

WILLIAM M. EDDIE  
ADVOCATES FOR THE WEST  
610 SW Alder Street, Suite 910  
Portland, OR 97205  
Tel: 503-542-5245  
Fax: 503-225-0276  
beddie@advocateswest.org

*Attorney for Renewable Northwest Project  
and NW Energy Coalition*

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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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

Renewable Northwest Project and Northwest Energy Coalition ("Renewable Coalition") hereby replies in support of the Motion to Approve Settlement Stipulation (filed October 4, 2007) ("Motion"). Avista Corporation has reviewed this reply in full. Renewable Coalition represents to the Commission the Avista concurs with this reply.

Exergy Development Group, LLC, filed an Answer to the Motion, requesting the Commission deny the Motion and set this matter for hearing.<sup>1</sup> Exergy's primary argument against the Settlement Stipulation focuses on the policy of allowing the

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<sup>1</sup> 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." Renewable Coalition disagrees 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.

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)).

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. Renewable Coalition acknowledges that fact, but submits 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) Avista's Application, including its wind integration study; (2) the Motion to Approve Settlement Stipulation; (3) the Direct Testimony of Ken Dragoon, which may be treated as written comments in this case; (4) the comments of Commission Staff filed on October 5, 2007; and (5) Exergy's comments filed on October 5, 2007.

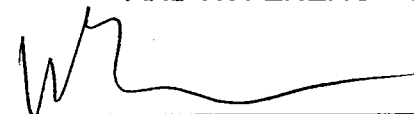
Exergy is the lone objecting party. The Settlement has the express support (either through signature or through support in filed comments) of Avista, the Renewable Coalition, one wind development firm (Idaho Windfarms, LLC), and Commission Staff. The Idaho National Laboratory, which can be fairly described as a proponent of renewable energy, has 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. Renewable Coalition respectfully request the Commission continue to handle this case under Modified Procedure, and grant the 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 be 'W. Eddie', written over a horizontal line.

WILLIAM M. EDDIE

## CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October 2007, true and correct copies of the foregoing 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.

Jean Jewell (original and 7 copies)  
Idaho Public Utilities Commission  
472 W. Washington St.  
Boise, ID 83702

Glenn Ikemoto  
Idaho Windfarms, LLC  
672 Blair Avenue  
Piedmont, CA 94611

Scott Woodbury  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 W. Washington St.  
Boise, ID 83702

Dean J. Miller, Esq.  
McDevitt & Miller, LLP  
PO Box 2564  
Boise, ID 83701

Peter Richardson  
Richardson & O'Leary  
515 N. 27<sup>th</sup> St.  
Boise, ID 83702

Michael G. Andrea  
Staff Attorney  
Avista Corporation  
PO Box 3727  
Spokane, WA 99220-3727

Don Reading  
6070 Hill Road  
Boise, ID 83703

Gary Seifert  
Kurt Myers  
INL Biofuels & Renewable Energy  
Technologies  
PO Box 1625, MS 3810  
Idaho Falls, ID 83415-3810



William Eddie