

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-)	ORDER NO. 30488
POWERED SMALL POWER PRODUCTION)	
FACILITIES)	

The Idaho Public Utilities Commission (Commission) has authority under Sections 201 and 210 of 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.

In early 2007 Idaho Power Company (Idaho Power; Company), Avista Corporation dba Avista Utilities (Avista) and PacifiCorp dba Rocky Mountain Power (PacifiCorp) filed wind integration studies and petitions recommending utility-specific wind integration adjustments to the published avoided cost rates. Case Nos. IPC-E-07-03 (2-16-07); AVU-E-07-02 (4-2-07); and PAC-E-07-07 (4-23-07). The Commission in this Order addresses Idaho Power's Petition and approves a comprehensive Settlement Stipulation of the issues presented. We increase the published rate eligibility cap for intermittent QF wind projects from 100 kW to 10 aMW/month, establish a wind integration adjustment to published avoided-cost rates, and eliminate the 90%/110% performance band for wind QFs that agree to provide a Mechanical Availability Guarantee and share in the cost of wind forecasting services.

Background

On June 17, 2005, in Case No. IPC-E-05-22, Idaho Power requested a temporary suspension of its purchase obligations for wind generation. On August 4, 2005, the Commission issued Order No. 29839 finding good cause to conduct further proceedings to determine the appropriate amount of adjustment, if any, to integrate wind generation resources. The Commission declined to suspend the Company's purchase obligation. The Commission instead

reduced the published rate eligibility cap for intermittent QF wind projects from 10 aMW/month to 100 kW and required individual contract negotiations for wind QFs larger than 100 kW. This action was taken to investigate system reliability and avoided cost issues regarding intermittent resources. In reducing the cap for published rates for wind projects offering power on a non-firmed basis, the Commission found that it 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), (c)(3)(ii); Order No. 29839 p. 9. It was further recognized that no utility is required to pay more than its avoided cost for QF purchases. PURPA § 210(b).

In the IPC-E-05-22 case, Idaho Power advised the Commission that it intended to perform a study to quantify the additional costs it would incur directly related to purchasing a significant amount of wind generation (the Wind Integration Study; the Study). The Company further advised the Commission that upon completion of the Study, the Company would provide it to the Commission for consideration. 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 wind integration study. See Phase II Workshop Final Report, January 31, 2006. See also September 6, 2005 and November 7, 2005 Status Reports.

On February 6, 2007, Idaho Power in Case No. IPC-E-07-03 filed a Petition with the Commission presenting a final Wind Integration Study and proposing a \$10.72/MWh wind integration adjustment for reduction to the published avoided-cost rates payable to wind QFs to compensate for the increase in system costs due to wind variability.¹ The Company's proposal included the following additional elements and conditions: Elimination of the 90%/110% performance band; sharing of costs for wind forecasting services; establishment of a "Mechanical Availability Guarantee" demonstrating physical capability and availability of wind QFs to generate at full output during 85% of the hours in a month; and, contingent on acceptance of the foregoing, an increase in the published rate eligibility cap for intermittent QF wind

¹ On April 2, 2007, Avista Corporation (Avista) filed a similar Petition in Case No. AVU-E-07-02 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 in Case No. PAC-E-07-07 proposing a wind integration adjustment of \$5.04 per MWh.

projects from 100 kW to 10 aMW/month. In a Report Addendum filed with the Commission on October 31, 2007, the Company presented an updated wind integration cost of \$7.92/MWh, which was stated to represent the current cost of integrating up to 600 MW of wind on its system.

On October 2, 2007, Idaho Power and Renewable Northwest Project and NW Energy Coalition (Renewable Coalition) filed a Joint Motion to Approve Settlement Stipulation. IDAPA 31.01.01.271-276. The Settlement is a proposed resolution of the issues presented in this case and is now signed and/or is supported by all parties except Exergy Development Group of Idaho LLC (Exergy). The Settlement Stipulation provides for three tiers of wind integration charges based upon increasing levels of wind development.

Parties of Record

The following parties requested and were granted intervenor status: Exergy Development Group of Idaho LLC; Renewable Northwest Project and NW 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.

