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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF IDAHO POWER )  
COMPANY'S PETITION TO MODIFY ) IPC-E-07-15  
THE METHODOLOGY FOR DETERMINING )  
FUEL COSTS USED TO ESTABLISH )  
PUBLISHED RATES FOR PURPA )  
QUALIFYING FACILITIES )  
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**COMMENTS OF RENEWABLE NORTHWEST PROJECT**

Renewable Northwest Project ("RNP") appreciates this supplemental opportunity to submit comments in this proceeding.<sup>1</sup>

RNP supports a viable standard contract program under PURPA for small renewable energy projects in Idaho. An appropriate update to the inputs to the published rate is now needed in order to ensure the purposes of PURPA are met, and that small renewable energy projects are not competitively disadvantaged against large thermal energy projects. RNP submits the overarching policy goal of this proceeding is

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<sup>1</sup> Established in 1994, RNP promotes the responsible expansion of solar, wind and geothermal energy in the Northwest. RNP works to establish policies that support renewable energy development and nurture the development of a market for renewables. RNP's unique coalition of members includes renewable energy project developers, public and consumer interest groups, turbine manufacturers, environmental organizations and others.

not to ensure that small renewable energy projects can obtain a high enough price to justify their construction, but rather to ensure that such projects can obtain a price that is essentially equivalent to the price utilities would pay to obtain the power from other incremental sources.

The Commission's core methodology for creating the published avoided cost rate, which uses the estimated costs to build and operate a combined cycle combustion turbine ("CCCT") facility as a surrogate avoided resource, continues to be fully appropriate. Based on information from the Northwest Power and Conservation Council, at least 1,336 MW of new CCCT facilities will come online in 2007 and 2008 alone, including Grays Harbor/Satsop (650 MW), Mint Farm Energy Center (286 MW), and PGE Port Westward (400 MW). Moreover, IdaCorp's recent 10-Q filing with the Securities Exchange Commission included a statement of intent to build a CCCT: "IPC has shifted its focus to the development of a natural gas-fired combined cycle combustion turbine located closer to its load center in southern Idaho." IdaCorp Form 10-Q for quarter ending 9/30/07. Both PacifiCorp's and Avista's most recent Integrated Resource Plans ("IRPs") propose significant additional CCCT resource additions. In short, current information demonstrates the cost of power from CCCT

facilities remains a reasonable measure of the avoided cost of energy and capacity for purposes of PURPA.

Idaho Power's filing in this case poses a very narrow question: Whether the methodology by which the Council's gas forecast is applied to the published rate should be changed in order to account for an expected decline in gas prices. RNP believes the Commission needs to look beyond the narrow question presented by Idaho Power, and determine whether the final published rate resulting from the Company's proposal remains a reasonable estimate of the cost of building and operating a CCCT facility. We submit the rate fails that fundamental test.

As updated under the revised methodology put forth by Idaho Power revised methodology, the new published rate is at least 9% less than Idaho Power's own estimate of the cost of power from a CCCT, according to the Company's most recent IRP.<sup>2</sup> Idaho Power's proposed published rate is even further (more than 13%) below PacifiCorp's IRP estimated cost of power from a CCCT. Staff, Avista, and PacifiCorp propose an even steeper discount for renewables, as compared against the utilities' own CCCT cost estimates.

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<sup>2</sup> The comments filed by Idaho Windfarms in this case (10/24/07) already recount utility IRP estimates of levelized cost of power from a CCCT, which range from about \$75 to nearly \$79/MWh before environmental adders are included.

Thus, the fundamental problem with the narrow proposal put forth by Idaho Power is that the proposed gas forecast methodologies result in a published rate which simply is not a realistic estimate of the cost of power from a CCCT. If the utility/Staff proposal is adopted, we submit the published rate available to small renewable energy projects will be significantly below the utilities incremental avoided cost of energy and capacity. This is best demonstrated by utilities' own intention to acquire CCCT facilities over the next few years, despite estimated power costs that far exceed the price proposed for renewable energy.

RNP recognizes that the published rate will never perfectly match IRP cost estimates, and nor do we recommend that the Commission use utility IRPs to set the published rate. But the utility IRP estimates of the cost of CCCT provide an objective test of whether the published rate is a reasonable measure of avoided energy costs.

We submit that the difference between the published rate proposed by the utilities and Staff versus the IRP estimates has simply become too stark. The difference is particularly stark when one considers that the gap discussed above between the proposed published rate and the IRP estimates **excludes** environmental adders.

For example, environmental adders boosted the estimated cost of power from a CCCT by another \$5.00/MWh in Idaho Power's IRP.<sup>3</sup>

Even with environmental adders raising the estimated cost of power from CCCTs to nearly \$80/MWh, all three major utilities are now planning to build CCCTs.

The National Association of Regulatory Utility Commissioners' recent adoption of a Resolution on Climate Change (adopted November 14, 2007) bears noting here. NARUC's Resolution supports both Idaho Power's and PacifiCorp's use of environmental adders to numerically express the likelihood of some form of carbon regulation in the near future. NARUC's resolution also strongly supports the maintenance of a viable PURPA standard offer program in Idaho, wherein small renewable energy projects can obtain a price for their power that is commensurate with the price that utilities are demonstrably willing to pay for fossil fuel resources.

### **Recommendation**

In light of the above discussion, RNP makes the following proposal:

1. On an interim basis, the Commission should use the existing published rate methodology to update the published rates with the NW

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<sup>3</sup> RNP supports the utilities' inclusion of estimated costs associated with future regulation or taxation of carbon emissions for integrated resource planning.

Power and Conservation Council's new fuel forecast. This results in a published rate of approximately \$72/MWh – a rate that would remain roughly \$3/MWh below (at minimum) the utilities' IRP estimates of the cost of power from CCCTs, even after excluding environmental adders.

2. The Commission should more broadly examine the published rate, including (a) whether the published rate methodology should use a fuel forecast that is updated more regularly than the Council's forecast, (b) whether an averaging method such as that proposed by the utilities and Staff is appropriate, (c) whether capital costs or other factors in the published rate should also be updated, and (d) whether the published rate should include a value for the absence of fuel price risk from renewable energy.

Again, RNP appreciates this opportunity for comment.

Dated: November 21, 2007

Respectfully submitted,

  
Ken Dragoon

## CERTIFICATE OF SERVICE

I certify that on this 21<sup>st</sup> day of November 2007, true and correct copies of the foregoing Comments were served upon the following persons:

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