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IDAHO PUBLIC UTILITIES COMMISSION

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June 11, 2015

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case Nos. IPC-E-15-01, AVU-E-15-01, and PAC-E-15-03  
Modify Terms and Conditions of PURPA Purchase Agreements – Idaho  
Power Company's Rebuttal Testimony of Randy Allphin

Dear Ms. Jewell:

Enclosed for filing in the above matters please find an original and nine (9) copies of the Rebuttal Testimony of Randy Allphin. One copy of Mr. Allphin's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Allphin's testimony is enclosed for the Reporter.

Very truly yours,



Donovan E. Walker

DEW:csb  
Enclosures

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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S PETITION TO MODIFY	)	CASE NO. IPC-E-15-01
TERMS AND CONDITIONS OF PURPA	)	
PURCHASE AGREEMENTS	)	
<hr/>		
IN THE MATTER OF AVISTA	)	
CORPORATION'S PETITION TO	)	CASE NO. AVU-E-15-01
MODIFY TERMS AND CONDITIONS OF	)	
PURPA PURCHASE AGREEMENTS	)	
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IN THE MATTER OF ROCKY MOUNTAIN	)	
POWER COMPANY'S PETITION TO	)	CASE NO. PAC-E-15-03
MODIFY TERMS AND CONDITIONS OF	)	
PURPA PURCHASE AGREEMENTS	)	

IDAHO POWER COMPANY

REBUTTAL TESTIMONY

OF

RANDY ALLPHIN

1 Q. Please state your name and business address.

2 A. My name is Randy Allphin. My business address  
3 is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho  
6 Power" or "Company") as the Energy Contracts Coordinator  
7 Leader.

8 Q. Are you the same Randy Allphin that previously  
9 provided direct testimony for Idaho Power in this matter?

10 A. Yes.

11 Q. What is the purpose of your rebuttal  
12 testimony?

13 A. My rebuttal testimony will provide Idaho  
14 Power's response and rebuttal to the testimony offered by  
15 the other parties in this proceeding.

16 Q. Have you had the opportunity to review the  
17 pre-filed direct and rebuttal testimony of the other  
18 parties to this proceeding, including the Idaho  
19 Conservation League and the Sierra Club's witnesses R.  
20 Thomas Beach and Adam Wenner; the Idaho Public Utilities  
21 Commission ("Commission") Staff's ("Staff") witnesses Rick  
22 Sterling and Yao Yin; J. R. Simplot Company ("Simplot") and  
23 Clearwater Paper Corporation's ("Clearwater") witness Mr.  
24 Don Reading; Intermountain Energy Partners, LLC's witness  
25 Mark Van Gulik; Renewable Energy Coalition's witness John

1 R. Lowe; Snake River Alliance's witness Ken Miller; and the  
2 Idaho Irrigation Pumpers Association, Inc.'s ("IIPA")  
3 witness Anthony J. Yankel?

4 A. Yes, I have. I have also reviewed the  
5 testimony offered by the other utilities, Avista  
6 Corporation and Rocky Mountain Power, d/b/a PacifiCorp.

7 Q. Please summarize what your rebuttal testimony  
8 will address.

9 A. Commission Staff supported the Company's  
10 request to reduce the maximum contract term, but suggests a  
11 maximum term of five years, as opposed to Idaho Power's  
12 requested maximum term of two years. IIPA also supported  
13 Idaho Power's request to reduce the maximum contract term  
14 to two years. In general, the remaining parties opposed  
15 Idaho Power's request. Several Intervenors question the  
16 Commission's authority to reduce the maximum contract term,  
17 present argument that a shorter term will prevent  
18 Qualifying Facility ("QF") financing for new projects, and  
19 argue that granting a shorter term for QF contracts would  
20 result in unequal treatment between QFs and utility-owned  
21 resources, along with several other arguments. Various  
22 Intervenors proposed, as an alternative, a 20-year contract  
23 term with a fixed-price portion of the 20-year term and the  
24 remaining term having some type of price adjustment. I

25



1 will address many of these issues in this rebuttal  
2 testimony.

