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Idaho Public Utilities Commission
Case IPC-E-04-10
Case IPC-E-04-8

Order number 29632

FAX: 334-3762

Dear Commissioners:

Please excuse my handwritten notes attached to this letter. I was under the impression that I had until December 20th to submit my request for reconsideration – as was stated in your press release.

*Re-filed version with
typed comments.*

I am faxing this letter and the notes and will follow with a hard copy to your office tomorrow.

My petition is quite simple in truth. The order as written is simply unreasonable in requiring a PURPA QF facility to be predicting monthly output of a natural resource such as wind and then get penalized in current market price scenarios over 50% of the monthly revenue amounts.

This requirement is a huge burden for a small project even to forecast from the perspective of most of the farmers and ranchers I'm working with. They are installing state of the art equipment with a proven 98% availability and typically improving the local power grid in the places we have explored with capacitor banks and voltage regulation. Even when the wind is not blowing, the local grid will be more reliable in the case of the 10 MW class of installations we are currently exploring.

The burden of forecasting monthly generation with a potential penalty so very high is too severe and restrictive.

I truly believe that capturing wind through PURPA projects for Idaho Ratepayers will have a huge long term value. I spent 11 years working for Idaho Power with various generation technologies and the past three consulting on my own. Wind is a valuable, stable resource from an annual production standpoint and 10MW scale projects are a boost to the grid, not a detriment.

Sincerely,



Brian D. Jackson

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Avoided Cost Pricing

The 20 year contract pricing is crucial to the project financing and being able to build these projects at all.

The fact that the rates are set in the contract makes a huge difference to potential investors and bankers.

That price provides stability to the project, but also helps ratepayers by creating price stability for at least an element of the future generation. Over the past couple years the comparison to the Mid-C price index would indicate that the utility could buy surplus energy at much lower rates than the cost of PURPA QF contracts or even from most of their own resources as well. However, if we go back just a few years more, all the QF contracts and the utilities resources were the best thing going.

It's probably as difficult to predict energy prices into the future years as it is to predict monthly wind generation.

This case was well presented that under PURPA from both a Federal and a historical State of Idaho perspective there is no precedence or justification for differentiating between generation technologies or for paying less than the published rates for the appropriate QF.

The concept of “Firmness” is well established in the merchant powerplant marketing of wholesale energy to utilities.

That concept however, is not applicable to the utility's own generation resources which are dedicated to serving their own loads with all of their generation. PURPA was designed to stimulate diversity of ownership and local supply of energy to the extent a PURPA QF is dedicating all of its energy production to the utility at a contracted price for the next 20 years – that resource is committed to and exists for the benefit of the utility's ratepayers in the same manner as the utility's own generation assets. The concept of firmness as it applies to a QF facility was clearly demonstrated in the evidence presented at the hearing to be a determination that all of the energy from such a facility would be provided to the utility.

To the extent that this commission requires a PURPA QF to look and operate and act like a Merchant Powerplant with a FIRM commitment of Energy instead of a PURPA QF with a dedicated resource, that plant should then be allowed to market excess energy, beyond its commitment to the Idaho Utility, at market rates on the open market.

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The addition of PURPA resources should increase supply stability and reduce price volatility for the ratepayers – it is not appropriate to pass that risk to QF developers as if they were merchant plants pretending they have control over things they don't.

When I heard about the cases I was excited and hopeful that what the commission had started in giving 10MW sized and 20 yr terms would become established.

When the commission set the size limit to 10MW and the contract term to 20 years, it seemed clear to me that Idaho was embracing an element of distributed generation that could provide a meaningful contribution to the power supply for the state.

10-20MW is in fact a major economic crossover point in generation projects. They are just large enough to spread some economies of scale across enough units to reduce construction risk and shorten payback periods to attract investors. For the grid, 10-20 MW is small enough that any individual project can come online and go offline and look more like a load. In fact – the initial modeling of such projects and their effect on the power grid is performed by the utilities as a negative load. Loads come on and go off all over the power grid every moment of every day.

A wind project in typical operation ramps up and down smoothly in power output. It can trip off-line quickly – usually in response to a problem on the utility line requiring curtailment. Problems on the generator side are typically solved with the shutdown of individual units.

In asking the commission to reconsider their decision, I don't see how more evidence could be presented or brought out better than that already done at the hearings.

I attended both days of the hearings and felt the facts were very clearly brought out to show how the utility definition of “firmness” as it applies to a merchant powerplant is not applicable to a PURPA QF facility. Rather – in the commission's own rulings historically – the issue of “firmness” when applied to a PURPA QF has been defined to mean that all of that plant's output was dedicated to the utility and the generator could not send some energy through the QF contract and other energy elsewhere.

Commission Staff often defers and refers to Idaho Power to understand these issues – they lack the depth and breadth of expertise to fully understand the implications of long reaching policy such as this...

In informal discussions with Idaho Power I have been offered “a penny less per kwh” or the “Fossil Gulch” contract terms approved by this commission before the hearing results were

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published. I just don't know how to advise my clients to accept such terms even if they are manageable because they are so absolutely wrong philosophically.

In the end, some projects will be built because of our passion for renewable energy and for wind. We will mitigate risks, reduce project returns, create strange operational paradigms, creatively try to add backup generation resources, create a whole industry around predicting monthly generation, and otherwise make complex something that was initially simple, clean, and efficient.