

Jean Jewell

From: Ed Howell
Sent: Sunday, March 07, 2004 10:51 PM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Sunday, March 07, 2004
10:50:39 PM

Case: IPC E-04-01
Name: Gerry Fleischman
Street Address: 5437 Hickory Run Place
City: Boise
State: ID
ZIP: 83713
Home Telephone: 208-376-2148
E-Mail: gfleisch986@hotmail.com
Company: Idaho Power Company
mailing_list_yes_no: yes

Comment_description: This contract for the purchase of wind energy by Idaho Power from United Materials of Great Falls, Inc, may be good for the parties, but it has several drawbacks which if they were to be allowed to set precedence, are not in the long-term best interests of Idaho Power Company or its customers. As Stuart Scott, co-proprietor of the Camas Prairie Winery in Moscow said in an article in the March 2004 issue of IDAHO magazine, "I try not to always drink my own wine, because if you do that, you start to think that your wine is what wine is supposed to taste like" With this contract, Idaho Power appears to be drinking too much of its own wine.

The clauses in the contract meant to assure Idaho Power of a reliable supply of power do not do this at the highest level achievable, do not help match the supply of power to Idaho Power's needs and are, from the perspective of wind power developers, punitive to say the least.

Wind power is extremely capital intensive relative to other energy sources and, as such, is extremely sensitive to projected cash flow variability. Clauses which increase the expected or possible variation of cash flows, will decrease the likelihood of wind power being financed and, therefore, developed in Idaho. While developing wind power is not the primary goal of the Idaho PUC, keeping power affordable should be.

Its goal should be to do the best it can to ensure the long term supply of high value electricity, that is electricity that's available when the customers need it so as to not constrain their abilities to compete in global markets. I feel this can best be done by creating our own factors of competitive advantage in electricity supply. This means developing our own resources and not depending on something over which we have no control, such as the price of natural gas. Wind is a viable resource in Idaho, but it has unique characteristics. One is that it is intermittent. This is a far different thing than being unreliable, and many of the clauses in the contract are meant to assure supply, something over which the wind developer's only control, is the maintenance of the wind power generating equipment. It has no control of the energy supplied to a wind farm by the wind.

From the perspective Idaho Power's needs, combined cycle natural gas and coal-fired power plants are no better than wind power. They supply a base load power, just as does wind in this contract. In article 6.2 Net Energy Amounts, other than that each month's having a different delivery amount, wind is still base load, the same as coal or combined-cycle natural gas. The fact that wind varies on a minute-to-minute, hour-to-hour and day-to-day basis, does not make it different from coal and combined-cycle natural gas in the contribution to Idaho Power's ability to supply its loads. The surety of supply is as good from wind in this contract as it is from the other resources.

Why is this a problem for Idaho Power? In some ways it isn't. Idaho Power needs energy, capacity and peaking capacity. Which of the resources supplies these needs best? The answer is hydropower. It can, and does, supply all three. If hydropower can supply all three, why not develop more of it. Probably the biggest reason is lack of water. But if you can get low cost energy, you can store water and use it when you need the power. And wind is low-cost energy.

Although it does not say so in the contract, there are several items which supply this "shaping and storage" service to United Materials and to Idaho Power. In 10.1.1 Scheduled Net Energy Deliveries the contract asks for monthly and daily schedules of the energy to be delivered. This does not do Idaho Power any good. Ten megawatts, plus or minus, is within the "noise" range for control of the Idaho Power Control Area. The balance is supplied by controlling the gates on one of Brownlee Dam's turbines. In other words, it costs Idaho Power nothing to take in this power. Why should the wind project developer be heavily burdened to supply power at a given time and amount when it has no bearing on what Idaho Power needs.

This is not to say that there are not costs associated with taking wind power into a system. One factor is that it is base load in the sense that it can supply a certain amount of energy per month, but it is dispatchable to supply different amounts each hour or every two minutes as do the Brownlee hydroturbines. Nor are the Jim Bridger, Valmeiy and Boardman coal-fired power plants. The problem with wind power as with other base load energy resources, is that it does not adjust to handle variations in daily, monthly, weekly, seasonal loads. And this, the ability to follow load, in addition to just plain energy, is what Idaho Power needs.

