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**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION** 2011 JAN 19 PM 4:22

IDAHO PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE JOINT )  
PETITION OF IDAHO POWER )  
COMPANY, AVISTA CORPORATION, )  
AND PACIFICORP DBA ROCKY )  
MOUNTAIN POWER TO ADDRESS )  
AVOIDED COST ISSUES AND TO ADJUST )  
THE PUBLISHED AVOIDED COST RATE )  
ELIGIBILITY )

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Case No. GNR-E-10-04

**DIRECT TESTIMONY OF BRUCE GRISWOLD**

**ROCKY MOUNTAIN POWER**

**JANUARY 19, 2011**



1           **Q.     Please summarize your testimony.**

2           **A.**     Rocky Mountain Power has experienced a sharp increase in the number  
3 and magnitude of QF projects seeking published rate contracts with Rocky Mountain  
4 Power in Idaho recently. Most of the increased activity comes from large wind projects  
5 that are disaggregating into two or more smaller projects in order to satisfy the 10 aMW  
6 size eligibility threshold, although disaggregation may also occur in other resource types  
7 of QF projects, as well. The current Idaho published rates are significantly higher than  
8 pricing in alternative offers which Rocky Mountain Power receives, either through its  
9 competitive request for proposal (“RFP”) process or through the Commission-ordered  
10 Integrated Resource Plan (“IRP”) methodology that the Company utilizes to price QF  
11 projects over 10 aMW. The 10 aMW eligibility threshold for published rates in Idaho  
12 equates to a wind QF project with a nameplate capacity range of up to 30 MW. The  
13 resulting costs to the Company and customers to integrate the intermittent resource are  
14 significant and need to be revisited. Left unchanged, the Commission’s current rules and  
15 methodologies implementing PURPA are likely to have a long-term, significant impact  
16 on Rocky Mountain Power’s power supply costs and its customers’ rates. Rocky  
17 Mountain Power, Idaho Power Company, and Avista have asked the Commission to  
18 reassess the rules, in GNR-E-10-04. However, Rocky Mountain Power remains exposed  
19 to purchasing hundreds of megawatts of additional QF capacity at the published rates  
20 before the Commission completes its investigation. Therefore the Commission should  
21 temporarily reduce the size eligibility threshold of QFs seeking Idaho published avoided  
22 cost prices from 10 aMW down to 100 kW as soon as possible.

1           **Q:     Why would a QF developer disaggregate a large project into smaller**  
2 **projects?**

3           **A:**     A developer would disaggregate a large project into separate smaller  
4 projects under 10 aMW in order to qualify for published avoided cost prices ordered by  
5 the Commission.

6           **Q:     Can you cite specific examples of project disaggregation?**

7           **A:**     Yes. On August 18, 2010, Rocky Mountain Power executed identical  
8 power purchase agreements (“PPAs”) with Power County Wind Park North, LLC, and  
9 Power County Wind Park South, LLC. Both projects are owned and controlled by the  
10 same entity, share interconnection facilities, engineering procurement contracts, wind  
11 leases, and other common features. Each has a nameplate capacity of 21.78 MW and a  
12 peak monthly average generation of just under 10 aMW. Prior to applying for the two  
13 QF contracts with published avoided cost prices, the developer first bid a larger single  
14 wind project into a PacifiCorp RFP, and later held discussions with PacifiCorp regarding  
15 a sale of the site.

16           **Q:     Are there any other examples of project disaggregation?**

17           **A:**     Yes. On December 20, 2010, Rocky Mountain Power executed five  
18 identical published avoided cost price PPAs with Cedar Creek Wind, LLC. Its five QF  
19 projects are owned and controlled by the same entity, share interconnection facilities,  
20 engineering procurement contracts, wind leases, and other common features. Each has a  
21 nameplate capacity of 25 MW or above, and a peak monthly average generation of just  
22 under 10 aMW. Prior to applying for a QF contract with published prices, Cedar Creek

