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IDAHO PUBLIC  
UTILITIES COMMISSION

April 8, 2013

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

Re: GNR-E-11-03

Dear Ms. Jewell:

Please find enclosed an original and seven copies of Reconsideration Reply Comments of the Renewable Energy Coalition for filing in the above referenced case.

Thank you for your assistance in this matter. Please feel free to give me a call should you have any questions.

Sincerely,



Ronald L. Williams

RLW/jr  
Enclosures

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Attorneys for Renewable Energy Coalition

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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

Case No. GNR-E-11-03

RECONSIDERATION REPLY  
COMMENTS OF THE RENEWABLE  
ENERGY COALITION

COMES NOW the Renewable Energy Coalition ("REC"), by and through its counsel of record, Ronald L. Williams of Williams Bradbury, P.C., and provides these Reconsideration Reply Comments, as follows.

REC currently has 13 members which own, operate or have interest in 24 small hydroelectric projects located within Idaho and selling to either Idaho Power Company ("Idaho Power") or PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"). Nine REC member projects sell to PacifiCorp, the remainder to Idaho Power. In addition, there are at least five other small hydro projects not represented by REC that sell to PacifiCorp.

The "Note" to the price schedules in the Commission's December 18, 2012 Order No. 32697 established the initial definition of Canal Drop Hydro. Consequently, REC expressed its concern regarding the definition of Canal Drop Hydro in its Petition for Clarification of January 8, 2013. REC's concern regarding this definition was not related to the use of the term

“majority” of generation during the irrigation season, but rather, possible unintended restrictions associated with “man-made” waterway criteria, as well as the possibility that the title “Canal Drop Hydro” could lead to further confusion about the intended application of this particular rate schedule.

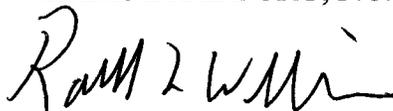
Staff proposes the definition of a seasonal hydro project as one that has, “over the last ten years, generated at least 90 percent of its average annual generation during the months of April through October.” Staff also proposed that for new projects, they be required to demonstrate compliance with this definition during the first year of operation.

REC objects to the first part of this definition and instead believes that existing hydro projects should be able to change their operating regime to meet the same definition of seasonality that applies to new hydro projects. In other words, an existing hydro project with a new contract from Idaho Power or PacifiCorp should be allowed to curtail what would otherwise be marginal out-of-season generation, in order to qualify for seasonal generation avoided cost rates, without being ‘trapped’ by 10 years of historical generation related to an old contract that treated all types of QF generation the same. To hold existing hydro projects to a different standard than new hydro projects is otherwise unduly discriminatory.

Please see Attachment A regarding more detailed comments of REC related to seasonal hydro rates and threshold requirements.

RESPECTFULLY SUBMITTED this 8<sup>th</sup> day of April, 2013.

WILLIAMS BRADBURY, P.C.



Ronald L. Williams  
Attorney for the Renewable Energy Coalition

## **ATTACHMENT A**

### **TO REPLY COMMENTS OF RENEWABLE ENERGY COALITION**

The Renewable Energy Coalition ("Coalition") in accordance with the Idaho Public Utility Commission's ("Commission") Order No. 32737 dated February 5, 2013 submits the following reply comments regarding the definition of Canal Drop Hydro Projects ("Canal Drop Hydro") and other closely related issues.

#### **A. Background and Analysis of Project Data**

Staff's initial definition of Canal Drop Hydro as stated in the price schedule "Note" referenced above is the following: A "canal drop hydro project" is defined as a generation facility which produces the majority of its generation during the irrigation season and is located on a man-made waterway that conveys water primarily intended for irrigation or that primarily conveys irrigation return flows.

Staff's new proposed definition is materially different in two very important ways: 1) the generation facility must produce at least 90% of its annual total annual generation during the irrigation season, and 2) in order to qualify for seasonal prices existing projects must demonstrate through ten years of historical production that 90% of production occurred during the irrigation season. In addition, Staff makes the following observation in its March 25<sup>th</sup> comments, "What is important, Staff believes, is not whether a hydro project is located on a canal or whether it is somehow associated with irrigation, but instead whether it reliably generates during the season of the year when capacity is most valuable to the utility, i.e. summer for Idaho Power and PacifiCorp".

