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IDAHO PUBLIC  
UTILITIES COMMISSION

**BARTON L. KLINE**  
Lead Counsel

November 5, 2008

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. GNR-E-08-02  
IN THE MATTER OF THE JOINT PETITION TO APPROVE A STIPULATION  
TO ADJUST PUBLISHED IDAHO AVOIDED COST RATES FOR IDAHO  
POWER COMPANY, PACIFICORP, AND AVISTA CORPORATION

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of the Joint Petition in the above matter.

I would appreciate it if you would return a stamped copy of this letter for my file in the enclosed stamped, self-addressed envelope.

Very truly yours,

Barton L. Kline

BLK:csb  
Enclosures

DONOVAN E. WALKER, ISB No. 5921  
BARTON L. KLINE, ISB No. 1526  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: 208-388-5317  
Facsimile: 208-338-6936  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)  
[bkline@idahopower.com](mailto:bkline@idahopower.com)

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IDAHO PUBLIC  
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:  
1221 West Idaho Street  
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT )  
PETITION TO APPROVE A )  
STIPULATION TO ADJUST ) CASE NO. GNR-E-08-02  
PUBLISHED IDAHO AVOIDED COST )  
RATES FOR IDAHO POWER ) PETITION  
COMPANY, PACIFICORP, AND AVISTA )  
CORPORATION )  
\_\_\_\_\_ )

COMES NOW, Idaho Power Company ("Idaho Power" or the "Company"), on behalf of itself, the Staff of the Idaho Public Utilities Commission ("Staff"), Avista Corporation ("Avista"), PacifiCorp ("PacifiCorp"), U.S. Geothermal Inc. ("U.S. Geothermal"), Exergy Development Group of Idaho, LLC ("Exergy"), Tuana Springs Energy LLC ("Tuana"), Idaho Windfarms, LLC ("IWF"), and those other entities signing the Stipulation, which is presented herewith, and, in accordance with IDAPA 31.01.01.272-276, hereby requests that the Commission issue its order approving the

Stipulation for the purpose of determining new published avoided cost rates. This Petition is based on the following:

## I. BACKGROUND

1. On September 10, 2007, Idaho Power filed a Petition with the Idaho Public Utilities Commission ("Commission") to modify the methodology for determining fuel costs used to establish published rates for PURPA qualifying facilities ("QFs"). On December 28, 2007, the Commission, in Order No. 30480, stated as follows:

. . . we find it reasonable, based on the written record developed in this case, to adopt Staff's proposed change for calculating the fuel cost component and published avoided cost rates. We further find that the proposed change in the methodology to calculate the fuel cost component and published avoided cost rates can be made independently (and in advance) of a review of the entire list of non-fuel methodology variables.

The Commission agrees that a periodic review of the other methodology variables is advisable, and accepts and encourages Idaho Power's offer to conduct a 2008 workshop to review the other non-fuel methodology variables. We also deem it advisable that PacifiCorp and Avista participate. We direct the Company to report its workshop findings to the Commission. (Order No. 30480, p. 11.)

2. Non-fuel variables consist of two general categories – utility-specific variables and generic variables. Utility-specific variables relate to each utility's cost of capital. Because they are a direct outcome of general rate cases, the Parties agree that they are not an issue in this case. Generic variables relate to the Surrogate Avoided Resource ("SAR"), whose costs set the basis from which Idaho's published avoided costs rates are determined. Adjustment of the non-fuel related generic variables is the subject of this case and the Stipulation.

3. In accordance with Order No. 30480, Idaho Power hosted workshops on April 4, 2008, and July 23, 2008. At the conclusion of the July 23 workshop, the parties agreed to continue their discussions by e-mail with the goal of reaching a consensus on changes that should be made to the non-fuel related costs of the SAR.

4. As a result of those continuing settlement discussions, the Parties have agreed on interim values which are based on using a "base year" of 2008 in the model for the non-fuel related costs of the SAR. Those values are set out in the Stipulation which is enclosed with this Petition as Attachment No. 1.

