

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>ROCKY MOUNTAIN POWER FOR AN</b>	)	<b>CASE NO. PAC-E-07-07</b>
<b>ORDER REVISING CERTAIN</b>	)	
<b>OBLIGATIONS TO ENTER INTO</b>	)	
<b>CONTRACTS TO PURCHASE ENERGY</b>	)	
<b>GENERATED BY WIND-POWERED SMALL</b>	)	<b>NOTICE OF PETITION</b>
<b>POWER GENERATION QUALIFYING</b>	)	
<b>FACILITIES</b>	)	

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YOU ARE HEREBY NOTIFIED that on April 23, 2007, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a change in the Company's PURPA obligations for wind QFs. PacifiCorp proposes restoring the cap on entitlement to published avoided cost rates for wind-powered small power generation facilities that are qualifying facilities (QFs) under Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA) from the current level of 100 kW to 10 average megawatts per month (10 aMW), subject to the following conditions:

1. Reducing the published avoided cost rates applicable to purchases by PacifiCorp of electric power from wind-powered QFs by \$5.04 per MWh, which amount represents the inflation-adjusted integration costs of that wind power, to be applied against published avoided cost rates except in those circumstances where the QF developer agrees in the power purchase agreement with PacifiCorp to deliver QF output to PacifiCorp on a firm hourly schedule;
2. Removing the requirement that the 90%/110% performance band be applied to purchases from wind-powered QFs;
3. Authorizing PacifiCorp to purchase state-of-the-art wind forecasting services to provide PacifiCorp with forecasted wind conditions in those geographic areas in which wind generation resources are located, provided that QFs will reimburse PacifiCorp for their share of the ongoing cost of the wind forecasting service, in proportion to their percentage share of the wind-generator capability being supplied to PacifiCorp from that area;
4. Requiring QFs to deliver a "mechanical availability guarantee" to PacifiCorp to demonstrate monthly, except for scheduled maintenance

and events of force majeure or uncontrollable force, that the QF was physically capable and available to generate a full output during 85% of the hours in a month;

5. Clarifying the rules governing the entitlement to published rates to prevent all QFs, whether wind or non-wind, capable of delivering more than 10 aMW per month from structuring or restructuring into smaller projects for the purpose of qualifying for the published avoided cost rates; and
6. Clarifying that the cap on entitlement to published avoided cost rates shall be restored to 10 aMW only until PacifiCorp's renewable targets for each calendar year in the most recently acknowledged Integrated Resource Plan are met.

### **BACKGROUND**

On June 17, 2005, Idaho Power Company in Case No. IPC-E-05-22 filed a petition with the Commission requesting a suspension of its obligations under Sections 201 and 210 of PURPA to enter into new purchase and sales contracts for energy generated by wind-powered QFs. PacifiCorp intervened in that case and requested similar treatment. In Order No. 29839, issued on August 4, 2005, the Commission reduced the published rate eligibility cap for QF wind projects from 10 aMW per month to 100 kW and required individual contract negotiations for QFs larger than 100 kW for PacifiCorp, Idaho Power and Avista Corporation. PacifiCorp states it has participated in follow-up wind workshops in Idaho and has continued to study and analyze the impact of integrating wind generation into its multi-state electrical system, utilizing its existing integrated resource planning process.

PacifiCorp notes that Idaho Power has recently filed petitions respecting PURPA purchase obligations in two different dockets, Case No. IPC-E-07-03 (Petition to Raise Published Rate Eligibility Cap and Eliminate 90/110 Performance Band Requirements for Wind QFs) and IPC-E-07-04 (Petition to Clarify Rules Regarding Published Rate Eligibility – Disaggregation). PacifiCorp's Petition in this case makes similar recommendations with respect to PacifiCorp's Idaho service territory. PacifiCorp concurs with Idaho Power's recommendations and recommends that similar policies be adopted with respect to PacifiCorp's PURPA purchase obligations.

