

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: JULY 1, 2011

SUBJECT: IDAHO POWER'S APPLICATION FOR A DETERMINATION
REGARDING THE FIRM ENERGY SALES AGREEMENT WITH
INTERCONNECT SOLAR DEVELOPMENT LLC, CASE NO. IPC-E-11-
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On June 17, 2011, Idaho Power Company filed an Application with the Commission requesting acceptance or rejection of a 25-year Firm Energy Sales Agreement (Agreement) between Idaho Power and Interconnect Solar Development LLC (Interconnect Solar) dated June 7, 2011. The Application states that Interconnect Solar would sell and Idaho Power would purchase electric energy generated by the Interconnect Solar photovoltaic solar generating facility (Facility) located near Murphy, Idaho.

THE AGREEMENT

The Application states that Interconnect Solar proposes to construct, own, operate and maintain a 20 MW (maximum capacity, nameplate) photovoltaic solar generating facility. Application at 2. The Facility will be a QF under the applicable provisions of PURPA. The Agreement is for a term of 25 years and contains avoided cost rates established pursuant to the Commission's approved Integrated Resource Plan (IRP) avoided cost methodology as currently required by the Commission for solar QFs with a design capacity of more than 100 kilowatts (kW). Order No. 32262. Idaho Power asserts that the 25-year contract term was the result of negotiations that attempted to balance the parties' interests in a manner that was favorable to Idaho Power customers and to Interconnect Solar. *Id.* at 3.

Interconnect Solar selected June 1, 2012, as its Scheduled First Energy Date and July 1, 2012, as its Scheduled Operation Date. *Id.* at 3. Idaho Power asserts that various requirements have been placed upon the Interconnect Solar Facility in order for Idaho Power to

accept the Facility's energy deliveries. Idaho Power states that it will monitor the Facility's compliance with initial and ongoing requirements through the term of the Agreement.

Interconnect Solar and Idaho Power have agreed to liquidated damage and security provisions of \$45 per kW of nameplate capacity. Agreement ¶¶ 5.3.2, 5.8.1. Delay Liquidated Damages shall apply if Interconnect Solar fails to bring the Facility on-line by the Scheduled Operation Date. Interconnect Solar is responsible to complete a Generation Interconnection Agreement (GIA) and is responsible for all costs associated with interconnection of the Facility to Idaho Power's system and any necessary transmission upgrades for its generation to serve load. Idaho Power states that, at the time this Application was filed, the GIA has not yet been signed and the required payment for interconnection and transmission upgrades has not been paid. Idaho Power estimates that, after payment is made, 18 months is required for Idaho Power to complete the interconnection and transmission facilities. Idaho Power maintains that Interconnect Solar has been expressly advised in writing that the Scheduled Operation Date it selected was prior to such time that the interconnection/transmission facilities are scheduled to be constructed and completed. Application at 8. Idaho Power states that Interconnect Solar has acknowledged and expressly agreed to accept all risk associated with not meeting the Scheduled Operation Date, including forfeiture of the Delay Security, and potential termination of the Agreement. *Id.*

The parties have agreed to terms providing for each party's 50% ownership of any environmental attributes, including RECs, generated by the Facility for the full 25-year term of the Agreement.

Energy prices in this Agreement are derived from Idaho Power's AURORA economic dispatch model for this Facility's estimated energy shape as specified by Commission requirements for the IRP-based avoided cost methodology. *Id.* at 5. The energy prices contain the previously approved differentiation between heavy load and light load pricing, as well as different seasonal prices. *Id.* This Agreement adds heavy load peak pricing to the months of July and August. The energy price identified by the IRP methodology for this Facility is equivalent to a 20-year levelized price of \$105.15 per MWh. *Id.* However, Idaho Power states that the actual energy pricing stream varies throughout the term of the contract based upon the month and time of day during which the energy is delivered to Idaho Power. *Id.*

By its own terms, the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declares that all payments made by

Idaho Power to Interconnect Solar for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

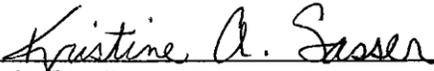
Idaho Power requests that its Application be processed by Modified Procedure pursuant to Commission Rules of Procedure 201-204. IDAPA 31.01.01.201-.204.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure?



Kristine A. Sasser
Deputy Attorney General

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