

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE JOINT PETITION</b>	)	
<b>TO APPROVE A STIPULATION TO ADJUST</b>	)	<b>CASE NO. GNR-E-08-02</b>
<b>PUBLISHED IDAHO AVOIDED COST</b>	)	
<b>RATES FOR IDAHO POWER COMPANY,</b>	)	<b>NOTICE OF PETITION</b>
<b>PACIFICORP, AND AVISTA</b>	)	
<b>CORPORATION</b>	)	<b>NOTICE OF</b>
	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>NOTICE OF</b>
	)	<b>COMMENT/PROTEST DEADLINE</b>

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YOU ARE HEREBY NOTIFIED that on November 5, 2008, a joint Petition was filed by Idaho Power Company (Idaho Power) 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), and Idaho Windfarms LLC (IWF). Collectively, Petitioners seek Commission approval of a Stipulation proposing changes in non-fuel related Surrogate Avoided Resource (SAR) costs and request modification of published avoided cost rates.

**Background**

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.

NOTICE OF PETITION  
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Order No. 30480, p. 11.

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 participants 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.

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 Petitioners agree that they are not an issue in this case. Generic variables relate to the (SAR), whose costs set the basis from which Idaho's published avoided cost rates are determined. Adjustment of the non-fuel related generic variables is the subject of this case and the Stipulation.

As a result of their continuing settlement discussions, the Petitioners have agreed on interim values which are derived from using a "base year" of 2008 in the model for the non-fuel related costs of the SAR. Those values are depicted below and are set out in Paragraph 4 of the Stipulation:

<b>Non-Fuel Related SAR Costs</b>	<b>Current</b>	<b>Proposed</b>
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%

Published avoided cost rates are adjusted as new fuel-related SAR values become available from the Northwest Power and Conservation Council (Council) or the Council's general advisory committees. A new Council forecast is anticipated in early December 2008. Petitioners recommend that the non-fuel related values of published rates be implemented at the same time the Commission 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 cost rate change.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed and considered the Joint Petition in Case No. GNR-E-08-02 and has preliminarily found that the public interest regarding the Stipulation and the proposed changes in non-fuel related SAR costs in the published avoided cost rate methodology may not require a hearing to consider the issues presented and that issues may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Joint Petition for approval of Stipulation and the issues raised in Case No. GNR-E-08-02 and the Commission's related use of Modified Procedure is **Wednesday, December 17, 2008**. Persons desiring a hearing must specifically request a hearing in their written protest or comments.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing on the issues presented in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that the Petition in Case No. GNR-E-08-02 and related Stipulation may be viewed at the Commission's website, [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W. Washington Street, Boise, Idaho and the Idaho offices of Idaho Power, PacifiCorp, and Avista.

YOU ARE FURTHER NOTIFIED that written comments concerning the Petition and Stipulation filed in this case should be mailed to the Commission and the Petitioners at the addresses reflected below.

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
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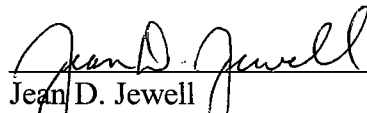
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Petitioners at the e-mail addresses listed above.

DATED at Boise, Idaho this 26<sup>th</sup> day of November 2008.

  
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Jean D. Jewell  
Commission Secretary

bls/N:GNR-E-08-02\_sw