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September 18, 2015

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

**Re: UM 1725 – In the Matter of IDAHO POWER COMPANY Application to Lower
Standard Contract Eligibility Cap and to Reduce the Standard Contract Term**

Attention Filing Center:

Attached for filing in the above-referenced docket is an electronic copy of Idaho Power Company's Reply Testimony of Randy Allphin.

Please contact this office with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy McIndoo".

Wendy McIndoo
Office Manager

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1725

In the Matter of)
IDAHO POWER COMPANY,)
Application to Lower Standard Contract)
Eligibility Cap and to Reduce the Standard)
Contract Term, for Approval of Solar)
Integration Charge, and for Change in)
Resource Sufficiency Determination.)
_____)

IDAHO POWER COMPANY

REPLY TESTIMONY

OF

RANDY ALLPHIN

September 18, 2015

1 **Q. Please state your name and business address.**

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

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

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

7 **Q. Are you the same Randy Allphin that filed Direct Testimony in this matter?**

8 A. Yes. My educational background and work experience with Idaho Power is set forth
9 in my Direct Testimony previously submitted in this case. I have worked for Idaho
10 Power since 1982. I have been involved with accounting, economic analysis, contract
11 administration, and contract negotiations of Idaho Power QF and renewable energy
12 agreements for approximately 31 years. In addition, I was responsible for the initial
13 implementation of Idaho Power's Oregon Solar Photovoltaic ("PV") Pilot Program and
14 currently am assigned supervisory oversight of the administration of that program.

15 **Q. What is the purpose of your reply testimony?**

16 A. The purpose of my reply testimony is to respond to the testimony filed by Commission
17 Staff ("Staff"), Obsidian Renewables, LLC and Cypress Creek Renewables, LLC
18 ("Obsidian/Cypress Creek"), and the Renewable Energy Coalition ("REC") regarding
19 Idaho Power's applications in this docket. I will also provide updated information
20 regarding several items presented by Idaho Power's applications and my previous
21 testimony.

22 **Q. What is Idaho Power's requested relief in this matter?**

23 A. Idaho Power's requested relief, stated in our applications that have been consolidated
24 in this docket, is to lower the standard contract eligibility cap to 100 kW for wind and
25 solar QF contracts and reduce the maximum term to two years for all QF projects over
26 the standard rate eligibility cap. These requests are specific to Idaho Power, and

1 intended to align avoided cost rates and PURPA implementation for Idaho Power
2 across its Idaho and Oregon service territory and balancing area authority.”¹
3 Additionally, Idaho Power requests to modify the Company’s current capacity
4 sufficiency period from 2016 to 2021.² Idaho Power’s separate request to implement
5 a solar integration charge has been removed to a separate docket.³

6 **Q. Could you summarize the other parties’ recommendations with regard to these**
7 **requests?**

8 A. Yes. Staff recommends approval of the requested reduction of the standard rate
9 eligibility cap to 100 kW for wind and solar QFs; approval of the update to Idaho
10 Power’s deficiency period to a start date of 2021; and that the Commission maintain
11 the current 20 year maximum contract term. REC and Obsidian/Cypress Creek
12 oppose all of the Company’s requests.

13 **Q. Do you have any updates that are relevant to Idaho Power’s requests?**

14 A. Yes. First, since the filing of this matter in April 2015, the Idaho Public Utilities
15 Commission (“IPUC”) has conducted a technical hearing and issued a final order on
16 August 20, 2015, with regard to the same request to reduce the maximum contract
17 term from 20 to two years for QF projects that exceed the standard rate eligibility cap.
18 The IPUC granted Idaho Power’s request, and directed a reduction to the maximum
19 contract term from 20 to two years.⁴

20 **Q. Why is this relevant to the Company’s request in this matter?**
21
22

23 ¹ Application to Lower Standard Contract Eligibility Cap and to Reduce the Standard Contract Term
at 23-24.

24 ² Application for Change in Resource Sufficiency Determination at 1 and 6.

25 ³ Order No. 15-230 at 4.

26 ⁴ *In the Matter of Idaho Power Company’s Petition to Modify Terms and Conditions of PURPA
Purchase Agreements*, Case No. IPC-E-15-01, Order No. 33357 (Aug. 20, 2015)

1 A. Idaho Power acknowledges and respects the independent authority of the state
2 Commissions in both Idaho and Oregon. However, Idaho Power operates one
3 contiguous, fully-integrated, service territory, 95% of which is located in Idaho and 5%
4 of which is located in Oregon. The geography of eastern Oregon and Idaho is similar,
5 and Idaho Power's balancing area and operations do not change at state borders. Yet,
6 despite the similarity in technical and geographic conditions, the regulation of PURPA
7 development is not in alignment, and as a result, Idaho Power has seen a substantial
8 increase in requests for contracts, as well as fully executed energy sales agreements,
9 in its Oregon jurisdiction by QF's actively seeking what they perceive as more
10 favorable terms and conditions and pricing that is available in Oregon. Indeed, in
11 reaction to certain PURPA changes implemented by the IPUC, a number of QF
12 developers have suggested that they will be moving across the border to instead
13 pursue Oregon QF projects rather than Idaho projects. For this reason, Idaho Power's
14 primary objective in this and other PURPA policy dockets is to align the
15 implementation of PURPA across both its Oregon and Idaho jurisdictions.

