

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S PETITION TO INCREASE)	CASE NO. IPC-E-07-03
THE PUBLISHED RATE ELIGIBILITY CAP)	
FOR WIND-POWERED SMALL POWER)	
PRODUCTION FACILITIES; AND)	
)	
TO ELIMINATE THE 90%/110%)	
PERFORMANCE BAND FOR WIND-)	
POWERED SMALL POWER PRODUCTION)	
FACILITIES)	
)	
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IN THE MATTER OF THE PETITION OF)	
ROCKY MOUNTAIN POWER FOR AN)	CASE NO. PAC-E-07-07
ORDER REVISING CERTAIN)	
OBLIGATIONS TO ENTER INTO)	
CONTRACTS TO PURCHASE ENERGY)	
GENERATED BY WIND-POWERED SMALL)	
POWER GENERATION QUALIFYING)	
FACILITIES)	
)	
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IN THE MATTER OF THE PETITION OF)	
AVISTA CORPORATION FOR AN ORDER)	CASE NO. AVU-E-07-02
REVISING AVISTA CORPORATION'S)	
OBLIGATIONS TO ENTER INTO)	NOTICE OF CONSOLIDATED
CONTRACTS TO PURCHASE ENERGY)	PREHEARING CONFERENCE
GENERATED BY WIND-POWERED SMALL)	
POWER GENERATION FACILITIES)	
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The Idaho Public Utilities Commission has authority under the Public Utility Regulatory Policies Act of 1978 (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 qualifying facilities (QFs) and to implement FERC rules.

On February 6, 2007, Idaho Power Company (Idaho Power) in Case No. IPC-E-07-03 filed a Petition with the Idaho Public Utilities Commission (Commission) proposing a \$10.72/MWh wind integration adjustment for reduction to the published avoided cost rates payable to wind QFs. In a report addendum filed with the Commission on October 31, 2007, the

Company presents an updated wind integration cost of \$7.92/MWh. On April 2, 2007, Avista Corporation (Avista) filed a Petition proposing a wind integration adjustment to published avoided cost rates of 12%; and for QFs agreeing to deliver output on a firm hourly schedule, a percentage reduction of 6%. On April 23, 2007, PacifiCorp dba Rocky Mountain Power (PacifiCorp) filed a Petition proposing a wind integration adjustment of \$5.04 per MWh. All petitions contained additional elements and conditions, i.e., elimination of 90%/110% performance band; sharing of costs for wind forecasting services; and QF commitments to provide a "Mechanical Availability Guarantee" demonstrating physical capability and ability to generate at full output during 85% of the hours in a month.

Parties of Record

The following parties in Case No. IPC-E-07-03 requested and were granted intervenor status: Exergy Development Group of Idaho LLC; Renewable NW Project and N.W. Energy Coalition; PacifiCorp dba Rocky Mountain Power; Ridgeline Energy LLC; Idaho Windfarms LLC; Cassia Gulch Wind Park LLC and Cassia Wind Farms LLC; Avista Corporation; Snake River Alliance; Gerald Fleischman; Renaissance Engineering & Design, PLLC; Blue Ribbon Energy LLC; and INL Biofuels and Renewable Energy Technologies.

The following parties in Case No. PAC-E-07-07 requested and were granted intervenor status: Intermountain Wind LLC; Exergy Development Group of Idaho LLC; Renewable NW Project and NW Energy Coalition; Idaho Windfarms LLC; Avista Corporation; and INL Biofuels and Renewable Energy Technologies.

The following parties in Case No. AVU-E-07-02 requested and were granted intervenor status: Exergy Development Group of Idaho LLC; Renewable NW Project and NW Energy Coalition; Idaho Windfarms LLC; and INL Biofuels and Renewable Energy Technologies.

Background

In Case No. IPC-E-05-22, Idaho Power's Petition to temporarily suspend its purchase obligations for wind generation, the Commission on August 4, 2005 stated

Based on the record established in this case the Commission finds reason to believe that wind generation presents operational integration costs to a utility different from other PURPA qualified resources. We find that the unique supply characteristics of wind generation and the related integration costs provide a basis for adjustment to the published avoided cost rates, a calculated figure that may be different for each regulated utility. The

procedure to determine the appropriate amount of adjustment, we find, and the identification of what studies, if any, need to be performed to provide such a number is a matter appropriate for further proceedings. The record reflects that a wind integration study if required may take six months to develop. Idaho Power has requested a suspension period from six to nine months.