Wind Integration Study – Initial Filing and Petition

Idaho Power's Wind Integration Study was included as Attachment 1 to its February 6, 2007, Petition. To assist Idaho Power in preparing its Study, the Company retained the services of EnerNex Corporation. EnerNex retained WindLogics, Inc. to assist by developing the historical wind speed data set for the Study. Both consultants, the Company contends, are acknowledged as experts in their respective fields, analysis and preparation of wind integration studies (EnerNex) and atmospheric modeling and analysis (WindLogics). A peer review draft of the Study was distributed by the Company to a number of entities in the region that are considering similar wind integration issues. The peer review participants were Avista, Bonneville Power Administration (BPA), Grant County PUD, National Renewable Energy Laboratory, Northwestern Energy, Oakridge National Laboratory, PacifiCorp, Puget Sound Energy, Renewable Northwest Project, Seattle City Light, and two independent consultants. Based on comments received from the peer review group and with further refinements performed by the Company, the methodology was finalized and the final Study prepared.

Idaho Power's Wind Integration Study purports to quantify some of the additional costs the Company incurs in purchasing energy from QF wind resources; costs that are not included in the published avoided cost rates. The Study, the Company states, confirms that avoided-cost rates paid to wind-powered QF resources do not reflect the actual costs the Company could avoid by the purchases and must be reduced to be in compliance with PURPA. 18 C.F.R. § 292.304(a)(2).

It is Idaho Power's contention that a number of potentially significant costs associated with the integration of wind resources are not addressed in its Study. Only the additional costs the Company would incur in providing the additional up-and-down regulating reserves necessary to integrate or "firm" the wind integration without a reduction in reliability are addressed. The Study assumes that the primary resource that would be used to provide the "firming" role would be the Company's Hell's Canyon Complex. In addressing the additional up-and-down regulating reserves required to integrate various amounts of wind energy, the Study describes the role that market prices play in determining the additional costs the Company would incur as a result of making additional market purchases during heavy load hours (HLH) and additional sales during light load hours (LLH).

The Study does not consider, or attempt to quantify, other critical wind integration cost issues such as how the firming requirements of wind would affect operation and maintenance costs of the Company's low-cost hydro system. To a significant degree, the Company contends that those wind integration impacts cannot be analyzed and quantified without a reasonable period of experience with actual operations after wind resources are added.

In addition, the Study does not consider the impacts of the integration of substantial wind generating resources on the Company's transmission system, either internal or interconnecting to other utilities or regions, or the infrastructure investment levels necessary to support the growth in wind generation demands on the system. Furthermore, the Study does not consider the fact that, once the number of developed wind projects reaches a certain level, the firming availability of the Company's hydroelectric resources will be exhausted and the firming requirements for additional resources of any kind will have to come from new, and much more expensive, backup sources such as coal and gas-fired plants.

Based on average costs, Idaho Power computed the amounts that it believed should be deducted from the published avoided-cost rates so that the published rates would more

accurately reflect Idaho Power's avoided costs. The Company stated that it had signed contracts, or made commitments, to develop 384 MW (nameplate capacity) of wind generation. Idaho Power proposed that the prospective cost reduction be set at \$10.72 per MWh, the midpoint between the cost associated with the then currently contracted 384 MW of wind and the additional cost that would be incurred at a 20% penetration level of 600 MW. Idaho Power requested that, in conjunction with an increase in the cap on entitlement to published rates, the Commission order a reduction in the published avoided cost prices to be paid to intermittent wind energy QFs in the amount of \$10.72/MWh. The deduction was reflected in the published chart amounts set out in Petition Attachment 2.

Following the filing of its Petition and Wind Integration Study in February 2007, Idaho Power conducted a public workshop on March 15, 2007, to formally present the results of the study and to solicit feedback from representatives from the wind industry, environmental groups, consumer groups and governmental and regulatory entities. On June 20, 2007, a second workshop was held to address questions and concerns raised in the first workshop and to present updated modeling results. In a Report Addendum filed with the Commission on October 31, 2007, the Company addressed the issues discussed at both workshops and presented an updated wind integration cost of \$7.92/MWh, an amount which included the operational impacts of integrating wind generation into the Company's existing resource portfolio.

As Idaho Power gains experience with integrating wind generation into its resource portfolio, the Company states that it will update the Study and present the results of the update to the Commission. Idaho Power anticipates that an update will be completed on or before the time the Company expects to have 600 MW of intermittent wind in its energy portfolio.

