



IDAHO PUBLIC UTILITIES COMMISSION

Case No. GNR-E-03-01, Order No. 29216

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Commission denies independent producers' request

BOISE – By a 2-1 vote, the Idaho Public Utilities Commission today declined a request by the Independent Energy Producers of Idaho that larger independent power projects be able to qualify for published contract rates.

Currently, only renewable projects that generate up to 10 megawatts can qualify for the rates, often called PURPA rates. The Independent Energy Producers of Idaho asked that projects up to 30 MW qualify for PURPA rates.

The energy crisis of the late 1970s prompted Congress to pass the Public Utilities Regulatory Policies Act, or PURPA. Its purpose is to encourage the development of renewable energy technologies as alternatives to burning fossil fuels or building new power plants. PURPA requires that electric utilities offer to buy power produced by qualifying small power producers or cogenerators. Some cogenerators, such as J.R. Simplot Co., produce power as a byproduct of timber or potato processing or other types of manufacturing. State commissioners set the rate that utilities must pay small power producers for the power they generate. That rate, called “avoided cost rate,” is to be equal to the cost the electric utility avoids by not generating the power itself.

Last year, the commission agreed to a request by current and potential PURPA developers to extend the contract length of PURPA projects from five to 20 years and increase the size of projects that can qualify for PURPA rates from one megawatt to 10 megawatts. (One megawatt, or one million watts, is enough energy to power about 800 homes.)

The Independent Energy Producers of Idaho claim that the 10 MW limit is still not big enough to allow energy producers to recover their investment in energy projects. IEPI noted that only one PURPA

contract has been signed in the nine months since the commission increased the size limit from 1 MW to 10 MW. IEPI contends the commission is to proactively encourage development of renewable sources as a means of diversifying the national energy portfolio, making it less dependent on foreign sources.

Commission President Paul Kjellander and Commissioner Dennis Hansen voted to deny IEPI's request, saying more time is needed to gauge the response from last year's increase. Further, the commissioners said, independent producers larger than 10MW can still negotiate individual contracts with utilities. If the parties cannot agree on a rate, either can file a complaint with the commission.

In her dissent, Commissioner Marsha Smith said IEPI's contention that the effect of an increase in project size to utilities and consumers is inconsequential merits further examination and public comment. "Development of renewable resources not tied to natural gas as a fuel source would help avoid additional demand for natural gas and the associated upward pressure on rates for that commodity," Smith said. "It would also add to the diversity in the resources available for electricity production in our state and region."

Copies of the order are available on the commission's Web site at www.puc.state.id.us. Click on "File Room," and then on "Recent Orders and Notices," and scroll down to Order No.29216. Petitions for reconsideration must be filed with the commission by no later than 21 days of the service date of the order.

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