

## **DECISION MEMORANDUM**

**TO:** COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DON HOWELL  
DEPUTY ATTORNEY GENERAL

**DATE:** NOVEMBER 19, 2010

**SUBJECT:** IDAHO POWER'S SIX APPLICATIONS FOR APPROVAL OF POWER PURCHASE AGREEMENTS WITH WINDFARM DEVELOPERS: COLD SPRINGS, DESERT MEADOW, HAMMETT HILL, MAINLINE, RYEGRASS AND TWO PONDS LLCs, CASE NOS. IPC-E-10-38, IPC-E-10-39, IPC-E-10-40, IPC-E-10-41, IPC-E-10-42, AND IPC-E-10-43, RESPECTIVELY

On November 16, 2010, Idaho Power Company filed six Applications requesting approval of six 20-year Firm Energy Sales Agreements (FESAs) between Idaho Power and Cold Springs Windfarm, LLC; Hammett Hill Windfarm, LLC; Mainline Windfarm, LLC; Ryegrass Windfarm, LLC; and Two Ponds Windfarm, LLC. The six projects are all located near Mountain Home, Idaho. The identical Applications recite that each wind generating project will have a maximum capacity amount of 23 MW. The projects will all be "qualifying facilities" (QFs) under the applicable provisions of the federal PURPA.

### **THE FIRM ENERGY SALES AGREEMENTS**

On November 12, 2010, Idaho Power and each of the six wind projects entered into their respective FESAs. The Applications maintain that the terms and conditions of the FESAs comport with the Commission's Orders applicable to PURPA wind projects. Application at 2 *citing* Order Nos. 30415, 30488, 30738, and 30744. Under the terms of the FESAs, the wind projects agree to sell energy to Idaho Power for a 20-year term using the current non-levelized published avoided cost rates as currently established by the Commission in Order No. 31025 for

energy deliveries of less than 10 aMW. The six FESAs were executed by the wind developers on November 2, 2010.<sup>1</sup>

1. Output. The nameplate rating for each of the six wind projects is 23 MW. As defined in Sections 1.17 and 4.1.3 of the FESA, each wind project will be required to provide data to Idaho Power to confirm under normal and/or average conditions, that each project will not exceed 10 aMW on a monthly basis. Application at ¶ 4. Should the project exceed 10 aMW on a monthly basis, Idaho Power will accept the energy “that does not exceed 23 MW on a monthly basis, but will not pay for the energy that exceeds 10 aMW on a monthly basis.” *Id.*

2. Mechanical Availability Guarantee. The parties’ Agreement contains a MAG calculation in conformance with Commission Order No. 30488 (Case No. IPC-E-07-03). The MAG provision approved in Order No. 30488 provides that the wind project demonstrate each month (except for scheduled maintenance and force majeure events) that 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.” Order No. 30488 at 6.

3. Damages and Security. The parties have agreed to Delay Liquidated Damages and associated Delay Security provisions of \$45 per kW of nameplate capacity.

4. Operational Date. Each FESA provides that the “Scheduled First Energy Date” is December 31, 2011, and the “Scheduled Operation Date” is December 31, 2012. Application at ¶ 6. The Agreements further provide that it is the wind developer’s responsibility to work with Idaho Power’s Delivery business unit to ensure that there is sufficient time and resources for Idaho Power to construct the necessary “interconnection facilities, and transmission upgrades if required, in time to allow that [project] to achieve the December 31, 2011, Scheduled Operation Date.” Application at ¶ 9. Delay damages may be assessed if the wind developer is unable to obtain the necessary interconnection facilities and transmission upgrade (if necessary). Idaho Power anticipates that it will provide the wind developer a “Facility Study Report” containing the technical information and payment schedules for the interconnection materials no later than January 7, 2011. *Id.* at ¶ 8. Following the delivery of the Facility Study Report, the parties must then enter into a Generator Interconnection Agreement. The Applications acknowledge that

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<sup>1</sup> Although Idaho Power filed a Joint Petition on November 5, 2010, seeking a reduction in the published avoided cost rate eligibility cap from 10 aMW to 100 kW, the Company believes that these six FESAs “should not be impacted by that filing.” Application at ¶ 3.

Idaho Power can accommodate the output from the six wind projects without transmission network upgrades. *Id.*

5. Energy Price. The parties' FESAs provide for non-levelized published avoided cost rates. The rates for the non-levelized energy are in accordance with the Commission's Order No. 31025, as adjusted by Order No. 30415 for heavy load and light load energy delivery; and further adjusted in accordance with Commission Order No. 30488 for wind integration charges and with seasonalized factors set out in Section 7 of the FESA. In addition, the Agreements note that the developers will be responsible for paying applicable interconnection charges and monthly operation and maintenance charges under Idaho Power's Schedule 72.

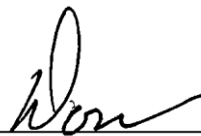
Idaho Power requests that the Applications be processed under Modified Procedure.

#### **STAFF RECOMMENDATION**

The Commission Staff is in agreement with the Company's request that these six Applications be processed under Modified Procedure. Staff recommends that the Commission set a 21-day comment period in each of these cases.

#### **COMMISSION DECISION**

Does the Commission agree with the recommendation that each of these six Power Purchase Agreements be processed under Modified Procedure with a 21-day comment period?



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Don Howell  
Deputy Attorney General

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