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UTILITIES COMMISSION

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November 5, 2010

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-10-04
*IN THE MATTER OF THE JOINT PETITION OF IDAHO POWER
COMPANY, AVISTA CORPORATION, AND ROCKY MOUNTAIN POWER
TO ADDRESS AVOIDED COST ISSUES AND JOINT MOTION TO
ADJUST THE PUBLISHED AVOIDED COST RATE ELIGIBILITY CAP*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company, Avista Corporation, and Rocky Mountain Power's Joint Motion in the above matter.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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IDAHO PUBLIC UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT)
PETITION OF IDAHO POWER) CASE NO. GNR-E-10-04
COMPANY, AVISTA CORPORATION,)
AND ROCKY MOUNTAIN POWER TO) JOINT PETITION TO ADDRESS
ADDRESS AVOIDED COST ISSUES AND) AVOIDED COST ISSUES AND
JOINT MOTION TO ADJUST THE) JOINT MOTION TO ADJUST THE
PUBLISHED AVOIDED COST RATE) PUBLISHED AVOIDED COST
ELIGIBILITY CAP.) RATE ELIGIBILITY CAP
)

Idaho Power Company ("Idaho Power"), Avista Corporation ("Avista"), and Rocky Mountain Power ("RMP") (hereinafter "the Parties") pursuant to RP 53, 56, and 256, hereby respectfully petition the Idaho Public Utilities Commission ("Commission") to initiate a docket to investigate and address various avoided cost and other related issues regarding Public Utility Regulatory Policies Act of 1978 ("PURPA") Qualifying Facilities ("QF"). Additionally, the Parties respectfully move that the Commission issue

an Interlocutory Order adjusting the published avoid cost rate eligibility cap for QFs from 10 aMW to 100 kW. This Petition and Motion is based on the following:

On August 6, 2009, the Commission initiated Case No. GNR-E-09-03, the review of the Surrogate Avoidable Resource ("SAR") methodology for calculating published avoided cost rates. Numerous parties intervened, filed comments, and otherwise participated in this proceeding, including Staff, the three electric utilities, and various QF project developers. On November 3, 2010, the Commission convened a public workshop for all interested parties to discuss the proposals for a wind specific SAR. As a result of that public workshop, the general consensus was that while there were many timely and important issues related to PURPA wind QFs and Renewable Energy Credit ("REC") ownership, the Commission's existing avoided cost methodology, the effect of the same upon the electrical systems of the utilities, the effect upon the utilities' customers, and the effect upon the continued development of QF projects were much broader than the discussions around a wind specific SAR. Staff suggested that the GNR-E-09-03 docket be closed and that an investigation and discussion about the broader issues related to all PURPA QFs and avoided cost methodology be continued in a new docket dedicated to that purpose.

Additionally, there was discussion at the November 3 workshop regarding the need, on an interim basis and during the pendency of this investigation and docket, for the Commission to adjust the published avoid cost rate eligibility cap for QFs from 10 aMW to 100 kW. This measure has been employed by the Commission in the past on an interim basis when it has undertaken an investigation and analysis of similar issues.

Our change in published rate availability for certain wind QFs was based on a showing that there was a need to

investigate the integration costs of intermittent wind generation to determine whether an adjustment to the published avoided cost rate for non-firm wind QFs was required. It was also recognition of the significant increase in the number of PURPA wind projects We did not eliminate the utility's obligation to purchase from wind QFs, but we established greater administrative control of contracts during the period of our investigation. For wind QFs greater than 100 kW offering power on an unfirmed basis, the door to a purchase contract is not closed. For projects not qualifying for the published rate, individual negotiation of rates under an IRP based methodology is required. Under such IRP based methodology, Company proposed rate adjustments, if any, are based on individual project characteristics and are separately considered by the Commission.

Order No. 29872, Case No. IPC-E-05-22.

