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IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN E. WALKER
Lead Counsel
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September 16, 2011

VIA HAND DELIVERY

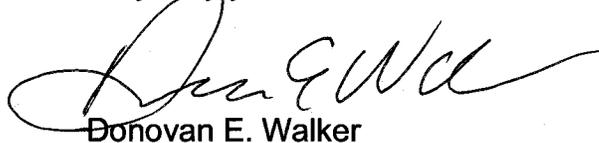
Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-11-10
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR A DETERMINATION REGARDING THE FIRM ENERGY SALES
AGREEMENT WITH INTERCONNECT SOLAR DEVELOPMENT, LLC,
FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of the Reply Comments of Idaho Power Company in the above matter.

Very truly yours,



Donovan E. Walker

DEW:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-11-10
DETERMINATION REGARDING THE)
FIRM ENERGY SALES AGREEMENT) REPLY COMMENTS OF IDAHO
WITH INTERCONNECT SOLAR) POWER COMPANY
DEVELOPMENT, LLC FOR THE SALE)
AND PURCHASE OF ELECTRIC)
ENERGY.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), pursuant to the Idaho Public Utilities Commission's ("Commission") Order No. 32347 in the above-referenced case hereby files the following Reply Comments:

I. INTROCUCTION

On June 17, 2011, Idaho Power filed an Application with the Commission requesting either acceptance or rejection of a 25-year Firm Energy Sales Agreement ("FESA") between Idaho Power and Interconnect Solar Development, LLC ("Interconnect Solar"). Interconnect Solar is a Public Utility Regulatory Policies Act of

1978 ("PURPA") Qualifying Facility ("QF") that proposes to construct a 20 megawatt photovoltaic solar generating facility near Murphy, Idaho.

The FESA contains the avoided cost rates established pursuant to the Commission's approved Integrated Resource Plan ("IRP") based avoided cost methodology as currently established by the Commission for solar QFs with a design capacity over 100 kilowatts. Commission Staff ("Staff") conducted a rigorous investigation into the establishment of the avoided cost rates in this FESA, and filed its Comments and recommendations addressing at least ten discrete issues relative to the application of the IRP-based methodology used to establish the avoided cost price in the agreement.

II. COMMENTS

Idaho Power appreciates Staff's robust examination and Comments regarding the application of the IRP methodology in this matter. The Company acknowledges that since the IRP methodology's initial approval and implementation as a required avoided cost pricing methodology in 1995, that there have been few actual QF FESAs submitted to the Commission for its review that have utilized this pricing methodology. However, as noted by Staff, there have been several orders and comments that have discussed many of the details and assumptions employed with the application of this methodology, as well as a history of past practices employed by the Company when calculating avoided cost rates under the IRP methodology.

Idaho Power agrees with Staff that there are numerous assumptions and decisions that must be made, several of which may be unique to a particular QFs generation technology, in order to employ the IRP methodology to arrive at avoided cost

rates for a particular QF project. In calculating and negotiating the rates set forth in the executed FESA submitted in this case, the Company attempted to apply the methodology in such a way as to be consistent with both past Commission orders establishing the methodology as well as the Company's past practices and assumptions that it has utilized for other QF projects' IRP rate determinations. Generally speaking, Idaho Power agrees with many of the issues identified and changes recommended to the IRP methodology by Staff in its Comments. However, the Company does not feel that many of the changes were, or are, appropriate for the Company to unilaterally decide to implement without Commission direction to do so. Based upon the discovery of a mathematical error in the price calculation, as well as Staff's recommended changes in application of the IRP methodology, the Company recommends that the Commission not approve the FESA as initially filed. At a minimum, the Company recommends that the rates submitted in the filed FESA be revised to correct the computational error.

A. Computational Error.

Staff correctly points out that Idaho Power identified errors in its computations that determine the capacity component of the avoided cost rates in this FESA. The current levelized price in the FESA as filed is \$105.16 (\$43.44 capacity cost component and \$61.71 energy cost component). However, an error was made in the escalation rate that was applied to the combined cycle combustion turbine ("CCCT") capital cost component from the 2009 IRP that was carried through and used in the IRP pricing model for this project. Correction of the error in the CCCT capital cost component results in a levelized price of \$94.59 (\$32.88 capacity cost component and \$61.71

energy cost component). The Company disclosed the error and submitted corrected and revised pricing for the project to both Staff and to Interconnect Solar during the course of its discovery responses for this case. Although Staff disagrees that a CCCT should be used as the basis for the capacity component of the rates, Staff reviewed the revised calculations and confirmed that they are correct.