Elimination of 90%/110% Performance Band Requirement

As represented in its Wind Integration Study filing, Idaho Power believes that inclusion of the 90%/110% performance band provisions in QF contracts (reference Order No. 29632) has been effective in (1) promoting more accurate estimates of monthly energy deliveries and (2) more closely aligning the value of QF generation with the published avoided-cost rates. That being said, Idaho Power in its Petition recommends that the 90/110 performance band requirement be eliminated in energy purchase contracts involving intermittent wind-powered QFs, provided that the following three criteria are met:

1. Wind QFs Agree to Fund Their Share of Wind Forecasting Services

Idaho Power expresses its intent to purchase state-of-the-art wind forecasting services that will deliver to Idaho Power forecasts of wind conditions in those specific geographic areas where the Company's wind resources are located. Idaho Power recommends that the cost of the wind forecasting service be shared among all purchased and owned wind generation resources included in the Company's resource portfolio.

2. Wind QFs Agree to Provide a Mechanical Availability Guarantee

Idaho Power acknowledges that the concept of substituting a Mechanical Availability Guarantee (MAG) for the 90/110 performance band has been previously considered and rejected by the Commission (reference Order No. 29880). Idaho Power states it was not proposing that a MAG be considered a one-for-one replacement for the 90/110 performance band. Instead, Idaho Power proposes that the MAG be only one of three criteria to be satisfied as a condition precedent to elimination of the 90/110 performance band. Idaho Power proposes that the MAG require wind QFs to demonstrate each month that, except for scheduled maintenance and force majeure events, the wind project is physically capable of generating at full output during 85% of the hours in the month. Failure to comply with the Mechanical Availability Guarantee would result in the payment of liquidated damages.

3. Intermittent Wind QFs Agree to Be Paid Lower Rates

The third proposed condition for the elimination of the 90/110 performance band for wind QFs is the adoption by the Commission of reduced published avoided-cost rates to recognize the additional costs Idaho Power would incur as it acquired increasingly larger amounts of wind generation (i.e., wind integration adjustment). The changes to the published rates for the first 600 MW of new wind-powered QFs proposed by Idaho Power in its Petition were set out in Petition Attachment 2.

Settlement Stipulation (October 2, 2007)

Following the filing of the Company's Petition and Wind Integration Study, a series of public and settlement workshops were held. Efforts to obtain a common generic wind integration adjustment and comprehensive settlement in Case Nos. IPC-E-07-03, AVU-E-07-02, and PAC-E-07-07 were unsuccessful. Apprised of the impasse, the Commission on August 22, 2007 issued a Notice of Modified Procedure and established September 21 and October 5, 2007 comment and reply deadlines to bring the matter to closure. In a Motion to Vacate Comment

Deadlines filed on September 14, 2007, 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. On September 19, 2007, the Commission issued a further scheduling Order establishing deadlines for presentation of settlement documents and the filing of comments. Settlement Stipulations were filed in the three wind integration dockets.

The Commission then scheduled a consolidated prehearing conference of the parties in Idaho Power Case No. IPC-E-07-03, PacifiCorp Case No. PAC-E-07-07, and Avista Case No. AVU-E-07-02 for December 11, 2007. The purpose of the prehearing conference was to identify what issues remained, to determine at what point (if any) consensus existed, and to determine the scope and timeline of further proceedings. The following parties appeared by and through their respective representatives and counsel: Idaho Power – Barton L. Kline, Esq.; PacifiCorp – Jordan White, Esq.; Avista Corporation – Michael G. Andrea, Esq.; Commission Staff – Scott D. Woodbury, Esq.; Exergy – Peter J. Richardson, Esq.; Renewable Northwest Project & NW Energy Coalition – William M. Eddie, Esq.; Ridgeline Energy – Rich Rayhill; Idaho Windfarms – Glenn Ikemoto; Cassia Gulch Wind Park & Cassia Wind Farms & Intermountain Wind – Dean J. Miller, Esq.; Gerald Fleischman; Renaissance Engineering & Design – Brian D. Jackson; and Blue Ribbon Energy – M. J. Humphries.