16 The customer risk, harm, and exposure to long-term fixed-price purchased
17 power expenses from PURPA – at a time when the Company needs no new or
18 additional generation to reliably serve customers – is shared by all of Idaho Power
19 customers on the same 95% / 5% jurisdictional basis. Idaho Power is not asking the
20 Oregon Commission to abrogate or defer its authority to the IPUC, but is asking the
21 Commission to take into consideration Idaho Power's unique situation—how its
22 system is configured, proportioned, operated, and the total PURPA development and
23 cost recovery of PURPA QFs across its system—to ensure that developers and
24 customers are treated equally across its system with respect to QF development.

25
26

1 **Q. Could you summarize the IPUC's Order No. 33357 that reduced the maximum**
2 **contract term for projects over the standard rate eligibility cap from 20 years to**
3 **two years in Idaho?**

4 A. Yes. In Case No. IPC-E-15-01 Idaho Power and the other electric utilities, Avista Corp.
5 and Rocky Mountain Power, presented the IPUC with extensive evidence regarding
6 the impact of PURPA development on their systems. The evidence presented by
7 Idaho Power was very similar to the evidence presented by the Company in this
8 docket. After a review of the evidence and a technical hearing, the IPUC reduced the
9 maximum contract term from 20 to two years for all three electric utilities in Idaho.⁵
10 Specifically responding to FERC's view that, in the long run overestimations and
11 underestimations of avoided costs will balance out, the IPUC replied: "Based upon
12 our record, we find that 20-year contracts exacerbate overestimations to a point that
13 avoided cost rates over the long-term period are unreasonable and inconsistent with
14 the public interest."⁶ The IPUC stated,

15 We find shorter contracts reasonable and consistent with
16 federal and state law for multiple reasons. First, shorter
17 contracts have the potential to benefit both the QF and the
18 ratepayer. By adjusting avoided cost rates more frequently,
19 avoided costs become a truer reflection of the actual costs
20 avoided by the utility and allow QFs and ratepayers to benefit
21 from normal fluctuations in the market.

22 Second, shorter contract lengths do not ultimately prevent a QF
23 from selling energy to a utility over the course of 20 years – or
24 longer. PURPA's "must purchase" provision requires the utility
25 to continue to purchase the QF's power. As long as projects
26 continue to offer power to utilities, utilities must continue to
purchase such power under PURPA. A shorter contract length
merely functions as a reset for calculation of the avoided costs

⁵ Order No. 33357 at 32.

⁶ *Id.* at 23.

1 in order to maintain a more accurate reflection of the actual
costs avoided by the utility over the long term.⁷

2 The IPUC also noted the substantial difference between a utility's acquisition of utility-
3 owned generation resources and the acquisition of PURPA generation resources:

4 QF's differ from utility resources in several significant and
5 material ways. A utility "cannot be compensated by its
6 customers for energy produced from a generating facility until
7 the utility establishes the need for such new generation" by
8 requesting a Certificate of Public Convenience and Necessity
9 (CPCN). In contrast, PURPA requires the utility to purchase QF
10 power whether the power is needed or not. Next, a utility-
11 authorized resource is typically subject to competitive bidding,
12 cost scrutiny, and oftentimes has dispatch characteristics
13 different than most QFs. Moreover, the fuel component for
utility generating plants is adjusted annually, but is fixed for the
duration of fuel-based, long-term QF contracts. QFs are entitled
to receive full avoided cost rates. However, the calculation of
avoided costs is entirely unrelated to what it costs a PURPA
project to be developed. The utilities also demonstrated that
avoided cost rates exceed the Mid-C index price and their
average costs of either generating or purchasing power.⁸

14 The IPUC also acknowledged "significant advancements" toward PURPA's goal to
15 encourage the development of renewable resources citing to Idaho Power's current
16 PURPA and non-PURPA power exceeding current average loads, and "[t]he
17 abundance of PURPA generation extend[ing] the utilities' capacity surpluses to 2024
18 for Idaho Power..."⁹ The IPUC also noted,

19 A change in the length of IRP-based contracts is not intended
20 to be punitive to QFs. For several years this Commission has
21 been adjusting terms and conditions of PURPA contracts in
22 order to establish avoided cost rates that are just and
23 reasonable to electric consumers, in the public interest, and not
discriminatory against QFs. We find that a change in contract
length aligns with the intent of PURPA, is consistent with FERC
regulations and achieves an appropriate balance between the

24 ⁷ *Id.* (emphasis in original).

25 ⁸ *Id.* at 24 (citations omitted).

