

Avista Corp.

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IDAHO PUBLIC
UTILITIES COMMISSION
August 2, 2012



Via Overnight Mail

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 93702

**Re: Errata to Rebuttal Testimony and Exhibits of Clint Kalich on Behalf of Avista Corporation
IPUC Case No. GNR-E-11-03**

Dear Ms. Jewell:

On June 29, 2012, Avista filed the Rebuttal Testimony and Exhibits of Clint Kalich in the above-referenced proceeding. It has come to Avista's attention that Avista incorrectly numbered the exhibits included in that filing as Exhibits 1-3. Avista submits this errata for the sole purpose of correcting the numbering of those Exhibits.

Enclosed are an original and nine copies of Exhibits 101, 102, and 103 to replace Exhibits 1, 2, and 3, respectively, and replacement pages 8 and 16 to the Rebuttal Testimony of Clint Kalich changing the incorrect references to Exhibits 1, 2, and 3 to refer to Exhibits 101, 102, and 103, respectively. No other changes have been made to either the Rebuttal Testimony of Clint Kalich or the Exhibits.

I apologize for any confusion. Please let me know if you have any questions regarding this errata.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael G. Andrea", written in a cursive style.

Michael G. Andrea
Senior Counsel

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Errata to Rebuttal Testimony and Exhibits of Clint Kalich in GNR-E-11-03, by electronic mail to the following:

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By: 
Paul Kimball
Regulatory Analyst

August 2, 2012

1 demonstrate that projects can be built in less than two years. The press releases explain
2 that Exergy Development, one of the largest developers of QF power in Idaho over the
3 past few years, built 11 wind farms in Idaho over a period of approximately six months,
4 with construction beginning in late August 2010 and ending by February 2011. The two
5 press releases, and Exergy's responses to Avista's Production Request 4(C) and 4(D), are
6 included as Exhibit 101 to my testimony.

7 **Q. Are there any other examples supporting your position that locking in**
8 **prices two years prior to commercial operation is reasonable?**

9 A. Yes. Idaho Power's Langley Gulch, a much larger and complex project, will be
10 completed in approximately two years. The project began construction in June 2010 and
11 is now (in June 2012) producing test energy. Idaho Power has scheduled a ribbon cutting
12 ceremony for the plant in June and anticipates commercial operation in July 2012. If a
13 project of this magnitude can be completed in such a timeframe, certainly it is not
14 unreasonable to expect smaller and less complicated PURPA projects to meet a two-year
15 timeline. This said, Avista can support Commission Staff's five-year recommendation.
16 Where a project cannot meet this timeline, the utility should be able to recalculate QF
17 rates at its option.

18 **Q. Mr. Sterling supports PacifiCorp's proposal in this case that a tariff**
19 **be adopted specifying contracting procedures and rules for QF contracts and**
20 **recommends that each of the utilities be directed to prepare similar tariffs to**
21 **PacifiCorp's Schedule 38, and that a separate docket be opened for review and**
22 **comment on the specific details that would be contained in each proposed tariff. Do**

1 Avista submitted Production Request No. 1 seeking support for Dr. Reading's
2 assertion in direct testimony at page 7, line 7, that the "SAR methodology has been
3 robust ... and has produced avoided cost rates that have proven to be remarkably accurate
4 in hindsight."⁴ (Emphasis added.) Dr. Reading also explained, beginning at line 20 of
5 page four of his testimony, that "the SAR methodology has been a successful, transparent
6 and effective method for estimating a utility's avoided cost rates." The CP/JRS/EDG
7 response to Production Request No. 1 provided no evidence to support Dr. Reading's
8 assertions, but instead stated that it is enough to take him at his word because he has
9 "almost three decades of experience or involvement in PURPA rate cases before the
10 Idaho Commission, and an even longer time period involved in electric utility rate cases
11 before the Idaho Commission." The response of CP/JRS/EDG to Avista's Production
12 Request No. 1 is attached hereto as Exhibit 102.

