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Idaho Winds LLC

12 February 2007

Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074
Sent via e-mail to jean.jewell@puc.idaho.gov

Attention: Ms. Jean Jewell, Secretary

Subject: Reply Comments, Case No. IPC-E-06-36
18 MW Alkali Wind Farm PPA

Dear Ms. Jewell:

Please find attached for filing in the above referenced matter the Reply Comments of Idaho Winds LLC in Reply to the Comments of the Commission Staff.

An original of our Reply Comments is also being sent to you via U.S. mail, *ALONG WITH SEVEN (7) COPIES.*

Please contact me if you have any questions at 925.388.0072.

WLD

Sincerely,

Idaho Winds LLC

William Damon
Vice President

Idaho Winds recognizes the implicit linkage between avoided cost calculations and firm transmission services, this is not the proper proceeding to deal with transmission-related issues.

Idaho Winds's objection is based on the following:

- A record for transmission related decisions has not been developed.
- A decision on such issues is not currently required.
- Adding transmission considerations now is inconsistent with grandfathering.

No Record

Idaho Winds is aware that most of the Public Utility Regulatory Policy Act (“**PURPA**”) wind projects with approved PPAs are currently negotiating their interconnection arrangements. This has been complicated by a lack of existing policies related to the cost responsibilities associated with system upgrades. The various parties face many complex issues, such as:

- The lack of explicit system upgrade costs in the current avoided cost calculation.
- The Federal Energy Regulatory Commission (“**FERC**”) requirement for reimbursement of system upgrade costs which produce network benefits.
- The quantification of network benefits.
- The reasonableness of the load and resource scenario used in the N-1 study.
- The reasonableness of the system upgrade plan.
- The appropriateness of various full or partial funding and reimbursement mechanisms.

We understand that these issues are presently being addressed through discussions and negotiations between the various parties. While Idaho Winds's Project is not in the transmission constrained area near Twin Falls, some of the issues faced by the other projects will, however, impact Idaho Winds's transmission negotiations. There has been no information

placed in the record of this proceeding which would allow for an informed Commission decision on any of these matters.

Conditioning the approval of Idaho Winds's PPA on transmission matters in this proceeding would require the Commission to prejudge the outcome of the ongoing negotiations and make at least a partial policy decision. Such decisions should wait until a comprehensive proposal is submitted and a fully developed record is available.

Premature Decision

Regardless of the manner in which the issues noted above are resolved with regard to the Project, they will almost certainly be brought to the Commission for approval. That will be the appropriate time to make decisions related to transmission services and establish the Commission's policies on these matters.

Staff Comments speculate that the Project may not have firm transmission service from Idaho Power and recommend conditioning approval of the PPA on the execution of a final interconnection agreement. Staff Comments further recommend that the Commission retain the ability to adjust rates in the PPA in the event the Project does not obtain firm transmission service. (Staff Comments pgs. 8 – 9.) The Project, however, has requested firm transmission service and the completed transmission Generator Interconnection Feasibility Study ("**Feasibility Study**") has preliminarily identified the costs associated with such service. There is no reason, in the context of this case, to assume the Project and Idaho Power will fail to achieve an appropriate agreement regarding transmission cost responsibility. Nor is there any reason in this proceeding to predetermine the substance of, or limits on, the interconnection agreement.

As noted, the Project has requested, and the transmission Feasibility Study identifies, firm transmission service. Idaho Power and Idaho Winds must now structure an interconnection agreement that both deals with the uncertainties surrounding this service and allows the Project

to proceed to construction. Idaho Winds believes that transmission service consistent with Idaho's avoided cost calculation is achievable, but it is too early to determine the form the interconnection agreement will take. That work will begin after the approval of the PPA.

Likewise, Idaho Power believes appropriate transmission arrangements are achievable.

Staff Comments quote from Idaho Power's response to a Staff production request as follows:

"Idaho Power states that it has no reason to believe that a Uniform Interconnection Agreement will not be signed for this project, and further, that if there are no cluster or queue issues that arise requiring additional studies, it is anticipated that the Uniform Interconnection Agreement could be signed by year-end 2007." (Staff Comments pg. 7).

Inconsistent With Grandfathering

At its core, a grandfathering proceeding is about fairness. Idaho Winds has spent, and continues to spend, substantial resources developing this Project. The issue here is whether it is fair to change the rules which Idaho Winds relied on in its Project investment decisions. Both Idaho Power and Staff agree that the Project has met the grandfathering criteria established by the Commission and should be allowed to proceed under the rules that existed on August 4, 2005.

It is now recognized that the policies related to the ultimate funding of transmission system upgrades were not yet established on that date. As noted above, the process for establishing those policies is presently ongoing. It is unfair to force Idaho Winds to accept restrictions which have not been applied to the rest of the PURPA projects as a condition of its PPA approval. That would be unreasonably prejudicial to Idaho Winds's upcoming interconnection negotiation. Idaho Winds's Project should have the same rights and obligations that are ultimately applied to the other PURPA projects.

Staff Comments correctly note that Idaho Winds's Alkali Project and the recent Bennett Creek and Hot Springs projects are the first to separate transmission services and power purchasing obligations, in compliance with the Commission's Order No. 30179. Those

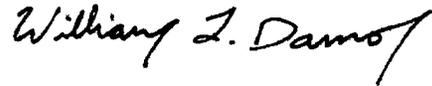
changes, however, were essentially ministerial and did not address any of the issues related to firm transmission services and cost responsibility. Those changes do not provide the basis for restricting the Project's transmission options before the establishment of the Commission's ultimate transmission policies.

Conclusion

Regardless of PPA approval, the Project cannot proceed without agreement on transmission services which are acceptable to Idaho Power and the Commission. Therefore, the Commission does not need to place transmission related conditions on the approval of Idaho Winds's PPA.

DATED this 12th day of February, 2007

By:



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CERTIFICATE OF SERVICE

I hereby certify that on the 12th day of February, 2007, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

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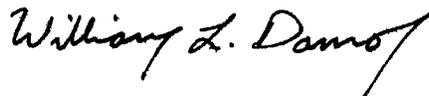
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