26 ⁹ *Id.* at 24.

1 competing interests of protecting ratepayers and developing QF
2 generation.¹⁰

3 The IPUC also noted that its determination to reduce the maximum contract term for
4 negotiated contracts to two years was supported by the two-year planning cycle for
5 the utility's Integrated Resource Plan and "[m]atching IRP contracts to the IRP
6 planning cycle provides more accurate IRP avoided costs, reduces price risk, and
7 provides more forecast certainty."¹¹ The IPUC also notes how the two-year cycle
8 better matches the hedging and risk management policy of utility purchases of market
9 generation.¹² Idaho Power's market power purchases are typically limited to 18
10 months by its approved risk management policy, and purchases of two years or more
11 require specific Commission approval.

12 **Q. Did the IPUC address the allegation that a reduction in contract term to two-**
13 **years would bring a halt to PURPA development?**

14 A. Yes. The IPUC noted the large amount of existing PURPA, the additional PURPA
15 generation in the queue requesting contracts, the continued 20-year contracts for
16 projects under the standard rate eligibility cap, PURPA's continuing "must purchase"
17 obligation for all QFs, as well as the acquisition of non-PURPA renewable generation
18 by the utilities.¹³ Based on these factors, the IPUC concluded:

19 We are not persuaded that setting IRP-based contracts to two
20 years will result in a substantial decline of renewable resources.
21 The utilities all have ample amounts of PURPA power on their
22 systems; additional renewable generation is in the queue; SAR-
23 based contracts are still 20 years; and the "must purchase"
24 provision will still require utilities to purchase all renewable
25 generation offered by QFs. Moreover, PURPA is not the only
26 means through which a utility can obtain and/or utilize

23 ¹⁰ *Id.* at 24-25.

24 ¹¹ *Id.* at 25 (citations omitted).

25 ¹² *Id.*

26 ¹³ Order No. 33357 at 25.

1 renewable resources. All the utilities have acquired non-
2 PURPA renewable resources and/or shorter term cogeneration
3 projects.¹⁴

4 On this point, it is important to note that Idaho Power currently has power purchase
5 agreements with significant amounts of non-PURPA renewable generation located in
6 the state of Oregon: the 101 MW Elkhorn Wind facility located near North Powder,
7 Oregon, and the 22 MW Neal Hot Springs geothermal facility located near Vale,
8 Oregon. Idaho Power also has 60 projects enrolled in the Oregon Solar Photovoltaic
9 (“PV”) Pilot Program for .46 MW. This generation alone exceeds Idaho Power’s *peak*
10 Oregon load of 122 MW.

11 **Q. Did the IPUC’s reduction of contract term affect the number of QFs seeking
12 PURPA contracts with Idaho Power in the State of Idaho?**

13 A. Not thus far, although it may be too soon to tell. When Idaho Power filed its request
14 to reduce the maximum contract term in Idaho, in January of 2015, the Company had
15 approximately 755 MW of solar QF requests for contracts in the Idaho jurisdiction. The
16 IPUC granted interim relief, reducing the maximum contract term to five years during
17 the pendency of the case. By the time the Company filed its Oregon request to reduce
18 the maximum contract term (April 2015) the number of requests from solar QF projects
19 *increased* to more than 1081 MW in the Idaho jurisdiction. Immediately following the
20 IPUC final order reducing the maximum contract term to two years (August 20, 2015)
21 Idaho Power contacted all Idaho proposed projects that had received indicative pricing
22 and informed them that the previous indicative pricing was no longer valid, and that if
23 they wished to proceed with their projects, and receive new two year indicative pricing
24 proposals, they needed to inform Idaho Power of such desire no later than September
25 23, 2015. After the September 23 deadline, Idaho Power will reset the PURPA pricing

26 ¹⁴ *Id.*

1 queue, removing those projects that elect not to proceed or that do not respond and
2 adding new requests in the order they are received, and run the incremental cost IRP
3 avoided cost model to come up with new indicative pricing proposals for the projects
4 in the pricing queue. As of the date of this filing (September 18, 2015) only one 80
5 MW project has notified Idaho Power that it does not wish to proceed with its proposed
6 project.

7 **Q. Has Idaho Power received any new requests for contracts since the IPUC**
8 **reduced the maximum contract term to two years?**

9 A. Yes. Since issuance of Order No. 33357 on August 20, 2015, Idaho Power has
10 received new indicative pricing requests from two new solar QF projects: one for 10
11 MW located in Oregon and one for 16 MW located in Idaho.

12 **Q. Was the Idaho project aware of the IPUC's reduction in maximum contract term**
13 **to two years?**

14 A. Yes. Idaho Power expressly confirmed with this project that it was aware of the two
15 year maximum contract term, and that the indicative pricing proposal would be based
16 upon a contractual term of two years. The project understood, and expressed that it
17 wished to proceed.

