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IDAHO PUBLIC
UTILITIES COMMISSION

April 28, 2011

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-11-01
*IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO
DISAGGREGATION AND AN APPROPRIATE PUBLISHED AVOIDED
COST RATE ELIGIBILITY CAP STRUCTURE FOR PURPA QUALIFYING
FACILITIES*

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Answer to Renewable Northwest Project's and the Northwest and Intermountain Power Producers Coalition's Motion to Strike Portions of the Direct Testimony of Mark Stokes in the above matter.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S)
INVESTIGATION INTO DISAGGREGATION) CASE NO. GNR-E-11-01
AND AN APPROPRIATE PUBLISHED)
AVOIDED COST RATE ELIGIBILITY CAP) IDAHO POWER COMPANY'S
STRUCTURE FOR PURPA QUALIFYING) ANSWER TO RENEWABLE
FACILITIES.) NORTHWEST PROJECT'S AND
) THE NORTHWEST AND
) INTERMOUNTAIN POWER
) PRODUCERS COALITION'S
) MOTION TO STRIKE PORTIONS
) OF THE DIRECT TESTIMONY
) OF MARK STOKES
)

I. INTRODUCTION

Idaho Power Company ("Idaho Power" or "Company") pursuant to RP 56.03 and RP 256.04 hereby answers the Motion to Strike Portions of the Direct Testimony of Mark Stokes filed by Renewable Northwest Project ("RNP") and joined by the Northwest and Intermountain Power Producers Coalition ("NIPPC") (RNP's Motion, joined by NIPPC, is hereafter referred to collectively as "Motion to Strike"). The Motion to Strike should be denied because Idaho Power's testimony is properly within the scope of this proceeding as directed by the Idaho Public Utilities Commission ("Commission").

Additionally, Idaho Power's testimony is relevant and necessary for a proper consideration of the issues identified in this proceeding by the Commission. Moreover, the Motion to Strike improperly characterizes the purpose and meaning of identified portions of Mark Stokes' testimony so as to apply a blanket "beyond the scope" objection to essentially the entire testimony.

Alternatively, should the Commission determine that Idaho Power's presentation of testimony – that application of the Commission-approved Integrated Resource Plan ("IRP") methodology is a viable solution to the identified problem of disaggregation either by (1) extending the 100 kilowatt ("kW") published rate eligibility cap or, alternatively, (2) if raising the published rate eligibility cap to 10 megawatts ("MW") or 10 average megawatts ("aMW"), that published rates be established using the IRP-based pricing methodology – should be stricken, then Idaho Power hereby objects to the Commission's segregation of issues into designated "phases" and asks that the May 10, 2011, hearing date be vacated and rescheduled such that a consolidated approach to the issues, including an examination of valid pricing methodologies for determining the utility's avoided cost, can be fully heard, considered, and ruled upon.

II. PROCEDURE

On November 5, 2010, Idaho Power, Avista Corporation, and PacifiCorp d/b/a Rocky Mountain Power ("the Utilities") filed a Joint Petition requesting that the Commission initiate an investigation into various avoided cost issues regarding Public Utility Regulatory Policies Act of 1978 ("PURPA") Qualifying Facilities ("QF"). Additionally, the Utilities requested that the Commission issue an Interlocutory Order adjusting the published avoided cost rate eligibility cap for QFs from 10 aMW to 100 kW effective immediately.

On December 3, 2010, the Commission issued a Notice of the Joint Petition and Notice of Modified Procedure, Intervention Deadline, and Oral Argument, which set a Modified Procedure comment schedule with which to develop a record for its decision regarding the Joint Petition's request to lower the published avoided cost rate eligibility cap. Order No. 32131, Case No. GNR-E-10-04. Initial Comments and Reply Comments were filed by the parties, and Oral Argument was held on January 27, 2011. On February 7, 2011, the Commission issued Order No. 32176 in which it ordered that the eligibility cap for published avoided cost rates be temporarily reduced from 10 aMW to 100 kW for wind and solar QFs, effective December 14, 2010. The Commission further ordered that a hearing be scheduled the week of May 9, 2011, to address issues related to disaggregation and the published rate eligibility cap.

