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March 13, 2007

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VIA OVERNIGHT DELIVERY

IDAHO PUBLIC
UTILITIES COMMISSION

Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

Attention: Jean D. Jewell
Commission Secretary

Re: Answer of Rocky Mountain Power in Case No. IPC-E-05-22

Rocky Mountain Power, a division of PacifiCorp, hereby submits for filing an original and seven (7) copies of its Answer of Rocky Mountain Power in opposition to Exergy Development Group of Idaho's Motion for Order to Close this Docket and Reinstate the 10MW Threshold for PacifiCorp and Avista in Case No. IPC-E-05-22.

Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

Dean Brockbank
Senior Attorney
Rocky Mountain Power
One Utah Center, Suite 2200
201 South Main
Salt Lake City, UT 84111
dean.brockbank@pacificorp.com

Brian Dickman
Manager, Idaho Regulatory Affairs
Rocky Mountain Power
One Utah Center, Suite 2300
201 South Main
Salt Lake City, UT 84111
brian.dickman@pacificorp.com

It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon, 97232

By fax: (503) 813-6060

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation
Enclosures

cc: Service List

Dean Brockbank
PacifiCorp
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4568
FAX: (801) 220-3299
Dean.Brockbank@PacifiCorp.com

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2007 MAR 13 AM 9:04
IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE PETITION OF
IDAHO POWER COMPANY FOR AN
ORDER TEMPORARILY SUSPENDING
IDAHO POWER'S PURPA OBLIGATION
TO ENTER INTO CONTRACTS TO
PURCHASE ENERGY GENERATED BY
WIND-POWERED SMALL POWER
PRODUCTION FACILITIES**

)
) **CASE NO. IPC-E-05-22**
)
) **ANSWER OF ROCKY MOUNTAIN**
) **POWER IN OPPOSITION TO**
) **EXERGY DEVELOPMENT GROUP**
) **OF IDAHO'S MOTION FOR**
) **ORDER TO CLOSE THIS DOCKET**
) **AND REINSTATE THE 10 MW**
) **THRESHOLD FOR PACIFICORP**
) **AND AVISTA**

COMES NOW PacifiCorp, d.b.a. in Idaho as Rocky Mountain Power ("Rocky Mountain Power" or the "Company"), by and through its attorneys of record, and hereby submits this Answer in Opposition to Exergy Development Group of Idaho's Motion for Order to Close this Docket and Reinstate the 10 MW Threshold for PacifiCorp and Avista. In support of this Answer in Opposition, Rocky Mountain Power states as follows:

I. BACKGROUND

The Idaho Public Utilities Commission ("Commission") found "reason to believe that wind generation presents operational integration costs to a utility different from other PURPA qualified resources." Order No. 29839 at 8. The Commission further found "that the unique supply characteristics of wind generation and the related integration costs provide a basis for adjustment to the published avoided cost rates" Id. Finally, the Commission found that it

would determine “the appropriate amount of adjustment” in “further proceedings.” Id. The utilities, having followed the Commission’s directives, have now arrived at the point of beginning those “further proceedings.”

II. DISCUSSION

In its Motion, Exergy correctly stated that the Commission found that for administrative reasons, “it is prudent and expedient to examine [the wind integration] question for all jurisdictional utilities at the same time,” finding PacifiCorp’s and Avista’s “request to be reasonable and justified.” Exergy’s Motion at 3, citing Order No. 29839 at 10. Next, Exergy cited the Commission’s instructions to PacifiCorp and Avista, directing them “to participate in further proceedings before this Commission in this docket.” Id. The Commission also directed “Idaho Power in conjunction with the other two utilities and in consultation with other parties to this case . . . to file a proposed schedule for an initial workshop to identify issues, required studies, and discovery parameters. Also to be filed is a proposal for further procedure and related time lines. Subsequent status reports shall be filed every 60 days thereafter.” Id.

Rocky Mountain Power has done precisely what the Commission ordered by fully and actively participating in all of the proceedings and workshops that Idaho Power conducted, as well as the settlement conference in January 2006. The workshops were placed on hold so that Idaho Power and Avista could perform wind integration studies for their respective utilities, and once those studies were complete, proceedings would re-commence. Idaho Power recently filed the results of its wind integration study (in Case No. IPC-E-07-03) to re-commence the discussions and proceedings relating to wind integration costs.