18 **Q. Has Idaho Power executed any new PURPA contracts in Oregon since the filing**
19 **of this case?**

20 A. Yes, Idaho Power has nine new PURPA solar QF energy sales agreements in the
21 state of Oregon that are being fully executed this week¹⁵ Exhibit Idaho Power/401 to
22 my testimony lists these nine projects, showing the MW capacity (69 MW cumulative),
23 contract term (all 20 year), scheduled operation dates (all by the end of 2016), as well
24

25 ¹⁵ The six PNWS energy sales agreements have been signed and fully executed. Gardner has
26 received three executable energy sales agreements that they have indicated are being signed and
delivered on September 18, 2015.

1 as the estimated 20 year and two year total contractual obligation. As shown on Idaho
2 Power/401, these nine contracts consist of three projects from Gardner Capital
3 (“Gardner”) and six projects from Pacific Northwest Solar (“PNWS”). These proposed
4 projects are the subject of separate complaints filed by both Gardner (UM 1733) and
5 PNWS (UM 1731). Subsequent to the Commission’s interim relief from Order 15-199,
6 reducing the standard rate eligibility cap for solar projects to 3 MW, Idaho Power and
7 these QF developers mutually negotiated rates and energy sales agreements for these
8 nine projects, resulting in fully executed, negotiated rate, energy sales agreements
9 (and an agreement for the subsequent dismissal of the related complaints). This is
10 further, and substantial support for Idaho Power’s contention, confirmed by Staff, that
11 the 10 MW standard rate eligibility cap is not necessary for the continued development
12 of renewable resources.

13 **Q. Staff discussed the ratio of QFs to Idaho Power’s Oregon load in its Opening**
14 **Testimony as support for its recommendation to reduce the standard rate**
15 **eligibility cap to 100 kW for wind and solar QFs. Do you have anything to add**
16 **to Staff’s analysis?**

17 A. Yes. Staff testifies: “While it is far from certain that the entire 110 MW of QF wind and
18 solar capacity will become operational, even if only one dies, the share of all QFs to
19 peak would exceed 25% . . . Staff believes that the contracted quantities for wind and
20 solar QFs above indicate that this is an appropriate time to shift those projects to
21 negotiated contracts and prices.”¹⁶

22 Since Staff filed its testimony, Idaho Power has entered into the nine additional
23 solar QF contracts in Oregon that I just discussed. (These nine executed contracts
24 represent an additional financial obligation over the 20 year contract term of
25

26 ¹⁶ Staff/100, Andrus/9.

1 approximately \$200 million.)As a result the Company has a total of 179 wind and solar
2 PURPA projects under contract—all of which are continuing to diligently work through
3 and finalize the interconnection agreements and other details to bring all projects
4 online as specified within each individual agreement.

5 Updating the data provided by Staff (Staff/100 Andrus 9) results in the
6 following:

	Operating QF Capacity (MW)	Additional Contracted QF Capacity (MW)	
		Staff/100 Andrus 9	Updated
Wind	3	50	50
Solar		60	129
Hydro	15	0	0
Biomass	3	0	0
Total	21	110	179

	% of Peak Load (Estimated Oregon Peak - 122 MW)	
	Staff/100 Andrus 9	Updated
All Operating	17%	17%
Solar and Wind Operating	2%	2%
All Operating and Contracted	108%	164%
Solar and Wind Operating, plus all contracted	93%	149%
Solar and Wind Operating, plus assuming 25% of the contracted projects come online	25%	39%

25 **Q. How does Idaho Power respond to Staff's recommendation to retain a 20-year**
26 **contract term?**

1 A. Idaho Power appreciates Staff's analysis and recommendations, and graciously
2 accepts Staff support of the Company's requests to lower the standard rate eligibility
3 cap for wind and solar QFs to 100 kW and to revise the Company's first capacity deficit
4 from 2016 to 2021. However, the Company disagrees with Staff's recommendation to
5 retain the 20 year maximum contract length.

6 Staff's rationale for not supporting a reduction in the maximum contract term is
7 stated in the Direct Testimony of Staff witness, Andrus.¹⁷ Here, Staff states that, "In
8 Order No. 05-584, the Commission concluded that a 20-year contract with fixed costs
9 for the first 15 years balanced the interests of QFs in obtaining adequate financing and
10 the risk to ratepayers associated with actual avoided costs diverging from forecasted
11 over time."¹⁸ Staff quotes Order No. 05-584 in footnote 22 on that same page of
12 testimony as follows:

13 A primary goal in this proceeding is to accurately price QF
14 power. We also seek, however, to ensure that QF projects that
15 are deemed eligible to receive standard contracts have viable
16 opportunities to enter into a standard contract. To achieve this
17 latter goal, it is necessary to ensure that the terms of the
18 standard contract facilitate appropriate financing for a QF
19 project. Consequently, we agree with Staff and other parties
20 that our fundamental objective is to establish a maximum
21 standard contract term that enables eligible QFs to obtain
22 adequate financing, but limits the possible divergence of
23 standard contract rates from actual avoided costs.¹⁹

24 Idaho Power submits that its proposed reduction in maximum contract length, as it is
25 limited to only those QF projects that exceed the standard rate eligibility cap is
26 consistent with the Commission's direction and philosophy from Order No. 05-584 as
quoted by Staff in testimony. Under Idaho Power's proposal, 20-year contracts would

24 ¹⁷ *Id.*

25 ¹⁸ *Id.*

26 ¹⁹ *Id.* at fn 22.