On March 22, 2011, Idaho Power filed the Direct Testimony of M. Mark Stokes in this case. On April 13, 2011, RNP filed a motion to strike Mr. Stokes' Direct Testimony on the sole grounds that portions are "outside the scope of the present phase of the proceeding[.]" RNP's Motion to Strike, p. 3. On April 14, 2011, NIPPC filed a motion to join in RNP's Motion to Strike Mark Stokes' Direct Testimony. Idaho Power now submits this Answer to the Motion to Strike, fourteen days from the time of filing of the last motion or joinder, pursuant to RP 256.04.

III. DISCUSSION

The Direct Testimony of Mark Stokes is properly within the Commission's limited scope of this phase of the proceedings. It does not challenge the *validity* of the IRP methodology but recommends application of that methodology as a solution to the problem of disaggregation – which is precisely what the limited scope of this phase of the proceedings is directed at. This recommendation by Idaho Power is aimed at

addressing the root cause and the motivation that exists for projects to disaggregate into 10 aMW increments, which is to obtain a higher published avoided cost rate. Idaho Power's recommendations are to either (1) make permanent the published rate eligibility cap of 100 kW – a recommendation also made by the other two utilities, as well as by Commission Staff, which was not objected to by RNP nor NIPPC, or (2) that the most effective way to assure that QFs do not obtain a rate that exceeds the utility's avoided cost by disaggregation if the eligibility cap is moved back to 10 aMW is application of the IRP methodology to set published avoided cost prices for QFs. Both of these recommendations are relevant and within the Commission's stated scope for this proceeding, and either of these recommendations will resolve the disaggregation concerns identified by the Commission.

A. Idaho Power's Testimony is Within the Scope of This Proceeding as Directed by the Commission.

Mr. Stokes' Direct Testimony precisely responds to the Commission's directives regarding the scope of this phase of the proceedings. In Order No. 32176, the Commission reduced the eligibility cap for published avoided cost rates on an interim basis from 10 aMW to 100 kW for wind and solar QF. In directing the scope of the present phase of these proceedings, Order No. 32176 states:

The Commission solicits information and investigation of a 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, p. 11. The Commission further clarified this request in Order No. 32195 stating:

The Commission initiates this proceeding to investigate and determine in a finite time frame 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 purchases.

Order No. 32195, p. 1.

Additionally, the Commission offered clarification as to the scope of this phase of the proceedings in response to Rocky Mountain Power's Motion for Clarification and for a Protective Order regarding discovery requested by NIPPC. NIPPC sought to challenge the *validity* of the IRP methodology in this phase of the proceedings and through discovery sought information regarding the *validity* of the IRP methodology. Rocky Mountain Power's specific objection to the discovery sought by NIPPC was that it was designed to challenge the *validity* of the IRP methodology – and that such a challenge was an impermissible collateral attack upon the Commission's previous final Orders authorizing the use of, and affirming the validity of, the IRP methodology. Rocky Mountain Power's Motion for Clarification and for a Protective Order, p. 4. Commissioner Smith also stated at the March 21, 2011, decision meeting addressing Rocky Mountain Power's Motion, "that she didn't believe the *validity* of the IRP methodology is an issue the Commission designated for hearing on May 10th." Minutes of Decision Meeting of the Commission, March 21, 2011, p. 5 (emphasis added).

Idaho Power agrees that the *validity* of the IRP methodology is not at issue in this phase of this case and fully expects to address the validity of the IRP methodology in subsequent phases of this proceeding. However, there is a significant distinction that is of particular relevance in this instance. The *validity* of the IRP methodology is not in question in this phase of the proceedings; thus, the Commission's Order delaying

discovery responses aimed at this purpose to a later phase of proceedings is appropriate. However, the Direct Testimony of Mark Stokes does not speak to the *validity* of the IRP methodology as a means to set avoided cost rates for QFs. Instead, Mr. Stokes' testimony, and Idaho Power's advocacy in this phase of the case, is that application of the IRP methodology is the appropriate solution to the problems and issues surrounding disaggregation of QF projects. This is what the Commission specifically requested additional information on and investigation of – solutions to the issue of disaggregation – and that is exactly what Idaho Power provided in the form of Mr. Stokes' testimony.