At the commencement of proceedings on December 11, 2007, clarification was sought from the Commission that the Settlement Stipulation was still being considered. The Commission was informed that, with the exception of Exergy, all parties of record in the multiple dockets recommended that the Commission approve the Settlement Stipulations. The following terms of Stipulation in Case No. IPC-E-07-03 were proposed as a fair, just and reasonable compromise of the issues raised:

Settlement Stipulation ¶ 3

- (a) Idaho Power's published avoided-cost rates for Wind QFs will be adjusted to recognize an assumed cost of integrating the energy generated by Wind QFs as a part of the Company's generating resource portfolio. The rate adjustment will be applied in three tiers, increasing as the total amount of wind integrated onto Idaho Power's system grows. The integration charge for each Wind QF project will be calculated at the time a Wind QF project achieves its Operation Date as that term is defined in

the Firm Energy Sales Agreement (FESA) between the Company and the wind QF. The integration charge will be calculated as a percentage (7%, 8% or 9%) of the current 20-year, levelized, avoided-cost rate, subject to a cap of \$6.50/MWh. The integration charge as calculated on the Operation Date will remain fixed throughout the term of the contract and will be applied as a decrement to the applicable published rate according to the table below:

	<u>Amount of Wind Online</u>	<u>Integration Charge (cap)</u>
Tier 1	0 to 300 MW	7% (\$6.50/MWh)
Tier 2	301 to 500 MW	8% (\$6.50/MWh)
Tier 3	501 MW and above	9% (\$6.50/MWh)

The term “amount of wind online” means the cumulative amount of installed megawatts of wind generation capable of delivering energy in real time to Idaho Power’s system on the date when a Wind OF achieves its Operation Date. Provided however that FESAs with Wind QFs which have been approved by the Commission as of the date of this Stipulation will count toward the cumulative “amount of wind online” for as long as such FESAs are in effect. (Total PURPA wind projects under contract 265.3 MW; non-PURPA wind 100.7 MW – as per Idaho Power Company December 11, 2007 Status Report.)

The term “applicable published rate” means the applicable avoided-cost rate approved by the Idaho PUC for purchases of power from QFs producing less than 10 aMW, for the relevant contract year and time period of energy generation.

- (b) The 90%/110% performance band approved by the Commission in Order No. 29632 will be eliminated from the template Firm Energy Sales Agreement for future Wind QFs. The 90%/110% performance band will be replaced in future FESAs by the integration charge described in paragraph 3(a) above, a mechanical availability guarantee as described in Idaho Power’s Petition in this Case No. IPC-E-07-03 and a wind forecasting charge as described in paragraph 3(f) below. QFs currently holding FESAs which include the 90%/110% performance band can elect to amend their existing FESAs to replace the 90%/110% performance band with the mechanical availability guarantee but if they make that election, they will be subject to the wind integration charge and wind forecasting charge in effect when their Wind QF project achieves its Operation Date.
- (c) No later than October 31, 2007, Idaho Power will publish an amendment to the Study to reflect the additional analyses presented by the Company in the public workshops held in IPC-E-07-03.

- (d) Idaho Power will convene an informal wind integration cost working group which will meet at least two times during 2008 to discuss Idaho Power's wind integration study and new data related to wind integration costs.
- (e) Idaho Power will review its expected cost of wind integration in light of the best available scientific data and actual operating experience. Expected wind integration cost information will be included in the Company's integrated resource planning (IRP) process in the same way that costs for other generating resources are included in the IRP.
- (f) Idaho Power will contract with a nationally recognized wind energy production forecasting vendor to produce a wind energy production forecast for Idaho Power's service area. The cost of this wind energy production forecasting will be allocated to all Wind QFs holding FESAs with Idaho Power on a uniform per MW basis. The cost attributable to an individual Wind QF will be shared equally between Idaho Power and the wind QF, with an annual cap on the Wind QFs maximum liability for such costs set at 0.1% of the total energy payments Idaho Power made to the Wind QF under the applicable FESA during the previous Contract Year. During the first Contract Year, the cap will be set at 0.1% of the wind QFs total energy payments for the first Contract Year. As this cap will not be known until the first Contract Year is complete, Idaho Power will deduct the Wind QFs calculated share each month during the first year and subsequently refund any overpayment (payments that exceed the cap) in equal monthly amounts over the ensuing Contract Year. Idaho Power will consult with Wind QFs in setting up the protocols for the wind energy forecasting program. It is Idaho Power's intent that the wind energy forecasting program be practical and cost effective.