1 still be available to all QF projects below the standard rate eligibility cap—including all
2 non-wind and non-solar projects under 10 MW. Idaho Power has over 130 individual
3 PURPA projects under contract today, and none of the projects, except wind and solar,
4 exceed 10 MW.²⁰ For projects that exceed the standard rate eligibility cap, the number
5 of MW and the dollar amount of the total contractual commitment are so large that the
6 balance between protecting customers from the divergence in the locked-in estimated
7 20-year avoided cost and the need to promote QF development tips the balance to
8 require a shorter contract term to protect customers. However, for smaller projects
9 that are eligible for a standard contract and standard rates, the balance referred to in
10 Order No. 05-584 remains with retention of 20 year contracts. Consistent with the
11 findings of the IPUC, Idaho Power has demonstrated that 20 -year contracts for
12 projects over the standard rate eligibility cap exacerbate the overestimations to a point
13 that avoided cost rates over the long-term are unreasonable and inconsistent with the
14 public interest.

15 **Q. Could you summarize Idaho Power's response to the testimony of REC?**

16 A. Yes. Both REC and Obsidian/Cypress Creek discuss issues in their testimony that
17 are almost entirely irrelevant to Idaho Power's requests in this docket. The
18 Commission should disregard REC's and Obsidian/Cypress Creek's testimony, or give
19 it very little weight in the Commission's consideration of Idaho Power's requested
20 relief.

21 To the best of Idaho Power's information and knowledge, REC's membership
22 is comprised exclusively of small hydro projects/developers smaller than 10 MW. REC
23 has no members with hydro projects over 10 MW, nor any members with any other
24 generation type besides small hydro. As such, Idaho Power's requested relief, if
25

26 ²⁰ Idaho Power/105.

1 granted in its entirety by the Commission, will have no effect on REC or its
2 membership. Additionally, REC discusses the impact of Idaho Power's requested
3 relief upon small projects, particularly small hydro, geothermal, and biomass QFs,
4 below the standard rate eligibility cap.²¹ Again, because Idaho Power's request to
5 lower the standard rate eligibility applies only to wind and solar QFs—and the request
6 to reduce the maximum contract terms applies only to projects over the eligibility cap—
7 RECs membership will not be affected.

8 REC is also concerned about the impact of Idaho Power's requests upon
9 existing QFs—those that are already under contract. Idaho Power's requested relief
10 has no impact upon existing QFs and their contracts. Granted, once the current
11 contracts expire, those existing QF projects may be subject to changed contracting
12 requirements, such as a maximum term less than 20 years in a potential new contract.
13 However, Idaho Power's proposal – to align certain PURPA contracting terms and
14 conditions in Oregon with those approved in its Idaho jurisdiction – would not impact
15 existing QFs that may subsequently enter into new contracts. Idaho Power's proposal
16 to align the maximum contract term in Oregon with that in Idaho includes: (1) payment
17 of capacity and energy for the entire contract term for existing QF projects that
18 subsequently enter into new purchase agreements upon the expiration of an existing
19 agreement,²² and (2) with a maximum contract term set at two years, the utility's first
20 capacity deficit period is set at the time the QF initially contracts with the utility. As
21 long as the QF enters into a new contract and continuously sells power to the utility,
22 the QF is entitled to capacity based upon the capacity deficiency date established at
23

24 ²¹ Coalition/100, Lowe/7.

25 ²² See IPUC Order No. 32697 at 21.

1 the time of its initial contract.²³ Idaho Power's request to change the first capacity
2 deficit determination would have no effect on any existing project.

3 **Q. REC provides testimony that changing the maximum contract term to two years**
4 **would be harmful to small projects. Is this correct?**

5 A. No. REC's testimony includes the following question and answer:

6 **Q. Would changing PURPA policy to include a two-year or another short contract**
7 **term harm these existing and small projects?**

8 A. Yes. Currently, small QFs can enter into a twenty-year contract term (the last five
9 years are based on market prices).²⁴ REC apparently does not understand what it is
10 that Idaho Power has requested of the Commission. Idaho Power's request to reduce
11 the maximum contract term only applies to projects over the standard rate eligibility
12 cap, and would not apply to any "existing and small projects" as referenced by REC.

