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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF A REVIEW OF THE SURROGATE AVOIDABLE RESOURCE (SAR) METHODOLOGY FOR CALCULATING PUBLISHED AVOIDED COST RATES	)	**CASE NO. GNR-E-09-03** **COMMENTS OF IDAHO WINDFARMS, LLC**

Idaho Windfarms, LLC ("IWF") is a greenfield wind energy developer in Idaho and has successfully developed the Bennett Creek and Hot Springs Windfarms near Mountain Home. IWF respectfully submits the following Comments in response to the Commission's Notice of Review of Avoided Cost Methodology.

In the Commission's Notice, it states that it is "concerned that a disparity exists between Idaho's published avoided cost rate ... and the cost to a utility of developing and operating its own wind generation project." IWF believes that the problem is not the SAR methodology. It is the assumptions. Through a long series of individually reasonable decisions, the SAR methodology has evolved into a fairly sophisticated pricing model. However, it has now produced a clearly above market result.

There is nothing wrong with the SAR methodology. Estimating avoided costs based on a combined cycle unit is pretty much standard across all western utilities. What isn't standard is the natural gas forecast used in the last update. The natural gas price forecast is by far the largest determinate of avoided costs. So, the simple truth is that the natural gas forecast used in Idaho is higher than the forecasts used elsewhere. The forecast used in the SAR methodology has always suffered from the fact that it is

not issued on a fixed and frequent schedule. When it was slow going up, the utilities weren't complaining. Now that it's slow going down, they don't like it.

The SAR methodology is straightforward, easily verifiable and has produced results comparable to estimates in other regulatory jurisdictions for years. Certainly in the western United States, a new natural gas fired generating resource or purchases from electricity markets dominated by natural gas fired generation are the marginal resources. A reduction in renewable energy generation will result in an increase in natural gas consumption. This is the fundamental economic relationship that an avoided cost methodology must capture. The SAR accomplishes this.

While there are differences in operating characteristics between a natural gas fired resource and an intermittent resource, these can be accounted for and priced. That has been done in excruciating detail in Idaho. The Commission can be comfortable that the cost penalty associated with intermittent generation has been more than adequately taken into account.

The current avoided cost update suffered from incredibly bad timing – the eve of the steepest recession in 70 years. Commodity prices, including natural gas, have fallen dramatically. Should that be reflected in avoided costs? Yes. Should the SAR methodology be discarded because the natural gas forecast is out of date? No.

By _____
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