13 In addition to CP/JRS/EDG's response to Production Request No. 1,
14 CP/JRS/EDG's response to Avista's Production Request No. 2 also failed to support Dr.
15 Reading's statements, but makes clear that CP/JRS/EDG was aware of the large fall in
16 natural gas prices and the commensurate overpayment that would result absent updating
17 natural gas prices when the table was created.⁵ When asked whether Dr. Reading's table
18 on page 34 included updated natural gas prices, the response was simply "no."
19 CP/JRS/EDG's response to Production Request No. 2 is attached hereto as Exhibit 103.

20 Falling natural gas prices is one driver of the issues in this case. Using dated
21 input assumptions, such as high natural gas prices, puts utility customers at great risk.

⁴ Production Request 1 of Avista Corporation's First Production Request to Clearwater Paper Corporation, J.R. Simplot Company and Exergy Development Group of Idaho.

⁵ Production Request 2 of Avista Corporation's First Production Request to Clearwater Paper Corporation, J.R. Simplot Company and Exergy Development Group of Idaho.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S) CASE NO. GNR-E-11-03
REVIEW OF PURPA QF CONTRACT)
PROVISIONS INCLUDING THE)
SURROGATE AVOIDED RESOURCES)
(SAR) AND INTERATED RESOURCE) EXHIBIT NO. 101
PLANNING (IRP) METHODOLOGIES FOR)
CALCULATING AVOIDED COST RATES) CLINT G. KALICH
_____)

FOR AVISTA CORPORATION

(ELECTRIC ONLY)

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**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

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

Case No. GNR-E-11-03

RESPONSE TO AVISTA
CORPORATION'S FIRST
PRODUCTION REQUEST TO
CLEARWATER PAPER
CORPORATION, J.R. SIMPLOT
COMPANY AND EXERGY
DEVELOPMENT GROUP OF IDAHO

COMES NOW, Clearwater Paper Corporation, J. R. Simplot Company and Exergy
Development Group of Idaho and hereby responds to the First Production Request of Avista
Corporation. Dr. Don Reading is available to respond to questions about or sponsor these
responses.

REQUEST NO. 4: On page 43, beginning at line 7, of Dr. Reading's direct testimony, Dr. Reading explains that "for many types of generation projects, it could take much longer than two years to complete construction alone."

A Based on the statement above are the Companies stating categorically that solar and projects [sic] cannot be constructed in two years or less?

B Do the Companies believe that the construction of different sized wind and solar QFs might take less or more time for construction? Please discuss the impacts on construction timelines of varying sizes of these two resources: 100 kW, 1 MW, 10 MW, 100 MW.

C **This request is directed only to Exergy.** Please provide a list of each PURPA facility in Idaho that Exergy has developed or participated in the development of during the last five years.

D **This request is directed only to Exergy.** For each PURPA facility listed in the response to subpart a of this request, please provide a detailed construction timeframe for the facility, including when the facility commenced major construction and when it went commercial. Where any construction timeframes exceed two years, please provide a detailed description of the causes of the delay.

E Langley Gulch will be constructed in approximately two years. Do any or all of the Companies acknowledge that the construction of a large resource like Langley Gulch might be more complicated and take longer to obtain commercial operation than a PURPA resource? Please explain.

F Is it any of the Companies' positions that a firm contract for the sale of the output of a PURPA facility with pricing is required before any development expenses are incurred or any development timeline can commence for a PURPA facility? If so, please list which of the Companies holds such position and explain each such Company's rationale for its position.

G Is it any of the Companies' positions that a firm contract for the sale of the output of a PURPA facility with pricing is required before any preliminary financing efforts for such facility are completed? If so, please list which of the Companies holds such position and explain each Company's rationale for its position.

RESPONSE TO REQUEST NO. 4:

A The Companies are not so stating absolutely and utterly without exception or qualification.

B Yes. No such analysis has been conducted.

C Camp Reed

Tuana Gulch

Oregon Trail

Thousand Springs

Salmon Falls

Yahoo Creek

Pilgrim Stage Station

Payne's Ferry

Milner Dam

Burley Butte

Golden Valley

D Exergy begins construction on each wind project when the land rights are finally secured from the landowner. That is when detailed wind resource measurement may begin which takes at least one full year to satisfy lenders. That is also when environmental studies are begun. Therefore the construction process takes several years typically.

