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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	
ROCKY MOUNTAIN POWER FOR AN ORDER)	
REVISING CERTAIN OBLIGATIONS TO)	CASE NO. PAC-E-07-07
ENTER INTO CONTRACTS TO PURCHASE)	
ENERGY GENERATED BY WIND-POWERED)	(Reference related cases
SMALL POWER GENERATION QUALIFYING)	nos. IPC-E-07-03 and
FACILITIES)	AVU-E-07-02
)	

Renewable Northwest Project and Northwest Energy Coalition (“Renewable Coalition”) and Rocky Mountain Power (the “Company”) hereinafter Party or collectively “Parties”, hereby reply in support of the Joint Motion to Approve Settlement Stipulation (filed October 4, 2007) (“Motion”).

Exergy Development Group, LLC, filed an Answer to the Motion, requesting the Commission deny the Motion and set this matter for hearing.¹ Exergy's primary argument against the Settlement Stipulation focuses on the policy of allowing the inclusion of "known and measurable" changes to historic test year data for setting retail rates. This is not a case involving the setting of customer rates for electric service. This is a PURPA case in which the Commission is being asked to adjust avoided cost rates to recognize the additional cost of integrating intermittent wind resources. Setting avoided costs inherently requires a projection of estimated costs.

Under the Commission's surrogate avoided resource ("SAR") method for setting avoided costs, the Commission has projected the costs of owning and operating a combined cycle combustion turbine over a twenty-five (25) year period. At the time the Commission established the costs of the SAR, very few of the inputs were "known and measurable." Using projected data to set avoided costs is consistent with the legal requirements of PURPA. FERC recognized that avoided costs would be set based on estimates, not "known and measurable" data. In its regulations, FERC stated "In the case in which the rates for purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation, the rates for such purchases do not violate this sub-part if the rates for such purchases differ from avoided costs at the time of delivery." (18 CFR §292.304(b)(5)).

¹ Exergy also makes policy recommendations to the Commission, including: "New wind power purchase agreements should be required to have a clause allowing the imposition of a fair, just and reasonable wind integration rate that varies with actual integration costs." The Parties disagree that such an adjustment is appropriate. Such terms would likely harm the ability of wind QF to obtain project financing, and would impose unnecessary administrative burdens on utilities.

It is within the very nature of the exercise that the Commission, in setting published prices to approximate the avoided cost of power over a 20-year contract term, will be imperfect. After more experience and understanding is gained, the wind integration cost reflected in the Settlement Stipulation will likely be proven inaccurate to some unknown degree. The Parties acknowledge that fact, but submit to the Commission that the integration costs reflected in the Settlement Stipulation are within the range of reasonable estimated wind integration costs based on current conditions and information.

The record before the Commission is more than adequate to support the Settlement Stipulation. The record before the Commission includes: (1) Rocky Mountain Power's Application, including its wind integration discussion from its Integrated Resource Plan; (2) discussion in the Joint Motion to Approve Settlement Stipulation; (3) the comments of Commission Staff filed on October 5, 2007; and (4) Exergy's comments filed on October 5, 2007.

Exergy is the lone objecting party. The Settlement has the express support (either through signature or through support in filed comments) of Rocky Mountain Power, Avista, the Renewable Coalition, one wind development firm (Idaho Windfarms, LLC), and Commission Staff. The remaining two (2) parties in this case (excluding Exergy) -- both of whom can be fairly described as renewable energy developers or proponents of renewable energy -- have not stated to the Commission any opposition to the Settlement Stipulation.

Conclusion

The Settlement Stipulation is a just, fair, and reasonable resolution of the core disputed issues in this case. The Parties respectfully request the Commission continue to handle this case under Modified Procedure, and grant the Joint Motion to Approve Settlement Stipulation.

Respectfully submitted this 25th day of October 2007.

RENEWABLE NORTHWEST PROJECT
AND NW ENERGY COALITION

A handwritten signature in black ink, appearing to read 'W. Eddie', written over a horizontal line.

WILLIAM M. EDDIE

Respectfully submitted this 25th day of October, 2007.

ROCKY MOUNTAIN POWER

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

JORDAN A. WHITE
Attorney for Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October 2007, true and correct copies of the foregoing JOINT REPLY IN SUPPORT OF SETTLEMENT STIPULATION were delivered to the following persons via overnight delivery (for the Commission) and U.S. Mail for all other recipients. Electronic copies also were provided on this date to all parties of record.

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