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Senior Attorney

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IDAHO PUBLIC
UTILITIES COMMISSION

August 21, 2007

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

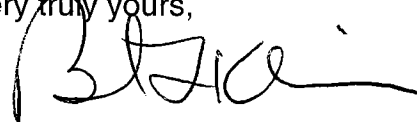
Re: Case No. IPC-E-07-13
Exergy Development Group of Idaho, LLC v.
Idaho Power Company

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Answer to Exergy Development Group's Complaint in the above-referenced matter.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,



Barton L. Kline

BLK:sh
Enclosures

BARTON KLINE, ISB # 1526
MONICA MOEN, ISB # 5734
Idaho Power Company
1221 West Idaho Street
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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

EXERGY DEVELOPMENT GROUP OF)	
IDAHO, LLC)	CASE NO. IPC-E-07-13
)	
Petitioner,)	IDAHO POWER COMPANY'S ANSWER
vs.)	
)	
IDAHO POWER COMPANY)	
)	
Respondent.)	

COMES NOW Idaho Power Company ("Idaho Power" or the "Company") and pursuant to RP 057.02, hereby answers the Complaint of Exergy Development Group of Idaho, LLC ("Exergy").

I.
FACTUAL BACKGROUND

1. In its Complaint, Exergy alleges that Idaho Power is unlawfully requesting Exergy to provide cash deposits to cover a portion of the expense Idaho Power will incur to conduct certain transmission studies. The Company performs these transmission studies to determine what facilities, if any, must be constructed to allow generation projects, like

those Exergy proposes to construct, to safely and reliably interconnect with the Company's distribution and transmission system.

2. Idaho Power requires all generation facility developers that cannot meet minimum credit worthiness standards that would qualify them for unsecured credit, to provide a reasonable deposit or other liquid security before performing transmission studies. There are two principal reasons for this requirement:

First, The Company is required by the orders of the Federal Energy Regulatory Commission ("FERC") to perform studies of the costs of interconnection in order to provide generation developers with an accurate estimate of interconnection costs.¹ FERC's orders also authorize the Company to obtain deposits for a portion of the cost of the studies from those generation facility developers that cannot meet minimum credit worthiness standards.²

Second, the Company believes that obtaining such deposits from generation project developers is a prudent business practice that mitigates customer risk. Specifically, the deposit requirement mitigates the risk that generation facility developers will not reimburse the Company for the costs it incurs studying interconnection requirements if the developers ultimately decide not to proceed with their projects. Costs not recovered from developers will put upward pressure on customer rates.

¹ Standardization of Generator Interconnection Agreements and Procedures, Order Nos. 2003, 2003-A, 2003-B, 2003-C, 2006 and 2006-A. Large Generator Interconnection Procedures (LGIA) §§ 6, 7 and 8, Small Generator Interconnection Procedures (SGIA) §§ 4.6, 4.7 and 4.8.

² *Ibid* LGIA §§ 7 and 8 SGIP §§ 3.47, 3.55.

3. The cost of engineering and interconnection studies for generation projects is not insignificant. Idaho Power's experience shows that design costs and engineering costs comprise approximately twenty percent (20%) of the total cost of a generation interconnection. As a result, if the total cost of a generation interconnection is \$2 million, approximately \$400,000 of the total cost of the interconnection would be attributable to engineering and design. The deposit Idaho Power requires from generation developers like Exergy that cannot meet minimum credit worthiness standards, is limited to ten percent (10%) of the estimated interconnection cost with a cap of \$100,000.³

II. REGULATORY JURISDICTION OVER INTERCONNECTION COSTS.

4. When interconnecting generating resources with the Company's distribution and transmission system, Idaho Power is subject to the jurisdiction of three regulatory authorities. First, the FERC exercises exclusive jurisdiction over the Company's interconnections with generating facilities that intend to sell their generation on the wholesale market and desire to utilize Idaho Power's FERC jurisdictional transmission system to deliver their energy. Second, the Idaho Public Utilities Commission ("IPUC") and the Public Utility Commission of Oregon ("OPUC") exercise their respective jurisdictions in Idaho and Oregon over interconnections of qualifying generating facilities ("QFs") that qualify for the mandatory purchase requirements under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Idaho and Oregon Commissions have exclusive jurisdiction over interconnections between Idaho Power and QFs situated in Idaho or Oregon respectively, so long as the QFs sell the output of their generation to Idaho Power.

