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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OF THE CAPACITY DEFICIENCY TO BE UTILIZED FOR AVOIDED COST CALCULATIONS	Case No. IPC-E-17-12 **IDAHYDRO'S RESPONSE TO COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Idaho Hydroelectric Power Producers Trust, an Idaho Trust, d/b/a IdaHydro ("IdaHydro"), by and through its counsel of record, C. Tom Arkoosh of Arkoosh Law Offices, and hereby provides the following response to the *Comments of the Commission Staff,* filed September 6, 2017 in the above matter:

Commission Staff ["Staff"] concurs with Idaho Power Company ["Idaho Power"] that the Integrated Resource Plan ["IRP"] shows Idaho Power will be capacity deficient in 2026 instead of 2024 because Idaho Power will have more transmission capacity than historically contemplated, thus more market access. This conclusion is factually contrary to the text of the IRP. This conclusion is conceptually contrary to the Public Utilities Policy Act ["PURPA"]. This *Response* seeks clarification from the Commission of these two topics.

Staff writes at page 3 of its *Comments*:

> By comparing average loads and average amounts of capacity from supply resources between 2024 and 2026, Staff was able to determine that the over-riding cause for the two-year shift was a 103% increase in market purchase availability.

> The increase comes from two sources: (1) an additional 130 MW of import transmission capacity into the south side of its system by closing Valmy Unit 1 in 2019; and (2) an additional 80 MW of incremental transmission capacity through the Company's Idaho/Montana transmission pathway.

At page 59 of the IRP, however, Idaho Power writes regarding the Montana-Idaho transmission pathway:

> The Montana-Idaho transmission path consists of the Antelope-Anaconda 230-kV and Goshen-Dillon 161-kV transmission lines. The Montana-Idaho path is also capacity-limited during the summer months as Idaho Power, BPA, PacifiCorp, and others move energy south from Montana into Idaho.

Similarly, it also appears that the Valmy plant currently occupies all the transmission capacity from the south of the system. Its decommission thus opens only space that is currently fully occupied and does not clear additional transmission capacity. At pages 68-69 of the IRP, Idaho Power writes:

> The Idaho-Nevada transmission path is co-owned by Idaho Power and NV Energy, with Idaho Power having full allocation of northbound capacity and NV Energy having full allocation of southbound capacity. As noted earlier in this chapter, the northbound capacity of the path is fully subscribed with Idaho Power's share of the North Valmy generation plant.
>
> In its evaluation of North Valmy retirement options, Idaho Power has reviewed the potential to import wholesale energy across the Idaho-Nevada transmission path following retirement of North Valmy generating capacity. Idaho Power has principally participated in the Mid-Columbia wholesale power market to the northwest and considers the availability of wholesale energy for import across the Idaho-Nevada path as less certain. In particular, the frequent import of wholesale energy from Nevada is likely to encounter scarcity and/or costly energy. Therefore, while Nevada is not considered a viable source for abundant wholesale energy, it may have potential to source seldom-needed capacity during peak loading periods. For this reason, Idaho Power is assuming for the 2017 IRP that the retirement of North Valmy generating capacity can be adequately replaced with infrequent wholesale capacity imports across the Idaho-Nevada transmission path.
>
> Idaho Power recognizes the uncertainty of assuming wholesale capacity imports from Nevada can replace North Valmy generating capacity. The viability of the Idaho-Nevada path can be evaluated as the company continues to transition away from coal in a measured and responsible manner. Idaho Power expects to develop

> greater understanding of the viability of the Idaho-Nevada path with participation in the western EIM beginning in spring 2018. As it continues its evaluation, Idaho Power recognizes the assumption that wholesale capacity imports from Nevada can replace North Valmy generating capacity may prove unfounded, and future IRPs may need to reflect such a change.

Thus, the IRP appears to trend toward less "capacity" from future market and transmission trends, not more.

More importantly, however, it is submitted that the "market purchase availability" does not supplant the capacity that PURPA anticipates Qualifying Facilities ("QFs") bring to a utilities system when ratemaking. Commissioner Raper queried in her comments to the Federal Energy Regulatory Commission:

> If investment in base load resources is required, not because the utility needs additional generation, but because it must balance intermittent "must take" QF energy, how are costs being avoided?

Comments of the Honorable Kristine Raper, Commissioner, Idaho Public Utilities Commission, Technical Conference on Implementation Issues Under the Public Utility Regulatory Policies Act of 1978, FERC Docket No. AD16-16-000. [Emphasis in original.]

Conversely, if no investment in base load resources is required because QFs supplant such capacity, and the current Idaho Power base load balances intermittent "must take" QF energy without additional investment, Idaho Power's new capacity costs are being avoided by QF capacity. Thus, new QFs should have a capacity payment. If "market purchase availability" in turn supplants compensation for QF capacity as well as utility base load capacity, QFs may never receive capacity compensation as contemplated by PURPA even though QFs displace new base load investment and capacity. The accurate inquiry to determine when QFs should be fairly paid for the capacity they bring to the system is not whether Idaho Power has access to an outside market, i.e., transmission capacity, but instead whether QF energy displaces new Idaho

Power capacity without the need for new investment by the utility to balance intermittent "must take" QF energy.

Because this docket depends entirely upon the outcome of the pending IRP docket (IPC-E-17-11), it is respectfully submitted this docket be stayed until the IRP docket comes to final order.

DATED this 11th day of September, 2017.

ARKOOSH LAW OFFICES

C. Tom Arkoosh
Attorney for IdaHydro

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 11th day of September, 2017, I served a true and correct copy of the foregoing document(s) upon the following person(s), in the manner indicated:

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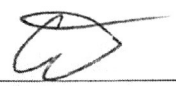

C. Tom Arkoosh