1 Wind, LLC submitted a bid into the Company's 2009R renewable RFP as a single 151  
2 MW project but was unsuccessful due to price. In March 2010, the developer requested  
3 QF pricing for two 78 MW projects. The projects were priced using the Commission-  
4 ordered IRP-methodology for Idaho QFs over 10 aMW. RMP prepared and delivered  
5 avoided cost prices which were rejected by the developer due to the price being too low.  
6 In May 2010, the developer resubmitted five individual projects totaling 133 MW and  
7 requested published avoided cost prices. Because Rocky Mountain Power and Cedar  
8 Creek Wind LLC reached agreement on all terms of their power purchase agreements  
9 including price (which was higher than the March 2010 IRP methodology) prior to  
10 December 14, 2010, (the effective date of Commission Order No. 32131) Rocky  
11 Mountain Power executed final power purchase agreements and, on January 10, 2010,  
12 filed them with the Commission.

13 **Q: Can you cite a non-wind example of project disaggregation?**

14 A. Yes. Eastern Idaho Regional Solid Waste District (EIRSWD), a proposed  
15 QF using solid waste for fuel, initially requested a PURPA contract for a project that  
16 exceeded 10 aMW and then later revised its request to be a published price QF project.  
17 EIRSWD's initial project was sized to accommodate the municipal solid waste from the  
18 region. Rocky Mountain Power modeled the project using its IRP-methodology based on  
19 the project characteristics and delivered pricing to EIRSWD in September 2010. The  
20 District rejected those prices as being too low in October 2010 and resized the project to  
21 meet the published rate threshold while discussing the option of constructing a second

1 non-QF project located adjacent to the QF to accommodate the same volume of fuel that  
2 the original 17.6 MW project was designed for.

3 **Q. Does the queue for published avoided cost price contracts include off-**  
4 **system QFs?**

5 A. Yes. Several of the requests pending for published price contracts are  
6 from QFs that plan to wheel their output to Rocky Mountain Power via another utility's  
7 system.

8 **Q. Can you explain what "minimum load issues" means to you?**

9 A. In cases where a generation resource delivers power to Rocky Mountain  
10 Power's system that exceeds the magnitude of Rocky Mountain Power's customer load in  
11 that area, Rocky Mountain Power must move the excess generation elsewhere to serve  
12 the Company's network load. This is primarily expected to be the case in the off-peak  
13 time period when customer loads are normally lower and cannot absorb the generation,  
14 but also may occur with the addition of significant numbers of 10 aMW QF projects or a  
15 small number of large QF projects. While the Company recognizes that locational  
16 transmission constraints and the need for transmission upgrades should not prevent  
17 project development, any incremental cost resulting from the constraint or upgrade  
18 should be borne by the developer and not customers. Analysis of transmission system  
19 constraints and the cost of options for dealing with those constraints should be  
20 incorporated into the QF pricing and contract process so that appropriate adjustments can  
21 be made. During minimum load conditions, Rocky Mountain Power must either, back

1 down its own resources, move the generation elsewhere (if feasible), or curtail the  
2 generator.

3 **Q. Does recent QF development present “minimum load issues”?**

4 A. Yes. Historically the generation threshold for published avoided cost rates  
5 had been much lower than the 10 aMW in Idaho, and the costs associated with capacity  
6 contribution and integration for an intermittent resource had been deemed to have  
7 minimal impact on the Company’s electric system. With current thresholds in Idaho at  
8 10aMW (which equates to a wind QF project in the nameplate capacity range of up to  
9 30MW), the cost to the Company (and therefore to the customer) to integrate these large  
10 projects are significant and need to be revisited in the determination of avoided costs. As  
11 Rocky Mountain Power is required to purchase more QF generation in Idaho, particularly  
12 in the Goshen area, the incremental cost to integrate such energy increases due to  
13 minimum load issues that cause Rocky Mountain Power to curtail its own generation, or  
14 to move the QF generation elsewhere on the system.

15 **Q. Are minimum load issues unique to QF resources?**

16 A. No. However in the case of other purchases, minimum load issues affect  
17 the price Rocky Mountain Power pays for energy. In the case of QFs under 10 aMW,  
18 currently Rocky Mountain Power must pay the published price even if Seller’s generation  
19 exceeds load in the area and must be delivered to a place on Rocky Mountain Power’s  
20 system.