The Coalition brings attention to the following issues with the Staff's proposed new definition: 1) Under Staff's original definition of Canal Drop or Seasonal projects using just the majority criteria nineteen of the twenty-two Coalition projects would have been eligible for the higher prices, 2) Under Staff's current proposed definition for Seasonal projects only two of the Coalition projects may be eligible, a 89% reduction in eligibility, 3) fifteen (70%) of the projects have a

July Capacity factor greater or equal to 75%, however none of these projects qualify for the Seasonal prices under the staff proposal.

B. Definition of Seasonal Projects

A. *90% of annual production during the irrigation season:*

While Idaho Power may be more technically correct in proposing a restricted summer season for determining seasonal hydro price eligibility, Staff's approach using the irrigation season as a reasonable criterium for seasonal prices is superior, all things considered.

B. *Ten –year demonstration of 90% for existing projects:*

In its recommendations Staff defines a seasonal project "as one that generates 90 percent of its annual generation during the months of April through October". However, Staff analysis on page 3 provided a different and more restrictive definition of a Seasonal Project, as follows: "A Seasonal project is defined as one that, over the last ten years, generated 90 percent of its annual generation during the months of April through October". Further on page 3 Staff states that "This definition would apply to any new hydro project seeking a contract and to any existing projects seeking to replace an expiring contract. For new contracts, Staff proposes that projects be required to demonstrate compliance with this definition in the first year of operation, with retroactive adjustment of rates if the project fails to comply".

The requirement to have 90% of the annual generation during the irrigation season each year during the prior ten years in order to qualify for seasonal prices would unduly discriminate against existing hydro projects seeking new PPAs, and in favor of new hydro projects that have no operating history. With the Staff proposed retroactive adjustment, it appears that a project meeting the 90% based threshold for nine years but missing it slightly the tenth year could be subject to retroactive price adjustments over the entire ten year period. Instead of ten years, an annual

requirement with an annual retroactive price adjustment would be fair to qualify or disqualify the project if Commission adopts the definition of seasonal project as being required to provide a certain percentage of generation during the established season.

The Coalition believes that it is fair that the seasonal project definition be applied equally to a new project and to the renewal of an existing project under a new contract. If a new or proposed project has the ability to be designed to maximize its economics and utilize either non-seasonal or seasonal prices, then it should be reasonable that an existing project have the same flexibility to be re-configured under a new contract to maximize its economics to the extent practical and provide the highest value to the purchasing utility. Therefore, the prior ten years of historical production should not be considered for an existing project seeking a new contract. Instead, only the first year of new operation should apply to an existing project, as for a new project.

#### C. Summary

The Coalition appreciates this opportunity to submit these additional comments. First, the Coalition suggests that if the Commission is inclined to abandon the definition of seasonal hydro as contained in Order 32697 (that a majority of production occurring during the irrigation season), that the Commission move to Staff's recommended 90% threshold and not the 96% recommendation of Idaho Power.

Second, the Coalition recommends that no distinction be drawn between new and existing hydro projects regarding qualification for the seasonal hydro schedule. Existing projects entering into new contracts should be allowed to qualify for seasonal prices, subject to a demonstration of compliance during the first contract year with annual retroactive adjustments if the project fails to comply in later years. The annual retroactive adjustment should be limited to an adjustment of the prior year instead of being cumulative over the prior ten years.

**CERTIFICATE OF DELIVERY**

I HEREBY CERTIFY that on this 8th day of April, 2013, I caused to be served a true and correct copy of the Reconsideration Reply Comments of the Renewable Energy Coalition upon the following individuals in the manner indicated below:

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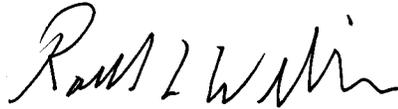
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