3 Q. Do the parties that oppose reduction in the  
4 contract term address the issues raised by Idaho Power  
5 related to no current need for additional generation  
6 resources?

7 A. No. None of the parties opposing the  
8 requested reduction in maximum authorized contract term  
9 have addressed the larger issues related to need for  
10 additional generation resources and the disproportionate  
11 amount of risk that long-term, fixed-rate, unchangeable QF  
12 contracts place upon Idaho Power's customers without the  
13 benefit of the Commission's or the public's scrutiny of its  
14 acquisition, like Company-owned resources must endure.

15 Q. Staff references in its rebuttal testimony the  
16 fact that various witnesses have suggested there is unequal  
17 treatment between QFs and utility-owned resources, and Mr.  
18 Reading, on page 9 of his direct testimony, states,  
19 "Treating PURPA resources on an equal footing with utility-  
20 owned resources would mandate they also should receive  
21 longer-term contracts." What is Idaho Power's position and  
22 response on this issue?

23 A. Idaho Power generally agrees with the  
24 statements and position of Staff, which acknowledges that  
25 QFs and utility-owned resources **are not** treated the same.

1 The other parties make the erroneous assumption that QFs  
2 are to be treated exactly the same as utility-owned  
3 resources. However, Staff points out that QFs are treated  
4 differently primarily because of the unique requirements of  
5 the Public Utility Regulatory Policies Act of 1978  
6 ("PURPA") and that this different treatment is very much to  
7 the benefit, rather than to the detriment, of the QF.  
8 Idaho Power submits that if a QF were subjected to the same  
9 regulatory standards and its acquisition and cost was  
10 scrutinized in the same manner as a utility-owned resource,  
11 then it could expect similar treatment. However, that is  
12 not the present reality. A utility-owned resource is only  
13 considered in the first instance if there is a **need** for the  
14 acquisition of additional generation resources to reliably  
15 serve customers. Presently, a QF project would fail this  
16 initial standard and thus would not be purchased.  
17 Additionally, beyond an initial identification of need,  
18 utility-owned resources are subjected to further  
19 evaluations of selecting the appropriate type of resource.  
20 The operational characteristics, reliability, costs, and  
21 other relevant aspects of whether any particular resource  
22 is the most appropriate resource must be determined before  
23 seeking Commission approval to construct such resource.  
24 Even further, once constructed, the utility-owned resource  
25 is subjected to further Commission and public scrutiny in a

1 proceeding to place it into the utility's rate base, and on  
2 an on-going, annual basis with regard to the fuel and  
3 variable cost, which are subject to annual adjustment  
4 through the Power Cost Adjustment. Consequently, the  
5 argument that the QF is somehow entitled to the same type  
6 of capital cost recovery as a utility-owned resource simply  
7 does not logically make sense.

8 Q. Are there other examples of the parties'  
9 inappropriate comparison of QF resources to utility-owned  
10 resources?

11 A. Yes. Mr. Reading, on pages 24 through 26 of  
12 his direct testimony, attempts to argue that because PURPA  
13 projects get paid only when they supply power to the  
14 utility, they are somehow a better value and "risk hedge"  
15 than a utility-owned resource. This may seem to make sense  
16 on the surface, but Mr. Reading leaves out an important  
17 aspect of the operational differences between a PURPA  
18 project and a utility-owned resource, which makes all the  
19 difference. Utility-owned resources are economically  
20 dispatched, or only run when they are less costly than  
21 other alternatives or when they can be sold at a profit.  
22 However, a PURPA generator will run as much, and as often,  
23 as it can to maximize its profits—without regard to whether  
24 it is needed and without regard to the availability of  
25 other lower-cost resources. Utility-owned resources are

1 only constructed and operated to serve the public interest,  
2 a factor that is closely monitored, regulated, and  
3 controlled by the Commission. QF resources are constructed  
4 and operated solely to make a profit for its  
5 owners/investors, with no constraint or obligation to serve  
6 in the public interest. Because of PURPA's must-purchase  
7 obligation—and because the QF is motivated to maximize its  
8 profits and not concerned with meeting need on a least-  
9 cost, reliable basis—the utility must accept the QF  
10 generation if, when, and in whatever amounts the QF decides  
11 to put to the utility. This can result in the utility  
12 foregoing the operation of its lower-cost resources,  
13 acquired after careful Commission scrutiny to serve the  
14 public, in order to take the power that is put to it by the  
15 QF. This situation can only grow in magnitude as more  
16 must-take PURPA is forced onto the system at a time when  
17 the utility's Integrated Resource Plan ("IRP") shows no  
18 need for additional generation resources to meet need/load.

