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January 22, 2013 IDAHO PUBLIC  
UTILITIES COMMISSION

Ms. Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702

Re: GNR-E-11-03

Dear Ms. Jewell:

Enclosed for filing in the above referenced case, please find an original and seven copies of the *Reply of North Side Canal Company, Twin Falls Canal Company, Big Wood Canal Company, and American Falls Reservoir District No. 2 to Idaho Power Company's Response to Petition for Reconsideration, Response to Petition for Clarification, and Cross-Petition for Reconsideration.*

Thank you for your assistance in this matter. Please contact our office if you have any questions.

Sincerely,

ARKOOSH EIGUREN PLLC



Erin Cecil  
Legal Assistant

/emc  
Enclosure  
Cc: Client

ORIGINAL

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UTILITIES COMMISSION

*Attorneys for Twin Falls Canal Company, North  
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and American Falls Reservoir District No. 2*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE  
COMMISSION'S REVIEW OF PURPA  
QF CONTRACT PROVISION  
INCLUDING THE SUBROGATE  
AVOIDED RESOURCE (SAR) AND  
INTEGRATED RESOURCE  
PLANNING (IRP) METHODOLOGIES  
FOR CALCULATING PUBLISHED  
AVOIDED COST RATES.

Case No. GNR-E-11-03

**REPLY OF NORTH SIDE CANAL  
COMPANY, TWIN FALLS CANAL  
COMPANY, BIG WOOD CANAL  
COMPANY, AND AMERICAN FALLS  
RESERVOIR DISTRICT NO. 2 TO IDAHO  
POWER COMPANY'S RESPONSE TO  
PETITION FOR RECONSIDERATION,  
RESPONSE TO PETITION FOR  
CLARIFICATION, AND  
CROSS-PETITION FOR  
RECONSIDERATION**

COME NOW Twin Falls Canal Company, North Side Canal Company, Big Wood Canal Company, and American Falls Reservoir District #2 (collectively, "Companies"), and hereby reply to Idaho Power Company's Response to Petition for Reconsideration, Response to Petition for Clarification, and Cross-Petition for Reconsideration.

REPLY OF NORTH SIDE CANAL COMPANY, TWIN FALLS CANAL COMPANY, BIG WOOD CANAL COMPANY, AND AMERICAN FALLS RESERVOIR DISTRICT NO. 2 TO IDAHO POWER COMPANY'S RESPONSE TO PETITION FOR RECONSIDERATION, RESPONSE TO PETITION FOR CLARIFICATION, AND CROSS-PETITION FOR RECONSIDERATION - 1

## I. PROCEDURAL BACKGROUND

The Idaho Public Utilities Commission (“Commission”) in this instant case issued its *Order No. 32697* on December 18, 2012, on a plethora of issues concerning the operation of Public Utility Regulatory Policy Act Qualifying Facilities (“PURPA QFs”) in the State of Idaho.

On or about January 8, 2013, Intervenor Idaho Power Company (“Idaho Power”) filed Idaho Power Company’s Petition for Clarification and/or Reconsideration (“Idaho Power Petition”).

In the Idaho Power Petition, Idaho Power identified four issues for review by the Commission. Idaho Power’s Issue No. 1 concerned the Surrogate Avoided Resource (“SAR”) inputs and methodology.

In the Idaho Power Petition, Idaho Power expressly limited its plea to the Commission to a request for transparency so that all the parties could reproduce the rate schedules attached to Order No. 32697. The Petition concluded as to Issue No. 1:

To the extent that the SAR pricing methodology model, with verification of its inputs and variables, is clarified to the extent that the rate calculations in Attachment A can be reproduced by Idaho Power, **the Company seeks no other clarification/reconsideration of the SAR pricing methodology here.** However, Idaho Power hereby reserves its rights to seek further clarification, reconsideration, or hearing **to the extent that the inputs, variables, and, ultimately, the published rates cannot be clarified to the point where the calculations are transparent and can be reproduced.** The Company believes it to be to all parties benefit to have the Commission expressly verify upon this Petition for Clarification and/or Reconsideration the details of the SAR published avoided cost rate model utilized by the Order to arrive at the rate charts shown in Attachments A, B, and C.

Idaho Power’s Petition at p. 4 [**Emphasis added.**]

On or about January 15, 2013, Idaho Power filed Idaho Power Company’s Response to Petition for Reconsideration, Response to Petition for Clarification, and Cross-Petition for Reconsideration (“Idaho Power’s Response”). In Idaho Power’s Response, Idaho Power REPLY OF NORTH SIDE CANAL COMPANY, TWIN FALLS CANAL COMPANY, BIG WOOD CANAL COMPANY, AND AMERICAN FALLS RESERVOIR DISTRICT NO. 2 TO IDAHO POWER COMPANY’S RESPONSE TO PETITION FOR RECONSIDERATION, RESPONSE TO PETITION FOR CLARIFICATION, AND CROSS-PETITION FOR RECONSIDERATION - 2

responded to its own Petition. Contrary to the affirmative representations of Idaho Power's Petition, its Response to its own Petition now seeks much more than transparency, but in fact a change in the capacity payments paid to Canal Drop Hydro from 100 percent to 67.1percent. It is respectfully requested that this not be allowed on, alternatively, procedural and substantive grounds.

