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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION 12 MAY -3 PM 4:59

IDAHO PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE
COMMISSION'S REVIEW OF PURPA
QF CONTRACT PROVISION
INCLUDING THE SUBROGATE
AVOIDED RESOURCE (SAR) AND
INTEGRATED RESOURCE
PLANNING (IRP) METHODOLOGIES
FOR CALCULATING PUBLISHED
AVOIDED COST RATES.

Case No. GNR-E-11-03

PREFILED DIRECT TESTIMONY OF

LOUIS ZAMORA

ON BEHALF OF

TWIN FALLS CANAL COMPANY

NORTH SIDE CANAL COMPANY

1 **Q. PLEASE STATE YOUR NAME.**

2 A. Louis Zamora

3 **Q. WHAT IS YOUR BUSINESS ADDRESS?**

4 A. Twin Falls Canal Company, P.O. Box 326, Twin Falls, Idaho, 83303.

5 **Q. HOW ARE YOU EMPLOYED?**

6 A. I am an Engineering Technician and Field Supervisor for Twin Falls Canal
7 Company ("TFCC"), and Assistant Secretary to Twin Falls Energy, Inc., a
8 subsidiary of TFCC. I oversee operation at the Midway Power Plant.

9 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

10 A. I received an Associate of Applied Science Degree in 1993 from College of
11 Southern Idaho.

12 **Q. WHAT IS YOUR WORK EXPERIENCE?**

13 A. For five years after graduation, I worked in the construction trades. Since then, I
14 have worked at TFCC.

15 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR PRESENT
16 EMPLOYMENT.**

17 A. I do surveying and water measurement. I am responsible for maintaining the
18 automation of the facilities on our canal system. Concerning energy matters, I
19 am the company's liaison with third parties.

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY HERE?**

21 A. The purpose of my testimony here is to describe our canal project; the energy
22 production aspects of our project; how and for whom the energy aspects of our

1 project enhance the economic welfare of our shareholders and our local
2 communities; how PURPA made this possible; and how some of the proposals
3 made in this case will stymie potential future benefits from PURPA to our
4 projects and shareholders without the need to do so.

5 **Q. PLEASE DESCRIBE YOUR PROJECT.**

6 A. TFCC is an Idaho nonprofit corporation formed under the Carey Act and owned
7 by individual shareholders who pay annual assessments for the operation,
8 maintenance, and management of TFCC. Some of the costs of operating TFCC
9 are offset by income received through power generation. TFCC delivers water to
10 over 200,000 acres of farm ground through over 1,100 miles of canals. TFCC
11 also has two wholly owned subsidiaries, Twin Falls Energy Company (“TFEC”)
12 and Midway Power, LLC.

13 **Q. PLEASE DESCRIBE THE PLANTS OWNED BY YOUR PROJECT.**

14 A. TFEC is a fifty-fifty partner with Ida-West on the eight megawatt South Forks
15 Plant, and sole owner of the 2.5 megawatt Lowline Midway Hydro, and has an
16 interest in Lowline #2.

17 **Q. PLEASE CATALOGUE THE FUTURE POTENTIAL ENERGY**
18 **ASPECTS OF YOUR PROJECT.**

19 A. The future potential energy production from our project is difficult to pinpoint
20 without a feasibility study. While we contemplated a feasibility study, we
21 cancelled it due to the current unsettled nature of PURPA project development in
22 Idaho. We have identified at least two potential one megawatt sites. More
23 importantly to us, however, is that fact that we have 1,100 miles of canals. We

1 contemplate that as technology improves, and that improvement of technology
2 escalates, what would not now be a practical site may be a practical site in the
3 future. Future upward avoided cost price changes would also influence when we
4 would begin our feasibility study and contemplate development of more canal
5 based hydroelectric projects.

6 **Q. WHAT DOES YOUR COMPANY DO WITH THE PROCEEDS IT**
7 **RECEIVES FROM ENERGY?**

8 A. Revenues from electric sales from our hydro plants are used as an offset to
9 assessments made against our shareholders for water delivery and use. This
10 revenue stream reduces the variable cost of production for irrigated agricultural
11 products in the Magic Valley, provides a boost to the economy of our service
12 area, and positively affects our statewide agricultural economy. The redirection
13 of the revenues we receive for electric sales to Idaho Power is a very important
14 boost to the agricultural economy in southern Idaho, all the while leaving the
15 Company's rate payers indifferent as to where the power came from.

16 **Q. WOULD THE DEVELOPMENT OF YOUR SMALL HYDRO PROJECTS**
17 **HAVE BEEN POSSIBLE WITHOUT PURPA?**

18 A. No. We understand the purpose of PURPA is to encourage the development of
19 local, independent and/or renewable resources, while keeping the ratepayers of
20 the utility indifferent, as to where the power comes from. That renewable energy
21 may otherwise have been forfeited and lost due to traditional utility reluctance to
22 purchase alternative energy. We understand that the encouragement of PURPA
23 resource development comes by excusing cogeneration and small power

1 production from traditional utility styled ratemaking and regulation, and the
2 establishment of a power purchase price that is supposed to be equal the cost to
3 Idaho Power of otherwise generating the electricity itself .

4 These incentives have been successful for our canal company and others,
5 resulting in the development of plants on our canals would not have been
6 developed. In fact, PURPA has resulted in some partnerships between the canal
7 companies and utilities, providing mutual benefits through net wins for both the
8 utility and the canal company.

