

IFC-E-05-22



"EnVisioning a sustainable future"

672 Blair Avenue
Piedmont, CA, USA 94611
(510) 655-7600 :T
(510) 217-2239 :F
glenni@pacbell.net :E

Glenn S. Ikemoto
Principal

June 27, 2005

VIA FAX: (208) 334-3762

President Paul Kjellander
Commissioner Dennis S. Hansen
Commissioner Marsha H. Smith

Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

RECEIVED
FILED
2005 JUN 27 PM 2:39
IDAHO PUBLIC UTILITIES COMMISSION

Subject: Petition for Suspension of Wind Energy Contracts

Dear Commissioners:

Having participated in the proceedings that resulted in the new PURPA contracts, we are alarmed to find that Idaho Power is already trying to scuttle the results of extensive public hearings and debate after only six months and a meager 27 MWA of signed contracts. We were one of the parties that requested reconsideration of some parts of the Commission's decision. That request was denied. Idaho Power's new petition is effectively the same as asking for reconsideration again. If a new hearing were granted, Idaho Power will be successful in circumventing the regulatory process. A dangerous precedent will be established, allowing a utility's position to take priority over all other parties by simply filing a new petition after a decision is made.

The Commission needs to take immediate action because a de facto moratorium now exists as a result of Idaho Power's petition. Like many developers, we have spent a great deal of time and money developing wind projects in Idaho relying on your original decision. We are currently raising additional third-party development and project equity funds necessary to complete our projects. This financing activity will stop until the investment community has confidence in the Commission's support for its past decision. Our hope is that you quickly reject Idaho Power's petition to preserve the credibility of the regulatory process. Additional hearings are unnecessary because utilities are always free to analyze system integration issues.

Certainly the Commission has an overriding responsibility to protect the ratepayers. However, the intermittent nature of wind has already been adequately addressed. The 90/110 performance band and seasonality factors already over-compensate the purchasing utilities for the variability of the resource. In fact, faced with transmission costs and the performance band requirement, it is doubtful that unsuccessful bidders will "reconfigure their projects to qualify for the PURPA mandatory purchase obligation" as stated in the petition. Also, Idaho Power states that 1,000 MW of wind will need 640 MW of gas turbines as backup. Clearly, this says wind energy still beats the surrogate resource. No one in the prior proceedings ever thought that wind was 100% firm and the contract is specifically designed for that.

Emergency action is not necessary. This is not a case where the price of natural gas has nose dived and the Commission needs to take immediate action to avoid overpriced contracts. On the contrary, the current contract is a bargain in view of present gas market conditions. Yes, there is a limit, but we are far from it. So far, only one developer appears willing to deal with the risks and costs of the performance band issue. There is ample time to study the resource integration issues without devastating the wind industry with a needless moratorium.

Wind is now the major indigenous energy resource in Idaho. It is both the cleanest and cheapest option, even with gas turbine backup. We fully support any efforts to understand the wind resource better and integrate as much of it into the generation mix as possible.

If you choose to authorize new hearings, the wind contracts should not be suspended during this time. The worst result is the construction of wind projects, which will be far cheaper and cleaner than the fossil-fueled generation that the utility originally planned. If you feel some limitation on contracts is necessary, it is important to note that the issues Idaho Power is raising deal with the penetration level appropriate for wind. These issues don't apply to Avista (because of its lack of in-state wind resource) or Pacificorp (because of its size). Neither of these utilities has signed any QF wind contracts nor has solicited wind projects through Requests for Proposals. If a suspension is granted to Idaho Power, it shouldn't be applied to the other utilities, especially since they have not petitioned for such action. You may also wish to limit the availability of PURPA contracts to projects within the state. This is a normal requirement and reserves the economic benefits for Idaho farmers, ranchers and counties.

Respectfully,



Glenn Ikemoto
Principal

cc: Rick Sterling