Attached hereto as Attachment No. 1 is a revised pricing schedule for the submitted FESA. This attachment contains pricing reflecting correction of the computational error in the CCCT capital cost component of the rates. It is formatted as an appendix to the FESA such that, if approved, it could be readily incorporated into a revised FESA. Idaho Power recommends that the FESA be approved only if the corrected pricing, as submitted in Attachment No. 1, is incorporated into the agreement.

B. Use of Seasonal and Daily Weighting Factors to Adjust Prices.

In Interconnect Solar's FESA, the Company submitted prices that are adjusted for seasonality, as well as heavy and light load hours, throughout the year in a similar manner as to how these adjustments are applied in a published rate PURPA contract. Staff recommends that the price shapes calculated by AURORA be used as the basis for hourly and seasonal price adjustments, rather than the hourly and seasonal adjustment factors used for published avoided cost rate contracts that were used in this agreement. The Company agrees. As pointed out by Staff, the energy price components derived using AURORA, utilizing the unique energy shape of this particular project, recognize the higher and lower energy values throughout the day and the seasons of the year. Consequently, using the price shapes calculated by AURORA as the basis for the hourly and seasonal pricing adjustments results in a much more

accurate and appropriate seasonal and hourly variation that is unique to this particular project's energy output. Attachment No. 1, which Idaho Power proposes as replacement pricing for the FESA, sets forth monthly heavy load and light load values for each year of the FESA. These values are the actual seasonal heavy and light load values from AURORA based upon the actual output of the proposed project. With its use for the pricing in the contract, no other seasonality or heavy load/light load adjustments need to be applied.

C. Other Issues.

Staff recommended several other changes to the way in which the Company employed the IRP methodology to arrive at the avoided cost rates for the FESA. These include: (1) use of a simple cycle combustion turbine ("SCCT") instead of a CCCT to derive the capacity component of the rates, (2) use of 2011 IRP assumptions instead of 2009 IRP assumptions, and (3) implementation of a solar integration charge as well as other issues. While the Company agrees with Staff that these issues exist, and further that they have merit and should be adopted by the Commission, the Company does not feel that it would be proper for it to unilaterally incorporate these types of changes to the methodology without the Commission's approval and direction.

Acknowledging, as did Staff, that there is an ongoing and pending docket established to examine these and other PURPA-related issues and potential changes to the avoided cost methodology, the Company in the interim must continue to meet its legal obligations to contract in good faith with QFs that approach the Company seeking power sales agreements pursuant to PURPA. The Company has a history of how it has interpreted Commission orders and direction about how to apply the IRP methodology,

and despite the fact that it may want to change the methodology in much the same way that Staff has recommended, did not feel it could do so without Commission authorization. Thus, the Company in good faith calculated the IRP-based avoided cost pricing for Interconnect Solar's contract consistent with its interpretation and application of the existing approved IRP methodology. The Company was also able to negotiate resolutions to other issues with the project, such as the ownership of environmental attributes generated under the FESA, where it feels mutual benefit for both the project as well as the Company's customers was obtained. The Company was constrained to apply the existing methodology in its good faith contract negotiations with this QF, even if it believed a different methodology was more appropriate, unless and until it is relieved of that obligation by the Commission. The Commission has its duty to ensure that the existing approved methodology, and/or the Company's interpretation and application of such, is an accurate reflection of the Company's avoided cost and in the public interest. The Company has submitted replacement rate calculations for this project in Attachment No. 1 that reflect correction of the mathematical error, as well as reflecting the direct seasonal and heavy load/light load AURORA results. The Company does not feel it can unilaterally make changes to the methodology, such as those suggested by Staff to move to a SCCT, 2011 IRP assumptions over 2009 IRP assumptions, and institute an integration charge without Commission direction and approval.

III. CONCLUSION

Idaho Power agrees with Staff that the FESA, as submitted, not be approved by the Commission. At a minimum, Idaho Power recommends that the computational error

be corrected and that the appropriate AURORA based seasonality and heavy load/light load price variation be implemented for the FESA. The Company believes that the other changes in the IRP-based methodology and assumptions recommended by Staff require specific authorization from the Commission in order to implement in a FESA.

Respectfully submitted at Boise, Idaho, this 16th day of September 2011.

A handwritten signature in black ink, appearing to read "Don E Walker", written over a horizontal line.

