

WILLIAMS · BRADBURY

A T T O R N E Y S A T L A **RECEIVED**

2011 AUG 25 PM 2:35

August 25, 2011

IDAHO PUBLIC
UTILITIES COMMISSION

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: IPC-E-11-10

Dear Ms. Jewell:

Please find enclosed an original and seven copies of Interconnect Solar Development, LLC's Response to Idaho Power's Motion in Opposition to Grand View Solar's Petition to Intervene and Grand View's Answer Thereto for filing in the above referenced case.

Thank you for your assistance in this matter. Please feel free to give me a call should you have any questions.

Sincerely,



Ronald L. Williams

RLW/jr
Enclosures

cc: Peter Richardson

Ronald L. Williams, ISB No. 3034
Williams Bradbury, P.C.
1015 W. Hays St.
Boise, ID 83702
Telephone: 208-344-6633
Fax: 208-344-0077
ron@williamsbradbury.com

RECEIVED
2011 AUG 25 PM 2: 35
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Interconnect Solar Development LLC

BEFORE THE IDAHO PUBLIC UTILITES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	Case No. IPC-E-11-10
IDAHO POWER COMPANY FOR A)	
DETERMINATION REGARDING THE FIRM)	RESPONSE TO IDAHO POWER'S
ENERGY SALES AGREEMENT WITH)	MOTION IN OPPOSITION TO
INTERCONNECT SOLAR DEVELOPMENT,)	GRAND VIEW SOLAR'S
LLC, FOR THE SALE AND PURCHASE OF)	PETITION TO INTERVENE AND
ELECTRIC ENERGY.)	GRAND VIEW'S ANSWER
_____)	THERE TO

COMES NOW, Interconnect Solar Development, LLC, ("Interconnect Solar" or "ISD") by and through its counsel of record, Williams Bradbury, PC, and files this response to Idaho Power's Opposition to Grand View PV Solar Two's Petition to Intervene in the above reference matter and to Grand View's Answer to Idaho Power's Motion in Opposition to Grand View's intervention.

1. Interconnect Solar previously filed an Answer to Staff's Motion to extend the schedule in this case wherein ISD did not object to Staff's need for additional time for discovery, but did point out the critical path the ISD solar project was on and how the schedule also needed to recognize the realities of weather related construction constraints. To that end counsel for ISD has been informed by Staff counsel that the schedule will

again be adjusted to help accommodate ISD's project construction needs, and ISD appreciates Staff's accommodation on this point.

2. Staff's first and second set of discovery requests to Idaho Power in this case suggested that Staff was considering recommendations to the Commission that Idaho Power's application of the IRP avoided cost methodology used to establish the ISD contract rates should consider alternative input variables. Specifically, Staff confirmed it is considering proposing two specific avoided cost rate methodology adjustments: (i) the use of capital costs of a simple cycle combustion turbine (SCCT) instead of the capital costs of a combined cycle combustion turbine (CCCT), and (ii) implementation of a solar integration charge or discount.

3. In response to this possibility Interconnect Solar suggested that if Staff were to pursue these policy related questions in the context of this case, it would draw the attention of other qualifying facility developers ("QFs") as well as other utilities, and such broadening of the issues and parties would be potentially fatal to a successful, timely development of the ISD Murphy Flats solar project. That is now happening. Alternatively, ISD suggested to Staff that the policy questions it was raising in this case were better raised in Case No. GNR-E-11-03. This case was docketed on June 7, 2011, but no progress or filings have been made and no schedule has been established.

4. Interconnect Solar would renew its request that the IRP policy questions currently being raised by Staff in this case – as well as other equally important and potentially off-setting (from an avoided cost rate setting standpoint) issues – be considered in Case No. GNR-E-11-0, on an expedited basis.

5. The two IRP policy issues identified by Staff in this case (avoided plant capital costs and solar integration costs) are two of the many and complex IRP methodology questions that requires impute of multiple parties and the thoughtful consideration by the Commission. For example, Staff in Case No. GNR-E-09-03 recommended establishing different avoided costs rates for different QF technologies. Using this alternative avoided cost methodology, a solar QF would receive a solar based avoided cost calculated using solar capital costs – instead of gas-fired thermal generation costs.¹ Such a resources based avoided cost methodology would also render moot the need to “guess” at what might be a “solar integration” rate discount.²

6. It is also extremely unfair to ISD [and potentially, to other parties] for this contract approval case to implement a first-ever solar integration charge, based on a “guess” by Idaho Power as to solar integration costs. Idaho Power admits it has no data on what, if any, solar integration costs it may experience, but acknowledges it intends to study this issue in the near future. If that study confirms the potential for solar integration costs in a gas-fired SAR avoided cost world – and holds up to scrutiny in the context of a multi-party proceeding – then so bet it. But, as Staff noted in its comments in Case No. GNR-E-09-03: “Establishment of wind integration charges has historically been time consuming and contentious.”³