19 Q. Mr. Reading attempts to make a cost comparison  
20 of PURPA resources and Idaho Power's thermal generation  
21 resources on pages 14 and 15 of his direct testimony. Has  
22 Idaho Power reviewed Chart 1 on page 15 of Mr. Reading's  
23 direct testimony?

24 A. Yes.

25

1 Q. Was Idaho Power able to replicate all of the  
2 values presented by Mr. Reading in that chart?

3 A. No, not all of them. Idaho Power was able to  
4 replicate all of the values except the value presented for  
5 the Bennett Mountain generation unit. Mr. Reading's Chart  
6 1 presents a cost per megawatt-hour ("MWh") for the Bennett  
7 Mountain generation unit of \$253.87. He cites the sources  
8 of the numbers as being from the Company's 2013 Federal  
9 Energy Regulatory Commission ("FERC") Form 1 as well as  
10 some Company responses to Simplot's production requests.  
11 Using those same resources, Idaho Power was able to  
12 validate all of the other numbers in Chart 1, but for the  
13 Bennett Mountain generation unit. Using the same  
14 assumptions as Mr. Reading, Idaho Power calculated a cost  
15 per MWh of \$171.28.

16 Q. What is Mr. Reading attempting to demonstrate  
17 with the numbers shown in Chart 1 of his testimony?

18 A. Mr. Reading is responding to Exhibit No. 10 of  
19 my direct testimony, which is a graphical depiction of the  
20 average actual cost per MWh of PURPA energy purchases and  
21 Mid-C market prices through year-end 2014 and the same two  
22 values forecasted through 2030. I provided Exhibit No. 10  
23 as support for the statement that if the Company is  
24 required to purchase PURPA generation when it is not  
25 needed, the Company may be required to curtail other less

1 expensive sources of generation or market purchases in  
2 order to continue purchasing PURPA generation at a higher  
3 cost. Allphin, DI p. 14. Exhibit No. 10 shows that the  
4 average PURPA price is greater than the Mid-C Index in all  
5 years, both historically and forecasted.

6 Q. Does Mr. Reading agree with the Company's  
7 conclusion?

8 A. No. Mr. Reading claims that the Company is  
9 only "telling half of the story." Mr. Reading does not  
10 dispute the information provided in Exhibit No. 10, which  
11 shows that historical Mid-C prices have been lower than  
12 PURPA prices since 2002 to the present and are projected by  
13 Idaho Power to be lower over the next 20 years. However,  
14 Mr. Reading claims that is just the first half of the  
15 story. He claims this comparison fails to recognize that  
16 capital costs are included in the per MWh price of PURPA,  
17 and suggests that Mid-C prices are market prices and are  
18 more reasonably related to the variable running costs of  
19 existing generating resources that do not contain capital  
20 costs.

21 Q. What does Mr. Reading believe is the  
22 appropriate comparison to PURPA prices?

23 A. Mr. Reading believes a more appropriate  
24 analysis would be comparing PURPA rates to what he claims  
25 customers pay for in the Company's own generation

1 facilities, by including rate-based capital costs along  
2 with fixed and variable operating costs.