Exergy

In an October 19, 2007, filing with the Commission, Exergy Development Group of Idaho LLC recommended that the Joint Motion to Approve Settlement Stipulation be denied. Exergy contends that the proposed settlement is not supported by an adequate record and is contrary to the public interest. Exergy contends that the Commission is being asked to proceed in the face of "widely" varying integration costs that are based on a science in its "infancy" and using "assumptions for numerous variables" with "imprecision and uncertainty." To do so, Exergy states, would result in a wind integration adjustment that is, by definition, arbitrary.

Joint Reply

The Renewable Coalition and Idaho Power dispute Exergy's contention that a wind integration adjustment must be set at zero until the utility can demonstrate actual integration costs based on actual wind generation on the Company's system. The parties to the Settlement submit that the integration costs reflected in the Stipulation are within the range of reasonable estimated wind integration costs based on current conditions and information. Joint Reply p. 3.

Commission Staff

On October 5, 2007, in comments filed in support of the Settlement Stipulation, Staff recommends that the wind integration adjustment and other Settlement terms be approved. Staff contends the proposed adjustment, represents a reasonable approximation of the wind integration costs over the 20-year term of new PURPA contracts. The proposed integration costs are significantly below the values determined in the Company's Wind Integration Study. Staff expects that over time integration costs should decrease as markets mature, geographic diversity improves, technology advances, and experience is gained in operation and forecasting. Yet it is also generally believed that as penetration levels increase, integration costs will increase. Whether the factors causing integration costs to increase completely offset the factors causing integration costs to decrease remains to be seen. Periodic reviews as provided for in the Stipulation, Staff contends, will provide opportunities to revise the wind integration adjustment if downward and upward pressures on wind integration costs get out of balance.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. IPC-E-07-03 including Idaho Power's initial filing in this docket, the Company's Wind Integration Study, the October 2007 Report Addendum with revised analysis and impacts and updated study results, the Joint Motion for Approval of Settlement Stipulation, the supporting comments of Commission Staff, the opposition filing of Exergy, and the joint reply filing of Idaho Power and the Renewable Coalition. We have reviewed public comments supportive of wind power and critical of utility and regulatory policies that the commenters contend have stymied the development of wind farms in Idaho. We have reviewed the transcript of the December 11, 2007, Joint Prehearing Conference in Case Nos. IPC-E-07-03, PAC-E-07-07, and AVU-E-07-02 and the Commission-requested report filed by Idaho Power showing the current status of wind projects on the Company's system. We have also reviewed our Orders in Case No. IPC-E-05-22

and the workshop reports filed in that docket, our mechanical availability guarantee Order in Case No. PAC-E-05-09 (Schwendiman) and our 90%/110% performance band Orders in Case Nos. IPC-E-04-8 (U.S. Geothermal)/04-10 (Lewandowski).

In this case the Commission is presented with a comprehensive Settlement Stipulation and terms of agreement that include a wind integration adjustment to published avoided-cost rates. The parties to the Stipulation believe that the integration charge will provide long-term stability for QF development and will provide flexibility to protect customers from published rates that are too high. The Exergy Development Group is the only party to this case that opposes the Stipulation. At the consolidated prehearing conference in this matter the Commission inquired of Exergy as to the nature of the case it would intend to introduce if granted a hearing. Based on Exergy's representations, we are satisfied that the principal arguments that it would advance have already been addressed in its written filings of record. Tr. p. 22. We consider and find this case to be fully submitted and find it reasonable to process this matter without further hearing or notice. IDAPA 31.01.01.204.

Exergy contends that the Commission is legally prevented from determining a wind integration adjustment to published avoided-cost rates based on models, forecasts, projections and assumptions. Exergy contends that wind integration costs must be based on "actual" wind penetration on the Company's system. We find Exergy's argument to be unsound and evidence of a misunderstanding of both "avoided cost" as defined in 18 C.F.R. §§ 292.101(b)(6) and 292.304 and this Commission's authority and jurisdiction under Sections 201 and 210 of PURPA and the implementing regulations of the Federal Energy Regulatory Commission. In establishing avoided-cost rates this Commission acts pursuant to federal, not state law. Avoided costs are the incremental costs to an electric utility of electric energy, capacity, or both, which absent purchase from a QF, the utility would generate itself or purchase. 18 C.F.R. § 292.101(b)(6). FERC does not prescribe a specific methodology for the calculation of avoided costs. The QF rates we establish for long-term firm contracts are forecast values and estimates and it has long been understood that the avoided-cost concept is not violated by use of such estimates. 18 C.F.R. § 292.304(b)(5).