As indicated above, Idaho Power suggests two possible solutions to the issue of disaggregation, one of which is to make permanent the 100 kW published rate eligibility cap. Notably, four of the six parties that submitted direct testimony in this proceeding recommend making the 100 kW published rate eligibility cap permanent as a feasible solution to the issue of disaggregation. Those parties include the three utilities, Idaho Power, Avista Corporation, and Rocky Mountain Power, as well as Commission Staff. RNP and NIPPC hold out Staff's testimony as the proper example of testimony that was within the scope of the Commission's inquiry. However, Staff's testimony also recommends that one viable solution to disaggregation is to make the 100 kW published rate eligibility cap permanent. Thus, on the one hand, RNP and NIPPC argue that Commission Staff's testimony is within the scope and proper in this phase of the case, while on the other hand, RNP and NIPCC object to a portion of Mr. Stokes' testimony that advocates the exact same position as Commission Staff testimony.

The current law and procedure, as approved and implemented by this Commission, is that there are two valid, approved, enforceable, and required

methodologies for determining a utility's avoided cost under PURPA – the Surrogate Avoided Resource (“SAR”) and the IRP-based methodologies. It is precisely because of this arrangement that there exists an economic motivation for larger QF projects to configure themselves into multiple 10 aMW increments in order to obtain a higher avoided cost calculation reserved for truly small, unsophisticated QFs. Mr. Stokes' testimony puts forth that a meaningful examination of disaggregation as directed by the Commission must address the underlying pricing and economic issues to ensure that QFs do not obtain a rate that is inconsistent with, or above, the utility's avoided cost. As long as PURPA developers can select from the different cost and price calculations, they will seek out the higher of the two calculations. They will have a strong economic incentive to disaggregate in order to avail themselves of the published avoided cost rate whenever it is higher than the alternative calculation.

By prohibiting or ignoring the underlying economic issues, as suggested by RNP and NIPPC, all of the issues directed for inquiry by the Commission in this proceeding are not addressed. The Commission clearly directed three areas of inquiry: (1) information and investigation of a published avoided cost rate eligibility cap structure that allows small wind and solar QFs to avail themselves of published rates for projects producing 10 aMW or less; (2) information and investigation of a published avoided cost rate eligibility cap structure that prevents large QFs from disaggregating in order to obtain a published avoided cost rate that exceeds a utility's avoided cost (Order No. 32176); and (3) 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 purchases. Order No. 32195.

The most troubling aspect of the Motion to Strike and supposed limitation to discuss only criteria-based approaches in this docket is that this suggested approach ignores the Commission's duty to ensure Idaho customers are not paying more than the electric utilities' avoided costs for PURPA energy. RNP and NIPPC's approach would be to simply establish a way to allow PURPA developers to continue to develop their projects and receive the published avoided cost rate with no regard to the effect upon customers or the utility's actual avoided costs. This approach, or limitation, put forth by the Motion to Strike tells only one-side of the PURPA story, the developer's side. The other side of the story is the customer's side. It is the customers who ultimately have to pay for electricity generated by PURPA projects.

The Commission's directive in this proceeding was not simply to devise a way that further PURPA development could be encouraged and continue, but the directive was also to make sure that QFs were not – and do not – “obtain a published avoided cost rate that exceeds a utility's avoided cost,” Order No. 32176, p. 11, nor “obtain a rate that is not an accurate reflection of a utility's avoided cost for such purchases.” Order No. 32195, p. 1. PURPA requires that utility customers be economically indifferent to the effects of whether power is purchased from a QF or otherwise acquired (generated or purchased) by the utility. *Southern California Edison Co.*, 71 F.E.R.C. P 61,269, 1995 WL 327268 (F.E.R.C. 1995). Should the underlying economic issues remain unaddressed, as suggested by the various criteria based proposals, as well as with the limitation suggested by the Motion to Strike, published avoided cost rates will remain subject to exploitation by PURPA developers so as to avail themselves of the published avoided cost rate to the direct and substantial detriment and financial harm of all of the utilities' customers. Prohibiting any discussion of proposed solutions beyond

these “criteria”-based approaches, and striking Idaho Power’s testimony as suggested by RNP and NIPPC, would only address the encouragement and development of QF projects, and would not address the remaining and most important issues regarding assurance that QFs not obtain a rate that exceeds the utility’s avoided cost and assurance that customers truly remain indifferent to the QF transactions.

It is entirely proper, relevant, and within the scope of this proceeding for Idaho Power to argue that by setting avoided cost rates for PURPA projects based upon the IRP methodology, assurance can be given to customers that they will not be overpaying for energy the electric utilities are avoiding by purchasing PURPA energy. Because the IRP-based methodology addresses the underlying economic issue with the Commission’s current policy on PURPA pricing, PURPA developers will have no incentive to exploit disaggregation rules to receive more attractive published avoided cost rates. This approach addresses *both* issues that the Commission ordered be addressed in this docket: (1) it solves the problem of disaggregation and (2) additionally, provides assurance that customers will not be overpaying for PURPA energy by paying a rate that exceeds the utility’s avoided cost.