3 Q. Is this an appropriate comparison?

4 A. No, not at all. Mr. Reading is attempting to  
5 mislead the Commission by using an inappropriate comparison  
6 of the cost for the must-take PURPA energy on a cost per  
7 MWh basis compared to all of the Company's thermal  
8 generating resources, regardless if they provide baseload  
9 generation or are a peaking resource, which are only used  
10 when needed to meet system load and/or are economically  
11 viable to run. Mr. Reading provides his Chart 1 (including  
12 the erroneous Bennett Mountain calculation) to try and  
13 demonstrate his assertion that if you include the capital  
14 costs of the Company's thermal resources, it would show  
15 PURPA is lower cost than many of the Company's generating  
16 resources. However, the Company's peaking resources were  
17 planned to operate only on an as-needed basis, at times  
18 when it is necessary to meet the Company's system peak  
19 and/or they are economically viable to run. Consequently,  
20 when you include the capital costs of a peaking resource  
21 with the variable costs of running the plant, divided by  
22 the net generation for the plant, the average cost per MWh  
23 for the peaking resource will be greater than other  
24 resources with greater MWh of output.

25

1 The peaking resources were specifically built to meet  
2 capacity, rather than energy needs.

3 Q. Does Mr. Reading discuss the various processes  
4 undertaken by the Company in determining the need for an  
5 additional generation resource or the type of resource  
6 needed?

7 A. No. Mr. Reading completely ignores the fact  
8 that, unlike PURPA resources, the Company's generation  
9 resources, like the peaking plants I just described, were  
10 determined to be needed prior to being built and endured  
11 significant public scrutiny through the required IRP  
12 planning process, as well as achieving regulatory approval  
13 through a Certificate of Public Convenience and Necessity  
14 (CPCN) hearing that determined the need for that resource  
15 at the time it was built. Further, before being placed  
16 into rates, Idaho Power has to prove before the Commission  
17 that the expenditures in these plants were prudently  
18 incurred. As I referenced earlier in my testimony, PURPA  
19 projects are not subject to this same scrutiny and  
20 determination of need.

21 Q. Does Mr. Reading's comparison appropriately  
22 reflect the potential customer impact of Idaho Power's  
23 forced purchase of unneeded PURPA generation?

24 A. No. My testimony and this filing address the  
25 future impact to customers' rates, and the undue inflation



1 of those rates if the Company is forced to purchase energy  
2 it does not need at prices higher than those of alternative  
3 resources. The capital costs for existing resources that  
4 Mr. Reading includes in his analysis are inappropriate  
5 given current operating conditions, and distort potential  
6 customer impacts in a manner that inaccurately depicts  
7 PURPA as a relatively low-cost option.

8 Q. Please explain.

9 A. The capital costs associated with Idaho  
10 Power's existing generation facilities are already embedded  
11 in rates and, as described above, were only authorized for  
12 recovery after thorough regulatory review and scrutiny by  
13 the Commission, the public, and intervening parties. These  
14 facilities were ultimately determined to be in the public  
15 interest, and currently operate to reliably meet Idaho  
16 Power's load requirements 24 hours a day, 7 days a week,  
17 365 days a year.

18 On a going forward basis, as identified in Idaho  
19 Power's recent draft of its 2015 IRP just released on the  
20 Company's website, the IRP analysis has identified for the  
21 preferred portfolio no need for additional generation  
22 resources in the near term. The first year a capacity  
23 deficiency exists is in 2025, while the first energy  
24 deficient period is in 2026. Therefore, the true impact to  
25 customers' bills over that time period will reflect how

1 Idaho Power utilizes existing generation resources  
2 (Company-owned, existing PURPA, market purchases) to meet  
3 customer need, as well as any additional PURPA generation  
4 it is required to purchase. An accurate cost comparison  
5 should reflect current operating conditions and the reality  
6 of these circumstances, an area in which Mr. Reading's  
7 analysis fails.

8 By including capital costs associated with plants  
9 that are already meeting customer need, Mr. Reading's  
10 analysis distorts the potential impact to customers by  
11 inappropriately combining embedded capital costs associated  
12 with existing facilities and incremental costs associated  
13 with new unneeded PURPA resources. In doing so, the  
14 resultant prices do not indicate the lowest-cost future  
15 course of action, because they include construction costs  
16 associated with resources that have already been  
17 constructed, and compare them to incremental costs that  
18 have yet to be incurred. When evaluating future customer  
19 impacts, embedded costs should not be compared to  
20 incremental costs, as they do not reflect cost increases  
21 customers will face if Idaho Power is forced to purchase  
22 unneeded PURPA generation.