Order No. 29839 p. 8.

In reducing the cap for published rates for wind projects offering power on a non-firmed basis, we found that we had continuing authority to review PURPA rates in order to protect the public interest. 18 C.F.R. § 292.304(a)(1)(i), (c)(1); Order No. 29839 p. 9. We recognized further that no utility is required to pay more than its avoided cost for QF purchases. PURPA § 210(b); Order No. 29839 p. 9.

In commenting on our changing the published rate availability for certain wind QFs, we stated

We did not eliminate the utility's obligation to purchase from wind QFs, but we established greater administrative control of contracts during the period of our investigation. For wind QFs greater than 100 kW offering power on an unfirmed basis, the door to a purchase contract is not closed. For projects not qualifying for the published rate, individual negotiation of rates under an IRP based methodology is required.

Order No. 29872 p. 10.

Pursuant to Commission direction Idaho Power in conjunction with Avista and PacifiCorp and in consultation with the other parties scheduled and held four workshops (August 29, September 20, October 10, and November 18, 2005) and a settlement meeting (January 12, 2006). The parties were unsuccessful in reaching mutual agreement on interim settlement issues. No additional meetings were scheduled until completion of the Company's integration study (estimated June 2006). See Phase II Workshop Final Report, January 31, 2006. See also September 6, 2005 and November 7, 2005 Status Reports.

In early 2007 Idaho Power, Avista and PacifiCorp filed integration studies and recommended wind integration adjustments. Case Nos. IPC-E-07-03 (2-16-07); AVU-E-07-02 (4-2-07); and PAC-E-07-07 (4-23-07). Workshops ensued. Efforts to obtain a comprehensive generic settlement were unsuccessful. The Commission on August 22, 2007 established comment deadlines to bring the matter to closure. The Commission was notified that Renewable Northwest Project/NW Energy Coalition had reached a settlement agreement in principle with

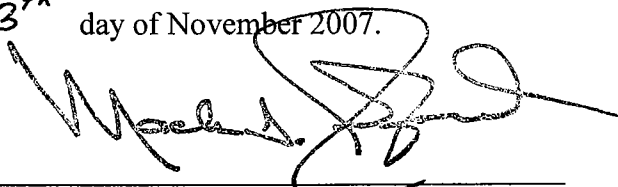
two of the three utilities and believed that an agreement in principle could be achieved with the third utility. Additional time was requested to complete settlement discussions, to solicit support from other parties and to prepare settlement documents. An additional scheduling Order was issued September 19, 2007. Further negotiation efforts resulted in settlement proposals with only limited support, i.e., the utilities, Renewable Northwest Project/NW Energy Coalition, Idaho Windfarms LLC, and Commission Staff.

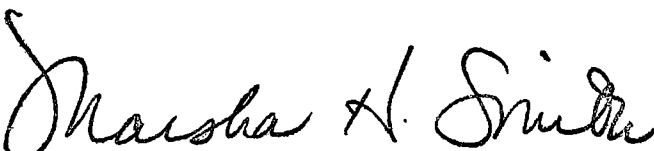
Given two years of continued effort it appears unlikely to this Commission that the parties will be able to achieve resolution agreeable to all parties. That being said, however, a review of the filings reveals that the protracted process was not without constructive benefit. Studies have been prepared; underlying assumptions have been challenged; a greater understanding of wind integration is evident; and the learning curve has been reduced.

To bring this matter to conclusion, we find it reasonable to set a prehearing conference of the parties to identify what issues remain; to determine at what points (if any) consensus exists; and to determine the scope and timeline of further proceedings.

YOU ARE HEREBY NOTIFIED that a **consolidated prehearing conference** in Case Nos. IPC-E-07-03, PAC-E-07-07, and AVU-E-07-02 will **COMMENCE AT 9:00 A.M. ON TUESDAY, DECEMBER 11, 2007 AT THE COMMISSION'S HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE, IDAHO.**

DATED at Boise, Idaho this 13th day of November 2007.

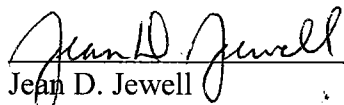


MACK A. REDFORD, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

JIM KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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