13 **Q. REC also claims that, "the practical result of Idaho Power's short contract terms**
14 **result in QFs never or almost never being paid for capacity"**²⁵ **Is this correct?**

15 A. No. Once again, REC apparently misunderstands Idaho Power's proposal to align the
16 implementation of PURPA in the Company's Oregon jurisdiction with that of its Idaho
17 jurisdiction. REC even goes so far as to state, "This example highlights the
18 ridiculousness of Idaho Power's proposed two year contract term. ... As long as the
19 contract term is shorter than the resource sufficiency period, then the QFs will not be
20 paid for capacity."²⁶ First, ignoring the fact referenced above that the proposed two
21 year contract limitation is not proposed to apply to any projects that qualify for standard
22 rate contracts, a category to which all of the Coalition's members belong, even if it did

23 _____
24 ²³ See IPUC Order No. 33357 at 25-26.

25 ²⁴ Coalition/100, Lowe/8.

26 ²⁵ Coalition/100, Lowe/9.

²⁶ Coalition/100, Lowe/10.

1 apply, it is incorrect that they would “never” be paid for capacity. With a two-year
2 contract term, the QF would be paid for capacity when the utility was capacity deficient,
3 just like they would with a 20-year contract. Similarly, Idaho Power proposes that
4 existing projects entering into new contracts upon the expiration of their existing
5 contract would be paid for capacity for the full term of their new contract, which is what
6 is done in Idaho. As stated above, Idaho Power’s proposal to align the maximum
7 contract term in Oregon with that in Idaho includes: (1) payment of capacity and
8 energy for the entire contract term for existing QF projects that subsequently enter into
9 new purchase agreements upon the expiration of an existing agreement,²⁷ and (2) with
10 a maximum contract term set at two years, the utility’s first capacity deficit period is set
11 at the time the QF initially contracts with the utility. As long as the QF enters into a
12 new contract and continuously sells power to the utility, the QF is entitled to capacity
13 based upon the capacity deficiency date established at the time of its initial contract.²⁸
14 REC’s claim that a QF would not be compensated for capacity is simply not true.

15 **Q. REC opposes the Company’s requested change to the first capacity deficit from**
16 **2016 to 2021. How does Idaho Power respond to REC on this issue?**

17 A. REC simply states, “The Commission should reject Idaho Power’s request. Idaho
18 Power’s request is an out of cycle cost update, and such updates previously have
19 been disfavored by the Commission. The Commission has established policies for
20 changing avoided cost rates, and Idaho Power’s request to change to extend its
21 resource sufficiency period without a [sic] acknowledged IRP update or
22 acknowledgment of the new 2015 IRP is inconsistent with these policies.”²⁹ Out of
23 cycle updates are not prohibited. REC seems to advocate that an out of cycle update

24 _____
²⁷ See IPUC Order No. 32697 at 21.

25 ²⁸ See IPUC Order No. 33357 at 25-26.

26 ²⁹ Coalition/100, Lowe/12.

1 is prohibited outside of an IRP acknowledgment or IRP update. However, Staff
2 correctly identified that a change in utility resource acquisition that is separately
3 approved by the Commission, such as Idaho Power's 400 MW of demand response,
4 is just such an activity that would meet the very high burden, but not prohibition, of an
5 out of cycle update.³⁰ Staff states,

6 REC does not believe that the basis of Idaho Power's request
7 for a mid-cycle update meets the "very high" standard the
8 Commission established for those updates in Order No. 14-058.
9 Staff disagrees. The 400 MW of demand response is
10 significant, having a meaningful effect on Idaho Power's load
11 and resource balance. Staff maintains its position that this
12 capacity addition is significant enough to warrant a mid-cycle
update. As stated in Staff's July 27 testimony, Idaho Power's
demand response resource was acquired as a result of a
Commission approved stipulation. This factor, in combination
with the magnitude of the impact of the resource change, merits
the requested mid-cycle update.³¹

13 **Q. REC also claims that Idaho Power's request with regard to capacity sufficiency**
14 **is "unnecessary" and a "waste of valuable utility, Commission, and QF**
15 **resources."³² How does Idaho Power respond?**

16 A. REC makes such statements in relation to the fact that Idaho Power "has already filed
17 its 2015 Integrated Resource Plan, which may be acknowledged by the Commission
18 shortly after this proceeding is completed."³³ Once again, REC fails to comprehend or
19 recognize that there is going to be a significant time lag between resolution of this case
20 and acknowledgment of the 2015 IRP. This matter, UM 1725, is currently set for an
21 expedited hearing for November 18, 2015. Idaho Power's 2015 IRP is currently set
22 for a public meeting for March 2016. This time lag could be extremely significant for

23 _____
24 ³⁰ Staff/200, Andrus/8.

25 ³¹ *Id.*

26 ³² Coalition/100, Lowe/12-13.

³³ Coalition/100, Lowe/12.