Idaho Power’s testimony is properly within the scope of this proceeding as directed by the Commission. Moreover, Idaho Power’s testimony is relevant and necessary for a proper consideration of the issues identified in this proceeding by the Commission. Therefore, the Motion to Strike should be denied in its entirety.

B. The Motion to Strike Improperly Characterizes the Purpose and Meaning of Identified Portions of Mark Stokes’ Testimony so as to Apply a Blanket “Beyond the Scope” Objection to Essentially the Entire Testimony.

The Motion to Strike references and objects to broad sections of Mr. Stokes’ Direct testimony, makes generalized statements to the effect that the testimony

advocates for the IRP methodology over the SAR methodology, and improperly characterizes the purpose and meaning of the referenced testimony. The Motion to Strike then makes a blanket “beyond the scope” objection and asks that most of Mr. Stokes’ testimony be stricken. An examination of the purpose and meaning of the referenced sections of testimony demonstrates that Mr. Stokes’ testimony is soundly within the Commission’s directed scope for this proceeding, is relevant, necessary, and proper evidence for the Commission’s consideration in this matter, and that the Motion to Strike should be denied.

1. **Page 3, Line 27 through Page 4, Line 9 of Mr. Stokes’ Direct Testimony Should Not be Stricken.**

The Motion to Strike seeks to strike page 3, line 27 through page 4, line 9 of Mr. Stokes’ testimony on the grounds that, “This section of testimony argues that the IRP methodology is preferable to the SAR methodology. Accordingly, it is beyond the scope of issues identified for consideration in this proceeding.” RNP’s Motion to Strike, p. 3.

This section of Mr. Stokes’ testimony is actually a summary of Idaho Power’s position to the Commission’s inquiry about disaggregation. The testimony sets forth the recommendations: (1) to make permanent the published rate eligibility cap of 100 kW – a recommendation also made by the other two utilities, as well as by Commission Staff, which was not objected to by RNP nor NIPPC; (2) that the most effective way to assure that QFs do not obtain a rate that exceeds the utility’s avoided cost if the eligibility cap is moved back to 10 aMW is application of the IRP methodology; and (3) that “criteria” regarding ownership and geographic proximity will not work and do not address the real underlying problems of price, need, and an appropriately set avoided cost rate. These proposed solutions are not outside the scope of the Commission’s direction for this

proceeding and, in fact, address all of the issues identified by the Commission; those issues being the published rate eligibility cap, disaggregation, and preventing large QFs from obtaining a rate above the utility's avoided cost rate – not just the one-sided issue that RNP and NIPPC would have addressed, which is how to move the published rate eligibility cap back to 10 aMW and promote QF development. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

2. Page 4, Line 14 through Page 8, Line 24 of Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike seeks to strike page 4, line 14 through page 8, line 24 of Stokes' Direct Testimony on the grounds that:

This section of testimony repeats arguments advanced by Idaho Power Company in support of the issuance of Order No. 32195, reducing the published rate eligibility cap. The NOI in this case invites comments on whether a mechanism can be devised to allow 10 aMW project [sic] to receive the published avoided cost rate while prevent [sic] disaggregation. It did not invite repetition of previous arguments in favor of reducing the published rate threshold. Accordingly, it is beyond the scope of issues identified for consideration in this proceeding.

RNP's Motion to Strike, p. 3.

This section of Mr. Stokes' testimony demonstrates how the positions taken by Idaho Power in the GNR-E-11-01 docket, in its suggested approaches for the Commission to take regarding disaggregation, are consistent with the positions taken - and address the problems identified in the originating docket, GNR-E-10-04. This discussion is not only directly relevant to the Commission's inquiry related to potential solutions that it may implement regarding disaggregation but also because of the Commission's separation of the issues into different cases. It is relevant, necessary, and helpful to show that these issues, and narrowing of scope into phases, does not

happen in a vacuum and has a specific context associated with it that informs and shapes the consideration, recommendations, and ultimate selection of a solution from various proposals. The information is relevant and supportive of Idaho Power's recommendations to address how the Commission can consider solutions to disaggregation while at the same time maintaining its obligation to assure that customers are not harmed by paying more than the utility's avoided cost – which is precisely within the Commission's stated scope of inquiry in this phase of the proceedings. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

3. Page 9, Line 1 through Page 11, Line 8 of Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike seeks to strike page 9, line 1 through page 11, line 8 of Stokes' Direct Testimony on the grounds that, "This section of testimony argues that the IRP methodology is preferable to the SAR methodology. Accordingly, it is beyond the scope of issues identified for consideration in this proceeding." RNP's Motion to Strike, p. 3.

