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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASSIA GULCH WIND PARK, LLC AND CASSIA WIND FARM, LLC,	**CASE NO. IPC-E-06-21**
COMPLAINANTS,	
v.	
IDAHO POWER COMPANY,	**REPLY COMMENTS OF THE COMMISSION STAFF**
RESPONDENT.	

COMES NOW Commission Staff (Staff), by and through its attorney of record, and respectfully submits the following comments in response to the Idaho Public Utilities Commission's (Commission) Notice of Complaint and Notice of Comment Deadline issued in Order No. 30135 on September 27, 2006.

Staff has reviewed the filings of record in Case No. IPC-E-06-21 filed by Idaho Power Company, Avista Corporation and PacifiCorp dba Rocky Mountain Power. Staff has also reviewed the filed Complaint and comments of Cassia Wind, the comments of Exergy and the written comments filed by other interested parties.

Staff by way of initial comment restates 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. We view the utilities' stated positions in this case as no different.

Staff agrees with Cassia and others that when an electric utility is required to interconnect under 18 C.F.R. § 292.303 and when it purchases a QFs total generation output, the Commission has exclusive authority and jurisdiction over the interconnection and allocation of interconnection costs. This position is in accord with FERC Docket No. RM02-12-000, Order No. 2006, p. 135, ¶ 516 (Standardization of Small Generator Interconnection Agreements and Procedures) May 12, 2005.

The threshold issue presented for Commission determination by Cassia is whether a QF selling generation to a utility has a responsibility to pay the transmission upgrade costs that result from and that would not be incurred but for the QF's request for interconnection. For purposes of this question the engineering and planning assumptions underlying Idaho Power's claim that system upgrades are necessary to prevent the possible occurrence of thermal overloads under N-1 contingency conditions are accepted as true. Not at issue in this threshold phase are the related costs of upgrade, cost allocation proposals, proposed modifications to the SAR methodology or the viability of interruption or curtailment alternatives to upgrade.

Cassia suggests that a QF has no obligation to pay for upgrade of backbone transmission plant. Two decision factors come into play (1) if but for the request for interconnect an upgrade in transmission facilities would not otherwise be required and (2) whether avoided costs include a transmission component. As to the first, the identified need for upgrade is not a threshold determination issue. As to the second, under present avoided cost methodology there is no transmission component to the published price paid QFs. The Surrogate Avoided Resource (SAR) used to calculate avoided cost rates is a natural gas combined cycle combustion turbine presumed to be located in a utility's load center.

Cassia contends that the Commission should require that the cost of grid related upgrades be rolled into Idaho Power's transmission rates, and not directly assigned to Cassia or other QFs. Cassia proposes a bright line division of QF interconnect cost responsibility, a demarcation that it characterizes as the driveway or the highway. Cassia suggests that a subsidy to QFs (waiving QF upgrade cost responsibility) is warranted by a public policy favoring renewable energy. In support of its position Cassia advances many arguments that the Commission could adopt as justification. Unfortunately all the arguments fail in providing justification for a subsidy. Under FERC rules, interconnection costs, including all reasonable costs of connection, metering, transmission, distribution, safety equipment, et al. caused solely by such QF interconnection are to be borne by the QF. 18 C.F.R. §§ 292.306(a); 292.101.7. Rates for QF purchases must be both just and reasonable to electric utility customers and in the public interest. 18 C.F.R. § 292.304(a)(1)(i). The proposed subsidy is also a violation of a basic under-pinning of PURPA, i.e., ratepayer neutrality – the cost to ratepayers of the QF purchase is to be no greater than the incremental cost if the contract power was generated by the utility itself or purchased from another source. 18 C.F.R. § 292.101(b).

In summary, Staff's position is that Cassia by requesting interconnection to sell its total generation output to Idaho Power has incurred a responsibility to pay the transmission upgrade costs necessitated by its interconnect request. 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 and a cumulative price for QF generation in excess of a utility's avoided costs. PURPA is the result of a public policy that encourages the development of renewable resources. The policy results in a utility being required to purchase a QF's generation. 18 C.F.R. § 292.303(a). It does not require a utility to pay a QF more than a utility's avoided costs and under principles of federal preemption prevent a Commission from requiring a utility to do so. Nor does it require a utility to incur interconnection costs that would not have been caused had the utility generated or purchased an equivalent amount of power itself.

Respectfully submitted this 9th day of November 2006.

Scott D. Woodbury
Deputy Attorney General

bls/N:IPC-E-06-21_sw_reply comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF NOVEMBER 2006, SERVED THE FOREGOING **REPLY COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-06-21, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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