I have heard that the United Materials' wind plant will install renewable liquid fueled generator sets to make sure that it meets the contract delivery requirements. The capital cost and maintenance of this equipment is not zero. In fact, for the amount of power it will generate, the cost must be extremely high. It would be far better for all parties concerned, and that includes me as customer of Idaho Power, that the money that United Materials is spending on daily, monthly, and annual energy production predictions, the daily redelivery of power by the transmission entity, the capital, operation and maintenance and fuel costs of the "insurance" generation system, be paid to Idaho Power so Idaho Power can upgrade and improve facilities that can provide peaking power.

It is another fallacy that wind cannot provide peaking power. Tom Osborne, an engineer with Bonneville Power Administration, said that, had there been more water behind the dams, the BPA could have supplied considerably more peaking power to California in 2001. Had more wind power been on-line, it could have substituted for hydropower during times when the wind was blowing, saving water for peaking service. In other words, wind power can tremendously upgrade the ability of hydropower to supply peaking energy and therefore, can upgrade the value of Idaho Power's existing hydropower facilities.

The key to making use of Idaho's indigenous energy resources, (this does not include natural gas) is energy storage. The state and Idaho Power need energy storage. In global competition, the initial stock of factors, (water, minerals, etc) is not as important as a nation's, region's or state's ability to continually upgrade those factors. Since Idaho has such a large energy resource in the wind, the way to upgrade our system, is to take in wind and upgrade the existing system to make use of wind. This means energy storage.

Having individual wind farms supply their own backup energy resources is not nearly as cost effective or as useful as Idaho Power building what it needs to upgrade the entire system to not only take in wind but to provide a far-more robust system for every generating resource. This way, Idaho Power can control the deliver of this power to meet its loads. It cannot control the supplemental system being built by United Materials to meet peak requirements. Watching the monitors and graphs in Idaho Power's power Control Area Control Room leaves little doubt that the strength of Idaho Power's system is its dams, reservoirs and hydroturbines. It is they that follow the minute by minute, daily and monthly load changes. We need more of this, and who better to pay for it than a charge back to wind power generators.

This is a critical juncture. We can either start thinking in terms of upgrading our power system, or simply relying on imported natural gas that can't be controlled by anyone in Idaho. Once we have new frame of reference, a new leadership for upgrading the system,

there are many possibilities that may emerge. While it is true that fish and other requirements dictate much of the flow of water through our state, with the right framework through which to view the overall system, there is no telling what possibilities for energy storage are out there. Some possibilities that come to mind are: Owyhee Dam and reservoir, Deadwood, Arrowrock, and Salmon Falls dams and reservoirs, perhaps even Fish Creek Reservoir. Without the leadership to look for these resources, they won't be found or developed.

The payments from wind power generators would go into a fund that would be used for the upgrading of Idaho Power system's ability to store energy, to take it in from base-load resources at times when the value of this resource is lower and return it when the energy is of higher value.

In any case, accepting the assertion of that wind power has direct additional costs that must be taken care of with every 10 MW wind project, removes a potential source of funding to make the entire network stronger. There are considerable benefits to the combination of wind and hydropower. These need to be explored and developed, not ignored.

In the long run, Idaho will be better off if it creates its own sources of power rather than relying on sources it cannot control.

This contract makes it appear that Idaho Power has been "drinking too much of its own wine."

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Jean Jewell

From: Ed Howell
Sent: Saturday, March 06, 2004 9:22 AM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Saturday, March 06, 2004
9:21:55 AM

Case: IPC-E-04-01
Name: ben hipple
Street_Address: po box 1548
City: mccall
State: id
ZIP: 83638
Home_Telephone: 208 634-4980
E-Mail: bhip@spro.net
Company: idaho power
mailing_list_yes_no: yes
Comment_description: I am in favor of wind power. I am in favor of the proposal to allow Idaho Power to recover costs of the energy from the United Material of Great Falls, 9 megawatt wind farm.
Idaho Power needs to increase the percent of power that comes from renewable sources. This will be a good investment so the company has more options next time there is a dramatic increase in costs of electric energy. Besides, renewable energy reduces the amount of green house gases released to the atmosphere, and it reduces our reliance on foreign oil and natural gas.

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