In filing its request for an integration cost adjustment, Idaho Power is following the Commission’s order to study the issue and bring back a recommendation of how future

proceedings should move forward. Rocky Mountain Power believed that, once Idaho Power and Avista had completed their integration cost studies, either through informal workshops or otherwise, more formal Commission proceedings would re-commence in Case No. IPC-E-05-22, to continue the determination of what integration cost adjustments should be made, if any, to the respective utilities' published avoided cost rates. As Idaho Power has scheduled a workshop to discuss the results of its wind integration study for March 15, 2007, Rocky Mountain Power assumed that the proceedings under this docket, or in related dockets would resume once again. Rocky Mountain Power fully intends to participate in those future proceedings. Because Idaho Power has filed its request for a wind integration cost adjustment in a separate docket and not in Case No. IPC-E-05-22, Rocky Mountain Power will similarly file in the next couple of weeks, in a new docket, a request for an adjustment to its published avoided cost rates to account for the costs associated with integrating new wind generation onto the PacifiCorp system.

The Commission found that it would determine "the appropriate amount of adjustment" in "further proceedings" after the parties have sufficiently studied the issue. Order No. 29839 at 8. The parties, having followed the Commission's directives, have now arrived at the point of beginning those "further proceedings."

Exergy, somewhat disingenuously, now states in its Motion that Rocky Mountain Power has "ignored or at a minimum abandoned" the Commission's directives in these proceedings and has somehow foregone its right to participate further. Exergy Motion at 4. Further, Exergy stated that Rocky Mountain Power has not filed one of the required 60-day progress reports. However, Exergy ignores the fact that the Commission ordered *Idaho Power* to file the reports "in conjunction with the other two utilities and in consultation with other parties." Order No. 29839 at 10.

Rocky Mountain Power expects that soon after it files its request for an integration cost adjustment to its published avoided costs, the Commission will simultaneously examine the question of “all jurisdictional utilities at the same time,” whether through a consolidation of cases for Idaho Power, Avista and Rocky Mountain Power, or by addressing the utilities separately, the Commission will examine the question at the same time.

Finally, in suggesting that the 100 kW threshold should once again be lifted to 10 MW, Exergy has unfairly suggested that Rocky Mountain Power had “succeeded in shutting down the wind PURPA in [its] service territory[y] since August of 2005.” Exergy Motion at 5. Exergy is misguided in its assertion on a number of fronts. First, the *Commission*, not the utilities, ordered that qualifying facilities for wind generation would only get published avoided cost prices for projects 100 kW or less. Second, the Commission approved a 20 MW power purchase agreement between PacifiCorp and Schwendiman Wind LLC (a qualifying facility) on March 31, 2006. See Order No. 30000. Third, the Commission’s suspension order did not altogether suspend the utilities’ PURPA purchase obligations as Idaho Power originally requested and as Exergy intimates. Rather, the suspension merely reduced the level at which wind qualifying facilities would qualify for published avoided cost rates from 10 MW to 100 kW. Qualifying facilities are still free to pursue power purchase agreements at project-specific avoided cost prices. Since August 2005, besides the Schwendiman Wind project, Rocky Mountain Power has received only one informal request for avoided cost pricing from a wind qualifying facility in Idaho on March 5, 2007.

Curiously, however, on approximately the same day that Exergy filed its Motion, it sent¹

¹ The referenced letters were undated, but were received by Rocky Mountain Power on February 28, 2007.

to Rocky Mountain Power four notices of self certification on behalf of four Exergy affiliates, totaling 70 MW of new wind qualifying facility generation. The entire text of the four respective letters stated "Enclosed you will find a copy of the notice of self certification on behalf of [an Exergy affiliate]. Please call me if you have any questions." The letters were signed by one J. Lars Dorr. Confused by the letters, and taking him up on his offer, counsel for Rocky Mountain Power called Mr. Dorr on March 6, 2007 to inquire what the letters were for and what Exergy intended Rocky Mountain Power to do with the letters and the notices of self certification. When asked what Exergy intended Rocky Mountain Power to do with the notices, Mr. Dorr stated, "I'm not entirely sure. I was just told to send them." Mr. Dorr committed to call counsel for Rocky Mountain Power back with the purpose of the letters. As of the date of this filing, Rocky Mountain Power has not heard from Mr. Dorr.

It would appear that Exergy is positioning its four qualifying facility projects to either sell their output to Idaho Power or Rocky Mountain Power, depending on how the integration cost adjustment proceedings are resolved. In PacifiCorp's original Petition to Intervene in this docket, it expressed concern that by only suspending the purchase obligation for Idaho Power, qualifying facilities would then forum shop, seeking to sell their wind generation output to those utilities that were still required to sell at the generally-higher, published avoided cost prices. Petition to Intervene, page 2, paragraph 4.

Similarly, if the Commission were to grant Exergy's request and raise the 100 kW threshold back up to 10 MW for PacifiCorp, without similarly raising the threshold for the other utilities, the same result would likely occur: qualifying facilities would attempt to sell their output to the utilities that have the highest avoided cost rates, net of any wind integration cost adjustment.