The Commission also finds unreasonable Exergy's contention that utility contracts with wind generators cannot, in advance of the projects coming online, be factored into the Company's calculations of wind penetration on its system. To adopt such a position presupposes

that a contractual obligation of a wind developer to bring a project online by a certain date is without consequence and results in no reciprocal obligations on the part of the utility or duty to plan for the delivery of the power.

A review of the filings in IPC-E-05-22 and this docket reveals that the process of workshops and dialogue has resulted in constructive benefits to Idaho Power and all parties. The wind integration adjustment proposed in this case is representative of the operational impacts and costs associated with operating the Company's hydroelectric plants in a manner that maintains reliability and facilitates integration of wind energy onto the Company's system. The Wind Integration Study performed by Idaho Power, EnerNex Corporation and WindLogics, and the updated results set forth in the Study Addendum, present what we find to be a good estimate of the costs the Company will incur to accommodate wind generation for a range of penetration levels. The Commission finds that the costs of wind integration are real, not illusory. A wind integration adjustment recognizes that variable wind generation presents operational integration costs to a utility that are different from other PURPA qualified resources. The wind adjustment proposed in the Settlement is a result of compromise and negotiation. Settlement ¶ 3(a). We find the use of the adjustment as a decrement to the published avoided-cost rate for wind QFs results in net rates that represent the full avoided cost of wind generation; rates that are fair, just and reasonable. 18 C.F.R. §§ 292.101(b)(7); 292.304(a).

The Commission finds the Settlement Stipulation presented in this case and all of its components to be fair, just and reasonable and in the public interest. In our U.S. Geothermal/Lewandowski Orders in Case Nos. IPC-E-04-8/04-10, the Commission stated its belief that a legally enforceable obligation translates into reciprocal contractual obligations for both parties; a quid pro quo. It is not just a lock-in of avoided cost rates, but is also an obligation to deliver. Asked to make a decision regarding eligibility between firm and non-firm resources, we defined firmness as "predictability on a monthly basis." In establishing a 90%/110% performance band requirement, a majority of the Commission defined the minimum degree of predictability required for published rate eligibility. The Commission found the performance requirement to be necessary to assure that the Company's customers received the generation product that they were paying for. In our later Schwendiman Order in Case No. PAC-E-05-9, we found that the mechanical availability guarantee did not alone provide a reasonable or equivalent substitute for the 90%/110% performance band, and was not in itself sufficient to

protect ratepayers from overpaying. The wind forecasting and mechanical availability guarantee in conjunction with other provisions of the Settlement in this case, we find, make elimination of the 90%/110% performance band reasonable. We accept that the Stipulation is based on best available data and analysis, and expect that as experience and data increases, the ability to calculate wind integration costs will improve. Our acceptance of the Stipulation is contingent on a continuing and close monitoring of integration costs by Idaho Power.

Idaho Power Company proposes including a wind integration review in the Company's biennial Integrated Resource Plan. The Commission has continuing oversight and we expect Idaho Power to provide wind integration analysis and results to the Commission separate from its biennial IRP filing. We expect continuing, utility-sponsored, wind integration workshops (at least two times in year 2008) with participation extended to Commission Staff and the parties of record in Case No. IPC-E-07-03. As recognized by Idaho Power, regional wind integration efforts, improvements in wind forecasting, regulatory changes and actual "hands-on" experience will all have an impact on the cost of integrating wind energy. The Commission is interested in the day-to-day mechanics of how wind is integrated into the Company's system; the day-to-day impact on scheduling; and the ramifications of Area Control Error (ACE) Diversity Interchange sharing on integration costs. We expect annual review by the Company and proposed adjustments when warranted. We expect the additional data provided will be very important to our continued support of a wind integration adjustment. We further expect Idaho Power to notify the Commission when enough "on-line" wind is accumulated to move it to a new tier at which the integration charge percentage increases (7%Ψ8%Ψ9%). As with variables in the underlying avoided cost methodology, parties can petition the Commission at any time to open a docket to review and update wind integration costs if those costs are believed to be outdated or inaccurate.

