Corporate Office
10480 Garverdale Ct., Ste. 804A
Boise, Idaho 83704
Telephone: (208) 377-7777
FAX: (208) 375-2894
Email: wind@windland.com

Windland, Inc.

Windfarm Office
10901 Cameron Canyon Road
Mojave, California
Telephone: (805) 822-0992
FAX: (805) 822-1119

March 15, 2002

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
472 West Washington Street
Boise, Idaho 83720-0074

Reference: Submittal of attached comments re: Case No. GNR-E-02-01

Dear Commission Secretary:

Windland Inc. thanks the Idaho Public Utilities Commission for this opportunity to offer the attached comments pursuant to Case No. GNR-E-02-01.

As is detailed in our comments, Windland believes the current Qualifying Facilities size threshold of 1 Megawatt and restriction of the maximum contract length to five years are no longer reasonable. We would be happy to offer additional information on these important topics to the Commission should that be required.

Sincerely,

Roald Doskeland, President
Windland, Inc.

CC: Gregory N Duvall, Pacificorp
Jim Fell, Pacificorp
Robert J Laferty, Avista Corporation
Barton L Kline, Idaho Power Company
John Eriksson, Utah Power & Light

Roald Doskeland
President
Windland, Inc.
10480 Garverdale Court, Suite 804A
Boise, Idaho 83704
(208) 377-7777

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION OF THE CONTINUED REASONABLENESS OF CURRENT SIZE LIMITATIONS FOR PURPA QF PUBLISHED RATE ELIGIBILITY (i.e. 1 MW) AND RESTRICTIONS ON CONTRACT LENGTH (i.e. 5 Years)	)	CASE NO. GNR-E-02-01 COMMENTS OF WINDLAND, INC.

Windland, Inc. (Windland) is in the business of developing commercial wind farms. Windland has developed, owned and operated commercial wind farms for approximately 20 years and has operated from its headquarters in Boise, Idaho for the past nine years. Windland thanks the Commission for this opportunity to offer comments and explain its reasons for believing the current Qualifying Facility size threshold of 1 Megawatt and restriction of maximum contract length to five years are no longer reasonable. Contrary to the intent of the Public Utility Regulatory Policies Act (PURPA), the current 1 Megawatt facility size and five year contract length discriminate against wind based Qualifying Facilities being developed in the contemporary marketplace.

PURPA was intended to help the United States achieve energy independence, allow for more efficient use of our resources, and wean the electric utility industry from the use of

non-renewable resources. As secure, domestically based, renewable resources wind turbine generating Qualifying Facilities are precisely the type of facility the PURPA legislation intended to promote. Due to the recent attacks on our country and the heightened awareness of our potential vulnerability to disrupted access to foreign fossil fuels, the original intent of PURPA has even greater significance today.

Of the major forms of renewable energy (i.e. solar, wind, bio-mass, bio-fuels, etc.), wind is the most widely implemented today primarily due to its cost effectiveness. Since 1996 when the Commission promulgated Order No. 25884, wind generated electric power has been the fastest growing form of electric generation in the United States.

Since PURPA was passed the cost per kilowatt-hour of wind generated electricity has declined by ninety percent. While improvements in turbine reliability and maintenance procedures have contributed to this cost improvement, the primary factor influencing the improved cost effectiveness has been a trend toward the use of larger turbines.

The Stateline Project (the largest wind farm in the world on the Washington-Oregon border near Hermiston, OR) uses 660 kilowatt turbines. Commercial turbine sales today are primarily of the 650-900 kilowatt class machines. But this class of turbine is nearing the end of its market life cycle and is starting to be displaced by turbines in the 1.3-1.8 Megawatt range. For off-shore developments, access to extremely powerful barge based cranes and other factors lend themselves to use of even larger turbines.

On any particular land based project, the topography of the site can limit the size of the turbines installed, but the general trend is to ever larger turbines. A single commercial

turbine can now exceed the 1Megawatt threshold. The commercial trend to larger turbines, plus scale economies in operation and maintenance, siting, permitting, financing, and construction, make the development of wind based 1Megawatt Qualifying Facilities economically untenable.

For the foregoing reasons, Windland believes the current QF 1Megawatt size threshold is unreasonable. Similarly, Windland believes the five year maximum contract duration for QF's is unreasonable in the contemporary marketplace.

The experiences of the past 18 months show that a five year PURPA contract length is not an appropriate resource planning horizon. When the Commission decided to reduce the PURPA contract length to five years in 1996, it was anticipated that a competitive market for power was imminent. Today a competitive deregulated market for electric power in Idaho is not within the foreseeable future.

In 1996 Idaho Power contended that it had no plans to build, own or operate new generating facilities to meet load growth. Instead, Idaho Power planned to supplement its existing resources as necessary with short term market purchases of capacity and energy. As we know now, the transition from low gas prices and surplus energy (such as existed in 1996) to high prices can take place very rapidly.

