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March 7, 2011

AVISTA
Corp.

UTILITIES COMMISSION
IDAHO PUBLIC

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Via Hand Delivery

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 93702
Email: jean.jewell@puc.idaho.gov

**Re: Response of Avista Corporation to NIPPC's Petition for Reconsideration of Order No. 32176
IPUC Docket No. GNR-E-10-04**

Dear Ms. Jewell:

Please find enclosed for filing an original and seven copies of the Response of Avista Corporation in Opposition to Petition for Reconsideration of Northwest Intermountain Power Producers Coalition in the above-referenced docket. Please let me know if you have any questions regarding this filing.

Sincerely,



Michael G. Andrea
Senior Counsel

Enclosures

cc: Service List

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

On February 28, 2011, the Northwest and Intermountain Power Producers Coalition ("NIPPC") filed a petition for reconsideration ("Petition") of Idaho Public Utility Commission ("Commission") Order No. 32176. In its Petition, NIPPC requests that the Commission: (1) take official notice of certain documents; (2) hold an evidentiary hearing on the issues addressed in Order No. 32176; (3) order the investor-owned utilities in Idaho to immediately implement changes to the Integrated Resource Plan Methodology ("IRP Methodology"); and (4) reinstate the 10 aMW published avoided cost rate eligibility cap for wind and solar projects. Petition at 1-2. Avista does not take any position with regard to NIPPC's request that the Commission take official notice of certain documents. NIPPC's remaining requests included in its Petition, however, should be denied.

I. Background

On November 5, 2010, Avista Corporation along with Idaho Power Company and PacifiCorp, dba Rocky Mountain Power, (collectively, the "Utilities") filed a Joint Petition requesting the Commission to initiate an investigation into various avoided cost issues regarding PURPA Qualifying Facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Among the issues raised in the Joint Petition, the Utilities requested that the Commission issue an order adjusting the published avoided cost rate eligibility cap for QFs from 10 average megawatts ("aMW") to 100 kilowatts ("kW") effective immediately.

On December 3, 2010, the Commission issued the Notice in which it, among other things, set a modified procedure comment schedule with which to develop a record for its decision regarding the Joint Petition and Motion's request to lower the published avoided cost rate eligibility cap. Order No. 32131. Parties were afforded an opportunity to file comments and reply comments on the issue of whether the Commission should lower the eligibility cap for published avoided cost rates. Oral argument on that issue was held on January 22, 2011.

On February 7, 2011, the Commission issued Order No. 32176. In Order No. 32176, the Commission, among other things, (1) rejected, in part, NIPPC's request that the Commission take judicial notice of certain documents, (2) temporarily reduced the eligibility cap for wind and solar QFs from 10 aMW to 100 kW; and (3) initiated additional proceedings to investigate and determine, in a finite timeframe, requirements by which wind and solar QFs can obtain a published avoided cost rate without allowing large QFs to obtain a rate that is not an accurate reflection of a utility's avoided cost for such projects. To that end, the Commission initiated a new proceeding in GNR-E-11-01. In that proceeding, the parties will have the opportunity to

submit testimony. Finally, the Commission ordered a technical hearing to take place the week of May 9, 2011.

II. Response to NIPPC's Petition

In its Petition, NIPPC requests that the Commission: (1) take official notice of certain documents; (2) hold an evidentiary hearing on the issues addressed in Order No. 32176; (3) order the investor-owned utilities in Idaho to immediately implement changes to the IRP Methodology; and (4) reinstate the 10 aMW published avoided cost rate eligibility cap for wind and solar projects. Petition at 1-2. Avista does not take any position with regard to NIPPC's request that the Commission take official notice of certain documents. NIPPC's remaining requests included in its Petition, however, should be denied.

A. NIPPC's Request for an Evidentiary Hearing Should be Denied as Moot.

NIPPC requests that the Commission hold an evidentiary hearing on the issues raised in Order No. 32176. The issues set for consideration in GNR-E-10-04 where (1) the advisability of reducing the published avoided cost eligibility cap; (2) if the eligibility cap is reduced, the appropriateness of exempting non-wind QF projects from the reduced eligibility cap; and (3) the consequences of dividing larger wind projects into 10 aMW projects to utilize the published rate. Order No. 32131 at 5. Following the submission of written comments and oral argument, the Commission found a convincing case to temporarily reduce the eligibility cap for published avoided cost rates from 10 aMW to 100 kW for wind and solar QFs only, "*while the Commission further investigates the implications of disaggregated QF projects.*" Order No. 32176 at 9 (emphasis added) (footnote omitted).

