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2010 JUN 18 AM 8:27
IDAHO PUBLIC
UTILITIES COMMISSION

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 RENEWABLE ENERGY COALITION
ON DRAFT SURROGATE AVOIDABLE RESOURCE STRAWMAN PROPOSAL**

I. Introduction

The Renewable Energy Coalition (Coalition) appreciates the opportunity to comment upon the Idaho Public Utility Commission (Commission) Staff's "strawman" proposal in this docket.

By way of background, the Coalition consists of non-intermittent Qualifying Facilities ("QFs") located in Idaho, Oregon, and Montana. Most of the QFs are hydroelectric, and several are biomass-fired. All Coalition members sell their power either to Idaho Power or to PacifiCorp. Projects under development also expect to do so.

Previously utilities who are parties to this proceeding raised some issues that cause concern to the Coalition; the strawman proposal generally does not reflect those issues. In addition, several intervenors raised concerns that the Coalition shares.

II. General Comments

In general, the Coalition opposes multiple avoided-cost methodologies based upon the source of motive power. One drawback of this approach is that separate, complex, and irregular adjustments to avoided-cost prices would be required which, in turn, would increase volatility and decrease predictability. Coalition members believe that use of a single, avoidable resource has worked well in the past. One impetus for multiple approaches appears to be utilities' desire to own project environmental attributes as a result of power-purchase agreements. For the reasons discussed below the Coalition believes that this desire is an insufficient reason to adopt multiple methodologies.

Arguing against multiple methodologies are the principles of certainty, stability, and simplicity -- each of which is essential to QF development. While the Coalition concurs in Staff's assertion that a single methodology will not fit all existing and future QF projects perfectly, the multiple-methodology approach does little to address a very significant concern: Existing hydroelectric QFs whose power-purchase agreements are expiring. This concern outweighs the focus on new, intermittent wind resources, particularly when the new methodology creates a whole new set of problems and potential inconsistencies.

The Coalition has been active in proceedings before the California Public Utility Commission involving that Commission's attempt to achieve a Renewable Portfolio Standard ("RPS") of 20 percent by the end of this year. See CPUC Docket No. R-06-02-012. In addition, Coalition representatives have spent significant time in discussions with numerous third parties who are active in regulation as well as policy development and implementation. The California Commission's recent Decision 10-03-021, although stayed pending consideration of possible modification, provides a roadmap for how out-of-state QFs may transfer their renewable energy credits ("RECs") under a power-purchase agreement or their unbundled tradable renewable energy credits ("TRECs"), which arise when the RECs can be

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sold separately from the sale of the power. As a result of the California Commission's policy the Coalition expects that there may well be a robust market for environmental attributes. Idaho QFs that retain their environmental attributes could well benefit by transferring their TRECs to California utilities. Consequently the Coalition urges this Commission to protect these potential California benefits in its considerations in this docket; that, in turn, will require an understanding and appreciation of the opportunities created for QFs and utilities in the California market.

III. Specific Concerns

A. Multiple Avoided Cost Methodologies

While the Commission proposes a separate methodology for wind QFs, the strawman proposal without explanation does not consider or analyze other intermittent resources. Of course, each source of motive force carries with it its own distinct attributes, and thus it might be argued that each such source should have its own methodology. For example, a hydroelectric QF with senior water rights at a reservoir, which faces virtually no fuel risk at all, could argue that it should have its own methodology or at least an "adder" because its motive source is very secure. If wind projects receive consideration under a wind-only SAR methodology for no fuel risk, then why could not the hydroelectric QF above receive credit under the CCCT-based SAR on account of its secure motive force? Lowering avoided-cost prices on account of tax credits is another illustration of possibly discriminatory, not to mention problematic, adjustments. The various types of QFs are taxed differently, and many have no preferential tax treatment -- as is the case with existing QFs that have no tax advantages but need only to renew their existing power-purchase agreements. It is unclear how the multiple options outlined in the strawman proposal would be useful to QFs other than new wind projects. Moreover, the multiple-methodology approach likely will require frequent updating of the inputs to account for changes in tax treatment, etc. And, under the multiple-

methodology strawman approach, such updating will have to occur separately for each methodology based upon motive force considerations. The Coalition's experience is that updating inputs for QF prices based upon a single avoidable resource is already problematic enough.