23 Q. Why should the figures in your Exhibit No. 10  
24 table be relied upon by the Commission rather than Mr.  
25 Reading's analysis?

1           A.       Unlike Mr. Reading's figures, the cost  
2 comparison provided in Exhibit No. 10 reflects a realistic  
3 expectation of the future impact to customers. Given the  
4 lack of need for new capital resources in the next 10  
5 years, the cost to serve customers over that time period  
6 will reflect how Idaho Power operates existing Company-  
7 owned resources in conjunction with must-take PURPA and  
8 market purchases. For comparison purposes, Idaho Power  
9 provides historical and forecast prices for the Mid-C  
10 market, which is frequently utilized by Idaho Power for  
11 off-system market purchases. On a going forward basis,  
12 these figures provide a realistic estimation of the costs  
13 Idaho Power would incur to serve customers absent  
14 additional 20-year, fixed-price PURPA contracts, and can be  
15 relied upon by the Commission as an expectation and  
16 approximation of the future impact to customers.

17           Q.       Several of the opposing parties argue that QF  
18 projects will not be able to obtain financing with a  
19 reduction of the maximum contract term to two years. Does  
20 Idaho Power agree?

21           A.       I do not think the term reduction will  
22 absolutely prevent any kind of financing for QF projects.  
23 Certainly, the same type of financing, and the terms of the  
24 financing, will likely be different than today where QF  
25 projects are able to finance a risk-free guarantee of a 20-

1 year stream of prices and income. However, the argument of  
2 the parties that PURPA and FERC require the Commission to  
3 provide QF projects with a contract that enables risk-free  
4 financing for their projects is incorrect. Everyone knows  
5 that one purpose and intent of PURPA is to promote the  
6 development of additional cogeneration and small power  
7 production. However, PURPA also requires that the  
8 utility's retail customers, who pay for PURPA purchases, be  
9 held neutral as to whether that generation was acquired  
10 from PURPA or otherwise provided by the utility. The  
11 promotion of the development of additional cogeneration and  
12 small power production QFs required by PURPA is  
13 accomplished by use of the mandatory purchase obligation.  
14 Promotion is not to be provided with the rates, terms, and  
15 financing available for QF projects. PURPA directs that  
16 the purchase price is not to exceed the utility's avoided  
17 cost, and must be just and reasonable to the utility's  
18 customers. This determination was given to the state  
19 Commission to establish. The Commission recognized this  
20 concept in its order from Phase II of the previous generic  
21 avoided cost and PURPA contracting case, Case No. GNR-E-11-  
22 01. The Commission found:

23           Avoided cost rates are to be just  
24           and reasonable to the utility's  
25           ratepayers. PURPA entitles QFs to a  
26           rate equivalent to the utility's  
27           avoided cost, a rate that holds

1 utility customers harmless - not a  
2 rate at which a project may be  
3 viable. If we allow the current  
4 trend to continue, customers may be  
5 forced to pay for resources at an  
6 inflated rate and, potentially,  
7 before the energy is actually needed  
8 by the utility to serve its  
9 customers. This is clearly not in  
10 the public interest.

11  
12 Order No. 32262, p. 8 (internal citations omitted). Idaho  
13 Power's position is that the must-take obligation of PURPA  
14 does not require a proposed QF project be provided with  
15 risk-free financing by the Company and its customers.

16 The must-take, or mandatory purchase, obligation of  
17 PURPA is the way PURPA was designed to promote the  
18 development of additional cogeneration and small power  
19 production facilities. This mandatory purchase obligation  
20 does not go away with the expiration of a contract term,  
21 and, once the contract term expires, the QF project can  
22 then enter into a new contract with the utility; the  
23 utility is still obligated to purchase. However, in order  
24 to protect customers from paying inflated, outdated costs  
25 that exceed avoided cost, or from shouldering the entire  
26 risk of such which is associated with a long-term, fixed-  
27 price contract, the best viable alternative is to set a  
28 shorter maximum contract term. It is in this way that the  
29 Commission can assure an updated avoided cost rate is  
30 implemented for individual projects. The Company has

1 proposed a two-year contract term, the same time frame used  
2 by the Company in its determination of the need for  
3 additional resources carried out through the IRP process.