³ Attachment L to Idaho Power's Open Access Transmission Tariff (OATT).

5. FERC Interconnection Requirements. Beginning with FERC Order 2003 and continuing in a series of orders and rulemakings,⁴ the FERC has established detailed and mandatory procedures to be followed when interconnecting both large and small generation facilities to utilities' interstate transmission systems. These generation interconnection procedures direct utilities to undertake engineering studies in three stages of increasing complexity to determine the cost of interconnections, including transmission upgrades, required to permit safe and reliable interconnection of generating facilities. FERC's interconnection procedures establish mandatory time limits for the utility to perform the interconnection studies. FERC's generation interconnection procedures also provide that generation project developers that cannot meet minimum credit worthiness standards for unsecured credit may be required to provide deposits or other liquid security as a condition of utilities' undertaking interconnection studies.

6. Idaho Schedule 72. For IPUC jurisdictional interconnections with QFs, Idaho Power has, for more than ten (10) years, maintained a tariff, Schedule 72, designed to provide uniform treatment for all QFs seeking to interconnect with the Company's distribution/transmission system.

7. Similar to the FERC requirement, Schedule 72 obligates Idaho Power to perform studies to provide an estimate of interconnection cost. Schedule 72 also requires QFs to pay 100% of the cost of required interconnection facilities and requires the Company to reconcile the actual cost of construction of those interconnection facilities with the estimated cost and refund or recover any difference.

⁴ Standardization of Generator Interconnection Agreements and Procedures, Order Nos. 2003, 2003-A, 2003-B, 2003-C, 2006 and 2006-A

9. To assure compliance with FERC regulations, Idaho Power applies the FERC rules for processing all interconnection requests, including QF requests for interconnection. Applying the FERC procedures to all interconnection requests, including QFs, establishes a uniform, consistent process for analyzing transmission interconnection requests. It provides QFs with certainty as to the processing times and the rules that will be followed in processing their requests for interconnection. Application of the FERC rules includes collecting deposits as a condition of performing interconnection studies.

10. Applying the FERC Interconnection Rules to QF Interconnections Is Consistent with the Provisions of Schedule 72. The provisions of Schedule 72 relating to payment for interconnection facilities reads as follows:

Unless specifically agreed otherwise by written agreement between the Seller and the Company, the Seller will pay all costs of interconnecting a Generation Facility to the Company's system.

Unless specifically agreed otherwise in a written agreement between the Seller and the Company, an initial cost estimate of Company-owned Interconnection Facilities will be provided to the Seller. Payment of the estimated cost will be required prior to the Company's ordering, installing, modifying, upgrading, or performing in any other way, work associated with the Interconnection Facilities. Upon completion of the Company-owned Interconnection Facilities, the actual costs will be reconciled against the estimated cost previously paid by the Seller and the appropriate billing or refund will be processed. The Company reserves the right to collect additional costs from the Seller for any additional Company equipment, modifications, or upgrades the Company deems necessary to operate and maintain a safe, reliable electrical system as a result of the interconnection of the Seller's Generation Facility to the Company's system.

11. As the above-quoted section indicates, Schedule 72 provides that the Seller will provide *all costs* of interconnecting a generating facility. (Emphasis added). All costs

include the cost of engineering studies required to provide an accurate, good faith estimate of the total cost of the interconnection.

12. Schedule 72 goes on to say “Payment of the estimated cost will be required prior to the Company’s ordering, installing, modifying, upgrading or *performing in any other way, work associated with the interconnection facilities.*” (Emphasis added). This language authorizes Idaho Power to require that generation developers who do not meet minimum credit requirements, provide a deposit for a portion of transmission study costs, to reduce the risk of financial loss (and ultimate upward pressure on customer rates) if the generation developer subsequently decides not to proceed with its project.

