

pursuant to this Commission's Order No. 33253 in the above captioned docket and hereby lodges their Joint Reply to Idaho Power Company ("Idaho Power) Rocky Mountain Power ("RMP") and the Commission Staff's ("Staff") Answers to Simplot and Clearwater's Joint Cross-Petition for Clarification of Order No. 33222.

I
THE COMMISSION SHOULD CLARIFY THAT
EXISTING RESOURCES ARE EXEMPT FROM
THE INTERIM FIVE YEAR TERM AND OUTCOME OF THIS DOCKET

Both Simplot and Clearwater currently generate power at existing cogeneration facilities. Simplot's facility is located in Pocatello and Clearwater's facility is located near Lewiston. Each has been on line for many years and each resource is currently accounted for in their respective host utility's integrated resource planning process. The Commission's order¹ in response to the Petition for Clarification² and the Cross-Petition for Clarification³ in the above captioned matter provides that the "interim relief granted to Idaho Power, Avista and Rocky Mountain applies to new PURPA contracts in excess of the published rate eligibility cap."⁴

None of the utilities complained of existing resources with soon to expire (or expired) PURPA contracts as being the cause of their alleged problems. The opening paragraph of Idaho Power's Petition asks that, "energy sales agreements [be] limited to transactions with proposed QF projects that exceed the published rate eligibility cap."⁵ Avista has asked that it be provided

¹ Order No. 33222.

² Intermountain Energy Partners petitioned for clarification of Order No. 33222 on February 18, 2015.

³ The Renewable Energy Coalition cross-petitioned for clarification of Order No. 3222 on February 25, 2015.

⁴ Order No. 33222 at p. 4.

⁵ Idaho Power Petition at p. 2.

“the same relief granted to Idaho Power.”⁶ Rocky Mountain Power’s application relies on the assertion that “the Company [RMP] has no need for resources in the next decade.”⁷ Thus, although not clearly articulated, it is clear the utilities’ Petitions in this matter are aimed solely at new PURPA projects and not existing projects.

The Commission should clarify the target of the utilities’ Petitions because of their imprecise use of phrases like “new projects” and “new contracts.” Simplot and Clearwater are the only existing (on-line) projects in the State of Idaho that are affected by the Commission’s interim order. There is no reason to single out these two facilities for such unfair treatment. They are not the cause of the alleged problem. They have been on line for many years and have a history of providing reliable base-load power and therefore they should be exempt from the reach of this docket.

II. NEW BASE-LOAD GENERATION SHOULD ALSO BE EXEMPT FROM THE REACH OF THIS DOCKET

As with existing base load generation projects, the utilities identified only two potential non-intermittent projects that would be impacted by the Commission’s decision, and there is no reason to single them out for such unfair treatment. The two projects are the potential 25 megawatt (“MW”) cogeneration facility at Simplot’s new potato processing plant in Caldwell and an unidentified possible hydroelectric project referenced in Idaho Power’s Answer.⁸ Reducing the possible contract term from twenty years to five years or three years or two years will certainly limit the financing potential for Simplot’s cogeneration project (or any new projects coming on line for that matter), even if only on an interim basis because Simplot cannot

⁶ Kalich, Di at p. 21. 23.

⁷ Rocky Mountain Petition at p. 3.

⁸ Idaho Power Answer at p. 4; *see also* Petition to Intervene of J.R. Simplot Company (describing plans to develop a 25-W cogeneration facility at Simplot’s new potato processing facility in Caldwell).

even now obtain indicative pricing from Idaho Power beyond five years. Without indicative pricing for the proposed cogeneration facility, Simplot is severely hindered in evaluating and planning the facility. The development effort will be stalled, despite that the record is currently devoid of any evidence that cogeneration projects are causing problems on Idaho Power's system. Cogeneration projects, unlike wind or solar projects, have the added benefit of making the host factory a more stable and economically viable venture. That, of course, translates into a more stable and economically viable electric service territory for the host utility. Discouraging cogeneration is simply not in the public interest.