As reflected in the wind project status report filed with the Commission on December 11, 2007, the total PURPA wind projects under Company contract equals 265.3 MW; projects online (19.9 MW); projects under physical construction (69.4 MW); and projects with signed and Commission-approved contracts (176 MW). In addition the Company has 100.7 MW of non-PURPA wind projects. The total Idaho Power wind projects presently under contract now equals 366 MW. When all projects are "on-line," the 366 MW total will place Idaho Power within the Tier 2 wind-power penetration level described in the Settlement Stipulation. As

reflected in the Study Addendum, Idaho Power believes that given current technology and market structure, the upper limit on the amount of wind generation that can be integrated on its current system lies between 600 and 900 MW. Six hundred megawatts of wind generation corresponds to a percentage penetration level (percentage of peak system load) of approximately 19%. The Commission expects the combined total of existing PURPA and non-PURPA projects under Idaho Power contract at the time of a new contract to be used for purposes of determining the applicable tiered discount. Wind projects may drop to a lower tier if the tier placement determined at the time of contract approval later proves inaccurate due to the failure of other previously contracted wind projects to achieve commercial operation. All wind projects with existing contracts that desire to re-negotiate new contracts in order to be relieved of meeting the 90%/110% performance band requirements, however, shall be considered to be in Tier 1.

Intervenor Funding

Intervenor funding is available pursuant to *Idaho Code* § 61-617A and Commission Rules of Procedure 161 through 165. Section 61-617A(1) declares that it is the “policy of this state to encourage participation at all stages of all proceedings before this Commission so that all affected customers receive full and fair representation in those proceedings.” The Commission may order any regulated utility with intrastate annual revenues exceeding \$3.5 million to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs. The statutory cap for total intervenor funding that can be awarded in any one case is \$40,000. *Idaho Code* § 61-617A(2).

A Petition for Intervenor Funding was filed in this docket by the Renewable Northwest Project and NW Energy Coalition (Renewable Coalition) in the amount of \$24,559.78.

Rule 162 of the Commission’s Rules of Procedure provides the form and content requirements for a petition for intervenor funding. The petition must contain: (1) an itemized list of expenses broken down into categories; (2) a statement of the intervenor’s proposed finding or recommendation; (3) a statement showing that the costs the intervenor wishes to recover are reasonable; (4) a statement explaining why the costs constitute a significant financial hardship for the intervenor; (5) a statement showing how the intervenor’s proposed finding or recommendation differed materially from the testimony and exhibits of the Commission Staff; (6) a statement showing how the intervenor’s recommendation or position addressed issues of

concern to the general body of utility users or customers; and (7) a statement showing the class of customer on whose behalf the intervenor appeared. The filings of petitioner comport with the form required by the Commission's Rules.

Commission Findings

Submitted for Commission consideration is a Petition for Intervenor Funding filed by the Renewable Coalition. The Commission has reviewed the Petition, the comments and filed testimony of the Petitioner and the supporting comments of Commission Staff.

Pursuant to *Idaho Code* § 61-617A(2) the Commission may order Idaho Power to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs, not to exceed a total for all intervening parties combined of \$40,000 in any proceeding before the Commission. The amount requested by the Renewable Coalition is \$24,559.78. We find that the Petition for Intervenor Funding in this case was timely filed and satisfied all of the other "procedural" or technical requirements set forth in Rules 161-165 of the Commission Rules of Procedure.

Idaho Code § 61-617A includes a statement of policy to encourage participation by intervenors in Commission findings. The Commission determines an award for intervenor funding based on the following considerations:

- (a) A finding that the participation of the intervenor has materially contributed to the decision rendered by the Commission; and
- (b) A finding that the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor; and
- (c) The recommendation made by the intervenor differed materially from the testimony and exhibits of the Commission Staff; and
- (d) The testimony and participation of the intervenor addressed issues of concern to the general body of users or consumers.

Idaho Code § 61-617A. We find that the Petition of the Renewable Coalition satisfies the substantive findings that we are required to make to justify an award. IDAPA 31.01.01.165.01.a-e. We find that the participation and efforts of the Renewable Coalition as reflected in its comments and prefiled testimony were instrumental in bringing about the filed Settlement Stipulation of the parties. Its participation we find materially contributed to the Commission's decision and the record of proceedings in this docket. We find that the

recommendations of the Renewable Coalition provided measurable form and substance to the Settlement Stipulation and differed materially from the testimony and exhibits of Commission Staff.