5. As noted in the Stipulation, Parties accept the non-fuel related SAR costs contained in the column labeled "Proposed" on page three of the Stipulation. Parties note in Attachment No. 1 their understanding that the Northwest Power and Conservation Council ("Council") expects to issue new forecasts of fuel-related SAR costs in the near future. Because the fuel-related SAR costs have a much greater impact on the published rates than the non-fuel related costs, the Parties hereby request that the Commission issue its order approving the non-fuel related values contained in the Stipulation at the same time it approves fuel related cost components based on the Council's median forecast of natural gas prices. This will allow the Commission to make a single avoided cost rate change. The Parties further noted in the Stipulation that proposals for new forecasts and/or methods of forecasting non-fuel related SAR costs can be made in appropriate future Commission proceedings.

NOW, THEREFORE, the Parties hereby request that the Commission issue its order: (1) approving Attachment No. 1 without material change or condition and (2) accepting the non-fuel cost related values set out in the Stipulation for the purpose of

revising the published avoided cost rates at the same time that the fuel-related cost variables are adjusted for purposes for setting new published avoided costs rates in Idaho.

Respectfully submitted this 5<sup>th</sup> day of November 2008.

*Donovan E Walker*

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DONOVAN E. WALKER

Attorney for Idaho Power Company

*By Bat Kline*

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5<sup>th</sup> day of November 2008 I served a true and correct copy of the within and foregoing PETITION upon the following named parties by the method indicated below, and addressed to the following:

### **Commission Staff**

Scott D. Woodbury  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [Weldon.stutzman@puc.idaho.gov](mailto:Weldon.stutzman@puc.idaho.gov)

### **Avista Corporation**

David J. Meyer  
Clint Kalich  
Avista Corporation - MSC-7  
P.O. Box 3727  
1411 East Mission Street  
Spokane, Washington 99220-3727

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [clint.kalich@avistacorp.com](mailto:clint.kalich@avistacorp.com)

### **PacifiCorp**

Mark Moench  
Daniel Solander  
Rocky Mountain Power  
One Utah Center  
201 South Main Street, Suite 2300  
Salt Lake City, Utah 84111

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [Daniel.Solander@PacifiCorp.com](mailto:Daniel.Solander@PacifiCorp.com)

### **Exergy Development Group of Idaho, LLC**

Peter J. Richardson, Esq.  
RICHARDSON & O'LEARY PLLC  
515 North 27<sup>th</sup> Street  
P.O. Box 7218  
Boise, Idaho 83702

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [peter@richardsonandoleary.com](mailto:peter@richardsonandoleary.com)

### **Tuana Springs Energy LLC**

Dean J. Miller  
McDEVITT & MILLER, LLP  
420 West Bannock Street  
P.O. Box 2564  
Boise, Idaho 83701

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [joe@mcdevitt-miller.com](mailto:joe@mcdevitt-miller.com)

**Idaho Windfarms, LLC**  
Glenn Ikemoto  
672 Blair Avenue  
Piedmont, California 94611

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email [glenni@pacbell.net](mailto:glenni@pacbell.net)



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Barton L. Kline

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. GNR-E-08-02**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 1**

DONOVAN E. WALKER, ISB No. 5921  
BARTON L. KLINE, ISB No. 1526  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: 208-388-5317  
Facsimile: 208-338-6936  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)  
[bkline@idahopower.com](mailto:bkline@idahopower.com)

Idaho Public Utilities Commission  
Office of the Secretary  
RECEIVED

NOV - 5 2008

Boise, Idaho

Attorneys for Idaho Power Company

Street Address for Express Mail:  
1221 West Idaho Street  
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT	)	
PETITION TO APPROVE A	)	CASE NO. GNR-E-08-02
STIPULATION TO ADJUST	)	
PUBLISHED IDAHO AVOIDED COST	)	STIPULATION
RATES FOR IDAHO POWER	)	
COMPANY, PACIFICORP, AND AVISTA	)	
CORPORATION	)	
_____	)	

This Stipulation ("Stipulation") is entered into by and among Idaho Power Company ("Idaho Power"), the Staff of the Idaho Public Utilities Commission ("Staff"), Avista Corporation ("Avista"), PacifiCorp ("PacifiCorp"), U.S. Geothermal Inc. ("U.S. Geothermal"), Exergy Development Group of Idaho, LLC ("Exergy"), Tuana Springs Energy LLC ("Tuana"), Idaho Windfarms, LLC ("IWF"), and those other entities signing this Stipulation. These entities are collectively referred to as the "Parties."