In order to further investigate the implications of disaggregated QF projects, the Commission stated that it was initiating further proceedings in which it will solicit information

and investigate further the published avoided cost rate eligibility cap structure that: (1) allows small wind and solar QFs to avail themselves of published rates for projects producing 10 aMW or less; and (2) prevents large QFs from disaggregating in order to obtain a published avoided cost rate that exceeds a utility's avoided cost. Order No. 32176 at 11. The Commission further indicated that, in such proceeding, parties will have the ability to submit testimony and a technical hearing will be held during the week of May 9, 2011. *Id.* The Commission has initiated a new proceeding in GNR-E-11-01 for that purpose. Order No. 32195 at 1. Therefore, even assuming (without conceding) that an evidentiary hearing is necessary, to determine issues regarding the eligibility cap for published avoided cost rates, the Commission has provided for exactly that in GNR-E-11-01. *See id.* Therefore, in light of the process provided in GNR-E-11-01, NIPPC's request for an evidentiary hearing is unnecessary and, in any event, moot.

B. NIPPC's Requested Order Requiring the Investor-Owned Utilities in Idaho to Implement Changes to the IRP Methodology Should Be Denied.

NIPPC requests an order requiring the investor-owned utilities in Idaho to immediately implement changes to the IRP Methodology. Petition at 2. NIPPC argues that the IRP Methodology is flawed because it fails to take into account certain factors that dictated by the Federal Energy Regulatory Commission's regulations and that it produces "wildly inaccurate results."

As an initial matter, NIPPC's request for immediate changes to the investor-owned utilities' IRP Methodologies is beyond the scope of the proceeding. *See* Order No. 32131 at 5 (setting forth the issues to be addressed in GNR-E-10-04). As noted above, the only issues set for consideration in GNR-E-10-04 where (1) the advisability of reducing the published avoided cost eligibility cap; (2) if the eligibility cap is reduced, the appropriateness of exempting non-wind QF projects from the reduced eligibility cap; and (3) the consequences of dividing larger

wind projects into 10 aMW projects to utilize the published rate.¹ *Id.* NIPPC's request for an order requiring the investor-owned utilities to immediately implement changes to the IRP Methodology for calculating avoided cost rates is beyond the scope of this proceeding.

NIPPC's claims that the investor-owned utility's IRP Methodologies are flawed are not supported. *See* Petition at 10-14. NIPPC admits as much in its Petition. Specifically, NIPPC states in its Petition: "The record in this docket contains no evidence whatsoever." Petition at 3. NIPPC then states, without any support, that it has "proved that [the IRP Methodology] produces wildly inaccurate results." Petition at 11. Simply stated, NIPPC cannot have it both ways. In fact, NIPPC has proved no such thing. At most, NIPPC has asserted unsubstantiated allegations that the IRP Methodology is flawed. *See* Petition at 10-14. Such unsubstantiated allegations provide no basis for the order requested by NIPPC.

C. NIPPC's Request to Reinstate the 10 aMW Eligibility Cap for Published Avoided Cost Rates Should Be Denied.

NIPPC argues that FERC rules require state utility commissions to "require the utilities within its jurisdiction to pay the full avoided costs for QF output. . . ." Petition at 14. NIPPC goes on to state, that "the IRP Methodology, as currently implemented, produces rates below the *full* avoided cost rates. . . ." Petition at 14 (emphasis in original). NIPPC cites no authority or support for its conclusory allegation that the IRP Methodology produces rates below the full avoided cost rates. Such unsubstantiated allegations provide no basis for NIPPC's request.

¹ In Order No. 32176 at 10, the Commission stated: "We note that parties have challenged the accuracy of the IRP Methodology. We believe that the IRP Methodology appropriately assess when the QF is capable of delivering its resources against when the utility is most in need of such resources. The resultant pricing is reflective of the value of QF energy to the utility. This comment by the Commission did not serve to expand the scope of the proceeding."

Accordingly, NIPPC's request to have the 10 aMW eligibility cap for published avoided cost rates reinstated should be summarily rejected.

III. Conclusion

Avista respectfully submits this response to NIPPC's Petition for Reconsideration of Order No. 32176. As discussed herein, Avista does not take any position with regard to NIPPC's request that the Commission take official notice of certain documents. NIPPC's requests for (i) an evidentiary hearing, (ii) an order requiring the investor-owned utilities in Idaho to immediately implement changes to the IRP Methodology for calculating avoided cost rates, and (iii) the Commission to reinstate the 10 aMW eligibility cap for avoided cost rates, should be denied.

DATED this 7th day of March 2011.



Michael G. Andrea
Attorney for Avista Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of March 2011, true and correct copies of the foregoing Response of Avista Corporation were delivered to the following persons via Email (unless otherwise indicated).

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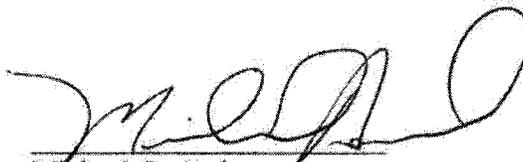
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