The Renewable Coalition is comprised of two non-profit corporations with limited budgets. The Renewable Coalition participated in workshops and settlement conferences in this docket “as a strong proponent of renewable energy, but not as a proponent for any particular renewable energy project.” We find it fair, just and reasonable to award the total request of the Renewable Coalition in the amount of \$24,559.78 and find that the public interest and all utility customers are well served by such award. We find the itemized costs of the Renewable Coalition to be reasonable and recognize that the cost to the Renewable Coalition of participating in this proceeding constitutes a significant financial hardship.

The Commission finds that the intervenor funding award to the Renewable Coalition is fair and reasonable and will further the purpose of encouraging “participation at all stages of all proceedings before the Commission so that all affected customers receive full and fair representation in those proceedings.” *Idaho Code* § 61-617A(1).

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, Avista Corporation dba Avista Utilities, and PacifiCorp dba Rocky Mountain Power, electric utilities, 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 Sections 201 and 210 of 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.

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve the Settlement Stipulation filed in Case No. IPC-E-07-03.

IT IS FURTHER ORDERED and the Commission hereby authorizes Idaho Power to enter into new contracts with wind QFs utilizing the charges, terms and conditions contained in the Settlement Stipulation. The resultant adjusted rates for QF wind projects are attached to this

Order. The rates are derived from the avoided-cost rates included in Order No. 30480. These rates include the application of heavy and light load hour differentials, seasonalization factors, and wind integration adjustments. Rates are shown for 2008 online dates only. For later online dates, contact the Commission Staff or the utility. The wind integration adjustments approved in this Order shall also be applied to future avoided-cost rates as they may be changed due to changes in gas prices or other input data variables.

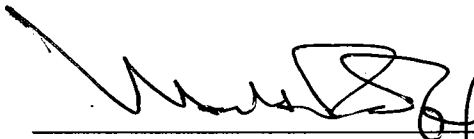
We will also permit wind QFs with existing Firm Energy Sales Agreements with Idaho Power to amend their contracts to replace the 90%/110% performance band with a Mechanical Availability Guarantee should they also agree to fund their share of wind forecasting services and accept a wind integration adjustment. Amendments must be signed by the QF and utility and submitted for Commission review and approval. No change to the underlying published rate in existing contracts will be authorized.

IT IS FURTHER ORDERED and the Commission hereby increases the published rate eligibility cap for intermittent QF wind projects from 100 kW to 10 aMW/month.

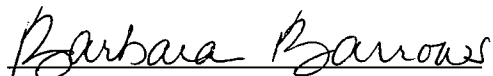
IT IS FURTHER ORDERED and the Petition of the Renewable Northwest Project and NW Energy Coalition (Renewable Coalition) for intervenor funding is granted in the amount of \$24,559.78. Reference *Idaho Code* § 61-617A. Idaho Power is directed to pay said amount within 28 days from the date of this Order to Advocates for the West as counsel for the Renewable Coalition for proper distribution. IDAPA 31.01.01.165.02. Idaho Power shall include the cost of this award of intervenor funding to the Renewable Coalition as an expense to be recovered in the Company's next general rate case proceeding. *Idaho Code* § 61-617A(3).

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 20th
day of February 2008.


MACK A. REDFORD, PRESIDENT
MARSHA H. SMITH, COMMISSIONER
JIM KEMPTON, COMMISSIONER

ATTEST:


Barbara Barrows
Assistant Commission Secretary

bls/O:IPC-E-07-03_sw2

Seasonalization Factors	
Season 1	73.50% (Applied to March, April and May)
Season 2	120.00% (Applied to July, August, November and December)
Season 3	100.00% (Applied to June, September, October, January and February)

ATTACHMENT
ORDER NO. 30488
CASE NO. IPC-E-07-03

**AVOIDED COST RATES FOR NON-FUELED PROJECTS
TEN AVERAGE MEGAWATTS OR SMALLER**

Season 3
100.00% (Applied to June, September, October, January and February)

Rate Effective Date: January 01, 2008