13. FERC’s Interconnection Procedures Require that Idaho Power Post a *Pro Forma* Interconnection Agreement on its Website. Exergy correctly notes that the *Pro Forma* Facilities Study Agreement shown as Exhibit B to Exergy’s Complaint and the *Pro Forma* System Impact Study Agreement shown as Exhibit C included a deposit amount of \$26,000 and \$3,000 respectively. Inclusion of those dollar amounts was a clerical error. A blank in which the correct deposit amount could be inserted should have been contained in paragraphs 6.0 and 10.0 of the respective agreements rather than the \$26,000 and \$3,000 amounts shown in the *Pro Forma* Agreement. Idaho Power has amended this oversight on its website and modified the *Pro Forma* study agreement to include a blank in paragraphs 6.0 and 10.0 respectively.

14. Exergy’s assertion that inclusion of the \$26,000 and \$3,000 deposit amounts in the *Pro Forma* Agreements constitutes a binding obligation on the part of Idaho Power to only collect those specific deposit amounts is unfounded. A fair reading of the provisions of the generation interconnection procedures on the Company’s website makes it

abundantly clear that the amount of the deposit to be included in the Facilities Study Agreement and the System Impact Study Agreement will vary depending on the complexity and cost of the interconnection.

III. RESPONSE TO SPECIFIC ALLEGATIONS

15. RP 057(2) requires that Answers to Complaints must admit or deny each material allegation of the Complaint. Any material allegation not specifically admitted is considered to be denied.

16. In paragraphs 1 and 2 of its Complaint, Exergy alleges that it owns other Idaho limited liability companies for the purpose of developing wind powered generating facilities for sale to Idaho Power.

17. Exergy then identifies the five (5) "Projects" that are encompassed by its Complaint. For each of those Projects, Idaho Power has entered into a Firm Energy Sales Agreement ("FESA") with a separate Idaho limited liability company. The relationship between each of these limited liability companies and Exergy has not been disclosed to Idaho Power. Under the Commission's prior orders regarding Idaho Power's ability to obtain security from QF developers for performance of FESAs, Idaho Power cannot require disclosure of the identity and credit worthiness of the owners of a QF limited liability company entering into a FESA with Idaho Power. As a result, Idaho Power is without sufficient information to either admit or deny the allegations contained in paragraphs 1 and 2 of the Complaint and, therefore, denies the same.

18. In response to paragraphs 3, 4, 5, 6, 7, 8, 9, 12, 16, 17, 23, 24, 29, 40 and 59, Idaho Power admits the allegations in those paragraphs.

19. In response to paragraphs 13, 31, 36, 42, 47 and 51, Idaho Power has insufficient information to either admit or deny the allegations and therefore denies the allegations contained in those paragraphs.

20. In response to paragraphs 10, 14, 22, 30, 33, 37, 41, 44 and 48, Idaho Power denies the allegations contained in those paragraphs.

21. The Commission's Orders, tariffs and other documents referred to in paragraphs 2, 5, 21, 26, 32 and 43 speak for themselves and Complainant's interpretations of those documents are not factual allegations that can be admitted or denied. As such, Idaho Power denies those allegations.

22. In response to paragraphs 11, 15, 19, 20, 25, 27, 34, 38, 45, 49, 52, 54, 55, 56, 57, 60 and 61, the assertions in these paragraphs are more like legal arguments than allegations of fact which can be admitted or denied. As such, Idaho Power denies those allegations.

IV. PRAYER FOR RELIEF

23. Idaho Power respectfully requests that the Commission issue its Order denying the relief requested by Exergy and dismissing this Complaint with prejudice.

Respectfully submitted this 21st day of August 2007.



BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 21st day of August 2007, I served a true and correct copy of the within and foregoing upon the following named parties by the method indicated below, and addressed to the following:

Scott Woodbury
Idaho Public Utilities Commission
472 W. Washington Street
P.O. Box 83720
Boise, Idaho 83702

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