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IDAHO PUBLIC UTILITIES COMMISSION

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PUBLIC COMMENTS FOR IDAHO PUBLIC UTILITIES COMMISSION –

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CASES: RAINBOW RANCH WIND LLC CASE IPC-E-10-59
 RAINBOW WEST WIND LLC CASE IPC-E-10-60

Dear Commissioners:

This letter is to provide public comments in support of the IPUC decision to approve the firm energy sales agreements with the above community wind projects.

These are excellent projects and are great examples of a true community development. They have been studied and developed with local teams of consultants and landowners to get to the point of commercial development for a period of almost two years. These projects represent a valuable energy resource and supply for the Idaho Power customers and the terms and conditions of the contract are not only fair and justified, but they represent the standard offer terms and conditions these projects were entitled to at the point of execution of the agreements.

It would be totally accurate to state these contracts were finalized before the conditions for such contracts were changed. In fact they were finalized the week before and executed by the projects on December 13, 2010. The other point is these are standard contracts that were simply filled out and not really negotiated or disputed by the projects themselves. These agreements clearly represent the standard offer terms and conditions that the projects agreed to and the only effort required on both parts of the agreements to finalize them consisted of accurately filling in the contact and exhibit information before formal contract agreement execution. Historically, the IPUC has required projects to demonstrate a burden of proof of activity and negotiations with the Utility and American Wind Group did provide such documentation for the projects to submit. However, in this case such a demonstration is beneficial from an overall understanding of the situation, but clearly the contracts were not simply being negotiated, they were finalized and executed.



Jobs and Economic Prosperity

I believe these projects are significant and special in many ways. I believe that a significant amount of wind energy on the local and nation grid is critical to help stabilize the energy security and energy supply on a local, regional, and national basis. The Department of Energy has consistently been supporting a goal of 20—30% of the nation's supply from wind energy and even discussed a goal of 50% by 2050. That push was started and initially promoted by President Bush and carried forward with President Obama. The Federal government has created special incentives for wind projects to be built now and not only provide the needed jobs and employment for construction in the regions like Idaho that have wind, but also support a growing manufacturing industry for the United States based on orders and jobs where those plants have been located. More than that, however, the United States has an increasing number of manufacturers that are supplying wind turbine components and providing specialized services in environmental services, analysis, finance, testing, blade repairs, welding, and other associated industries that aren't as obvious.

The incredible, tangible benefit that comes from this development activity is a rural America economic machine that keeps providing benefits for 20-30 years as long as the wind blows. It provides operations, maintenance, accounting, environmental, consulting, communications, painting, weed control, site maintenance, road upkeep and many other jobs that would not otherwise exist. This local wind project economic machine of today is extremely high technology on a rural farm that preserves and protects the rural way of life. They provide high value jobs in some places that would never exist and create incentives and opportunities for rural school children to grow up, go to college and return to the farms or rural areas with entirely different employment options. Agricultural land with productive wind farms provide a completely new revenue stream to the landowner with almost zero land taken out of production. It also guarantees that land will stay rural agricultural land for the next few decades.

The direct financial contributions are indisputable for rural counties. Each 20MW wind project is expected to contribute over \$100,000 per year in property taxes the first couple years with an escalating payment that is almost \$200,000 per year after 20 years. In total that contribution directly to the county will be about \$2.4M based on 8 turbines turning in the wind. A significant amount of that money goes directly to the schools and their budgets in a stable and yearly increasing payment that doesn't go away when a company sells their operation or moves their plant. Wind projects are a gift that keeps on giving. In fact, most wind projects are repowered after the turbines get older and produce more revenue over time.

A few wind projects in a few places provide a few meaningful jobs and significant tax benefits. Multiple projects in a region, however, can become a significant rural economic growth instrument that is virtually impossible to replicate with any other business or technology. The number of projects



has to reach a critical mass where the industry can justify a local presence and support businesses. The key to this growth will be local support. Counties like Cassia are encouraging wind development by passing laws and zoning rules that encourage developers in areas that are zoned for development. Other counties are considering ways to attract renewable energy manufacturing and development that create sustainable employment and tax revenues.

Wind projects also pay back millions of dollars in income taxes that are often more than twice the value they receive in incentives and credits up front.

Energy Supply Issues

Energy and energy prices are at the core of our economy. The future of energy prices and supply is dependent on decisions made years earlier. Idaho Power secured the Hells Canyon hydroelectric plant opportunity before they needed the resource or the energy and it has been the anchor point for their low costs for the past several decades. The company leaders at that time had the foresight and developed an extremely expensive local resource at that time that paid off for Idaho. I believe that the wind opportunities that these projects represent are like the hydro plants were then. They are a local resource that provides a competitive advantage for Idaho.

The successful energy mix for the future clearly will involve a significant amount of renewable energy and these projects are a meaningful part of that solution for Idaho. Wind energy isn't the only answer just like Hydro wasn't the only answer 50 years ago. Wind is one of the most significant parts of new generation and energy supply for our country and our state. Natural Gas plants are a critical part of the balance. Utilities across the nation are going to be sourcing a substantial amount of energy from wind over the next two decades and new technologies will be implemented to take advantage of that.

Cost of Wind

There appears to be ample evidence in recently approved contracts and energy supply resources such as the Geothermal contract and the Langley Gulch gas plants that these 20 year contract rates for wind projects are lower than other project rates. It seems in other stories across the nation that the cost of generation from other sources than wind is going up faster than expected. In Colorado, the people who signed up to pay a premium for the renewable energy program with wind power are getting rebates back off of their power bills compared to others that are on the standard utility energy program.

What we are finding is that the cost of wind energy (and every other source on the planet) is significantly higher than the embedded cost of old hydroelectric plants and old coal plants. Those have been the lowest cost resources for years but we can't build any more of them, just take care of what



we have. The cost of energy from new coal or new hydro is much more than wind. The rates that have been set and approved by the Idaho PUC for these wind projects is in fact based on the expected avoided cost for new gas fired generation so actually the PUC has set the rates in these contracts. Increasing regulations on burning fuels for energy are guaranteed to raise the costs of energy from those sources in the future. It is really naïve for anyone to pretend that won't affect future prices. I believe it is irresponsible to not take steps now to implement solutions like these wind projects that can help alleviate some of those risks. Wind certainly isn't THE answer, but is definitely one of the main parts.

What isn't obvious to most people is that these contracts end up paying much lower rates in the spring when energy prices are low and higher rates on peak times when the utility needs the energy and costs are often higher. The contract rates follow the relative pricing. In fact these contracts pay a reduced rate at nighttime, Sundays, and holidays also.

The most important part about these wind contracts is that the rates are fixed based on the formula set by the utilities and the Idaho PUC for the next 20 years. If energy rates double or triple in the future, these wind projects will keep providing energy at the agreed upon rates in this contract. The value that wind provides is a hedge or protection against future rate increases for that portion of the supply. The utilities will learn new skills and integrate increasing amounts of wind across the nation. Some long outdated transmission lines and facilities in some areas will be improved and upgraded also across the nation as increasing wind projects are developed.

Conclusion

The bottom line is that these agreements should be approved. They were finalized, printed, and executed by the projects under the rules, conditions, and rates that existed at that time. They are good for the future energy mix of the ratepayers of Idaho and they are good for the local economy and energy security of Idaho and the nation.

Sincerely,

Brian D. Jackson
President, American Wind Group LLC