¹ For comparison purposes, the 30 year levelized capacity costs for three different generating resources are as follows: (i) \$5.00 /kW for gas fired SCCT, (ii) \$14.00/kw for gas fired CCCT, and (iii) \$28.00/kW for Solar – Flat Plate. See Idaho Power Integrated Resource Plan, p. 84 of IRP Technical Appendix: <http://www.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2011/2011IRPAppendixCTechnicalAppendix.pdf>

² As Staff noted in its comments in Case No. GNR-E-09-03: “If a wind SAR is adopted, wind integration charges would no longer have to be quantified.” *Staff Comments at p. 8.* <http://www.puc.idaho.gov/internet/cases/elec/GNR/GNRE0903/staff/20090918COMMENTS.PDF>

³ *Id.*

7. As a final point, ISD notes that yet another policy question – long-term REC ownership – that was to be, or should be, considered in GNR-E-11-03 is now a contract dispute issue in IPUC Case No. IPC-E-11-15. This contrasts with the negotiated resolution of the REC ownership issue as between ISD and Idaho Power where the parties reached a voluntary agreement to share REC ownership over the life of the contract. ISD was able to agree to this REC sharing provision for two reasons: (i) Idaho Power agreed to a 25 year contract life, thus allowing ISD to satisfy financing and debt service requirements over this longer period of time while accounting for the lost revenue stream associated with half the potential REC revenues, and (ii) ISD did not have the luxury of time in litigating this issue before the Commission, as apparently does Grand View Solar. What appears perplexing to ISD is Staff's focused concern on two potential IRP methodology practices that, if changed, would render the Murphy Flats solar project financially infeasible, while not acknowledging (at least at this point in time) the financial benefit to ratepayers of ISD allowing Idaho Power to own half the RECs for the Murphy Flats solar project for the next 25 years.

WHEREFORE, Interconnect Soar requests the following:

1. That the Commission establish an accelerated schedule in GNR-E-11-03 to investigate IRP methodology questions being raised by Staff in this case⁴, as well as other resource specific avoided cost policy questions, such as should a solar avoided cost be based on an avoided solar power plant,

⁴ (i) That SCCT capital costs may be a more appropriate surrogate avoided capacity cost than CCCT capital costs, and (ii) a solar integration discount may need to be applied to the IPC-ISD contract.

2. That the Commission affirm for the purposes of this case Idaho Power's calculation of IRP based avoided costs rates as practiced the Company since 1995⁵, for QF projects greater than 10 aMW and, more recently, for wind and solar projects greater than 100 kW, and

3. That the Commission deny the Petition of Grand View Solar to intervene for the reason that this contract approval case will not be the case to consider and implement changes to the long-standing methodology used by Idaho Power to calculate IRP based avoided cost rates for QF projects greater than 10 aMW and, more recently, for wind and solar projects greater than 100 kW.

DATED: This 25th day of August, 2011.



Ronald L. Williams
Williams Bradbury P.C.
Attorneys for Interconnect Solar
Development, LLC

⁵ See IPUC Order No. 25884, January 31, 1995, directing Idaho Power to establish SAR based avoided costs based on the capital cost of a CCCT. See also implementation of that same avoided cost methodology and CCCT capital cost assumptions for QF projects larger than 10 aMW in Case No. IPC-E-10-24, Rockland Wind.

CERTIFICATE OF SERVICE

I hereby certify that on this 25 day of August, 2011, a true and correct copy of the foregoing was served by the method indicated below, and addressed to the following:

Donovan E. Walker	<input type="checkbox"/>	US Mail
Lead Counsel	<input type="checkbox"/>	Facsimile
Idaho Power Company	<input type="checkbox"/>	Hand Delivery
PO Box 70	<input type="checkbox"/>	Overnight Mail
Boise, ID 83707-0070	<input checked="" type="checkbox"/>	E-Mail Address
E-Mail: dwalker@idahopower.com		

Randy C. Allphin	<input type="checkbox"/>	US Mail
Energy Contract Admin.	<input type="checkbox"/>	Facsimile
Idaho Power Company	<input type="checkbox"/>	Hand Delivery
PO Box 70	<input type="checkbox"/>	Overnight Mail
Boise, ID 83707-0070	<input checked="" type="checkbox"/>	E-Mail Address
E-Mail: rallphin@idahopower.com		

Kristine A. Sasser	<input type="checkbox"/>	US Mail
Deputy Attorney General	<input type="checkbox"/>	Facsimile
Idaho Public Utilities Commission	<input type="checkbox"/>	Hand Delivery
PO Box 83720	<input type="checkbox"/>	Overnight Mail
Boise, ID 83720-0074	<input checked="" type="checkbox"/>	E-Mail Address
E-Mail: kris.sasser@puc.idaho.gov		

Randy Hemmer, Manager	<input type="checkbox"/>	US Mail
Interconnect Solar Development, LLC	<input type="checkbox"/>	Facsimile
3777 Twilight Drive	<input type="checkbox"/>	Hand Delivery
Boise, ID 83703	<input type="checkbox"/>	Overnight Mail
E-Mail: randyhemmer@clearwire.net	<input checked="" type="checkbox"/>	E-Mail Address



Ronald L. Williams