1 any obligations or contracts that are entered into in the interim before acknowledgment
2 of the 2015 IRP. Such contracts or obligations will lock-in a permanent 2016 capacity
3 deficiency, for the next 20 years, that we know is incorrect – addition of the
4 Commission approved 400 MW of demand response moves the sufficiency date to
5 2021, and the 2015 IRP contains a capacity sufficiency of 2025. The comment that
6 the discussion regarding capacity deficits is a “waste of valuable utility, Commission,
7 and QF resources” completely ignores the significant impact of locking in a 20-year
8 commitment that we know is incorrect. It is definitely not a waste of resources to
9 prevent customers from wrongfully paying for capacity that is not avoided for the next
10 20 years.

11 **Q. Could you summarize Idaho Power’s response to the testimony of**
12 **Obsidian/Cypress Creek?**

13 A. Yes. The gist of Obsidian/Cypress Creek’s testimony is that Idaho Power’s evidence
14 of PURPA activity in its territory is greatly exaggerated, and is simply not cause for
15 concern. Obsidian/Cypress Creek suggests that the majority of proposed PURPA
16 projects will not ultimately be completed. Based on this view, Obsidian/Cypress Creek
17 argues that Idaho Power and the Commission should not take seriously, either
18 requests for contracts, ***or even executed contracts.***

19 Obsidian/Cypress Creek’s recommendation that the Commission ignore a
20 potential problem until it is too late is beyond irresponsible. Moreover, it suggests that
21 developers who execute PURPA contracts view them as “options” that they may or
22 may not exercise. If this is the case, then executed contracts should not be viewed as
23 creating a legally enforceable obligation, given that it would appear that the developers
24 have not made a commitment to build a project even at the time they have executed
25 a contract. Perhaps additional and viable liquid security and liquated damages should
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1 be included in future contracts to weed out the developers that are simply speculating
2 at Idaho Power customers' expense.

3 Regardless of the attitude of developers, when Idaho Power executes a QF
4 agreement, the agreement and the associated obligations are taken very seriously.
5 The energy and capacity are included in future resource planning processes and the
6 financial obligations are reported as required by the financial reporting standards.
7 Idaho Power has no information, reason, or right to assume that any or all of the
8 obligations required within an executed contract will not be performed by the
9 appropriate party. It is interesting to note that Idaho Power has not been the defaulting
10 party in any of the executed agreements that have been terminated. Both REC and
11 Obsidian/Cypress Creek try to hide behind irrelevant speculation about whether any
12 projects are likely to be built and ignore the legally binding effects and consequences
13 of locking in harmful prices and obligations for 20 years with legally enforceable
14 obligations and fully executed contracts.

15 Additionally, Obsidian bases its claims and arguments upon information from
16 Idaho Power's publicly available generator interconnection queue, which is a
17 completely separate and distinct process and procedure, governed by its own
18 separate and distinct standards and rules, as opposed to the PURPA contracting
19 process. Idaho Power has absolutely not "deliberately withheld this critical
20 information."³⁴ Idaho Power has presented verifiable facts, through its testimony and
21 exhibits, regarding an extremely large amount of PURPA QF requests and demands
22 for contracts, and extremely large amounts of PURPA QF generation that are under
23 contract and in operation on its system presently. Idaho Power has also presented
24 evidence of the extreme economic impact that these large amounts of PURPA
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26 ³⁴ Obsidian-Cypress Creek/100, Brown/4.

1 generation are having, and are projected to have upon Idaho Power customers at a
2 time when Idaho Power needs no new generation resources to meet its obligation to
3 reliably serve customers for the foreseeable future.

4 Regarding demands for new PURPA contracts, as well as fully executed
5 energy sales agreements, the numbers speak for themselves. Unlike
6 Obsidian/Cypress Creek, Idaho Power takes requests and demands for PURPA
7 contracts seriously – and certainly expects that once there is a fully executed, signed
8 contract for the purchase and sale of generation that the parties to the contract will
9 perform as they have obligated themselves to do in the contract. Obsidian/Cypress
10 Creek's inflammatory allegations and speculation, and their recommendation that the
11 Commission assume that even signed contracts should not be taken seriously, is
12 simply not credible.

13 **Q. Obsidian/Cypress Creek states: "Notwithstanding Idaho Power's spin, the**
14 **uncontroverted evidence shows that the volume and pace of renewable QF**
15 **development actually decreased in the months following Order 14-058."³⁵ Is this**
16 **a correct statement?**

17 A. Absolutely not. First, Obsidian/Cypress Creek's own analysis of the partial information
18 from an interconnection queue document is hardly "uncontroverted evidence" of QF
19 development. An interconnection request may, or may not, equate to a corresponding
20 PURPA QF request and demand for a contract or for contract pricing. Idaho Power
21 has provided substantial and competent evidence of overwhelming QF activity seeking
22 contractual and other legally enforceable obligations – whether or not they have
23 pursued interconnection – seeking to obligate Idaho Power customer's to decades of
24 payments for a lot of generation that is not needed to reliably serve customers. Not

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26 ³⁵ Obsidian Cypress Creek/100, Brown/7.