## I. BACKGROUND

1. On September 10, 2007, Idaho Power filed a Petition with the Idaho Public Utilities Commission ("Commission") to modify the methodology for determining fuel costs used to establish published rates for PURPA qualifying facilities ("QFs"). On December 28, 2007, the Commission, in Order No. 30480, stated as follows:

. . . we find it reasonable, based on the written record developed in this case, to adopt Staff's proposed change for calculating the fuel cost component and published avoided cost rates. We further find that the proposed change in the methodology to calculate the fuel cost component and published avoided cost rates can be made independently (and in advance) of a review of the entire list of non-fuel methodology variables.

The Commission agrees that a periodic review of the other methodology variables is advisable, and accepts and encourages Idaho Power's offer to conduct a 2008 workshop to review the other non-fuel methodology variables. We also deem it advisable that PacifiCorp and Avista participate. We direct the Company to report its workshop findings to the Commission. (Order No. 30480, p. 11.)

2. Non-fuel variables consist of two general categories — utility-specific variables and generic variables. Utility-specific variables relate to each utility's cost of capital. Because they are a direct outcome of general rate cases, the Parties agree that they are not an issue in this case. Generic variables relate to the Surrogate Avoided Resource ("SAR"), whose costs set the basis from which Idaho's published avoided costs rates are determined. Adjustment of the non-fuel related generic variables is the subject of this case and the Stipulation.

3. In accordance with Order No. 30480, Idaho Power hosted workshops on April 4, 2008, and July 23, 2008. At the conclusion of the July 23 workshop, the parties

agreed to continue their discussions by e-mail with the goal of reaching a consensus on changes that should be made to the non-fuel related costs of the SAR.

## II. AGREEMENT

4. The Parties have agreed on interim values for the non-fuel related costs of the SAR. The following chart shows a comparison between the current values and the Parties proposed values:

<u>Non-Fuel Related SAR Costs</u>	<u>Current</u>	<u>Proposed</u>
Heat Rate	7,100	7,100
Equivalent Availability Factor	92%	86.5%
Capital Cost	\$802/kW	\$1,100/kW
Variable O&M	\$3.47/MWh	\$3.86/MWh
O&M Escalation Rate	2.7%	2.0%
SAR Escalation Rate	2.1%	1.4%
Fixed O&M	\$13.24	\$14.71
General Inflation	2.7%	2.0%

5. The Parties are willing to accept the above-referenced proposed costs for setting avoided cost rates, with the understanding that revised SAR values will be adopted as they become available from the Northwest Power and Conservation Council ("Council") or the Council's general advisory committees. The Parties have been advised that revised values for non-fuel related SAR costs should become available in the next several months if the Council remains on schedule for completion of its Sixth Power Plan.

6. In reviewing the current avoided cost model used to set published avoided cost rates, the Parties have found two minor mathematical formula errors. The result of correcting these mathematical errors is dependant upon the values of the various inputs, but a representative estimate of the impact would be an approximate increase of \$.024 per MWh in the published avoided cost energy rates. The Parties agree that

these mathematical corrections will be used in the avoided cost model at the time the published rates are recalculated. The corrections to be made are more specifically describes as follows:

a. The formula used to de-escalate the Carrying Charge for years earlier than the SAR Base Year is incorrect. The current formula of the Base Year value multiplied by (1 minus the escalation rate) should be revised to be the Base Year value multiplied by (1 divided by (1 minus the escalation rate)).

b. The initial year has not been included in the Titled Capital calculation, thus one additional year needs to be included in this present value calculation.