4 Q. Some of the parties have proposed to retain  
5 long term, 20-year contracts but to have a portion of the  
6 term with fixed prices and the remaining term with an  
7 adjustable rate portion of the long-term contracts. What  
8 is Idaho Power's position with regard to these proposals?

9 A. Such arrangements have been implemented to  
10 some extent in the past, where different mechanisms were  
11 implemented that provided some portion of adjustable rates  
12 in a PURPA contract. The Company believes this to be  
13 slightly better than the current implementation where the  
14 entire 20-year contract term is at fixed rates, with Idaho  
15 Power's customers shouldering the entire risk. However,  
16 this solution has at least two major problems associated  
17 with it. First of all, from the past arguments put forth  
18 by many QF parties, the ability to adjust prices in a PURPA  
19 contract, once that contract is executed, approved, and put  
20 into place, is questionable. The Commission and the  
21 Company have both faced substantial opposition to the  
22 legality of any kind of "contract reopener" that would  
23 adjust the avoided cost rate during the term of a contract.  
24 Whether a contract that contained adjustable avoided cost  
25 rates would be considered valid is questionable, as FERC

1 has opined that once the rates are established in the  
2 contract, they cannot be changed, even in the face of  
3 direct evidence that they are grossly out of sync with the  
4 utility's avoided costs in the future. As referenced  
5 above, a short-term contract would not abrogate the  
6 utility's must-purchase obligation. Once the current  
7 contract term expired, the utility would be required to  
8 enter into a new contract—but at the current calculation of  
9 its avoided costs. In this way, the Commission could  
10 mitigate the long-term risk shouldered by customers, and  
11 assure that the rates are refreshed to current rates at  
12 least every two years, which is consistent with both the  
13 Company's IRP process as well as its Commission-approved  
14 Risk Management Policy for power purchases.

15           Secondly, retention of a long-term contract, even  
16 with an adjustable portion of the rate, if such were  
17 determined to be legal, would still expose the Company's  
18 customers to unreasonable risk. Moreover, given the  
19 mandatory purchase requirement of PURPA, is really  
20 unnecessary. Additionally, if there was a legislative  
21 change in PURPA affecting the mandatory purchase  
22 obligation, or if a viable RTO, ISO, or other PURPA exempt  
23 market developed in Idaho Power's service territory,  
24 customers would be locked into long-term contracts, and  
25 potentially not able to benefit from these changes for the

1 next 20 years. Retention of a long-term obligation on  
2 customers would continue to allocate a disproportionate and  
3 harmful amount of risk to Idaho Power customers.

4 Q. The testimony of Mr. Wenner on behalf of the  
5 Sierra Club and the Idaho Conservation League states his  
6 legal opinion that a two-year contract term "does not  
7 satisfy the FERC's regulations and is inconsistent with  
8 PURPA." Wenner, DI p. 2. Have you reviewed Mr. Wenner's  
9 testimony?

10 A. Yes, I have.

11 Q. Does Idaho Power have any response to Mr.  
12 Wenner's testimony?

13 A. Yes. Mr. Wenner's testimony is somewhat odd  
14 in that Mr. Wenner, as an attorney, appears to provide his  
15 own legal opinion, argument, and analysis regarding an  
16 argument that FERC somehow has prescribed or intended long-  
17 term contracts to be in excess of 10 years and that two  
18 year contracts would be illegal. Although Idaho Power  
19 intends to ask the Commission to strike Mr. Wenner's  
20 testimony as improper, it is important to note that even  
21 Mr. Wenner, on page 5 of his direct testimony, acknowledges  
22 that there is no FERC regulation specifying the number of  
23 years or required term for a contractual or legally  
24 enforceable obligation by which QFs are entitled to receive  
25 avoided cost rates.



