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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF AN INTERCONNECTION TARIFF FOR NON-UTILITY GENERATION	**CASE NO. IPC-E-90-20** **COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS OF IDAHO**

COMES NOW, the Independent Energy Producers of Idaho (IEPI), and pursuant to Order No. 23477 of the Idaho Public Utilities Commission (Commission) hereby provides its comments regarding the Application of Idaho Power Company (Company or IPCo) for approval of Tariff Schedule No. 72.

I.
INTRODUCTION

The IEPI is an unincorporated association of entities with an interest in cogeneration and small power QF production in the State of Idaho. The IEPI has actively participated in the Commission's most recent avoided cost proceedings for PacifiCorp and Idaho Power Company.

II.
GENERAL AGREEMENT

The IEPI is in general agreement with the need for and the format of Idaho Power's Schedule 72. Idaho Power Company is to be commended for its attempts to standardize this small part of the process by which QFs embark on the relationship with IPCo for the purchase of power and energy. Although in general agreement with the overall purpose of Schedule 72, the IEPI has specific concerns identified below.

III.
THE VESTED INTEREST REFUND TIME PERIOD IS ARTIFICIALLY SHORT

The vested interest refund provision found in proposed Tariff Schedule 72 parallels exactly the vested interest refund provisions found in the Company's line extension rules. See Section VIII B of Idaho Power Company Tariff Schedule No. 71 "Overhead and Underground Distribution Line Extensions." While possibly a good working model from which to devise a tariff schedule for application to QF facilities, Schedule 71 should not necessarily control in this proceeding.

A seller of power to IPCo who has contributed to the construction and installation of interconnection facilities is only eligible for a refund from third party use of those facilities for a period of five years. The five year time period during which refunds may be had from additional third party use of the interconnection facilities is the same as the five year time period found in the Company's general line extension rules. The IEPI can see no rationale, stated or implied, for establishing a vested interest refund period that is shorter than the term of the contract under which the QF is obligated to provide power and energy to Idaho Power.

A five year vested interest refund period may be reasonable for line extensions to new customers of the utility because of possible difficulties in locating the individual who made the initial investment in the line extension. The same rationale does not apply to a QF. Idaho Power and the QF will have a contractual relationship that will last at least as long as the power sales agreement. There will never be any difficulty in locating the entity (or its legal successor) that made the initial contribution for the interconnection equipment that the third party seeks to use.

Another reason traditionally asserted for limiting the vested interest refund period is the difficulty in correctly apportioning the benefits of the facilities. That problem also is not present in the case of a QF. The typical QF interconnects to the utility's transmission or primary distribution facilities. There simply will not be a multitude of entities sharing such utility facilities as there would be in a housing subdivision. As a result, there will be little difficulty in identifying all who are making use of the QF contributed interconnection facilities.

It is reasonable to allow the QF the opportunity to collect a portion of the contributed cost of installation of the interconnection facilities throughout the life of the QF's power sales agreement. The utility's only interest in limiting such refunds is for administrative ease. As noted above, the traditional problems identified with refunding line extension contributions are simply not present in the QF context. Idaho Power has not offered the Commission any rationale for limiting the vested refund period for QFs. The IEPI therefore respectfully request that the Commission modify Tariff Schedule 72 to provide that the vested interest refund period for QFs will be the same length as the underlying power sales agreements.

IV.
THE COMPANY'S MEASURE OF THE COST OF INTERCONNECTION FACILITIES IS INAPPROPRIATE

Idaho Power's proposed Tariff Schedule 72 provides that for purposes of operations and maintenance obligations and vested interest refunds the disconnection equipment be valued at Idaho Power's construction costs. Idaho Power determined "Construction Costs" may not be the same as actual construction costs. The definition of "Construction Cost" makes it clear that Idaho Power anticipates that there may be a difference between actual construction costs and "Construction Costs" for purposes of proposed Schedule 72. Proposed Schedule 72 defines construction costs as:

> The cost, as determined by the Company, of Upgrades, Relocation or construction of Company furnished Interconnection Facilities

Interconnection equipment should be valued at actual construction cost and not Idaho Power's determination of "Construction Costs." There is no reason for placing any other value on such costs.

V.
DISPOSITION OF INTERCONNECTION EQUIPMENT AT THE TERMINATION OF THE CONTRACT

Proposed Tariff Schedule 72 is silent as to the disposition of the interconnection equipment at the termination of the power sales agreement. The QF, who has paid for the construction, installation, operation and maintenance of such equipment may have an interest in its disposition at the termination of the power sales agreement. Schedule 72 should recognize and make accommodations for that interest.

There are three scenarios that are possible at the termination of the power sales agreement. Each should be recognized in Schedule 72.

First, the QF may seek to continue selling power and energy to the utility. In such case, Schedule 72 should make it explicit that Idaho Power will continue to maintain the originally installed interconnecting equipment at no additional cost so long as such equipment is electrically sound.

Second, the QF may seek to sell its power and energy to a third party and only utilize Idaho Power as a wheeling utility. As in the scenario outlined above, Schedule 72 should be explicit that the interconnection equipment will be maintained as originally installed without additional cost to the QF for the length of the equipments' useful life.

Third, the QF may cease electrical production at the site but still have a need for the interconnection equipment in lieu of salvage value. In other words, the QF may wish to take physical possession of the disconnection equipment. Schedule 72 should accommodate such a possibility with the caveat that the utility is made whole for any tax or other monetary consequences of such a transfer.

VI.
CONCLUSION

The IEPI respectfully asks the Commission to consider and adopt as reasonable the above recommended changes to Idaho Power Company's proposed Tariff Schedule No. 72. The IEPI does not believe a public hearing or additional briefing is necessary to adequately present this matter to the Commission for resolution. However, should the Commission determine that further proceedings are necessary, the IEPI respectfully request to be afforded full opportunity to participate.

Respectfully submitted this 18th day of January, 1991.

By ______________________
Peter J. Richardson
- Of the Firm -

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 18th day of January, 1991, served the foregoing COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS OF IDAHO in Case No. IPC-E-90-20 upon all parties of record in this proceeding, by mailing a copy thereof, properly addressed with postage prepaid to:

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By ____________________
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