1 only that, but as disclosed above, Idaho Power, just this week, has been required to
2 enter into nine additional solar QF fully executed, negotiated rate energy sales
3 agreements in its Oregon jurisdiction that represent an additional 69 MW of generation
4 and approximately \$200,800,000 of contractual obligation to its customers. To claim
5 that this is not real is to ignore reality. The number of solar QF projects actively seeking
6 pricing and contracts with Idaho Power increased from 885 MW at the end of January
7 2015, to over 1,300 MW by the end of April 2015. Additionally, in its Oregon
8 jurisdiction, Idaho Power previously executed five standard rate, 10 MW, contracts for
9 new PURPA wind generation in 2013, six standard rate, 10 MW contracts for new
10 PURPA solar generation in 2014, and now, nine PURPA solar contracts for 69 MW in
11 2015. Hence, Obsidian/Cypress Creek's claim that "the volume and pace of
12 renewable QF development actually *decreased*" is without merit.

13 **Q. Obsidian/Cypress Creek similarly claims that, "Idaho Power has not provided**
14 **any evidence in the record that the pace of PURPA contracts has continued on**
15 **the same trajectory following the adjustment of its avoided cost rates. Again,**
16 **the absence of such evidence indicated that any further "relief" against solar**
17 **projects is unnecessary."³⁶ Is this statement correct?**

18 A. Absolutely not. As set forth in my testimony above, and as shown in Idaho Power/401,
19 in September 2015, which is subsequent to the "adjustment" of avoided cost rates
20 referred to by Mr. Brown, Idaho Power entered into nine fully executed, negotiated
21 rate, 20 year PURPA contracts with solar QF projects for an additional 69 MW and
22 \$200,800,000 of customer obligation at a time when no new generation is needed on
23 Idaho Power's system.

24 **Q. Please summarize Idaho Power's responses to the parties in this case.**

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26 ³⁶ Obsidian-Cypress Creek/100, Brown/14.

1 A. Idaho Power's case in this docket is founded on two inter-related principles: First,
2 the Commission should establish PURPA policies that will result in rates that best
3 approximate the utility's actual avoided costs; and second, the Commission should
4 seek to align the policies applicable in Oregon to those adopted by the IPUC, in
5 order to assure consistent treatment of across state lines of Idaho Power's
6 customers and PURPA developers. Granting the Company's requests will go far to
7 achieve these goals.

8 Idaho Power appreciates Staff's support of its request to reduce the standard
9 contract eligibility cap for wind and solar projects to 100 kW. The uncontroverted
10 evidence suggests that solar developers and wind developers are sophisticated and
11 well-financed, and fully able to enter into negotiated agreements. Moreover, the
12 pace of solar and wind development in Idaho, where the eligibility cap has been set
13 at 100 kW for some time now, confirms this view. Accepting Staff's recommendation
14 will allow the parties to tailor avoided cost rates to the particular characteristics of the
15 project, resulting in rates closer to the Company's avoided costs, and eliminating the
16 current mismatch between Oregon and Idaho PURPA terms and conditions.

17 Similarly, the evidence supports the Company's request to reduce the
18 contract term applicable to negotiated contracts. As noted above, the IPUC has
19 concluded that 20 year terms have resulted in PURPA contracts with rates that are
20 overestimated "to a point where avoided cost rates are over the long-term period are
21 unreasonable and inconsistent with the public interest." We agree and believe that a
22 shorter contract length is necessary to assure that customers do not pay inflated
23 avoided costs, and to maintain consistency between the Oregon and Idaho
24 jurisdiction.

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Finally, we appreciate Staff's support of the Company's modification of its current capacity sufficiency period from 2016 to 2021. This change will also result in more accurate avoided costs.

Q. Does this conclude your testimony?

A. Yes.

Idaho Power/401
Witness: Randy Allphin

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IDAHO POWER COMPANY

Exhibit Accompanying Reply Testimony of Randy Allphin

September 18, 2015

Oregon

Project Name	MWac	Term (Years)	State	Scheduled Operation Date	Estimated Obligation	Estimated 2 year Obligation
Gardner Capital Projects						
Olds Ferry Solar	5	20	Oregon	10/31/16	\$14,500,000	\$824,000
Malheur River Solar	10	20	Oregon	10/31/16	\$29,400,000	\$1,673,000
Fairway Solar	10	20	Oregon	10/31/16	\$29,700,000	\$1,688,000
Pacific Northwest Projects						
Arcadia Solar	5	20	Oregon	12/31/16	\$13,400,000	\$768,000
Moore's Hollow Solar	10	20	Oregon	12/31/16	\$29,900,000	\$1,695,000
Evergreen Solar	10	20	Oregon	12/31/16	\$29,900,000	\$1,704,000
Little Valley Solar	10	20	Oregon	12/31/16	\$29,900,000	\$1,702,000
John Day Solar	5	20	Oregon	12/31/16	\$13,400,000	\$761,000
Jamieson Solar	4	20	Oregon	12/31/16	\$10,700,000	\$609,000

Total 69

\$200,800,000

\$11,424,000