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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Windland Incorporated

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 IDAHO)
POWER' S PURPA OBLIGATION TO ENTER)
INTO CONTRACTS TO PURCHASE ENERGY)
GENERATED BY WIND- POWERED SMALL)
POWER PRODUCTION FACILITIES)

DIRECT TESTIMONY OF MICHAEL HECKLER

WINDLAND INCORPORATED

July 15, 2005

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I. INTRODUCTION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael Heckler and my business address is 7669 Riverside Dr, Suite 102 Boise, Idaho 83714.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Windland Incorporated as the Director of Marketing and Development. I have served in this capacity since 2002.

Q. WHAT DOES WINDLAND DO?

A. Windland owns, operates and develops wind farms. We have been in the wind farm business continuously since 1982. We currently are in the process of developing wind farms in the western US including two in Idaho. We bid the output of one of the wind farms we have under development in Idaho – specifically, the Cotterel Mountain wind farm east of Burley in Cassia County, Idaho – into the Idaho Power Wind 2005 RFP issued pursuant to that Company’s 2004 Integrated Resource Plan, which the Commission accepted for filing on April 22, 2005 in Order No. 29762.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I hold a Bachelor of Arts in Business Administration and Accounting from Seattle University as well as a Master of Business Administration in Finance and a Juris Doctorate from the University of Washington.

Q. DESCRIBE YOUR WORK EXPERIENCE.

A. I have worked as an Economic Analyst and a Financial Reporting Officer for a large commercial bank and held a variety of management assignments for a large aerospace company. These assignments included several instances where I held project

1 management responsibilities for contracts valued in tens and hundreds of millions of
2 dollars. I have also worked as a consultant handling regulatory affairs for an
3 international partnership that launches commercial satellites. For the last three years I
4 have worked primarily as project manager on Windland's two Idaho wind farm
5 development projects.

6 II. TOPICS TO BE ADDRESSED IN TESTIMONY

7 Q. WHAT TOPICS WILL YOU ADDRESS IN THIS TESTIMONY?

8 A. I will discuss the status of Idaho Power's Wind 2005 RFP from the
9 perspective of Windland, whose bid price is substantially lower than the \$55 average
10 quoted by Idaho Power – and which bid was unequivocally not affected by avoided cost
11 rates.

12 Then I will briefly discuss the potential effect of this proceeding on that RFP
13 process. I will discuss the value of developing cost-effective wind resources as an
14 electric generation source to not only Idaho Power, but also to the state and citizens of
15 Idaho generally.

16 I will also address whether Idaho Power's expectation that it would "average"
17 low-priced utility scale wind resources with high-priced PURPA wind resources suggests
18 that the current avoided cost for wind QFs is not set at an appropriate level.

19 Finally, I will suggest that the Commission encourage Idaho Power to proceed
20 expeditiously in completing the Wind 2005 RFP, even if the Commission chooses to
21 implement Idaho Power's request for a temporary suspension of the Company's
22 obligation to purchase the output of wind QFs. Completing the RFP will not only secure
23 cost-effective wind generation resources to supply Idaho Power's growing customer load,

1 it will also harness competitive forces via the RFP to provide an indication of true market
2 prices for wind power in the Idaho Power territory. The market price for wind power
3 established by the RFP process could be used by the Commission as an input in any
4 revision of wind QF avoided costs.

5 **Q. IDAHO POWER “BELIEVES” ITS ONGOING WIND 2005 RFP HAS**
6 **BEEN “UNDULY INFLUENCED” BY THE PURPA AVOIDED COST RATES**
7 **AND IS THUS NOT REFLECTIVE OF MARKET PRICES. DO YOU AGREE**
8 **WITH THIS POSITION?**

9 A. No. As the individual responsible for preparing Windland’s proposal
10 submitted under the Idaho Power 2005 Wind RFP, I can unequivocally state that our bid
11 prices were not in any way influenced by PURPA avoided cost rates. On the contrary,
12 the prices we bid are based on the specific characteristics of the wind resource on
13 Cotterel Mountain, market prices for wind turbines and other equipment, and the costs we
14 expect to incur for construction and operation of a wind farm on Cotterel Mountain.

15 Because Idaho Power has put the RFP process on hold and its evaluation of our
16 bid – together with all the other bids submitted – is still pending, we are unable to reveal
17 the precise levels of the prices we bid in this testimony. However, I can testify that our
18 bid prices are significantly lower than \$55/MWh “average” that Idaho Power quoted.

19 Additionally, any suggestion that the \$55/MWh “average” price under the Wind
20 RFP is comparable to the \$61/MWh PURPA price ignores substantial differences
21 between the standard PURPA contracts and the terms implied in the RFP. Our bid
22 included a wind forecasting service, an integration of our SCADA control system with
23 Idaho Power’s control systems, offered Idaho Power an ownership interest in the project

1 and transferred all the Renewable Energy Credits (REC or “Green Attributes”) to Idaho
2 Power. The standard PURPA contract (such as that approved under Order 29770)
3 includes none of these provisions. Depending upon how the RECs are valued (the carbon
4 released from 1 MWh of coal generated electricity is currently trading in Europe for more
5 the \$25) these additional factors cause substantial difference in the two prices.

