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IDAHO PUBLIC
UTILITIES COMMISSION

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASSIA GULCH WIND PARK LLC AND
CASSIA WIND FARM LLC

Complainants
v.

IDAHO POWER COMPANY

Respondent

Case No. IPC-E-06-21

**JOINT SURREPLY COMMENTS
OF EXERGY DEVELOPMENT
GROUP OF IDAHO AND CASSIA
WIND TO REPLY COMMENTS
OF COMMISSION STAFF**

INTRODUCTION

COMES NOW, Exergy Development Group of Idaho LLC (“Exergy”) and Cassia Gulch Wind Park LLC and Cassia Wind Farm LLC (collectively “Cassia Wind”) and submit these Surreply Comments to the Reply Comments of the Commission Staff.

In the Commission's September 27, 2006 Notice of Complaint and Notice of Comment Deadlines, it set a deadline for written comments or protests of October 27, 2006 and a deadline for filing reply comments of November 9, 2006.¹ This schedule gave all parties an opportunity to reply to the comments of all other parties. On November 9th, however, Commission Staff filed its only comments in this proceeding as reply comments, leaving no opportunity under the schedule to respond to Staff's position and assertions.² Exergy and Cassia Wind therefore file these brief comments solely for the purpose of responding to the Reply Comments of the Commission Staff, since they otherwise have no opportunity to do so. Allowing Exergy and Cassia Wind to respond solely to Staff's reply comments will not prejudice any other party to this proceeding. Also, because these comments were filed on the next working day after receiving Staff's reply comments, the Commission's consideration of these comments should not delay these proceedings.

1. Staff's Position, if Adopted, Would Thwart Renewables Development in Idaho

In their reply comments, Staff states that it is affirming its "continued support of renewable generation by PURPA QFs in Idaho and the acquisition of same by our regulated electric utilities at prices representative of the utility's avoided cost."³ Staff then asserts, however, that by requesting interconnection, QFs incur "a responsibility to

¹ *Notice of Complaint and Notice of Comment Deadlines*, Order No. 30135 at p. 3, IPC-E-06-21.

² In its Notice of Complaint and Notice of Comment Deadlines, it appears that the Commission may have anticipated that Staff's comments, if any, would be filed as comments, instead of solely as reply comments. See p. 3 ("The deadline for filing written comments or protests . . . is Friday October 27, 2006. The deadline for filing reply comments is Thursday November 9, 2006. Comments filed by Idaho Power, Rocky Mountain Power, Avista and Commission Staff should include a statement of argument and memorandum of legal authorities.").

³ *Staff's Reply Comments*, p. 3.

pay the transmission upgrade costs necessitated by [their] interconnect request.”⁴ Exergy and Cassia Wind submit that Staff’s position in this proceeding would, contrary to their stated intent, stifle renewable QF development in Idaho and simply transfer to QFs a responsibility that lies with Idaho Power’s transmission customers to maintain an adequate transmission system. As demonstrated in Cassia Wind’s comments and the affidavit of Jared Grover, the effect of requiring QFs to pay for transmission system upgrades as part of their costs of interconnection will undermine the economics of projects that would otherwise be viable. Especially in this instance, where transmission upgrades will likely be required in any event by Idaho Power’s Shoshone Falls capacity increase and other generation projects,⁵ requiring QFs to be the parties ultimately responsible for transmission grid upgrade costs unfairly loads costs onto them of benefits to the whole system.

2. Staff Inaccurately Characterizes Cassia Wind’s Proposal as a Subsidy

In its reply comments, Staff states, “Cassia suggests that a subsidy to QFs (waiving QF upgrade cost responsibility) is warranted by a public policy favoring renewable energy.”⁶ Exergy and Cassia Wind dispute the assertion that requiring transmission customers to pay for transmission system upgrades is a subsidy. Exergy and Cassia Wind also challenge Staff’s characterization of their argument as being that Cassia Wind’s proposal is warranted simply because of the public policy favoring renewables. Cassia Wind and Exergy have presented numerous arguments as to why the Commission should not allow utilities to charge system upgrade costs to QFs. While one of the Commission’s considerations may be the public policy favoring renewables, that is not

⁴ *Staff’s Reply Comments*, p. 3.

⁵ *See Idaho Power’s Comments*, p. 5.

⁶ *Staff’s Reply Comments*, p. 2.

the thrust of Cassia Wind's or Exergy's arguments in this proceeding, as is demonstrated by their filed comments. Cassia Wind and Exergy are not requesting a rate payer subsidy. Cassia Wind's proposal is aimed only at eliminating the unfair barrier to entry inherent in Idaho Power's proposal.

Exergy and Cassia Wind point out, again, that under both Idaho Power and Cassia Wind's proposals for financing transmission system upgrades, the costs of those upgrades will ultimately be put into Idaho Power's base rates. Staff appears to be departing from both of those proposals when it argues that QFs should be the entities ultimately responsible for those costs.⁷ For the reasons stated in Exergy's and Cassia Wind's filed comments, such an outcome would be improper.

3. Cassia Wind's Proposal Does Not Result in Power Costs that Exceed Established Avoided Costs

Staff also makes the argument that passing costs of transmission system upgrades on to customers results in a price for QF generation in excess of a utility's avoided cost.⁸ Because similar arguments were made by the utilities in this proceeding and addressed in Exergy's and Cassia Wind's filed comments, we simply restate here that the costs of upgrades necessary to maintain an adequate Idaho Power transmission system should not be confused with QF generation rates. Costs of upgrades are not recovered through QF generation rates and Cassia Wind's proposal will not result in generation rates in excess of avoided cost. Transmission system upgrades benefit all users of Idaho Power's system, and the rates paid for QF generation will remain at the established avoided cost rates.

⁷ See *Staff's Reply Comments*, p. 3 ("To allow a QF to avoid such transmission upgrade costs and to thereby pass such costs along to utility customers is to provide a QF a subsidy.").

⁸ *Id.*

CONCLUSION

For all of the reasons stated herein, Exergy and Cassia Wind urge the Commission to find that QFs are not required to finance utilities' network upgrade costs in addition to paying for the costs of interconnecting their projects to the utility's system.

Respectfully submitted this 13th day of November, 2006.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 13th day of November, 2006 a true and correct copy of the within and foregoing SURREPLY COMMENTS OF EXERGY DEVELOPMENT GROUP OF IDAHO TO REPLY COMMENTS OF COMMISSION STAFF, was served by U.S. Mail, postage prepaid, to:

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