

Jean Jewell

From: Ed Howell
Sent: Tuesday, March 30, 2004 6:41 AM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Tuesday, March 30, 2004
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Case: IPC-E-04-07
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mailing_list_yes_no: no
Comment_description:

If you are to follow the intent of PURPA, namely, to encourage renewable energy production and fuel-efficient cogeneration, then it would make sense that payments for power generation capacities and quantities above the published rate limit, should also reflect avoided cost and not market rates.

The reason this is important is that, especially in the case of renewable energy projects, capital is greatest cost, and capital requires financing. All projects, especially wind power, have economies of scale. By implying that power generated above the published rate ceiling (currently 10 MW) should be based on the market and not avoided cost inserts a huge variability in cash flows to potential projects, which discourages economies of scale, and will kill them.

The contract for this project should not stand as a precedent for future PURPA contracts. You should indicate in your decision to approve this contract that while it is OK for Idaho Power and Simplot to negotiate a contract for the above portion of generation above 10 MW in most any way they want, that it is the intent of PURPA and your implementation of PURPA, that contracts for project above 10 MW and less than 80 MW (the Federal PURPA upper limit) have negotiated rates based on avoided cost and not market rates.

The Simplot phosphate plant cogeneration system uses fully amortized equipment. From this standpoint it has little resemblance to the great majority of potential new PURPA projects in Idaho. If your intent is to encourage renewable energy power generation, you should make it clear that this contract does not restrict the ability of other PURPA projects to negotiate rates for generation above the published rate limit based on avoided costs not on market rates.

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