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2005 JUN 28 AM 9:18

IDAHO PUBLIC
UTILITIES COMMISSION

DAVID J. MEYER
VICE PRESIDENT, CHIEF COUNSEL FOR
REGULATORY AND GOVERNMENTAL AFFAIRS
AVISTA CORPORATION
P.O. BOX 3727
1411 EAST MISSION AVENUE, MSC-13
SPOKANE, WASHINGTON 99220-3727
TELEPHONE: (509) 495-4316
FACSIMILE: (509) 495-8851

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF) CASE NO. IPC-E-05-22
IDAHO POWER COMPANY FOR AN)
ORDER TEMPORARILY SUSPENDING) PETITION AND COMMENTS OF
IDAHO POWER'S PURPA OBLIGATION) AVISTA CORPORATION
TO ENTER INTO CONTRACTS TO)
PURCHASE ENERGY GENERATED BY)
WIND-POWERED SMALL POWER)
PRODUCTION FACILITIES.)
)

Avista Corporation ("Avista"), pursuant to RP 053 and 072 of the IPUC Rules of Procedure, hereby submits its Petition and Comments in the above-captioned matter.

I. INTRODUCTION

On June 17, 2005, Idaho Power Company ("Idaho Power") filed a petition requesting that the Commission issue its order temporarily suspending Idaho Power's obligation, under Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA") and various Commission orders, to enter into new contracts to purchase energy generated by qualifying wind-powered small power production facilities ("QF" or "Qualifying Facilities"). Idaho Power's request for a temporary suspension of its PURPA purchase obligation is limited to new

contracts for purchases of energy from wind-powered QFs. The suspension would not affect new contracts with QFs utilizing other generating technologies.

As stated in Idaho Power's Petition, the investigation would consider: (1) the impact of intermittent wind resources on the Company's total cost of power supply, (2) the impact of intermittent wind resources on the reliability of electric service to customers, (3) whether the current avoided cost methodology correctly measures the power supply costs that the Company can actually avoid by adding intermittent wind generation resources, and (4) such other matters as the Commission deems appropriate.

II. COMMENTS/PETITION OF AVISTA

For the following reasons, Avista concurs with the arguments set forth in Idaho Power's Petition and specifically requests and petitions that the temporary suspension of the PURPA purchase obligation as it would apply to new contracts for the purchase of energy from wind-powered QFs apply to Avista as well. Accordingly, the rates, terms and conditions for all new contracts from this date forward for wind QF developers on Avista's system should, as with the case of Idaho Power, be governed by the outcome of this proceeding. Issues raised by Idaho Power have a broader application to other utilities in this jurisdiction.

The character and quality of the power output from a wind-powered generation project is materially different from that of a combined-cycle combustion turbine (CCCT) generation project upon which the posted avoided costs for QFs under the 10 MW size are based. A CCCT project is designed for base load use and its output is considered as firm capacity and energy for planning and operations purposes. A CCCT project contributes capacity to planning margins, which are necessary in the event of adverse weather and/or hydroelectric generating conditions. A CCCT project also is able to forecast its generation production level for future hours.

Furthermore, a CCCT project is able to change its generation output level in response to system conditions. (It is dispatchable.) A wind project does not provide these capacity characteristics. As described by Idaho Power, in order to assure system reliability, intermittent wind resources must be “firmed” by ancillary services. Those ancillary services may be provided by the purchasing utility, to the extent system capacity is available, or they may be purchased from the market. In either scenario, there is a cost for such ancillary services. Avista, therefore, supports comments made by Idaho Power indicating that it is time to reassess how avoided costs should be computed for intermittent wind-powered generating resources. An analysis of those characteristics would consider the cost of firming and integrating intermittent QF wind-power resources into Avista’s system.

Based on response to utility RFPs in the region, information from the Northwest Power and Conservation Council, and information in the trade press, there appears to be a substantial amount of wind-powered generation either being competitively developed or offered for development. Avista concurs with Idaho Power that federal and state tax incentives, including the federal income tax credit equal to approximately \$18 per MWh, have been significant factors stimulating wind-powered generation development. A robust and competitive market exists for wind-powered generation in the region.