Camp Reed: construction commenced October, 2007 commercial operation December 2010.
Tuana Gulch: construction commenced November 2005 commercial operation December 2010.
Oregon Trail: construction commenced June 2005 commercial operation December 2010.
Thousand Springs: construction commenced November 2005 commercial operation December 2010.
Salmon Falls: construction commenced August 2007 commercial operation December 2010.
Yahoo Creek: construction commenced September 2005 commercial operation December 2010.
Pilgrim Stage Station: construction commenced November 2005 commercial operation December 2010.
Payne's Ferry: construction commenced November 2002 commercial operation December 2010.
Milner Dam: construction commenced April 2007 commercial operation December 2010.
Burley Butte: construction commenced May 2007 commercial operation December 2010.
Golden Valley: construction commenced September 2007 commercial operation December 2010.

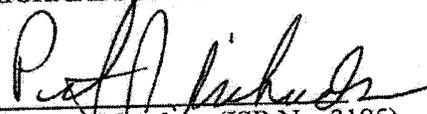
E Langley Gulch was not constructed in approximately two years. Idaho Power had placed the order for the turbine well before the summer of 2009 when the Commission held hearings on that plant. It is now the summer of 2012 and Langley Gulch has yet to achieve commercial operation. That said, it is true that all projects present their own unique challenges and opportunities and will have their own timeframe in which they can be brought to commercial operation.

F Unless you are pursuing a hobby, without seeking serious wall street financing, every rational project developer must demonstrate adequate debt service and/or return on equity ratios to have a viable project. Why would a developer incur development expense if he didn't believe

he had a certain market for his project's output? This is especially true for the developer of a PURPA project where the only buyer for his product is historically unmotivated (and sometimes hostile) to the very concept of doing business with him.

G Again if one is building a hobby project then you don't worry about financing or financial performance. If you are building a project that needs project financing from a bank or institutional lender you need to show them the power purchase agreement with prices that meet the operating margin requirements of the lender or the project will not be developed.

RICHARDSON AND O'LEARY, PLLC



Peter J. Richardson (ISB No: 3195)

Gregory M. Adams (ISB No. 7454)

Attorneys for Clearwater Paper Corporation,

J. R. Simplot Company and

Exergy Development Group of Idaho



December 30, 2011 – Boise, Idaho. Exergy Development Group, one of the largest independent renewable energy companies in the USA, commenced construction in November and December on 152 MW of wind parks to be installed across Idaho and Minnesota. With Exergy's deployment of their 400 MW Texas project in 2012, this shall bring Exergy's total built wind park capacity to 761 MW in the USA.

In Idaho, Exergy is installing 116 MW across Twin Falls, Lincoln and Bingham counties. The remaining 36 MW are being installed in Faribault County, Minnesota. The 152 MW produced by these projects will produce the annual energy equivalent of approximately 40,500 residential homes.

As in the past, Fagen, Inc. is Exergy's primary EPC and Balance of Plant Contractor on the set of 7 projects. On-site Owner's Engineer and Construction Manager is BCL, Inc.

"We have made substantial progress on the project sites in both states," says Dustin Shively, lead Project Engineer. "Before the end of 2011, foundations shall be poured and completed in Minnesota, and we shall have all of the foundations excavated, site work, roads, and grading completed on the Idaho project sites. We shall begin erecting turbines in the second quarter of 2012 as weather permits and all sites shall be fully operational by the fall."

Exergy has a long history in the renewable energy sector since 2001. Last year they developed and installed, in partnership with GE Capital, Atlantic Power, and Reunion Energy, the largest wind project in Idaho's history. Exergy has work in progress in 17 states across the USA and 3 foreign countries. Exergy also has four anaerobic digesters, and biomass projects scheduled for Arkansas and Kansas and has partnered on a 20 MW solar project.

For more information, please contact Elizabeth Woolstenhulme at elizabeth@exergydevelopment.com.



