

Original

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Idaho Public Utilities Commission
Office of the Secretary
RECEIVED
OCT 24 2007
Boise, Idaho

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	
IDAHO POWER COMPANY TO MODIFY)	CASE NO. IPC-E-07-15
THE METHODOLOGY OF DETERMINING)	
FUEL COSTS TO ESTABLISH)	COMMENTS OF
PUBLISHED RATES)	IDAHO WINDFARMS, LLC

Idaho Windfarms, LLC (IWF) hereby respectfully submits its Comments on Idaho Power's Petition in the subject proceeding.

INTRODUCTION

IWF is an active greenfield wind energy developer in Idaho. It has successfully developed the Bennett Creek and Hot Springs Windfarms near Mountain Home, which are currently under construction. The principals of IWF have developed and financed wind energy projects for over 20 years and completed projects in seven countries. In addition, we have substantial expertise in utility resource planning and economic analyses, having previously worked as senior planners in Pacific Gas and Electric Company's Generation Planning and Corporate Planning Departments.

WHAT, AGAIN?

This Petition represents the single most important decision on the future of renewable energy in Idaho that the Commission will face for the next several years. Since it issued Order No. 29029 on May 21, 2002, which re-established long term

contracts for PURPA projects, the wind industry has had to fight one regulatory battle after another. It has addressed the issues of firm energy (90/110 Performance Band), integration costs and transmission system upgrades. In the more than five years since the Commission's decision to move forward with PURPA projects, wind projects have effectively only had access to Published Prices for six months.

Now, on the eve of completing the latest two year suspension to resolve the integration cost issue, Idaho Power raises yet another new issue. The continuous regulatory delays are simply killing the wind industry in Idaho and costing the ratepayers real money. IWF hopes the Commission sees through this attempt to continue the suspension of PURPA wind projects by using multiple price reductions.

THIS IS A SETTLED ISSUE

The Commission's Order No. 29124 issued on September 26, 2002 in Case No. GNR-E-02-1 settled the issue of which fuel forecast to use for avoided cost purposes and how to model it. Idaho Power made its objections known at the time and the Commission made its decision. This Case was heavily contested by numerous parties. The Commission cannot allow Idaho Power to cherry pick a single issue for reconsideration years after the Case has been closed.

It would be just as valid for the renewable energy industry to question why we should use a gas forecast that is lower than the ones used by every Idaho utility in their own IRPs. Why should we use a 20 year average price when the SAR is a 30 year resource? Why should we only assess integration costs for the uncertainty of wind deliveries and ignore the uncertainty of natural gas costs? Both have an equivalent impact on ratepayers. Clearly, if we are to revisit one issue in calculating avoided costs, it is fair and reasonable to revisit them all.

IDAHO POWER'S PRICE IS WRONG

The fundamental principle in resource planning is to compare (and price) all options with the same assumptions. This requires that the PURPA prices determined by the SAR methodology should at least be comparable to the individual cost of power estimates for similar generation resources in the utilities' own IRPs. Idaho Power's proposal does not pass this mandatory "smell test". The following is a comparison of the

costs of combined cycle generation in each of the three utilities' IRPs. The original utility estimates are adjusted to a uniform monetary measure (2008, 20 year levelized nominal dollars) and the SAR's capacity factor:

Comparison of CCCT IRP Cost of Power Estimates (\$/MWh)					
(Tilted Capital Method)					
				2007 SAR Update	
	IPC	PAC	AVU	Current Method	IPC Proposal
Cost Estimate Year (SAR -non fuel)	2006	2006	2007	2000	2000
Utility CCCT Cost of Power from IRPs	78.00	74.71	65.14		
Type of Levelized Dollars	Nominal	Real	Real	Nominal	Nominal
IRP Capacity Factor	85%	56%	??		
Adjust to SAR Capacity Factor (92%)	-0.79	-6.00	0		
Delete Environmental Adders	-5.00	-2.27	0		
2006 Real Dollars	NA	66.44	63.86		
Escalate Nominal \$ to 2008	2.92	NA	NA		
2008 20-Yr Nominal Levelized \$	75.13	78.88	77.16	73.22	<u>68.15</u>