## **II. PROCEDURAL OBJECTION**

The percent capacity factor used to calculate Canal Drop Hydro rates was not a matter under reconsideration or clarification by any party, except to the extent that Idaho Power asked for clarification of the SAR inputs, but expressly no more. This limitation warded off any expectation that the 100 percent capacity factor used in the calculation of Canal Drop Hydro rates was at play. Then, Idaho Power sought to respond to its own Petition. This response is neither a cross-petition nor an answer under Rule 331. Rule 331 addresses responses to petitions by "any other person." Idaho Power is not a third party to its own Petition.

In summary, Idaho Power has filed a Petition that quite expressly did not address the 100 percent capacity factor for Canal Drop Hydro, then responds to its own Petition by seeking to raise the very issue it expressly excluded from its Petition. To the extent the Response seeks to affirmatively raise that issue, it is both untimely and done so on a procedure not allowed by Rule 331. Therefore, the consideration of the issue should not be allowed.

## **III. SUBSTANTIVE OBJECTION**

Based upon page 18 of M. Stokes's Exhibit 3, Idaho Power argues that the capacity factor for Canal Drop Hydro should be 67.1 percent. What the argument fails to point out is the calculation at page 18 is based upon the 90<sup>th</sup> percentile peak hour capacity factor. In other words, the actual canal drop on peak capacity factor is expected to be greater than this value 90 percent of

the time.

The correct capacity factor calculation to use as an input in the SAR model is better explained by Staff witness McHugh. At pages 9, 10, and 11 of her testimony, she sets forth the true avoided cost effect of operating Canal Drop Hydro during Idaho Power's high demand summer season:

Q. Are you instituting the "first deficit year" concept exactly as it had been instituted prior to 2002?

A. No. The model I recommend identifies years in which a utility is deficient in energy, in capacity, or both. This is based on information from each utility's most recent IRP. If a utility is deficient in energy, then the QF would receive an energy payment. If a utility is not deficient in energy, then the QF would receive an energy payment minus costs for transmission and losses.

The previous SAR model did not adjust for transmission and losses.

In the recommended model, capacity payments are specific to the resource used by the QF. If a utility is deficient in capacity, then the recommended model examines whether the utility is deficient in summer only, in winter only, or in both seasons. If the utility is deficient in only one season, then the model bases a resource-specific capacity payment on the ability of that resource to contribute during the deficient season's peak. However, if a utility is deficient in both seasons, then the model bases the resource-specific capacity payment on the ability of that resource to contribute during both seasons' peaks. This is the same methodology suggested by Avista.

To clarify matters, consider canal drop QFs. Canal drops can contribute 100 percent of their capacity during the summer peak and 0 percent of their capacity during the winter peak. If a utility is only capacity deficient during the summer, then a canal drop QF receives the full capacity payment. However, if a utility is capacity deficient in only the winter or in both the summer and winter, then the canal drop receives no capacity payment. Allowing capacity payments to differ by resource should encourage development of QFs with characteristics of value to the utilities (such as QFs that provide generation during peak hours).

Staff concurs with Avista witness Kalich on the basis for capacity payments. In his direct testimony, page 21, lines 5 through 9, Mr. Kalich states:

*It is not fair to pay one resource with a low capacity factor and an equivalently high on-peak contribution the same per-MWh payment as second base load plant operating with a relatively high capacity factor all year round. Using the method, the low capacity factor resource would receive much lower total compensation even though the resource provided the same on-peak capacity benefit to the utility.*

Direct Testimony of Dr. Cathleen M. McHugh at p. 9, 10, and 11.

REPLY OF NORTH SIDE CANAL COMPANY, TWIN FALLS CANAL COMPANY, BIG WOOD CANAL COMPANY, AND AMERICAN FALLS RESERVOIR DISTRICT NO. 2 TO IDAHO POWER COMPANY'S RESPONSE TO PETITION FOR RECONSIDERATION, RESPONSE TO PETITION FOR CLARIFICATION, AND CROSS-PETITION FOR RECONSIDERATION - 4

#### IV. CONCLUSION

For the foregoing reasons, it is respectfully requested that:

1. The issue of the 100 percent capacity factor for Canal Drop Hydro not be reopened because the same is presented to the Commission untimely and on a procedure not provided for in the Rules;

2. In the event the matter is reconsidered, that the Commission order the retention of the 100 percent canal drop capacity factor for Canal Drop Hydro.

Respectfully submitted,

DATED this 22<sup>nd</sup> day of January, 2013.

ARKOOSH EIGUREN, PLLC



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C. Thomas Arkoosh

*Attorneys for Twin Falls Canal Company, North Side Canal Company, Big Wood Canal Company and American Falls Reservoir District No. 2*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 22<sup>nd</sup> day of January, 2013, I served a true and correct copy of the foregoing upon each of the following individuals by causing the same to be delivered by the method and to the addresses indicated below:

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