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of September 2011 I served a true and correct copy of the within and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

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Donovan E. Walker

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-11-10

IDAHO POWER COMPANY

ATTACHMENT NO. 1

PROPOSED APPENDIX

MONTHLY ENERGY PRICES

Mills per Kwh

<u>Month/Year</u>	<u>Heavy Load Energy Purchase Price</u>	<u>Light Load Energy Purchase Price</u>
Jan-12	\$86.43	\$83.94
Feb-12	\$87.95	\$83.30
Mar-12	\$84.74	\$80.63
Apr-12	\$81.01	\$76.67
May-12	\$74.49	\$65.96
Jun-12	\$76.52	\$65.74
Jul-12	\$88.23	\$80.23
Aug-12	\$92.42	\$84.44
Sep-12	\$94.12	\$85.02
Oct-12	\$87.51	\$82.48
Nov-12	\$89.26	\$86.45
Dec-12	\$89.85	\$85.19
Jan-13	\$88.55	\$85.19
Feb-13	\$89.97	\$86.45
Mar-13	\$86.91	\$82.78
Apr-13	\$82.87	\$77.11
May-13	\$76.08	\$67.00
Jun-13	\$78.86	\$69.33
Jul-13	\$90.02	\$81.68
Aug-13	\$94.42	\$86.45
Sep-13	\$95.71	\$85.68
Oct-13	\$87.20	\$82.45
Nov-13	\$90.89	\$87.68
Dec-13	\$91.75	\$89.11
Jan-14	\$90.14	\$85.94
Feb-14	\$91.12	\$87.66
Mar-14	\$89.17	\$83.76
Apr-14	\$85.33	\$78.57
May-14	\$77.74	\$68.59
Jun-14	\$80.86	\$70.85
Jul-14	\$91.77	\$83.30
Aug-14	\$96.31	\$88.27
Sep-14	\$98.68	\$88.84
Oct-14	\$88.97	\$84.62

Nov-14	\$92.04	\$87.30
Dec-14	\$93.26	\$89.03
Jan-15	\$90.79	\$88.09
Feb-15	\$92.57	\$88.21
Mar-15	\$90.27	\$83.30
Apr-15	\$84.45	\$80.83
May-15	\$77.74	\$68.72
Jun-15	\$81.86	\$70.56
Jul-15	\$92.48	\$83.71
Aug-15	\$97.25	\$88.95
Sep-15	\$102.89	\$90.53
Oct-15	\$92.70	\$85.18
Nov-15	\$94.20	\$90.47
Dec-15	\$94.03	\$90.60
Jan-16	\$90.44	\$87.86
Feb-16	\$92.22	\$86.66
Mar-16	\$90.26	\$84.18
Apr-16	\$85.39	\$80.32
May-16	\$78.49	\$69.87
Jun-16	\$82.02	\$70.56
Jul-16	\$92.53	\$84.77
Aug-16	\$98.71	\$90.52
Sep-16	\$103.27	\$89.66
Oct-16	\$91.00	\$84.15
Nov-16	\$94.66	\$90.65
Dec-16	\$94.11	\$90.73
Jan-17	\$92.84	\$87.76
Feb-17	\$94.35	\$90.55
Mar-17	\$91.66	\$86.48
Apr-17	\$88.10	\$80.21
May-17	\$81.68	\$70.73
Jun-17	\$84.16	\$72.68
Jul-17	\$95.50	\$85.87
Aug-17	\$100.52	\$91.44
Sep-17	\$103.00	\$89.75
Oct-17	\$92.32	\$86.43
Nov-17	\$96.84	\$93.07
Dec-17	\$95.79	\$92.71
Jan-18	\$94.13	\$89.79
Feb-18	\$94.75	\$90.84
Mar-18	\$92.38	\$88.27

Apr-18	\$88.01	\$81.14
May-18	\$81.12	\$72.65
Jun-18	\$84.29	\$72.94
Jul-18	\$95.93	\$87.67
Aug-18	\$103.10	\$94.15
Sep-18	\$105.11	\$93.60
Oct-18	\$97.22	\$89.25
Nov-18	\$97.40	\$92.76
Dec-18	\$96.46	\$95.01
Jan-19	\$95.86	\$92.77
Feb-19	\$96.44	\$91.90
Mar-19	\$92.95	\$87.18
Apr-19	\$89.38	\$83.38
May-19	\$82.56	\$73.72
Jun-19	\$85.54	\$75.62
Jul-19	\$97.24	\$88.81
Aug-19	\$103.74	\$95.37
Sep-19	\$107.09	\$94.39
Oct-19	\$95.76	\$87.22
Nov-19	\$97.90	\$94.19
Dec-19	\$98.27	\$96.47
Jan-20	\$97.45	\$94.86
Feb-20	\$98.12	\$94.86
Mar-20	\$94.33	\$90.60
Apr-20	\$91.50	\$86.58
May-20	\$84.02	\$77.60
Jun-20	\$88.20	\$77.55
Jul-20	\$99.07	\$92.09
Aug-20	\$104.64	\$97.72
Sep-20	\$108.34	\$95.09
Oct-20	\$95.63	\$89.74
Nov-20	\$99.41	\$95.66
Dec-20	\$99.55	\$98.04
Jan-21	\$98.13	\$94.91
Feb-21	\$98.16	\$95.31
Mar-21	\$95.07	\$91.12
Apr-21	\$91.54	\$86.45
May-21	\$84.00	\$76.98
Jun-21	\$88.59	\$78.92
Jul-21	\$98.98	\$92.11
Aug-21	\$105.52	\$98.18