6 **Q. WHAT DOES IDAHO POWER ASK THIS COMMISSION TO DO**
7 **WITH RESPECT TO ITS PENDING 2005 RFP PROCESS IN THIS**
8 **PROCEEDING?**

9 A. Nothing. However, Idaho Power has stated in its Petition and testimony,
10 without any stated basis or rationale, that it may have to modify its Wind 2005 RFP
11 process as a result of wind powered QF development, the Company’s obligation to
12 purchase from wind QFs at avoided cost rates, and its belief that these rates have
13 impacted its current RFP. Windland disagrees with Idaho Power on these matters, and
14 believes the RFP should go forward, not only out of fairness to those who have invested
15 substantial time and money in the process, but more importantly in pursuit of all the goals
16 and reasons memorialized in the 2004 Integrated Resource Plan.

17 Moreover, Windland urges the Commission to encourage the completion of the
18 current RFP so as to establish, or at a minimum provide an indication, of market prices
19 for wind power in the Idaho Power territory – even if the Commission decides the
20 PURPA rate for wind powered QFs must be reviewed in detail.

1 **Q. WHAT ARE THE BENEFITS OF USING WIND POWER AS A**
2 **GENERATING RESOURCE?**

3 A. Wind generated electricity is cost effective. Wind generation is the fastest
4 growing form of electric generation both in the US and worldwide. Wind generators are
5 not exposed to future fuel price increases or price volatility for such resources. They
6 don't burn fossil fuels so they aren't exposed to any future charge for carbon dioxide
7 emission or any other air pollution controls. Wind generation produces clean, renewable
8 energy from a currently unused resource and is broadly viewed as good social policy.
9 Any delay in beginning to use wind resources in Idaho on the substantial scale that is
10 currently cost effective increases the exposure of Idaho Power ratepayers to high and
11 volatile natural gas prices.

12 **Q. WHY IS WIND POWER A GOOD POWER GENERATION**
13 **ALTERNATIVE FOR IDAHO AND A COMPANY LIKE IDAHO POWER?**

14 A. Wind generation protects Idaho ratepayers from fossil fuel price volatility.
15 Recent high and volatile natural gas prices reduce the desirability of generating electricity
16 with gas turbines. The increasing likelihood of future carbon emission restrictions also
17 adds a significant risk element to building new coal fired generation. Many utilities see a
18 benefit in diversifying their generation portfolio through the addition of wind powered
19 generation. After receiving substantial input from all conceivable constituents over a
20 two-year period, and reviewing multiple alternatives Idaho Power selected a diversified
21 portfolio of new generation types in Idaho Power's 2004 Integrated Resource Plan. The
22 Plan includes as a component the acquisition of power from wind projects like that being
23 proposed by Windland.

1 **Q. DOES IDAHO POWER’S EXPECTATION THAT IT WOULD**
2 **“AVERAGE” LOW-PRICED UTILITY SCALE WIND WITH HIGH-PRICED**
3 **PURPA WIND SUGGEST THAT THE CURRENT AVOIDED COST IS NOT SET**
4 **AT AN APPROPRIATE LEVEL?**

5 A. Yes. Ideally, wind-QF avoided costs should be set at the price of
6 “alternative electric energy” so that the rates paid would be approximately equal
7 regardless of whether the wind generator is a large facility procured under an RFP or a
8 small producer selling under PURPA. What it would cost Idaho Power to procure wind
9 power from a competitively selected willing seller is good evidence of the price for
10 “alternative electric energy”. This price could possibly be used to set PURPA rates at a
11 level where the ratepayer would be indifferent to whether the energy source is a small or
12 large facility.

13 All energy prices have risen dramatically since Idaho Power collected the data
14 used in their 2004 IRP analysis. Current natural gas spot prices of \$7.83 are 61% higher
15 than the \$4.85 estimated 2006 price stated in IRP Technical Appendix. Wind turbine
16 prices have also risen more than 20% during that period. While the current Wind RFP
17 may not result in level prices at the \$43/MWh mark projected in the 2004 IRP, if carried
18 to a successful conclusion, the RFP can provide needed additional cost-effective
19 generating capability.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A. Yes**

3 DATED this 15th day of July, 2005.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 15th day of July, 2005, I served the foregoing upon all parties of record in this proceeding as indicated below.

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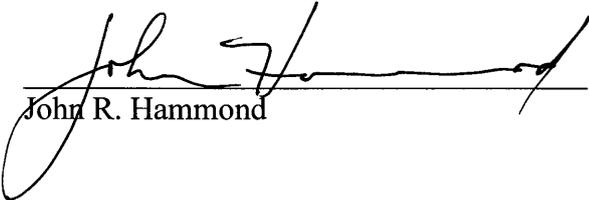
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