Many of the same reasons that justified the Commission's action in the past are the same reasons that justify the adjustment to the published rate eligibility today. However, today those reasons and justifications are amplified as the number of projects, their combined MWs, the dollar impacts, and the potential consequences to the system and to customers are much larger and much more pronounced than even those that existed at that time. In 2005, at the time when the Commission last changed the published rate eligibility as requested here, Idaho Power had received approval from the Commission for contracts from wind-powered QFs with a total nameplate capacity of 61.5 MW. At that time, Idaho Power also had an additional 21 MW of QF wind contracts pending approval at the Commission, and an additional 193 MW of new QF wind contract requests.

In comparison, Idaho Power today has over 208 MW of wind generation currently operating on its system. Idaho Power has over 264 MW of Commission-approved QF wind contracts, many of which are currently under construction and scheduled to be on-

line by December 31, 2010. Idaho Power also has 80 MW of QF wind pending approval at the Commission. In addition, Idaho Power has over 570 MW of new QF wind contract requests, some of which are significantly mature and close to having executed contracts. In total, Idaho Power could have over 1100 MW of wind powered generation on its system in the near term, which exceeds the minimum loads experienced on Idaho Power's system this year. See, Attachment No. 1 to this Petition. Cumulatively, this amount of generation would exceed any other single source of generation – hydro, coal, natural gas, or other renewables – that exists on Idaho Power's system.

The same situation exists with Rocky Mountain Power. In 2005, Rocky Mountain Power had a single 20 MW wind QF contract and less than 50 MW of additional wind QF requests in Idaho. As of today, RMP has 64 MW of wind QF contracts executed; however, none have achieved commercial operation, and another 358 MW of standard wind QF contracts are proposed. Over 300 MW of these proposed standard wind QF projects started out as large wind projects over 10 aMW and were reconfigured by the developer into multiple standard QF projects to meet the 10 aMW criteria. The majority of these projects are proposed for RMP's Goshen Idaho electrical system where integration of the QF resource as a Network Resource for serving load could be impacted by transmission constraints across Path C if the wind power is exported to RMP's northern Utah load.

The system reliability, operational aspects, and cost of incorporating and integrating wind generation at such large penetration levels are but some of the issues that this docket is intended to investigate and address. Other significant issues that were mentioned at the November 3 workshop are: the ownership and valuation of

RECs; the lack of capacity (as opposed to energy) provided by intermittent generation resources and the continued need to build/acquire capacity on the system even with the addition of wind generated or other intermittent energy; the associated transmission infrastructure and upgrades needed to bring additional generation to load; the generator interconnection and transmission service request processes; the mechanical availability guarantee ("MAG"); posting of security; liquidated damages; lack of a Commission-approved standard contract template; as well as various other issues. The concern was also expressed that an unending and unchecked requirement for the utilities to continue to acquire additional intermittent and other QF generation regardless of any examination of the utilities' need for additional energy or capacity on its system is circumventing the Integrated Resource Planning ("IRP") process.

A significant observation that was discussed at the November 3 workshop is the increased size and scale of projects that are able to qualify for the published rate currently. Many of the current QF projects in actuality are not "small" projects but are large, utility-scale wind farms that are broken up into 10 aMW increments in order to qualify for the published rates. For Idaho Power and RMP, it is commonplace for the nameplate rating of these projects to be in the range of 20 to 30 MWs, the same developer to submit an aggregation of six or more "projects" totaling 100 to 150 MW of nameplate rating, and the multiple projects to all share interconnection facilities to one common utility delivery point. The historical "unsophisticated" QF project developers with a 0.5 MW or a 1.5 MW small hydro canal project – while still in existence – are no longer the norm and QF projects, for the most part, have evolved to the point where they are sophisticated parties who are very knowledgeable within this field. In many

cases, they may have large resources available to them, and in some cases are larger entities than even the utilities themselves.