21 **Q. Are minimum load issues unique to disaggregated QF projects?**

1           A.    No.    However the minimum load issues tend to be greater with  
2   disaggregated QF projects because of their combined size.  When the Commission  
3   adopted published prices for QFs under 10aMW, nobody assumed that the majority of  
4   resulting development (in terms of total installed capacity) would come from projects  
5   much larger than 10aMW, disaggregated into 10aMW sub-projects.

6           **Q.    Who prepared Exhibit RMP-1 to Rocky Mountain Power's**  
7   **Comments filed December 22, 2010 in GNR-E-10-04?**

8           A.    I did, and I hereby adopt it and sponsor it.

9           **Q.    How many MW of QF published avoided cost contract request does**  
10 **Rocky Mountain Power currently have pending?**

11          A.    As of December 22, 2010, I counted 11 wind projects totaling 234 MW of  
12   published avoided cost Idaho QF PPAs that are in various stages including contract  
13   preparation and due diligence but have not been executed by the Company.  Five  
14   published rate contracts totaling 133 MW have been submitted to the Commission for  
15   review and a decision on their published avoided cost contracts.  I should also note that  
16   there is also one project of 78 MW that has requested pricing under the IRP-  
17   methodology.  Of the total 446 MW shown in Exhibit RMP-1, 234 MW are still in the  
18   Company's QF queue for published avoided cost PPAs.

19          **Q.    Would purchase of all 234 MW of pending requests at the published**  
20 **Idaho QF price tend to increase Rocky Mountain Power's system power purchase**  
21 **costs?**

1           A.     Yes. The majority of these pending requests are large wind projects that  
2 have been disaggregated into smaller wind QF projects of less than 10 aMW. I compared  
3 their contract volume (assuming typical capacity factors) multiplied by avoided cost  
4 prices to an equivalent volume of new QF capacity multiplied by the prices Rocky  
5 Mountain Power would have paid under its IRP-methodology for QFs over 10 aMW. I  
6 estimate that the additional cost of 234 MW of published price QF contracts would  
7 exceed a cost to customers of \$12 Million annually.

8           **Q.     Do you believe that lowering the eligibility threshold for published**  
9 **prices from 10 aMW down to 100 kW would stop developers from disaggregating**  
10 **their large projects into smaller ones?**

11          A.     Yes. Lowering the cap to 100 kW would, I believe, eliminate  
12 disaggregation by large wind project developers.

13          **Q.     Do you believe that lowering the eligibility threshold for published**  
14 **prices from 10 aMW down to 5 aMW would stop developers from disaggregating**  
15 **their large projects?**

16          A.     I'm not sure that would stop wind developers from dividing their 10 aMW  
17 projects into two 5 aMW projects.

18          **Q.     Do you expect that one or more developers with a pending request for**  
19 **published prices will complete the PPA negotiation process before the Commission**  
20 **issues a final order on whether the 10 aMW cap should be adjusted?**

1           A.     I am uncertain when the Commission will issue a final order, but I will say  
2     that there are several developers with proposed projects with a combined capacity greater  
3     than 100 MW that do not have executed agreements with Rocky Mountain Power that  
4     have asked Rocky Mountain Power for published avoided cost price PPAs based upon  
5     their status in Rocky Mountain Power's application queue as of December 14, 2010.

6           **Q.     Does this conclude your direct testimony in this Proceeding?**

7           A.     Yes.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on the 19<sup>th</sup> day of January, 2011, I served a true and correct copy of the foregoing *ROCKY MOUNTAIN POWER'S DIRECT TESTIMONY OF BRUCE GRISWOLD* in Case No. GNR-E-10-04 on the following named persons/entities by Hand Delivery (Commission Secretary only) and electronic mail:

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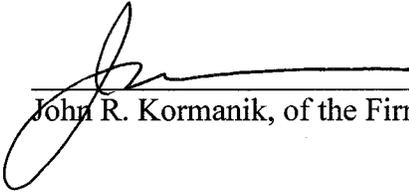
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DATED this 17<sup>th</sup> day of January, 2011.

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