### **Wind Integration Study – Proposed Rate Adjustment**

In Case No. IPC-E-05-22, Order No. 29839, the Commission found that the supply characteristics of wind generation and related integration costs could provide a basis for adjustment of the published avoided cost rates, an adjustment that may be different for each utility. PacifiCorp's recommendation is that published avoided cost rates for purchases of wind generation by the Company be reduced by \$5.04 per MWh, which amount represents the integration costs of that wind power, except in those circumstances where the QF developer agrees in the power purchase agreement with PacifiCorp to deliver QF output to PacifiCorp on a firm hourly schedule. The \$5.04 per MWh represents the wind integration cost included in the Company's latest acknowledged Integrated Resource Plan (the 2004 IRP) adjusted for inflation. Attached as Exhibit A to the Company's Petition is an excerpt from the "PacifiCorp – 2004 IRP Appendix J – Renewable Generation Assumptions" in which PacifiCorp provides a description of the methodology used and the results derived from PacifiCorp's analysis of the wind integration cost issue as part of the 2004 IRP process.

### **Elimination of the 90%/110% Performance Band**

Idaho Power and Avista recommend the elimination of the 90%/110% performance band, subject to several conditions. (Reference Avista Case No. AVU-E-07-02.) PacifiCorp recommends that the same policies be applied to the purchase of wind power by PacifiCorp from QFs. PacifiCorp believes that its proposed discount captures, as best as can be determined presently, the cost of integrating wind generation into the Company's system and, therefore to some degree, takes into account the inherent difficulty of accurately forecasting the availability of wind. The establishment of the discount, it contends, will in large measure account for the variability of wind, and thereby diminish the need for a performance band for wind. Furthermore, PacifiCorp believes there is benefit to a level of consistency in the structure of PURPA QF tariffs among utilities.

In lieu of a performance band structure, PacifiCorp supports the concept of establishing a Mechanical Availability Guarantee by the QF. This guarantee would encourage wind developers to ensure that the maintenance is performed on the wind turbines and that they maintain the readiness of their equipment throughout the full duration of the long-term contract. PacifiCorp has successfully implemented a Mechanical Availability Guarantee in power purchase agreements with other wind-powered QFs and continues to support this method.

PacifiCorp also supports the concept that QFs should participate in funding wind forecasting services, as a condition of not being bound by the performance band. Wind forecasting services, the Company notes, are specific to any given wind farm and therefore may not be able to be shared with other wind farms within the same geographic area. To the extent that PacifiCorp could use the same wind data, the Company would propose to share such expense on a pro rata basis with QFs that are selling their power to PacifiCorp under long-term contracts, so that the QFs would pay a portion of the wind forecasting expenses proportional to their share of the wind-generator capability within the PacifiCorp wind portfolio from that geographic region.

#### **Published Rate Eligibility – Disaggregation**

Idaho Power and Avista have recommended adoption of a rule nearly the same as that adopted by the Oregon Public Utility Commission preventing multiple projects owned by the same person from receiving the published avoided cost rates, if located at the same site. PacifiCorp recommends that the approach recommended by Idaho Power in Case No. IPC-E-07-04 be applied to PacifiCorp purchases as well. PacifiCorp contends that wind projects are uniquely able to reconfigure themselves into various legal ownerships solely for economic reasons, without disturbing or affecting in any way the project site or structural design. In some circumstances, other generating technologies, it notes, may have similar capabilities. Such projects under common ownership that reconfigure themselves into multiple projects of a smaller capacity, PacifiCorp contends, should not qualify for published avoided costs in Idaho. Rather, these projects, it contends, should negotiate directly with the Company to determine the appropriate avoided cost price to be paid for energy delivered to PacifiCorp taking into account the specific attributes of the project.

Additionally, while fundamental economic differences in the avoided costs and wind integration costs exist for different utilities, PacifiCorp contends a uniform approach among Idaho jurisdictional utilities is particularly useful to avoid unneeded incentives favoring one utility over another solely due to different QF rules that might apply to different utilities.

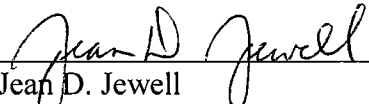
PacifiCorp recommends that the cap on entitlement to published avoided cost rates be restored to 10 aMW only until the Company's system-wide wind resource purchases meet the total wind targets, by calendar year, from the latest acknowledged IRP or until PacifiCorp files

for changes to its avoided cost schedules, or files a new wind integration cost study based on additional industry experience.

YOU ARE FURTHER NOTIFIED that the Company's Petition may be viewed at the Commission's website, [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W. Washington Street, Boise, Idaho and at the Idaho offices of PacifiCorp dba Rocky Mountain Power.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

DATED at Boise, Idaho this 15<sup>th</sup> day of May 2007.

  
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Jean D. Jewell  
Commission Secretary

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