The attempt to exploit the low-cost power that was available temporarily in 1996, and immediately thereafter, has recently exposed Idaho ratepayers to extreme variability in power costs. The five year maximum QF contract duration limits QF opportunities to assist in mitigating such variability. Windland believes that the policy IPUC establishes for

PURPA QF's should exploit the stable, cost effective prices of "no-fuel-cost" wind generated electricity.

A failure to plan for load growth, and a low precipitation season in the natural hydrological cycle, have recently combined to expose Idaho ratepayers to high market prices for power. As mentioned above, in 1996 Idaho Power stated that they would not build new generating facilities and would rely instead on short-term purchases at market rates. This risky strategy eventually resulted in the utility building an inefficient, high operating cost, non-renewable fueled facility at Mountain Home as a quick response to unexpectedly high market prices for power. Although Idaho Power has recently proposed a more conservative Integrated Resource Planning methodology which may serve to reduce this variability, Windland believes Idaho ratepayers should also be protected from such unfortunate resource planning decisions in the future by extending the current maximum QF contract duration of five years.

The Commission ruled (in Order 25884) that ratepayers should be indifferent to whether a generating resource serving them was constructed by a utility or an independent developer. The Utility's monopoly access to customers ensures that they have reliable access to a long-term cash flow. Use of a maximum contract length dramatically shorter than the useful life of capital intensive Qualifying Facilities (such as Wind farms) serves as an unreasonable barrier to such QF's being developed.

Electric generating facilities built by large utilities and those provided by smaller Qualifying Facilities tend to be long lived assets. The hydro facility-based model (that the

Commission uses to calculate avoided costs for non-fossil-fueled facilities) recognizes that high capital cost, low fuel cost generation facilities require amortization of the capital costs over a long period of time. IPUC uses a 20 year amortization period in its non-fossil-fueled model. Windland believes that, consistent with the Commission's model, the maximum contract duration for PURPA QF's should also be extended to 20 years.

As was detailed above, Windland believes that retaining 1 Megawatt QF size threshold denies Idaho ratepayers protection from market fluctuations by precluding wind participation as a QF. Instead of multiple small to medium sized QF's being developed throughout the state, the current 1Megawatt and five year thresholds have resulted in Idaho Power building the Mountain Home single cycle gas plant at rates much higher than published avoided cost. Ratepayers have not been held indifferent to QF or utility source of supply; rather the 1 Megawatt size limit and five year maximum contract duration have served as a bias favoring utility developed generation. The 1 Megawatt size limit is not reasonable as it discriminates against wind powered QF's when wind is one of the most cost effective of all renewable energy sources. Given the industry trend to larger turbines, current maintenance requirements and access to financing, Windland believes a reasonable maximum facility size is in the 13 to 18 Megawatt range.

A revised QF policy that allows the development of multiple 13-18 Megawatt wind projects would provide a set of ancillary regional benefits. One of the benefits of having developed hydro facilities in multiple river basins is a level of protection against a low snowfall in any one drainage. Similarly, geographic diversity in wind generation facilities

will enhance system wide availability of the output from wind facilities . An appropriate QF size threshold will allow diversification that will support both QF and non-QF wind development, furthering, in a second order effect, the original PURPA intent to develop renewable resources.

Wind projects are being developed in many states. Utilizing wind as a renewable, cost effective source of electric power is recognized as an important part of a generation portfolio. Due to the best wind resources being located in rural areas, expanding the development of wind powered generating facilities also serves as a significant source of rural economic development.

The Idaho Legislature allocated several million dollars last year to address issues related to rural economic development. Implementation of PURPA standards that do not unreasonably restrict wind based QF development would, as an ancillary benefit, serve to enhance rural economies.

Capital intensive wind developments can significantly increase rural property tax bases, pay royalties to land owners, provide skilled maintenance jobs and generally support local businesses such as machine shops, equipment rental and others. Multiple small Qualifying Facilities, distributed throughout the State, provide other benefits not calculated elsewhere. Distributed generation frees up transmission capacity, strengthens the grid and reduces losses by putting the generation source nearer the customer load. Multiple distributed wind facilities would also provide a "diversification" availability benefit to all wind based facilities as described above. Windland requests that the Commission hold

public hearings to determine the extent of such ancillary benefits.

As the Commission has previously stated, ratepayers should be indifferent to whether generation facilities are utility owned or QF provided. Some would try to convince the public that PURPA Qualifying Facilities are effectively subsidized by the ratepayers. Rate-payers can be assured that the cost of QF supplied power is appropriately priced by a careful calculation of avoided costs. Windland believes that QF's are cost effective and provide additional benefits, of the type listed above, that are not reflected in the current cost analysis system.

Windland respectfully suggests that the Commission establish PURPA QF size limits at 18 Megawatts and extend the maximum contract duration to 20 years.