This again is a mischaracterization of the purpose and content of the testimony. This particular section of testimony actually discusses and explains how Idaho Power's testimony is consistent with, relevant, and responsive to the Commission's specific directed inquiry in this case. The actual question objected to on page 9 states:

How is the discussion of the avoided cost pricing and methodology relevant to the Commission's direction in this docket, Case No. GNR-E-11-01, to "investigate and determine . . . 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 purchases"?

Stokes' Direct Testimony, p. 9, ll. 1-8. The remaining portion of this section that was identified by RNP and NIPPC in their Motion to Strike, through page 11, line 8 discusses how the underlying motivation, and the cause of the disaggregation of large projects into 10 aMW increments, is the fact that the projects configure themselves in such a way to take advantage of the higher avoided cost calculation under the SAR methodology. Idaho Power's suggested solution for this is to address disaggregation by addressing the root cause – the economics or price. RNP and NIPPC, in objecting to this section of testimony, are objecting to Idaho Power's explanation of why the testimony is relevant and within the Commission's scope of this phase of the proceedings. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

4. Page 16, Line 1 through Page 16, Line 17 of Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike seeks to strike page 16, line 1 through page 16, line 17 of Mr. Stokes' testimony on the grounds that, "This section of testimony is, again an argument for the superiority of the IRP methodology. Accordingly, this section of testimony is beyond the scope of issues identified for consideration in this proceeding." RNP's Motion to Strike, p. 4.

Once again, and just as it did in the previously identified, objected to section of testimony, RNP and NIPPC mischaracterize the purpose and content of Mr. Stokes' testimony. This section of Mr. Stokes' testimony does not argue the "superiority of the IRP methodology" as alleged by RNP and NIPPC. This section, much like this Answer to the Motion to Strike, directly addresses how Idaho Power's testimony is consistent with the Commission's direction for this docket, and relevant to the determination the

Commission seeks to make regarding the published rate eligibility cap, disaggregation, and an appropriate avoided cost rate. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

5. Page 16, Line 18 through Page 25, Line 14 of Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike seeks to strike page 16, line 18 through page 25, line 14 of Stokes' Direct Testimony on the grounds that, "This section of testimony is, again an argument for the superiority of the IRP methodology. Accordingly, this section of testimony is beyond the scope of issues identified for consideration in this proceeding." RNP's Motion to Strike, p. 4.

Again, a very broad portion of testimony is objected to and misconstrued by RNP and NIPPC. This section of testimony generally sets forth Idaho Power's second proposal for the Commission's consideration as a solution that "allows small wind and solar QFs to avail themselves of published rates for projects producing 10 aMW or less; and . . . prevent large QFs from disaggregating in order to obtain a published avoided cost rate that exceeds a utility's avoided cost." Order No. 32176, p. 11. This is word-for-word responsive to the Commission's directive on scope. Idaho Power's testimony, and Exhibit No. 1, in this section puts forth the solution of raising the published rate eligibility cap by basing the published rate upon the IRP methodology. The testimony and Exhibit No. 1 also set forth examples of the resultant price calculation for various resource types under this proposal. There is nothing in the Commission's direction on scope for this proceeding that says it only wants to be presented with solutions that discuss a set of criteria based upon ownership, geographic, or other limitations and qualifications to qualify for published rates. The proposed solution in this section of

testimony is a valid, workable alternative that would accomplish the stated goals set forth by the Commission of raising the published rate eligibility cap, but also assuring that disaggregation cannot take place in order for QFs to obtain a rate in excess of the utility's avoided cost. It is not a challenge to the validity of the IRP methodology and, in fact, completely accepts the Commission's previously approved avoided cost methodology. Idaho Power is entitled to suggest possible solutions that are outside of the other parties' criteria-based approaches – and the recommendation in this section was specifically designed to meet the Commission's stated direction from Order No. 32176. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

6. Page 25, Line 15 through Page 26, Line 9 of Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike seeks to strike page 25, line 15 through page 26, line 9 of Stokes' Direct Testimony on the grounds that, "This section of testimony introduces the idea of using nameplate rating rather than average megawatts. Accordingly, this section of testimony is beyond the scope of issued identified for consideration in this proceeding." RNP's Motion to Strike, p. 4.