1           Mr. Reading also argues that FERC's regulations  
2 require long-term contracts. These arguments attempt to  
3 create something that simply is not there. As acknowledged  
4 by Mr. Wenner, and stated by Mr. Sterling on behalf of  
5 Staff beginning on page 10 of his direct testimony, FERC's  
6 regulations implementing PURPA are silent on contract  
7 length. The parties' attempts to create a required long-  
8 term contract length where none exists is unpersuasive.  
9 The Commission has from time-to-time adjusted the maximum  
10 contract term available to QFs in the state of Idaho. The  
11 Commission approves and/or directs the use of many  
12 different contractual terms and conditions contained in the  
13 Energy Sales Agreement contracts that are individually  
14 approved or rejected on a case-by-case basis in PURPA  
15 purchases. In doing so, the Commission balances the  
16 protection of utility customers and the promotion of small  
17 power production and cogeneration facilities. However, as  
18 discussed above, the Commission has recognized that the  
19 promotion of QF projects through PURPA is accomplished by  
20 the mandatory purchase obligation, not a promotional rate  
21 and/or promotional terms and financing arrangements. Small  
22 generators, particularly renewable generators, have other  
23 avenues outside of PURPA designed to promote development.

24           Q.       Some parties, such as Mr. Reading and Mr.  
25 Yankel on behalf of Simplot/Clearwater and the IIPA,

1 respectively, have offered criticism of your Exhibit No. 6.

2 Does Idaho Power have a response?

3           A.       Yes. Mr. Reading, in particular, argues that  
4 the information can be configured or re-displayed in  
5 different ways to make it look different, or appear that it  
6 is the Company's resources contributing more to over-  
7 generation events than PURPA projects. However, no matter  
8 how the information is displayed, Idaho Power does not  
9 dispute the fact that over-generation occurs, even with its  
10 own must-run resources, just as with the must-take PURPA  
11 generation. That was not the point. One point and purpose  
12 for the information in this exhibit is to provide evidence  
13 of instances in which the Company must manage through over-  
14 generation events on its system. Typically, the Company's  
15 resource planning, the IRP process, looks at peak hour  
16 capacity and energy deficits to make sure the Company  
17 adequately plans to meet its obligation to reliably serve  
18 all load on its system. This exhibit provides valuable  
19 information about system operations and resource  
20 sufficiency for other times of the day and year, somewhat  
21 on the other end of the spectrum from the typical IRP  
22 analysis.

23           Exhibit No. 6 shows the frequency with which Idaho  
24 Power's system, when in a state where it cannot be backed  
25 down any further (only must-run and must-take generation is

1 running), will have generation resources in excess of its  
2 system load. As discussed in my direct testimony starting  
3 on page 8, this puts the system into an imbalanced, over-  
4 generation state that requires remedial action to balance  
5 the system. The addition of more must-take PURPA  
6 generation will exacerbate the problem and increase the  
7 number of over-generation events that Idaho Power must  
8 manage, as can be seen on the summary page of Exhibit No. 6  
9 (ranging from a 29 to 40 percent increase). Additionally,  
10 Idaho Power will have no ability to dispatch these must-  
11 take PURPA QF resources; thus, the management of this  
12 increased number of over-generation events will have to be  
13 absorbed and managed by existing Idaho Power generation  
14 resources. This can result in more costly and less  
15 efficient operations of the Company's resources, and  
16 increased costs passed on to Idaho Power customers.

17 Q. Commission Staff supported the Company's  
18 request to reduce the maximum contract term, but suggests a  
19 maximum term of five years, as opposed to Idaho Power's  
20 requested maximum term of two years. What is Idaho Power's  
21 response?

22 A. Idaho Power appreciates and agrees with  
23 Staff's analysis and recommendations. The Company is very  
24 cognizant of the fact that the Commission has utilized a  
25 maximum PURPA contract term of five years in the past, but

1 the Company maintains its request for a two-year maximum  
2 term. A two-year term is consistent with the Commission's  
3 existing determination of reasonable risk exposure to  
4 customers in both the IRP process and the Company's Risk  
5 Management Policy. As stated in the Company's Petition and  
6 direct testimony, the IRP is updated with a new planning  
7 document that is filed with the Commission every two years.  
8 In like manner, under the Commission-approved Risk  
9 Management Policy, which governs the Company's purchase and  
10 sales of generation, typical transactions do not exceed 18  
11 months, and any transactions longer than two years require  
12 specific Commission approval. The Commission has  
13 determined that two years is the reasonable and prudent  
14 period of time in which to update forecasts and to not  
15 expose customers to undue market and transactional risk  
16 associated with the purchase of generation. This should  
17 also be applied to the undue risk and burden placed upon  
18 customers with the must-take PURPA obligation.

