

RECEIVED

2007 OCT 26 AM 10:40

IDAHO PUBLIC UTILITIES COMMISSION

WILLIAM M. EDDIE
ADVOCATES FOR THE WEST
610 SW Alder Street, Suite 910
Portland, OR 97205
Tel: 503-542-5245
Fax: 503-225-0276
beddie@advocateswest.org

*Attorney for Renewable Northwest Project
and NW Energy Coalition*

BARTON L. KLINE, ISB No. 1526
LISA D. NORDSTROM, ISB No. 5733
IDAHO POWER COMPANY
1221 West Idaho Street
P.O. Box 70
Boise, ID 83707
Tel: 208-388-2682
Fax: 208-338-6936
bkline@idahopower.com
lnordstrom@idahopower.com

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S PETITION TO INCREASE)	
THE PUBLISHED RATE ELIGIBILITY)	CASE NO. IPC-E-07-03
CAP FOR WIND POWERED SMALL)	
POWER PRODUCTION FACILITIES;)	JOINT REPLY IN SUPPORT OF
and)	MOTION TO APPROVE
)	SETTLEMENT STIPULATION
TO ELIMINATE THE 90%/110%)	
PERFORMANCE BAND FOR WIND)	
POWERED SMALL POWER)	
PRODUCTION FACILITIES)	

Renewable Northwest Project and Northwest Energy Coalition
("Renewable Coalition") and Idaho Power Company ("Idaho Power" or the

"Company") hereinafter Party or collectively "Parties", hereby reply in support of the Joint Motion to Approve Settlement Stipulation (filed October 2, 2007) ("Motion").

Exergy Development Group, LLC, filed an Answer to the Motion, requesting the Commission deny the Motion and set this matter for hearing.¹ Exergy's primary argument against the Settlement Stipulation focuses on the policy of allowing the inclusion of "known and measurable" changes to historic test year data for setting retail rates. This is not a case involving the setting of customer rates for electric service. This is a PURPA case in which the Commission is being asked to adjust avoided cost rates to recognize the additional cost of integrating intermittent wind resources. Setting avoided costs inherently requires a projection of estimated costs.

Under the Commission's surrogate avoided resource ("SAR") method for setting avoided costs, the Commission has projected the costs of owning and operating a combined cycle combustion turbine over a twenty-five (25) year period. At the time the Commission established the costs of the SAR, very few of the inputs were "known and measurable." Using projected data to set avoided costs is consistent with the legal requirements of PURPA. FERC recognized that avoided costs would be set based on estimates, not "known and measurable" data. In its regulations, FERC stated "In the case in which the rates for

¹ Exergy also makes policy recommendations to the Commission, including: "New wind power purchase agreements should be required to have a clause allowing the imposition of a fair, just and reasonable wind integration rate that varies with actual integration costs." The Parties disagree that such an adjustment is appropriate. Such terms would likely harm the ability of wind QF to obtain project financing, and would impose unnecessary administrative burdens on utilities.

purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation, the rates for such purchases do not violate this sub-part if the rates for such purchases differ from avoided costs at the time of delivery.” (18 CFR §292.304(b)(5)).

It is within the very nature of the exercise that the Commission, in setting published prices to approximate the avoided cost of power over a 20-year contract term, will be imperfect. After more experience and understanding is gained, the wind integration cost reflected in the Settlement Stipulation will likely be proven inaccurate to some unknown degree. The Parties acknowledge that fact, but submit to the Commission that the integration costs reflected in the Settlement Stipulation are within the range of reasonable estimated wind integration costs based on current conditions and information.

The record before the Commission is more than adequate to support the Settlement Stipulation. The record before the Commission includes: (1) Idaho Power’s Application, including its wind integration study; (2) discussion in the Joint Motion to Approve Settlement Stipulation; (3) the Direct Testimony of Ken Dragoon and attachments thereto (including Idaho Power’s response to production requests), which may be treated as written comments in this case; (4) the comments of Commission Staff filed on October 5, 2007; and (5) Exergy’s comments filed on October 5, 2007.

Exergy is the lone objecting party. The Settlement has the express support (either through signature or through support in filed comments) of the regulated utilities, the Renewable Coalition, one wind development firm (Idaho

Windfarms, LLC), and Commission Staff. The remaining eight (8) parties in this case (excluding Exergy) -- all of whom can be fairly described as renewable energy developers or proponents of renewable energy -- have not stated to the Commission any opposition to the Settlement Stipulation.

Conclusion

The Settlement Stipulation is a just, fair, and reasonable resolution of the core disputed issues in this case. The Parties respectfully request the Commission continue to handle this case under Modified Procedure, and grant the Joint Motion to Approve Settlement Stipulation.

Respectfully submitted this 25th day of October 2007.

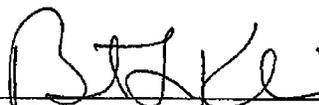
RENEWABLE NORTHWEST PROJECT
AND NW ENERGY COALITION



WILLIAM M. EDDIE

Respectfully submitted this 25th day of October, 2007.

IDAHO POWER COMPANY

A handwritten signature in black ink, appearing to read "B. L. Kline", written over a horizontal line.

BARTON L. KLINE
Attorney

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October 2007, true and correct copies of the foregoing JOINT REPLY IN SUPPORT OF SETTLEMENT STIPULATION were delivered to the following persons via overnight delivery (for the Commission) and U.S. Mail for all other recipients. Electronic copies also were provided on this date to all parties of record.

Jean Jewell (original and 7 copies)
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Glenn Ikemoto
Idaho Windfarms, LLC
672 Blair Avenue
Piedmont, CA 94611

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Dean J. Miller, Esq.
McDevitt & Miller, LLP
PO Box 2564
Boise, ID 83701

Peter Richardson
Richardson & O'Leary
515 N. 27th St.
Boise, ID 83702

Ronald K. Arrington
Associate Chief Counsel
John Deere Renewables, LLC
6400 NW 86th Street
PO Box 6600
Johnston, IA 50131

Don Reading
6070 Hill Road
Boise, ID 83703

R. Blair Strong
Paine Hamblen, LLP
717 W. Sprague, Suite 1200
Spokane, WA 99220

Dean Brockbank
Rocky Mountain Power
201 S. Main Street, Suite 2300
Salt Lake City, UT 84111

Michael G. Andrea
Staff Attorney
Avista Corporation
PO Box 3727
Spokane, WA 99220-3727

Brian Dickman
Rocky Mountain Power
201 S. Main Street, Suite 2300
Salt Lake City, UT 84111

Ken Miller
Snake River Alliance
PO Box 1731
Boise, ID 83701

Rich Rayhill
Ridgeline Energy, LLC
720 W. Idaho Street, Suite 39
Boise, ID 83702

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

Robert M. Ellis, Esq.
4 Nickerson, Suite 301
Seattle, WA 98109

Brian D. Jackson
Renaissance Engineering & Design,
2792 Desert Wind Rd.
Oasis, ID 83647-5020

M. J. Humphries
Blue Ribbon Energy, LLC
2630 Central Ave.
Idaho Falls, ID 83406

Gary Seifert
Kurt Myers
INL Biofuels & Renewable Energy
Technologies
PO Box 1625, MS 3810
Idaho Falls, ID 83415-3810



William Eddie