firm energy sales agreements. All six agreements 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. The projects are located in the same general area as two existing facilities (the Bennett Creek and Hot Springs projects) originally developed by the same developer. Reference Case Nos. IPC-E-06-35, Order No. 30245 and IPC-E-06-34, Order No. 30246, respectively. Staff calculated that 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. Staff calculated the collective net present value of the generation over the life of the agreements to be approximately $208.9 million.

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 this Agreement "should not be impacted by that filing." Application at 3. Staff agrees that because the Ryegrass Agreement was signed and submitted for approval prior to the Commission rendering any decision on the Joint Petition filed November 5, 2010, the Agreement should not be affected.

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

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, and the issues raised in this matter 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 qualified facilities (QFs) and to implement FERC rules.

The Commission has reviewed the record in this case, including the Application, the November 12, 2010, Agreement, and the comments and recommendations of Commission Staff. As represented and pursuant to contract, under normal and/or average conditions the Facility will not exceed 10 aMW on a monthly basis. As such, we find that the Ryegrass project is qualified to receive the non-levelized published avoided cost rates approved by the Commission in Order No. 31025.

Idaho Power represents that its existing transmission system can accommodate the output from this Facility (and the five adjacent projects) without transmission network upgrades. However, the Commission remains concerned about the transmission capacity available on Idaho Power's system at the proposed point of interconnection. Although the expected nameplate capacity for the Ryegrass project was initially 20 MW, the developer's turbine choices will result in a nameplate capacity of 23 MW. Consequently, Ryegrass must make a request for additional transmission capacity using the routine Idaho Power interconnection and transmission capacity process. Ryegrass shall be responsible for all costs associated with this additional capacity request. Furthermore, until additional studies are completed and Idaho Power confirms that the 23 MW capacity can be accommodated on the transmission system, pursuant to the terms of the Agreement, Ryegrass shall be limited to delivering no more than 20 MW.

Based on the record established in this case, we find that the proposed Agreement submitted in this case contains acceptable contract provisions including the non-levelized published avoided cost rates approved by the Commission in Order No. 31025. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the November 12, 2010, Firm Energy Sales Agreement between Idaho Power and Ryegrass Windfarm 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 23rd 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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