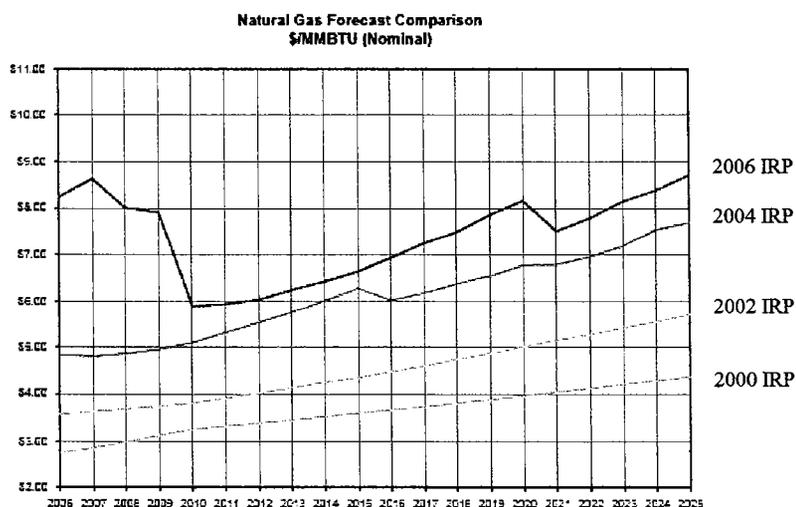
The table above clearly demonstrates that Idaho Power's proposal undervalues PURPA energy and will result in fewer indigenous, secure, clean and economic renewable energy projects in Idaho. By contrast, the current SAR method produces results that are low, but comparable to the current utility estimates for IRP resources. The lower SAR costs are due to the outdated cost estimates and lower fuel price forecast.

The utilities report their IRP cost of power (COP) estimates using different base dollars. Idaho Power uses levelized nominal dollars. Pacificorp and Avista use levelized real dollars. The revised estimates above, for Pacificorp, uses the economic assumptions in their IRP. For Idaho Power and Avista, a 5.1% real weighted average cost of capital and 2% general inflation rate were assumed. Those are the only two assumptions needed to convert between the two base dollars. The 20 year levelized capital costs are based on using the tilted capital method to adjust the plant life specified in the utility's IRP to a 20 year estimate. In other words, the capital costs are not fully recovered over the 20 year period and do not artificially increase the cost of power.

THE COST OF UNCERTAINTY

As noted above, the wind industry has just suffered through more than two years of delay as the issue of integration costs were debated. The parties were trying to reconcile the differences between renewable resources, which tap a flow of energy and fossil fuels, which tap a store of energy. Wind energy has uncertain energy deliveries but highly certain costs. Fossil fuel projects have certain deliveries but highly uncertain costs. From a ratepayer's perspective, there is no difference between these risks. Yet, the uncertainty of wind deliveries is likely to get priced into PURPA contracts and the uncertainty of fossil fuel prices will continue to be ignored.

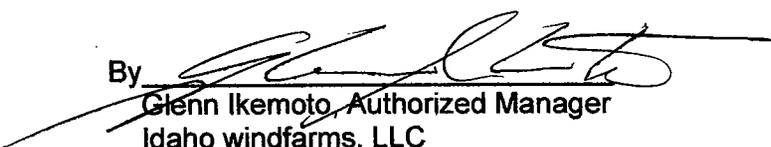
Yet, the fuel price risk has harmed ratepayers time and time again. In its current Rate Case (IPC-07-08) Idaho Power's witness, Greg Said, testified that wind projects reduced power supply costs by \$10.1 million. He points out that the savings would be partially offset by integration costs. The Commission is now addressing that issue and may place the full integration cost burden on future PUPRA wind projects. If so, the Commission must recognize that the economic scales are unbalanced. The fuel price forecast is based on the short term market and contains massive price uncertainty. Also, approving Idaho Power's Petition will likely delay the implementation of additional wind energy in Idaho for years. This will undoubtedly cause the loss of more ratepayer savings as the natural gas forecasts prove themselves to be low again. The following table is from Idaho Power's 2007 IRP. It documents the history of low natural gas forecasts, each of which unnecessarily delayed renewables to the detriment of Idaho's ratepayers. Apparently the natural gas forecasters are working in the State of Denial.



CONCLUSION

Idaho Power's Petition in this proceeding should be denied. It is inappropriate to rehear a single issue from a comprehensive decision. Should the Commission decide to investigate the method for modeling the natural gas forecast, it should institute a full and fair investigation of all components of avoided costs. In addition, Idaho Power's proposal doesn't pass the simplest test of reasonableness. It produces a result which is not comparable to similar generation alternatives in any of the IRPs filed by the three Idaho utilities. These IRPs are the basis for all supply-side and demand-side resource allocation decisions. A published price as low as Idaho Power's proposal will delay or cancel otherwise economic renewable energy projects in favor of increased, higher cost, market purchases. Finally, since the cost of fuel price uncertainty is currently ignored in the SAR methodology, the Commission should recognize that PURPA renewables are already significantly under-priced. Denying Idaho Power's Petition will allow wind energy developers to get back to work producing clean energy instead of regulatory filings.

Respectfully submitted this 24th day of October, 2007:

By 

Glenn Ikemoto, Authorized Manager
Idaho windfarms, LLC

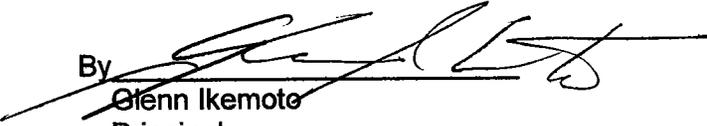
CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of October, 2007, true and correct copies of the COMMENTS OF IDAHO WINDFARMS, LLC were delivered by U.S. Mail to:

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