19 Q. Do you have any summary or concluding  
20 statements for the Company's rebuttal testimony?

21 A. Yes. As stated in the Company's Petition and  
22 direct testimony, Idaho Power continues to believe the  
23 continued creation of 20-year, fixed-price contracts places  
24 undue risk on customers at a time when Idaho Power has  
25 sufficient resources to meet customer demands. The

1 Company's required IRP process is filed and updated every  
2 two years. Non-PURPA purchase and sales transactions are  
3 limited to less than two years pursuant to the approved  
4 Risk Management Policy. Avoided cost rates are updated at  
5 least every year. Idaho Power has no current identifiable  
6 need to acquire any additional generation resources through  
7 2021, and likely out to at least 2025, as noted in the  
8 upcoming 2015 IRP. The requirements for acquiring  
9 additional generation resources, particularly that of  
10 establishing need for the resource and meeting that need in  
11 the least cost, most reliable manner, are absent in the  
12 mandatory PURPA QF purchase. The further constraint  
13 imposed by PURPA that eliminates the ability to modify,  
14 adjust, or change the prices that are locked into a PURPA  
15 contract for the duration of its term—regardless of whether  
16 all costs were included or whether actual costs and  
17 conditions changed or varied—makes long-term, 20-year  
18 contract terms risky and harmful to Idaho Power customers.  
19 The Commission should reduce the maximum term to two years  
20 to match the determination of prudent updates and risk  
21 exposure that have been established for the IRP and non-  
22 PURPA purchases.

23 Q. Does this conclude your testimony?

24 A. Yes.

25

1 **ATTESTATION OF TESTIMONY**

2  
3  
4 STATE OF IDAHO )  
5 ) ss.  
6 County of Ada )  
7  
8

9 I, Randy Allphin, having been duly sworn to testify  
10 truthfully, and based upon my personal knowledge, state the  
11 following:

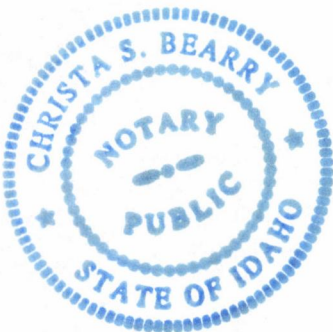
12 I am employed by Idaho Power Company as the Energy  
13 Contracts Coordinator Leader in the Load Serving Operations  
14 Group and am competent to be a witness in this proceeding.

15 I declare under penalty of perjury of the laws of  
16 the state of Idaho that the foregoing pre-filed testimony  
17 is true and correct to the best of my information and  
18 belief.

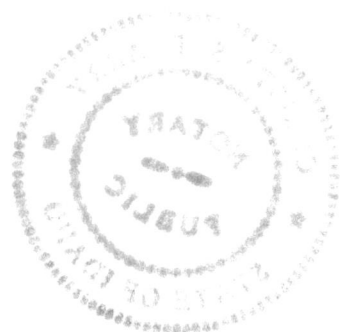
19 DATED this 11<sup>th</sup> day of June 2015.

20 *Randy Allphin*  
21 Randy Allphin  
22  
23  
24

25 SUBSCRIBED AND SWORN to before me this 11<sup>th</sup> day of  
26 June 2015.



*Christa S. Bearry*  
Notary Public for Idaho  
Residing at: *Boise, Idaho*  
My commission expires: *02/04/2021*



## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 11<sup>th</sup> day of June 2015 I served a true and correct copy of the REBUTTAL TESTIMONY OF RANDY ALLPHIN upon the following named parties by the method indicated below, and addressed to the following:

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