Sep-21	\$108.42	\$96.92
Oct-21	\$100.27	\$92.92
Nov-21	\$101.58	\$96.18
Dec-21	\$100.04	\$97.57
Jan-22	\$99.05	\$97.67
Feb-22	\$99.11	\$96.87
Mar-22	\$96.10	\$93.21
Apr-22	\$91.22	\$87.00
May-22	\$85.79	\$78.75
Jun-22	\$89.30	\$79.59
Jul-22	\$99.93	\$91.55
Aug-22	\$106.80	\$99.44
Sep-22	\$109.59	\$97.51
Oct-22	\$97.91	\$89.82
Nov-22	\$102.32	\$99.46
Dec-22	\$100.56	\$100.15
Jan-23	\$103.05	\$102.36
Feb-23	\$102.92	\$100.07
Mar-23	\$99.96	\$95.51
Apr-23	\$95.84	\$92.13
May-23	\$89.93	\$80.32
Jun-23	\$92.89	\$84.02
Jul-23	\$104.53	\$98.13
Aug-23	\$111.36	\$102.62
Sep-23	\$118.06	\$102.14
Oct-23	\$103.25	\$95.07
Nov-23	\$107.72	\$103.73
Dec-23	\$104.59	\$102.29
Jan-24	\$104.45	\$103.76
Feb-24	\$105.35	\$102.61
Mar-24	\$101.02	\$97.92
Apr-24	\$96.05	\$90.71
May-24	\$90.03	\$81.98
Jun-24	\$93.25	\$83.95
Jul-24	\$105.46	\$98.26
Aug-24	\$113.61	\$103.26
Sep-24	\$121.03	\$103.99
Oct-24	\$107.59	\$100.08
Nov-24	\$108.70	\$103.31
Dec-24	\$106.63	\$103.58
Jan-25	\$106.30	\$106.43

Feb-25	\$107.05	\$103.56
Mar-25	\$102.83	\$98.09
Apr-25	\$99.18	\$93.24
May-25	\$91.53	\$85.52
Jun-25	\$96.05	\$86.20
Jul-25	\$108.42	\$100.49
Aug-25	\$115.28	\$107.72
Sep-25	\$123.52	\$105.75
Oct-25	\$106.35	\$99.11
Nov-25	\$111.16	\$104.77
Dec-25	\$109.38	\$107.65
Jan-26	\$107.60	\$107.30
Feb-26	\$108.72	\$104.75
Mar-26	\$104.39	\$99.72
Apr-26	\$99.97	\$94.63
May-26	\$93.39	\$85.85
Jun-26	\$98.12	\$87.11
Jul-26	\$108.83	\$100.79
Aug-26	\$115.92	\$106.95
Sep-26	\$123.75	\$106.54
Oct-26	\$106.27	\$99.74
Nov-26	\$111.60	\$105.54
Dec-26	\$110.38	\$107.61
Jan-27	\$109.46	\$107.25
Feb-27	\$109.23	\$107.83
Mar-27	\$105.44	\$102.05
Apr-27	\$100.78	\$95.02
May-27	\$93.65	\$86.98
Jun-27	\$98.81	\$88.01
Jul-27	\$108.97	\$102.17
Aug-27	\$117.52	\$109.04
Sep-27	\$125.83	\$106.99
Oct-27	\$111.38	\$105.37
Nov-27	\$115.59	\$106.56
Dec-27	\$110.91	\$109.03
Jan-28	\$110.99	\$110.79
Feb-28	\$110.21	\$108.04
Mar-28	\$106.87	\$103.12
Apr-28	\$102.16	\$95.59
May-28	\$96.32	\$88.07
Jun-28	\$99.50	\$91.65