February 23, 2011

For immediate release

Company to add millions of dollars to Idaho economy

Boise - An Idaho developer of renewable-energy projects has released a study showing a \$120 million boost to the state's treasury from wind-energy projects set to begin construction.

The study was first reported last week, but is being made available today to the general public. The study was commissioned by Exergy Development and was completed by John Church, a well-known and respected Idaho economist who has worked for Boise State University and Idaho Power.

"This study shows the clear, positive economic impact from affordable, clean, homegrown Idaho energy," Exergy CEO James Carkulis said. "In addition to hundreds of jobs and a direct infusion of over \$50 million into rural Idaho communities, Exergy projects will help the state meet its long-term budget needs over the coming decades."

According to Church's study, construction of an additional 300 megawatts of wind-energy generation by Exergy Development will:

- Create 650 additional Idaho jobs during two years of construction due to the direct economic impacts associated with planning, analysis, evaluation and building, plus secondary economic impacts that will occur as a result;
- Mean 120 ongoing jobs each year for the next 25 years of the project, most of them in rural communities in need of ongoing economic development;
- Provide nearly \$2.8 million in additional tax revenue to the state of Idaho during the two-year construction phase, and an additional \$120 million in revenue over a 25-year period.

Exergy is the state's largest developer of renewable energy, and while it has projects throughout the northwest the company is headquartered in Boise. Exergy projects - completed in partnership with GE Energy Financial Services, Atlantic Power, and Reunion - near the communities of Hagerman and Burley came online last month and were instantly

Exergy Development Group 802 W Bannock, 12th Floor Boise, ID 83702 P 208.336.9793
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the largest alternative energy project in Idaho. The wind farms have 122 turbines and are capable of providing enough power for nearly 40,000 Idaho homes.

The company has six new projects approved and prepared for construction in 2011. If completed, the projects will make available to Idaho businesses and consumers each year approximately 867,000 megawatt hours of energy.

"We appreciate the great working relationship we have with the Governor and with legislators," Carkulis said. "Gov. Otter's leadership on renewable energy and the strong push to assist this growing and important Idaho industry sector means Exergy projects will continue to benefit the Idaho economy."

More on Exergy Development Group:

Exergy is one of the largest independent renewable energy developers in the U.S. The company develops projects from concept to commercial operation, with a focus on environmental responsibility and economic success for local communities. The company's focus on new and advanced technologies has resulted in the company assembling a queue of projects totaling over 4,000 megawatts of renewable energy for the Western and Midwestern United States.

For more information or to arrange interviews, please contact John Foster at Strategies 360: 208-559-3547 or johnf@strategies360.com

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S) CASE NO. GNR-E-11-03
REVIEW OF PURPA QF CONTRACT)
PROVISIONS INCLUDING THE)
SURROGATE AVOIDED RESOURCES)
(SAR) AND INTERATED RESOURCE) EXHIBIT NO. 102
PLANNING (IRP) METHODOLOGIES FOR)
CALCULATING AVOIDED COST RATES) CLINT G. KALICH
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FOR AVISTA CORPORATION

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COMES NOW, Clearwater Paper Corporation, J. R. Simplot Company and Exergy
Development Group of Idaho and hereby responds to the First Production Request of Avista
Corporation. Dr. Don Reading is available to respond to questions about or sponsor these
responses.

REQUEST NO. 1: On page 7, beginning at line 7 of the direct testimony of Dr. Don Reading, Dr. Reading states: "The SAR methodology has been robust through all of those changes and has produced avoided cost rates that have proven to be remarkably accurate in hindsight."

- A Please provide all analysis and data supporting this statement.
- B Please provide the Companies' position on whether Idaho's published avoided cost rate rates available to wind PURPA developers from January 1, 2010 through December 14, 2010 were "remarkably accurate in hindsight."
- C Please explain the basis for the response(s) to subpart b of this request and provide any analysis or data supporting such response(s).