Once again, Idaho Power is not aware that the Commission placed any limitations as to scope such that alternative solutions that are not based upon some set of criteria could not be brought forth and considered. In this section of testimony, Idaho Power recommends that should the published rate eligibility cap be raised, that the Commission consider 10 MW rather than 10 aMW or, in other words, based upon the actual nameplate rating of the generation project. Nameplate rating had been the standard measurement to determine eligibility in the past, and the change in use to

average MW has added to the problem of disaggregation by allowing much larger projects, in some cases up to 30 MW, to individually qualify for published rates. The use of nameplate MW rather than average MW is more likely to truly capture the smaller, more unsophisticated developers that the Commission intends to capture with published rates. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

7. **Page 26, Line 10 through Page 27, Line 4 of Mr. Stokes' Direct Testimony Should Not be Stricken.**

The Motion to Strike seeks to strike page 26, line 10 through page 27, line 4 of Stokes' Direct Testimony on the grounds that, "This section is a summary of the previously identified irrelevant testimony. Accordingly, this section of testimony is beyond the scope of issues identified for consideration in this proceeding." RNP's Motion to Strike, p. 4.

This portion of testimony summarizes Idaho Power's recommendations contained in the testimony. It puts forth the recommendation to make permanent the 100 kW published rate eligibility cap and advocates that it is a straightforward way to quickly address the issues surrounding disaggregation as directed by the Commission. It also urges Idaho Power's alternative recommendation that should the published rate eligibility cap be raised, that the IRP methodology be employed to set a resource specific published avoided cost rate for those projects. As discussed above, these recommendations are entirely responsive and within the Commission's directed scope for this proceeding, as well as necessary for a full and complete consideration of those issues. This portion of testimony is relevant and within the Commission's stated scope and should not be stricken.

8. Exhibit No. 1 to Mr. Stokes' Direct Testimony Should Not be Stricken.

The Motion to Strike also seeks to strike Exhibit No. 1 to Mr. Stokes' testimony on the grounds that, "This Exhibit is offered in support of Idaho Power's argument that the IRP methodology is preferable to the SAR methodology. Accordingly, this exhibit is beyond the scope of issues identified for consideration in this proceeding." RNP's Motion to Strike, p. 4.

As stated in Section 5 above, Exhibit No. 1 coincides with and informs about Idaho Power's second proposal for the Commission's consideration as a solution that "allows small wind and solar QFs to avail themselves of published rates for projects producing 10 aMW or less; and . . . prevent large QFs from disaggregating in order to obtain a published avoided cost rate that exceeds a utility's avoided cost." Order No. 32176. P. 11. This is word-for-word responsive to the Commission's directive on scope. Idaho Power's testimony, and Exhibit No. 1, put forth the solution of raising the published rate eligibility cap, but basing the published rate upon the IRP methodology. Mr. Stokes' testimony and Exhibit No. 1 also set forth examples of the resultant price calculation for various resource types under this proposal. As is the corresponding testimony, Exhibit No. 1 is relevant and within the Commission's stated scope and should not be stricken.

C. If the Commission Grants the Motion To Strike, the Commission Should Vacate the Hearing Date and Consolidate the Issues in this Case

As described herein and in Mr. Stokes' testimony, Idaho Power's position is that the proper way to deal with the problems of QF disaggregation is to address the underlying economic issues associated with setting an appropriate avoided cost rate. As stated above, Idaho Power believes that its proffered testimony is soundly within the

scope of this proceeding as identified by the Commission and should not be stricken. However, should the Commission determine that Idaho Power's presentation of testimony is outside of its designated scope and should be stricken, then Idaho Power hereby objects to the Commission's segregation of issues into the designated "phases" and asks that the May 10, 2011, hearing date be vacated and rescheduled such that a consolidated approach to the issues including an examination of valid pricing methodologies for determining the utility's avoided cost can be fully heard, considered, and ruled upon.