Jul-28	\$112.30	\$104.78
Aug-28	\$122.39	\$110.80
Sep-28	\$124.47	\$108.12
Oct-28	\$109.99	\$102.23
Nov-28	\$116.91	\$109.02
Dec-28	\$111.88	\$110.37
Jan-29	\$113.37	\$113.38
Feb-29	\$112.61	\$108.85
Mar-29	\$109.09	\$104.07
Apr-29	\$103.89	\$96.79
May-29	\$96.37	\$91.19
Jun-29	\$101.62	\$91.81
Jul-29	\$113.99	\$105.02
Aug-29	\$123.61	\$113.23
Sep-29	\$126.28	\$109.69
Oct-29	\$110.30	\$103.95
Nov-29	\$115.49	\$108.17
Dec-29	\$115.35	\$113.02
Jan-30	\$115.85	\$115.87
Feb-30	\$115.07	\$111.19
Mar-30	\$111.44	\$106.27
Apr-30	\$106.09	\$98.77
May-30	\$98.34	\$93.00
Jun-30	\$103.75	\$93.65
Jul-30	\$116.49	\$107.25
Aug-30	\$126.40	\$115.70
Sep-30	\$129.15	\$112.07
Oct-30	\$112.69	\$106.15
Nov-30	\$118.04	\$110.50
Dec-30	\$117.89	\$115.49
Jan-31	\$118.40	\$118.42
Feb-31	\$117.60	\$113.61
Mar-31	\$113.86	\$108.54
Apr-31	\$108.35	\$100.81
May-31	\$100.38	\$94.87
Jun-31	\$105.95	\$95.54
Jul-31	\$119.06	\$109.55
Aug-31	\$129.27	\$118.26
Sep-31	\$132.11	\$114.51
Oct-31	\$115.15	\$108.41
Nov-31	\$120.66	\$112.89

Dec-31	\$120.51	\$118.03
Jan-32	\$120.99	\$121.00
Feb-32	\$120.16	\$116.05
Mar-32	\$116.31	\$110.82
Apr-32	\$110.63	\$102.87
May-32	\$102.42	\$96.75
Jun-32	\$108.15	\$97.43
Jul-32	\$121.67	\$111.87
Aug-32	\$132.18	\$120.83
Sep-32	\$135.10	\$116.97
Oct-32	\$117.63	\$110.69
Nov-32	\$123.31	\$115.31
Dec-32	\$123.15	\$120.60
Jan-33	\$123.75	\$123.77
Feb-33	\$122.90	\$118.66
Mar-33	\$118.93	\$113.28
Apr-33	\$113.08	\$105.08
May-33	\$104.62	\$98.78
Jun-33	\$110.53	\$99.49
Jul-33	\$124.45	\$114.36
Aug-33	\$135.28	\$123.59
Sep-33	\$138.29	\$119.61
Oct-33	\$120.29	\$113.14
Nov-33	\$126.14	\$117.90
Dec-33	\$125.98	\$123.35
Jan-34	\$126.54	\$126.56
Feb-34	\$125.66	\$121.30
Mar-34	\$121.57	\$115.75
Apr-34	\$115.55	\$107.32
May-34	\$106.84	\$100.82
Jun-34	\$112.92	\$101.55
Jul-34	\$127.26	\$116.86
Aug-34	\$138.41	\$126.38
Sep-34	\$141.51	\$122.28
Oct-34	\$122.98	\$115.62
Nov-34	\$129.00	\$120.51
Dec-34	\$128.83	\$126.13
Jan-35	\$129.41	\$129.43
Feb-35	\$128.51	\$124.02
Mar-35	\$124.30	\$118.31
Apr-35	\$118.10	\$109.61

May-35	\$109.12	\$102.93
Jun-35	\$115.39	\$103.68
Jul-35	\$130.15	\$119.45
Aug-35	\$141.64	\$129.25
Sep-35	\$144.84	\$125.03
Oct-35	\$125.75	\$118.16
Nov-35	\$131.95	\$123.21
Dec-35	\$131.78	\$128.99
Jan-36	\$132.32	\$132.34
Feb-36	\$131.39	\$126.76
Mar-36	\$127.06	\$120.88
Apr-36	\$120.67	\$111.93
May-36	\$111.42	\$105.04
Jun-36	\$117.88	\$105.81
Jul-36	\$133.09	\$122.06
Aug-36	\$144.92	\$132.15
Sep-36	\$148.21	\$127.81
Oct-36	\$128.55	\$120.74
Nov-36	\$134.94	\$125.93
Dec-36	\$134.76	\$131.89