Prior to the issuance of the Commission’s Order No. 29646, Avista conducted a limited wind generation RFP in 2003 and, through that process, was able to acquire a competitively-priced 35 MW wind resource for a ten-year term. The Company is currently in the process of finalizing development of its 2005 Integrated Resource Plan. The preferred resource strategy developed as part of that IRP targets additional wind resource acquisitions of up to 300 MW by the year 2013. The trade press indicates that other regional utilities are being successful in their

competitive wind resource acquisition processes, as well¹. Given the unique characteristics of wind resources, as briefly discussed above, and given the significant amount of wind resources available, Avista suggests that consideration be given to the use of “competitive processes” to determine the appropriate level of avoided cost for wind resources. In this manner, wind resources compete with other wind resources, all of which include the same unique characteristics. The result should be that utilities are able to acquire the level of wind resources, consistent with their Integrated Resource Plans, at prices that are more reflective of the costs and characteristics of those unique resources.

Another unique characteristic of wind-powered generation is that projects can be configured in any number of different power output amounts. Wind projects consist of greater or lesser numbers of relatively small (approximately 1 MW each) generators. Therefore, wind projects can configure themselves to meet different project output definitions. As noted by Idaho Power, it would not be difficult for a wind project greater than 10 MW to reconfigure itself into multiple projects less than 10 MW in an effort to qualify each project for the published rates. Avista supports Idaho Power’s Petition, which recommends a suspension of wind resource acquisition at this time for all utilities, in part to prevent an unintended situation where wind project developers reconfigure their projects such that they fall below the threshold in order to qualify for posted rates.

¹ Idaho Power cites NorthWestern Energy’s recent Montana Commission approval of an agreement with Judith Gap LLC under which Northwestern will purchase 135-150 MW of wind resource at a competitive price of \$31.71 per MWh.

Avista recommends that the following actions take place during the wind QF resource acquisition suspension period:

- 1) An analysis should be performed with regard to the total amount of additional wind resource that a company's system can absorb without adversely affecting the company's overall power supply costs and system reliability;
- 2) Each company should revisit the computation of avoided costs specifically tailored to the characteristics of intermittent wind-powered resources.
- 3) Consideration should be given by the companies and the Commission as to the design of wind acquisition programs so that companies can take advantage of the considerable market interest in wind-powered resources. Wind resources should more closely reflect actual resource costs and market prices rather than published avoided cost rates based on other types of resources.

III. PETITION TO INTERVENE

For the foregoing reasons, Avista has a direct and substantial interest in these proceedings, and requests the right to intervene.

(a) Name/Address of Petitioner:

Avista Corporation
1411 E. Mission Ave.
Spokane, WA 99220

- (b) Nature of Business: Avista is a combination electric and natural gas utility providing electric service, at retail, to over 330,000 customers in the states of Idaho and Washington, and natural gas service to over 305,000 customers in Idaho, Washington and Oregon. As such its rates, charges, services and practices are regulated, inter alia, by this Commission.

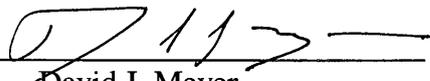
- (c) Names of Representatives: Communications respecting this matter should be addressed to:

Richard L. Storro
Director, Power Supply
1411 E. Mission Ave
P.O. Box 3727, MSC-7
Phone: (509) 495-8080
Fax: (509) 495-4272
dick.storro@avistacorp.com

R. Blair Strong
Paine, Hamblen, Coffin, Brooke & Miller LLP
717 West Sprague Avenue, Suite 1200
Spokane, Washington 99201-3505
Phone: (509) 455-6000
Fax: (509) 838-0007
r.blair.strong@painehamblen.com

Respectfully submitted this 27th day of June, 2005.

AVISTA CORPORATION

By: 
David J. Meyer
Vice President, Chief Counsel For
Regulatory and Governmental Affairs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have, as of this 27th day of June 2005, served Avista Corporation's Petition and Comments in Case No. IPC-E-05-22, by mailing a copy thereof, properly addressed with postage prepaid to:

Jean D Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83720-5983

Barton L. Kline
Monica B. Moen
Idaho Power Company
1221 West Idaho Street
P.O. Box 70
Boise, ID 83707



Patty Olsness
Rates Coordinator