Because the underlying economic issues of avoided costs and published rates provide the underlying motivation for disaggregation, they are a necessary and integral part of any proper examination of the Commission's directed scope in this proceeding, that being issues related to the avoided cost eligibility cap, disaggregation, and assurance that projects do not obtain a rate above avoided cost. It would be improper for the Commission to decide these very important issues, with very large ramifications for customers, without reference to, or consideration of, the underlying economics of avoided costs for PURPA energy. If the May 10 hearing is limited, as alleged by RNP and NIPPC, such that it only addresses disaggregation "criteria" without examining the underlying economic issues related to current avoided cost pricing, it will be impossible to have a full, fair, and determinative examination of the issues related to disaggregation and the published rate eligibility cap. Indeed, at the Commission's March 21, 2011, Decision Meeting, Commissioner Smith foreshadowed the dilemma posed by the Motion to Strike by stating "if it turns out that the Commission cannot truly separate the disaggregation issue from other avoided cost issues and handle it quickly, then the other option is to cancel the hearing and consider everything at issue, which will prolong

the process considerably.” Commission Minutes of Decision Meeting, March 21, 2011, p. 2.

While Idaho Power recognizes that vacating the hearing and taking a proper consolidated approach to the issues, including an examination of valid pricing methodologies for determining the utility’s avoided cost, would require additional time and prolong the process, given what is at stake in this docket for the Utilities, Idaho customers, and QF developers, Idaho Power believes that the Commission’s duty to not only implement PURPA but also to ensure Idaho customers pay no more than the Utilities’ avoided costs for PURPA energy by comprehensively addressing avoided cost issues in this proceeding outweighs any adverse impact that may result by delaying this matter for a more comprehensive and proper consideration of the issues. Ultimately, even should the Commission agree with Idaho Power’s recommendations, then Idaho Power still fully anticipates that this Commission would need to conduct additional phases of this docket to determine the issues previously raised by the intervenors associated with the alleged shortcomings of using the IRP methodology to determine avoided cost rates. As indicated above, because Mr. Stokes’ testimony only advocates, as a policy matter, that the IRP-methodology addresses the problem of disaggregation by dealing with the underlying economic concerns, the Commission, Staff, and intervenors will have a subsequent opportunity to examine the mechanics of the IRP methodology, and challenge its validity should they so choose.

IV. CONCLUSION

The Commission did not limit the scope of this proceeding, nor its inquiry into disaggregation, to only a discussion of ownership and geographic “criteria.” Certainly, discussion of these criteria, and single project versus multiple project determinations is

one possible route that the Commission could decide to take when addressing the issues identified in this docket. However, it is not the only solution, and as argued by Idaho Power, not the best solution out there. Idaho Power's testimony itself addresses these issues and explains how its proposed solutions to the Commission's inquiry regarding disaggregation and published rate eligibility fit within the scope of the Commission's inquiry. Idaho Power does not challenge the validity or mechanics of the approved IRP methodology, but suggests its application as a viable and preferred solution to the stated issues of disaggregation and the published rate eligibility cap. Even Commission Staff, who RNP and NIPPC held out as the proper example of testimony that was within the scope of the Commission's inquiry, put forth the same suggested remedy as the Utilities – that is to maintain the temporary published rate eligibility cap on a permanent basis as a viable solution to the problems of disaggregation. By implementation of this recommendation, the IRP methodology is the avoided cost methodology for all projects that exceed the 100 kW published rate cap. But somehow when the Utilities discuss this same possible solution, it now becomes objectionable and the target of a motion to strike. The Motion to Strike is without merit, and Idaho Power respectfully asks that it be denied in its entirety.

DATED at Boise, Idaho, this 28th day of April 2011.



DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 28th day of April 2011 I served a true and correct copy of IDAHO POWER COMPANY'S ANSWER TO RENEWABLE NORTHWEST PROJECT'S AND THE NORTHWEST AND INTERMOUNTAIN POWER PRODUCERS COALITION'S MOTION TO STRIKE PORTIONS OF THE DIRECT TESTIMONY OF MARK STOKES upon the following named parties by the method indicated below, and addressed to the following:

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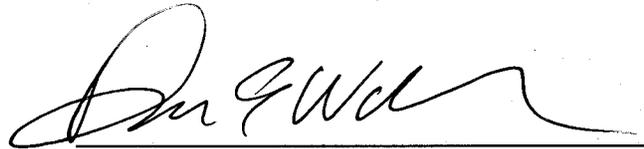
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