It is important to note that the Parties are not asking for a moratorium on the utilities' obligations to contract with PURPA QF projects. What the Parties are proposing is only that the eligibility for the published avoided cost rate be modified on an interim basis. Utilities would still have an obligation to contract for the purchase of power from QFs that are over the eligibility cap for the published rate, just like they do today. Rather than the more prescriptive published avoided cost rate pricing and limited negotiated contracting process, individual negotiation of the rates and contract terms under an IRP-based methodology is required for QFs above the cap. Much as the Commission stated in IPC-E-05-22, the Parties see this as a way to establish greater administrative control of the contracts during the pendency of the Commission's and the Parties' investigation of the issues. Beyond that, the Parties believe that the IRP-based methodology with individually negotiated rates and contracts is a better model with which to address the difficult issues involved and possibly arrive at creative solutions that will still allow the development of QF projects, but in a manner that is better for customers and better for the utilities. Idaho Power believes that the recently submitted Rockland Wind Project FESA is a good example of this process.

REQUEST FOR RELIEF

It is important to emphasize that the Petition and Motion do not represent a retreat by the utilities from a commitment to acquire a significant amount of renewable resources within a balanced resource portfolio consisting of new generation, transmission, and demand-side management activities. This request is necessitated by

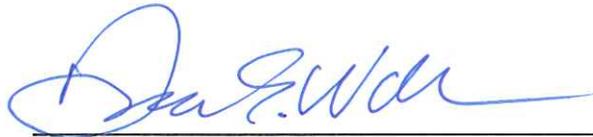
the number of potentially adverse consequences for utility customers, and a shift in the size, number, magnitude, and sophistication of PURPA QF projects coming onto the systems of the utilities. PURPA requires that customers be economically indifferent to the effects of whether power is purchased from a QF or generated by the utility. When the utility is forced to buy QF power in excess of its true avoided cost or in excess of its minimum loads, customers are no longer indifferent. The Parties believe that the issues raised in this docket should be considered by the Commission at this time and not after the impacts on customers have become inevitable and acute.

The Parties request that their request to lower the published avoided cost rate eligibility cap from 10 aMW to 100 kW be effective immediately, and that the Commission take immediate action upon the Motion, on fewer than fourteen days notice, if possible. See, RP 256. Copies of this Petition and Motion have been served – either physically, electronically, or both – upon all parties, intervenors, and parties that filed comments in the Wind SAR case, Docket No. GNR-E-09-03. As the Commission is well aware, in the past, when the Commission has investigated and examined avoided cost rates and issues, there occurs a “race” to the door of the utilities with projects attempting to position themselves for a claim to “grandfathering” and entitlement to the previously effective rates, terms, conditions, etc. Idaho Power continues to get such requests from projects on a nearly daily basis. In fact, one of the driving forces behind the Parties’ requests in this case is just such an influx of requests for contracts. It is also important that this change in eligibility for published avoided cost rates be applied equally to the Parties, as exclusion of one may act as a “magnet” attracting a disproportionate number of project proposals for that utility.

WHEREFORE, the Parties respectfully request:

1. That the Commission immediately issue an Order reducing the published avoided cost rate eligibility cap for PURPA QFs from 10 aMW to 100 kW; and
2. That the Commission convene a prehearing conference to define issues and establish a schedule for processing and considering the issues raised in the Petition and defined in the prehearing conference.

DATED at Boise, Idaho, this 5th day of November 2010.



DONOVAN E. WALKER
Attorney for Idaho Power Company



MICHAEL G. ANDREA
Attorney for Avista Corporation

telephonic
approval
11/5/10
2:56



DANIEL SOLANDER
Attorney for Rocky Mountain Power

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 5th day of November 2010 I served a true and correct copy of the JOINT PETITION TO ADDRESS AVOIDED COST ISSUES AND JOINT MOTION TO ADJUST THE PUBLISHED AVOIDED COST RATE ELIGIBILITY CAP upon the following named parties by the method indicated below, and addressed to the following:

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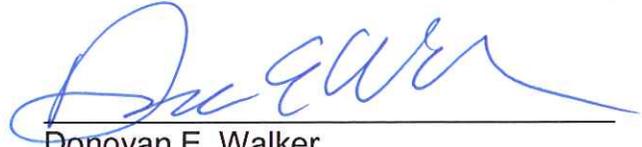
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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. GNR-E-10-04
IDAHO POWER COMPANY

ATTACHMENT NO. 1