7. The Parties also expect the Council to issue new forecasts of fuel-related SAR costs this year. Because the fuel-related SAR costs have a much greater impact on the published rates, than do the non-fuel related costs, the Parties recommend that the Commission issue its Order approving the non-fuel related values contained in this Stipulation at the same time it approves new fuel-related avoided cost components based on the Council's median forecast of natural gas prices. This will allow the Commission to make a single avoided costs rate change. The Parties recognize and agree that proposals for new forecasts and/or methods of forecasting non-fuel related SAR costs will be made in appropriate future Commission proceedings.

8. The Parties agree that this Stipulation represents a settlement and compromise of the positions of the Parties in this case. As provided in RP 272 of the Commission's Rules of Practice and Procedure concerning settlements (IDAPA 31.01.01.272-276), other than any testimony filed in support of the approval of this

Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible as evidence in this or any other proceeding.

9. The Parties submit this Stipulation to the Commission and recommend its approval, without material change or condition, in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses, and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

10. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate.

11. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

12. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of setting avoided cost rates. No Party shall be deemed to have agreed that any method, theory or principle of setting avoided cost rates in arriving at this Stipulation is appropriate for setting avoided cost rates in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

13. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

14. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 5<sup>th</sup> day of November 2008.

Idaho Power Company

Idaho Public Utilities Commission Staff

By Donovan Walker  
Donovan Walker  
Attorney for Idaho Power Company  
By Bob Kline

By \_\_\_\_\_  
\_\_\_\_\_  
(PRINT NAME)  
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14. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this \_\_\_\_ day of \_\_\_\_\_ 2008.

Idaho Power Company

Idaho Public Utilities Commission Staff

By \_\_\_\_\_  
Donovan Walker  
Attorney for Idaho Power Company

By   
Scott D. Woodbury  
Deputy Attorney General

Avista Corporation

PacifiCorp

By *[Signature]*  
David J. Meyer (PRINT NAME)  
Reg. & Compliance (TITLE)  
*Reg. & Compliance*

By \_\_\_\_\_ (PRINT NAME)  
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The United States Department of Energy

U.S. Geothermal Inc.

By \_\_\_\_\_ (PRINT NAME)  
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Exergy

Tuana Springs Energy LLC

By \_\_\_\_\_ (PRINT NAME)  
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Glen Ikemoto

Avista Corporation

PacifiCorp

By \_\_\_\_\_  
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By Mark Moenich  
MARY MOENICH (PRINT NAME)  
SVP & GENERAL COUNSEL (TITLE)

The United States Department of Energy

U.S. Geothermal Inc.

By \_\_\_\_\_  
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Exergy

Tuana Springs Energy LLC

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The United States Department of Energy

U.S. Geothermal Inc.

By \_\_\_\_\_  
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By Douglas Glasey  
DOUGLAS GLASEY (PRINT NAME)  
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Exergy

Tuana Springs Energy LLC

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Avista Corporation

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U.S. Geothermal Inc.

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Exergy

Tuana Springs Energy LLC

By Peter D. Richardson  
Peter Richardson (PRINT NAME)  
Counsel (TITLE)

By \_\_\_\_\_  
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Glen Ikemoto

Avista Corporation

PacifiCorp

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The United States Department of Energy

U.S. Geothermal Inc.

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Exergy

Tuana Springs Energy LLC

By \_\_\_\_\_  
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By   
\_\_\_\_\_  
DAN J. MILLER (PRINT NAME)  
ATTORNEY (TITLE)

\_\_\_\_\_  
Glen Ikemoto

Avista Corporation

PacifiCorp

By \_\_\_\_\_  
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The United States Department of Energy

U.S. Geothermal Inc.

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By \_\_\_\_\_  
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Exergy

Tuana Springs Energy LLC

By \_\_\_\_\_  
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(TITLE)

By \_\_\_\_\_  
\_\_\_\_\_  
(PRINT NAME)  
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(TITLE)

Idaho Windfarms, LLC

By   
\_\_\_\_\_  
Glenn Ikemoto  
Authorized Manager