In conclusion, the Coalition suggests that the Commission reconsider the multiple-methodology approach and instead use a single-methodology approach in order to enhance certainty, predictability, equal treatment, and simplicity.

B Ownership of Environmental Attributes

This Commission has suggested that the ownership of QF environment attributes remains with the QF.¹ The Commission appears to be retreating from this position for new wind projects by embedding the obligation to transfer RECs as part of the power-purchase agreement. This policy appears to be need further consideration. For example, if a non-wind QF meets a state's eligibility requirements and is otherwise able to transfer TRECs (as will be the case in California), will this approach require the non-wind QF to transfer its RECs to the Idaho utility as a part of the power-purchase agreement? Will wind projects effectively be required under the strawman proposal to enter into a power purchase agreement with a non-Idaho entity in order to retain and sell environmental attributes? The Coalition submits that ownership and control of RECs should not be determined based upon the technology of the QF and whether that technology happens to be the same as the utility's avoided resource.

The recent TREC Decision in California was issued after the final comments in this proceeding were submitted, and the California Commission gave little consideration to out-of state QFs in the process leading up to that decision. The Coalition expects that subsequent

¹ The absence of an RPS in Idaho highlights the need for the Commission to address whether RECs exist legally in Idaho, how they are recognized by the Commission, and how they might be transferred.

refinements in California will facilitate transfers of TRECs to that state's utilities and that the compensation for TRECs in California, particularly for existing and non-intermittent Idaho QFs, will exceed the amounts anticipated under the strawman proposal.

The downward trend in avoided-cost prices has endangered both the survival of existing QFs and the development of new QFs, and thus additional revenue sources for those projects are becoming critical. The Coalition strongly encourages the Commission to consider this factor seriously in this docket. Specifically, the Coalition suggests that the Commission invite an impartial expert in the marketing of RPS-based commodities to participate in any workshops that involve the valuation and disposition of RECs. The Coalition also urges the Commission address the question of ownership of RECs that are now under power-purchase agreements with Idaho utilities in order to facilitate Idaho QF participation in the California RPS program. These are necessary first steps for existing Idaho QFs needing to participate in the California RPS program.

C. Moratorium on PURPA Obligation to Purchase

The Staff's strawman proposal does not address Idaho utilities' continued obligation to purchase QF power from QFs during the Commission's SAR review. The utility participants in this docket appear to suggest that there be a moratorium on such purchases during the pendency of this docket. Of course, PURPA authorizes no such moratorium, and in the past the Commission has not authorized such a moratorium. The mere threat of imposing a moratorium, along with the threat of overly burdensome security requirements, have the impacts of chilling QF development and innovation in Idaho as well as frustrating progress in this docket. It would be exceedingly helpful if the Commission provided guidance on this issue prior to the workshop.

IV. Summary and Conclusion

The Coalition looks forward to working with the Commission and the other parties as the SAR review process continues. For the reasons expressed above, the Coalition believes that, in current and reasonably foreseeable circumstances, a single avoided-cost methodology is vastly superior to the proposed multiple-methodology approach and that the Commission should retain the current inputs into that methodology. If the multiple-methodology approach is selected, however, the Commission should take steps to accommodate RPS opportunities for QFs in California. At a minimum the Commission should reiterate that all Idaho QFs own the environmental attributes from their projects. Finally, the Commission should turn away suggestions that a *de facto* moratorium be imposed.

Respectfully submitted,



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Attorney for Renewable Energy Coalition

June 17, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have on this 17th day of June, 2010, served a copy of the foregoing Petition of the Renewable Energy Coalition for Party-Intervenor Status on all parties of record in ENR-E-09-03 by serving an electronic copy on their email addresses of record as set forth below. The original and seven (7) copies were filed with the Commission by United States Mail, postage prepaid, on the 18th day of June, 2010.

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This Certificate of Service is executed on June 17, 2010, at Zigzag, Oregon.



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