Cogeneration facilities (also referred to as combined heat and power or CHP) have net energy efficiencies that far exceed those of the stand alone thermal units owned by Avista and Idaho Power and RMP. According to the EPA⁹, a modern utility stand-alone power plant has a total thermal efficiency around 51% vs. CHP which is around 75%. That is a 47% increase in efficiency. Additionally, for the same power output, it is a 47% reduction in air pollutants and greenhouse gas emissions when compared to utility natural gas fired generation. Projects like Simplot's existing waste-heat generation have the ancillary benefit of zero additional emissions. Lastly, generation at the load-center is not only important but prudent to managing growing electric reliability concerns. One has only to look at Hurricane Sandy to see the importance of distributed generation. It is unreasonable to discourage this efficient use of our resources, particularly in light of more stringent environmental requirements like the new EPA Rule 111(d).

As for the hydroelectric project mentioned by Idaho Power – it is impossible to speculate as to its economics – but it is all but certain that no new hydroelectric project will be financeable with a five year contract let alone a three year or two year contract. Hydroelectric projects (if built on an existing canal as are most of Idaho Power's PURPA hydroelectric projects) have the same additional economic benefits as a cogeneration facility. They bring added value to their host farms and canal companies, and that in turn makes for a more stable and economically

⁹ Combined Heat and Power Partnership website, <http://www.epa.gov/chp/basic/methods.html>

viable electric utility service territory. Discouraging such projects is also not in the public interest.

If the Commission's goal is to solve the utilities' alleged problem with large amounts of wind and solar it can simply and easily accomplish just that goal by granting Simplot and Clearwater's Petition and Cross-Petition and limit the reach of this docket to intermittent projects that are larger than those entitled to the published rates.

III. ORDER 33222 IS A RADICAL DEPARTURE FROM WELL-ESTABLISHED COMMISSION PRECEDENT

In the generic docket in which the Commission raised the contract term from five years to 20 years and increased the size of projects eligible for published rates from five MW to 10 MW, the Commission clearly stated that when faced with allegations of QF rates being unfair, the solution is to change the rates and NOT to shorten the contract term:

The Commission also agrees with the argument of Simplot and Earth Power that the reasonableness of the published rates should not be affected by the size of the QF. As the companies urged, if the rates are no longer fair and accurate, the appropriate response is to adjust the rates, not to limit the size of QFs eligible for the rates. The Commission also agrees that economies of scale can be achieved by larger QF facilities and that a larger eligibility size will encourage the development of alternative energy projects, such as geothermal, wind and biomass. Accordingly, the petitions of Simplot and Earth Power are granted for the purpose of increasing the size of the QFs eligible for published rates from 5 MW to 10 MW.¹⁰

Conditions may have changed considerably for wind and solar QF development in Idaho since the Commission's clearly articulated precedent on the relation between the size of QFs and the reasonableness of the avoided cost rates. The same, however, cannot be said of base-load cogeneration QFs. It is significant that there have been no new cogeneration facilities constructed in the State of Idaho in the 13 years since the Commission issued the above-quoted order. Indeed, there is only one new cogeneration project even being discussed – let alone built.

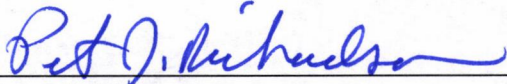
¹⁰ *In re Investigation of the Continued Reasonableness of Current Size Limitations for PURPA QF Published Rate Eligibility and Restrictions on Contract Length*, GNR-E-02-1, Order No. 29029 at 4 (web site pagination). Emphasis provided.

It is hard to imagine a rational reason to sweep the lone possible (remotely or not) cogeneration project in with the alleged tidal wave of wind and solar of which the three utilities complain.

WHEREFORE, Simplot and Clearwater respectfully request the Commission issue its order on Clarification granting their Joint Petition and Cross-Petition for Clarification.

DATED this 26th day of March, 2015.

RICHARDSON ADAMS, PLLC

By 
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and the J. R. Simplot Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 26th day of March, 2015, a true and correct copy of the within and foregoing REPLY BY CLEARWATER PAPER CORPORATION and the J.R. SIMPLOT COMPANY was served as shown to:

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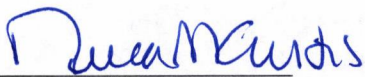
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