9 **Q. DO YOU HAVE CONCERN REGARDING IDAHO POWER'S**
10 **PROPOSAL WOULD ALLOW THE UTILITY TO CURTAIL ENERGY**
11 **FROM QUALIFYING FACILITIES?**

12 **A.** Yes. For our existing generating facilities, we simply did not contract for this,
13 nor does it appear necessary given the predictability of the energy we deliver.
14 For future generation projects, it would severely limit our ability to debt finance
15 them, where the revenue stream was subject to such an unpredictable
16 interruption. Without the ability to finance such a large capital expenditure, it is
17 doubtful we would be able to proceed.

18 **Q. WHAT EFFECT WOULD THE PROPOSAL THAT PURPA**
19 **CONTRACTS BE LIMITED TO FIVE YEARS HAVE UPON THE**
20 **FUTURE POTENTIAL ENERGY DEVELOPMENT ON YOUR**
21 **PROJECT?**

22 **A.** Although I will defer to the technical expertise of our expert, Don Schoenbeck,
23 some of the proposals will be fatal to future development of small hydro on our

1 system. The reduction of the term of a power purchase agreement from twenty
2 years to five years will kill our ability to finance either new plants or rebuilds on
3 existing plants. While short term PURPA contracts may lead to more accurate
4 avoided cost pricing, limiting power purchase agreement terms to periods too
5 short to finance fails to serve the purpose of PURPA, which is to encourage the
6 development of alternate energy. There must be some balance. We believe that,
7 at least for small hydros providing reliable, predictable power, the previous
8 twenty-year term provided that balance.

9 **Q. DO YOU HAVE A RECOMMENDATION CONCERNING AN**
10 **ELGIBILITY CAP TO STANDARD PURPA RATES, FOR SMALL**
11 **HYDRO PROJECTS?**

12 **A.** Yes. Reducing the eligibility cap for published rates from ten megawatts to 100
13 kilowatts, at least in the circumstance of small hydro, is unnecessary and
14 unnecessarily dampening to the encouragement we expect to be offered to
15 PURPA projects. Following the current line of cases, we understand the
16 Commission's purpose is to prevent large projects from "disaggregating" into a
17 group of smaller projects solely to qualify for a published rate. This concern is
18 not applicable to small hydro. We cannot build two diversion structures where
19 one would do. Further, insofar as the reduction of the eligibility cap seeks to
20 control and modulate the mix of resources that come on line such that a
21 purchasing utility's operations not be overborn by variable power, again the
22 reduction does not address any aspect of small hydro. Our power is steady and
23 predictable. As the graph illustrates, small hydro is steady and predictable.

1 **Q. DO YOU HAVE AN OPINION ON THE OWNERSHIP OF**
2 **RENEWABLE ENERGY CREDITS FROM YOUR SMALL HYDRO**
3 **FACILITIES?**

4 A. We cannot understand any of the reasoning for an arbitrary award of a
5 small power producer's Renewable Energy Credits ("REC's") to the purchasing
6 utility. Right now, our energy and capacity are priced at avoided cost, which is
7 what we get paid when we deliver the energy and provide the capacity, and the
8 utility receives the energy and has access to the capacity. If we understand the
9 current proposal, without changing any compensation formula or making other
10 adjustments, the REC's would be gratuitously transferred to the utility. Right
11 now, we can, and do, sell those REC's for added compensation because we own
12 and control them. The current explanations provided for changing how our
13 property is handled, and what we are compensated for our property, and the
14 proposal to transfer the REC's, simply makes no sense.

15 **Q. DO YOU BELIEVE THAT THE UTILITY PROPOSALS IN THIS CASE**
16 **ARE NECESSARY TO PROTECT IDAHO POWER RATEPAYERS,**
17 **WHICH INCLUDES ALL OF YOUR SHAREHOLDERS?**

18 A. No, not with small hydro in any event. So long as the mechanism to calculate
19 avoided cost rates reasonably determines the utility's actual avoided cost, the
20 ratepayer remains indifferent whether the energy comes from a utility or a small
21 hydro. Our power is sufficiently reliable so that no gas or carbon spikes are
22 needed to balance unanticipated power swings. Our conclusion is that all the

1 reasons given in this case for adoption of a 100 kilowatt cap and a fatally short
2 term power purchase agreement have no application to small hydro.

3 **Q. WHAT WOULD YOU PROPOSE CONCERNING THE OUTCOME OF**
4 **THESE ISSUES?**

5 A. The power purchase agreements for small hydro should be for a twenty-year term
6 to afford reasonable certainty, which in turn offers us encouragement to develop
7 our small hydro facilities on our project. The eligibility cap for standard
8 published avoided cost rates for small hydro should be ten megawatts of
9 nameplate capacity. There exists no disaggregation issue with small hydro
10 driving the imposition of an impossibly low eligibility cap. To the extent the
11 Commission desires to address the REC's, those should be confirmed as being
12 the private property of the present owner, the power producer.

13 **Q. ARE YOU FAMILIAR WITH THE TESTIMONY OF DON**
14 **SCHOENBECK?**

15 A. Yes.

16 **Q. DO YOU CONCUR WITH AND ADOPT THE POSITIONS CONTAINED**
17 **WITHIN THAT TESTIMONY?**

18 A. Yes.

19 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

20 A. Yes.