RESPONSE TO REQUEST NO. 1:

- A Dr. Reading's statement is based on his almost three decades of experience of involvement in PURPA rate cases before the Idaho Commission, and an even longer time period involved in electric utility rate cases before the Idaho Commission. No studies were necessary for Dr. Reading to express his expert opinion on electric utility rates and PURPA rates in particular.
- B Dr. Reading's observation was not limited to a specific point in time. "In hindsight" has a broader meaning than just eleven and a half months in 2010. Avoided cost rates fluctuate over time in both directions – up and down.
- C None. The Companies rely on Dr. Reading's expert opinion.

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CALCULATING AVOIDED COST RATES) CLINT G. KALICH
_____)

FOR AVISTA CORPORATION

(ELECTRIC ONLY)

REQUEST NO. 2: On page 34 of the direct testimony of Dr. Don Reading, Chart 1 is used to explain the difference between the proposed Idaho IRP method rates in this case and those for the current Idaho IRP method, the Idaho 2011 IRP, and the Langley Gulch project.

- A Please provide all analysis supporting the data contained in Chart 1 in an Excel spreadsheet with all formulas intact.
- B Does the data used to create Chart 1 include any adjustments to the gas prices to reflect current prices?
- C If the answer to subpart b is "no", please explain why no adjustment to gas prices was used in preparing Chart 1.
- D If the answer to subpart b is "yes," please explain and provide any supporting analysis and data for any adjustment to the gas prices that was made in preparing Chart 1.
- E If the answer to subpart b of this request is "no", please explain the purpose of Chart 1 and its relevance to this proceeding.

RESPONSE TO REQUEST NO. 2:

- A Please see the attached spreadsheet.
- B No.
- C The per \$/MWh avoided costs are taken from either the filings of Idaho Power or the Idaho Commission Staff. One would need each of the separate models used and rerun with the same gas price. The values were selected as being presented by Idaho Power within the same relatively close time period. The exception being Langley Gulch that the Company is currently being put into rates, so the value used is the one presented to the Commission when Idaho Power requested the CPCN for Langley Gulch. The implication of the question appears to presuppose natural gas prices are the only impact on the avoided cost rates. Many other assumptions and

factors can impact the calculation of avoided costs. For example the Idaho Commission Staff stated that the Langley Gulch capacity factor in more recent runs is not 65% but rather 49%, which would impact the cost of capacity per MWh; By contrast, the Langley Gulch CCCT, the only CCCT in Idaho Power's portfolio, shows an annual capacity factor ranging from 36 to 49 percent, with a 20-year average of 49 percent. [Comments of Commission Staff, IPC-E-11-26, January, 2012, p. 6.]

D N/A

E As stated in Dr. Reading's testimony following Table 1; While it might be argued each of four cost estimates are not precisely comparable, the order of magnitude of the difference between the utility's baseload load plant currently coming on line, and what it proposes to offer a baseload QFs, is so dramatically different it calls into question the claims that the proposed method is a realistic estimate of the Company's avoided cost. It is also important to note all four of these estimates can be considered falling within the same time frame and are therefore comparable. [Direct Testimony of Don Reading, IPC-E-11-03, p. 34.]

Resource Type (Capacity Factor)	Levelized Cost \$/MWh	Source
Langley Gulch [300 MW] (65%)	\$111.13	Staff Comments, IPC-E-09-34 (Neal Hot Springs), 5/3/2010
CCCT 1x1 [270 MW] 2011 IRP (65%)	\$98.00	IPCo 2011 IRP, p. 47; without carbon adder of \$10 \$/MWh
Baseload -Current IRP Method [20MW]	\$65.00	IPCo Memorandum in Support of Stay, p. 15, GNR-E-111-03
Baseload -Proposed IRP Method [20MW] (92.0%*)	\$47.40	IPCo Memorandum in Support of Stay, p. 15, GNR-E-111-03

Baseload

Resource Type (Capacity Factor)	Levelized Cost (\$/MWh)
Baseload -Proposed IRP Method [20MW] (92.0%*)	\$47.40
Baseload -Current IRP Method [20MW]	\$65.00
CCCT 1x1 [270 MW] 2011 IRP (65%)	\$98.00
Langley Gulch [300 MW] (65%)	\$111.13

* 90th Percentile Peak-Hour Capacity Factor