Finally, Exergy appears to be attempting to be making a production out of the fact that only Idaho Power has filed its wind integration adjustment request, and not the other utilities. However, Exergy acknowledges that Commission orders have not required the three utilities to file simultaneous studies. Exergy Motion at 4.

III. CONCLUSION

Exergy's Motion to reinstate the 10 MW threshold for published avoided cost pricing for PacifiCorp and Avista should be denied. The Commission's Order No. 29839 makes clear that adjustments to published avoided costs should be conducted and evaluated based on the results of further study and evaluation of the respective utilities' electrical systems. The Commission should evaluate the merits of each of the three utilities' requests for an integration cost adjustment to published avoided costs. The Commission should continue to maintain the 100 kW threshold for published avoided cost prices for wind qualifying facilities until the integration cost issue is fully resolved through thorough and thoughtful Commission proceedings.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission DENY Exergy's Motion.

Respectfully submitted this 13th day of March 2007.

By Dean Brockbank /p. n.
Dean Brockbank
Attorney for Rocky Mountain Power

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 12th day of March 2007, I served a true and correct copy of the foregoing PETITION upon the following named parties by the method indicated below, and addressed to the following:

Barton Kline	_____	Hand Delivered
Monica Moen	_____	U.S. Mail
Idaho Power Company	_____ / ✓ _____	Overnight Mail
PO Box 70	_____	FAX
Boise, ID 83707	_____	
Scott Woodbury	_____	Hand Delivered
Deputy Attorney General	_____	U.S. Mail
Idaho Public Utilities Commission	_____ / ✓ _____	Overnight Mail
472 West Washington Street	_____	FAX
P.O. Box 83720	_____	
Boise, ID 83720-0074	_____	
Jean Jewell	_____	Hand Delivered
Commission Secretary	_____	U.S. Mail
Idaho Public Utilities Commission	_____ / ✓ _____	Overnight Mail
472 West Washington	_____	FAX
Boise, ID 83702	_____	
Richard L. Storro	_____	Hand Delivered
Director, Power Supply	_____	U.S. Mail
Avista Corporation	_____ / ✓ _____	Overnight Mail
1411 E. Mission Avenue	_____	FAX
P.O. Box 3727, MSC-7	_____	
Spokane, WA 99220-3727	_____	
R. Blair Strong	_____	Hand Delivered
Paine, Hamblen, Coffin, Brooke & Miller	_____	U.S. Mail
717 West Sprague Avenue, Suite 1200	_____ / ✓ _____	Overnight Mail
Spokane, WA 99201-3505	_____	FAX
Peter J. Richardson	_____	Hand Delivered
Richardson & O'Leary PLLC	_____	U.S. Mail
515 N. 27 th Street	_____ / ✓ _____	Overnight Mail
PO Box 7218	_____	FAX
Boise, ID 83702	_____	

William J. Batt John R. Hammond, Jr. Batt & Fisher, LLP 101 S. Capitol Blvd., Suite 500 PO Box 1308 Boise, ID 83701	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
Michael Heckler Director of Marketing & Development Windland Incorporated 7669 W. Riverside Dr., Suite 102 Boise, ID 83714	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
Dean Miller McDevitt & Miller LLP 420 W. Bannock Boise, ID 83702	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
Armand Eckert Magic Wind LLC 716-B East 4900 North Buhl, ID 83316	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
Glenn Ikemoto Principal Energy Vision LLC 672 Blair Ave. Piedmont, CA 94611	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
David Hawk Director, Energy Natural Resources J.R. Simplot Company 999 Main St. PO Box 27 Boise, ID 83707-0027	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX
R. Scott Pasley Assistant General Counsel J.R. Simplot Company 999 Main St. PO Box 27 Boise, ID 83707-0027	_____ _____ _____ _____ _____ _____	Hand Delivered U.S. Mail Overnight Mail FAX

William M. Eddie
Advocates for the West
1320 W. Franklin St.
PO Box 1612
Boise, ID 83701

Hand Delivered
U.S. Mail
Overnight Mail
FAX

Troy Gagliano
917 SW Oak St., Suite 303
Portland, OR 97205

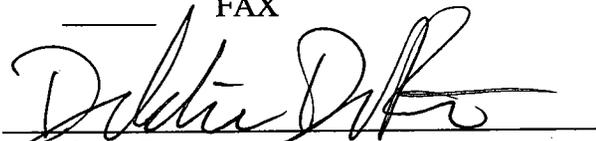
Hand Delivered
U.S. Mail
Overnight Mail
FAX

LeRoy Jarolimek
605 S. 600 W.
Burley, ID 83318

Hand Delivered
U.S. Mail
Overnight Mail
FAX

Gerald Fleischman
11535 W. Hazledale Ct.
Boise, ID 83713

Hand Delivered
U.S. Mail
Overnight Mail
FAX



Debbie DePetris
Regulatory Analyst