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sent 3/15/04

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RENAISSANCE ENGINEERING & DESIGN PLLC

March 12, 2004

Idaho Public Utilities Commission
P.O. Box 83720, Boise, ID 83720
Fax 208-334-3762

CASE REFERENCE: IPC-E-04-01

Dear Commissioners:

This letter is to simply comment and provide some observations about the contract agreement between Idaho Power and United Materials in seeking approval for energy purchases from a wind project in Montana.

I spent 11 years working for Idaho Power up to the last two years with my own consulting firm. Most of my career has been focused on renewable energy sources. Right now I'm presenting at my 7th meeting this week talking about wind generation throughout the state. The first meeting was in Boise, then Twin, Pocatello, Idaho Falls, Salmon, Coeur D' Alene, and now here. I've talked to hundreds of people this week about their opportunities in wind power. Most of the farmers and ranchers I've been dealing with in the past two years are very interested in PURPA contracts at about 10MW or slightly smaller.

I'm the project manager on the Schwendiman Wind Farm going up in Idaho Falls this summer which will be 3MW and as you know the first mid scale commercial generation project in Idaho. I've teamed up with development companies as well as investors and my thoughts are that this industry is poised for great growth.

I'm confused about the obvious conflicts in dealing with Utilities even though from my own experiences at the utility I know some of their issues. My confusion comes from the resistance the utilities tend to show even despite their own acknowledgements that we are facing serious if not severe energy shortages in our future. I don't think the existing and new Natural Gas peaking plants will meet the needs.

Often the utilities point out the varying output from a wind project as if it were flashing on and off the grid moment to moment, which is not the case. Idaho Power in particular has a tremendous ability with the existing hydro system to deal with wind energy. At the PURPA level of 10MW and under, however none of this really matters. In fact these small units are often simply modeled as negative loads because they act on and affect the grid in similar manners. New turbines actually have the ability to provide grid support and can be set at unity power factor or even leading or lagging to help the grid -- even beyond that, an option exists even to provide voltage control. During the nineties I was working more with photovoltaics and there were numerous studies about

the benefits of distributed generation sources like these PURPA projects become. Such benefits are seldom discussed, but can be very significant.

I have several comments and suggestions about the value and issues needed to support growth of a significant wind generation industry in Idaho that would help reduce the risks to Idaho Ratepayers for future energy price increases. The most significant benefit to Idaho Ratepayers for wind is obviously the elimination of fuel price risks. There are a host of other benefits both short and long term from environmental issues; indigenous generation sources; supporting farmers and ranchers that are being squeezed financially from a host of issues (not the least of which are rising energy costs); local jobs and revenues from paying for energy sources within the state instead of paying for fuel and energy itself from out of state, etc, etc. By far the easiest argument, however, focuses very simply around the fact that commercially viable projects can be developed which have stable costs at established PURPA rates in a manner that the total energy produced on an annual basis can be estimated with quite a bit of accuracy. As the industry develops and more anemometers and wind projects are built, the accuracy would improve as the hydro production modeling has over the past 50+ years. In fact, I have heard statistics that the year by year variability in wind resource productions can be less than the variability with hydro itself.

My specific comments about this contract document are focused on the way the requirements on the producer don't in any way match the natural characteristics of the resource itself and how they actually seem to blatantly contradict my own understanding of what PURPA was implemented for. In fact the only part that matched the intent of PURPA is in the last sentence of paragraph I of the application where it simply states "Under PURPA, Idaho Power is obligated to purchase the projects' electrical energy (1) when the project is able to deliver energy to the Idaho Power electrical system and (2) when Idaho Power has adequate capacity at the point of delivery to accept the Projects' energy deliveries."

All of the discussion of firm and non-firm and the creative application of the concept of "surplus" and "shortfall" energies seem to be much more appropriate to a merchant power agreement, not PURPA.

I am especially concerned about the absence of page 4 in the application, particularly when this introduces such new ideas. It is hard to tell how concerned I or any of my customers should be about this concept (or the extent of the comments we should be making) when it is missing information, but from what we see, it is a point of great concern.

The requirement to submit monthly forecasts is logical. The penalizing of payments for over or under production based on those estimates on natural resources seems to lack logic since those sources are anticipated in the PURPA rules. The requirement to provide monthly hourly schedules and day ahead preschedules is beyond comprehension and doesn't even make sense at the 10MW and under level. This size is more noise on the grid and scheduling is a burden on the producer that has no actual benefit to the ratepayers especially and the utility particularly. Dispersed 10MW projects will come on and off the grid just as the existing loads already do.

Also the 60 day cancellation if the Idaho Power monopoly is threatened would result in unbankable projects in other places. The issue over environmental attributes is concerning, since nothing has ever indicated historically that they could be attached to the energy sold under PURPA law.

I don't know how this supplier can promise all these things, but my recommendation to the commission is to check it out in more detail than is presented here. It is being held up by Idaho Power as a triumph, but my fear is that it will result in a very substantial failure for the industry itself. At the least it shouldn't be advertised as the wind project it is being sold as since really it is a modified energy product provided by the transmission provider.

The wind industry in this state is very real in potential and could make a serious contribution to the grid at a meaningful level. It would take a long time before this could threaten the grid in any way and my professional opinion is that it would be a welcome addition if Idaho Power and others could get some real projects in place and spend some time studying them.

Unfortunately this is all the time I have now to comment, but there are many things here which could set a very poor precedent for the entire industry itself and result in holding things back from a development standpoint.

I am available at your request to discuss these and any other ideas that might involve promotion of renewable energy projects or simply providing a reasonable opportunity for their development under existing laws.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian D. Jackson", written in a cursive style.

Brian D. Jackson, PE, MBA, CEM