SNAKE RIVER ALLIANCE
IDAHO'S NUCLEAR WATCHDOG & CLEAN ENERGY ADVOCATE

October 30, 2014

Via Hand Delivery

To: Idaho Public Utilities Commission

From: Ken Miller, Clean Energy Program Director, Snake River Alliance

Re: Snake River Alliance Comments In the Matter of the Application of Idaho Power Company for Approval or Rejection of an Energy Sales Agreement with Grand View PV Solar Two, LLC, for the Sale and Purchase of Electric Energy (Case No. IPC-E-14-19), and the Application of Idaho Power Company For Approval or Rejection of an Energy Sales Agreement with Boise City Solar, LLC, for the Sale and Purchase of Electric Energy, Case No. IPC-E-14-20.

On behalf of our members throughout Idaho Power's Idaho service area and pursuant to Commission Order Nos. 33118 and 33119, the Snake River Alliance appreciates the opportunity to provide its comments on Idaho Power's applications for approval or rejection of the energy sales agreements in both of the above-referenced cases. Recognizing that each proposed Energy Sales Agreement presents circumstances unique to each proposed project, we will nonetheless present these comments in response to both above-referenced Orders, inasmuch as our recommendation for swift Commission approval of each Agreement is similar in both cases.

The Applications

Idaho Power has presented the Commission with two Energy Sales Agreements: One for the proposed 80-megawatt Grand View PV Solar Two LLC, consisting of about 340,480 polysilicon photovoltaic cells in an array approximately 20 miles southwest of Mountain Home. The second is the proposed 40MW Boise City Solar LLC solar array that would be located southeast of Kuna on Sand Creek Road. Both projects have projected online dates in 2016. These projects and Energy Sales Agreements are the first of their kind to be presented to the Commission for approval. They are also the first to be presented to the Commission that would fall under the Commission's revised pricing method for intermittent projects under the 1978 Public Utility Regulatory Policies Act (PURPA). One difference between the proposals is that Grand View's project features PV panels "installed on a single axis tracking system, supported by a fixed post and beam structure" (Order No. 33119, P. 1), while Boise City Solar's would employ a dual axis tracking system (Order No. 33118, P. 1). Another difference between the two projects is that Grand View's Agreement employs provisions for a Mechanical Availability Guarantee (MAG), while the Boise City Solar Agreement contains provisions for a 90/110 firmness requirement (Idaho Power's preference, Order 33118, P. 2).

We encourage the Commission to take note of the fact that the Agreements include solar integration charges, although those charges are grounded in Idaho Power's solar integration study, which "was not yet complete during contract negotiations." (Order 33118, P. 2). As Idaho Power's solar integration costs and requirements continue to evolve, so must future solar Agreements, particularly as they relate to grid integration.

In short and as presented in more detail below, we believe both parties have agreed to Agreement conditions that provide ample protections for Idaho Power and its customers in the event either project fails to perform as expected. We appreciate the willingness on the part of both parties to provide these assurances, which we acknowledge is a likely requirement if either project is to receive Commission approval.

While we would have preferred that project developers retain a 100 percent interest in the respective project's Renewable Energy Credits (RECs), we acknowledge that both developers agreed to a 50-50 REC allotment between the Company and the developer. That being the case, we have no objection to the treatment of the Green Tags in these cases.

Given that these projects can provide clean, reliable generation much closer to load than most of Idaho Power's existing supply-side resources, we believe that, when constructed, each will help Idaho Power expand its distributed generation resources while at the same time providing a valuable generation resource without seriously impacting existing transmission and distribution infrastructure. Together, these two Agreements continue Idaho Power on a more efficient, modern grid infrastructure.

Compliance with the 2012 Idaho Energy Plan

Importantly, both of these projects advance the intent of the 2012 Idaho Energy Plan, which was adopted by the Idaho Legislature in its 2012 Session. Excerpts from the Energy Plan are explicit in recognizing the value of renewable energy as Idaho's electricity resource of second choice, following only energy efficiency as the best value and electricity resource-of-choice, and Commission approval of these Agreements furthers the goals of the Legislature's energy policies:

- *"When acquiring resources, Idaho and Idaho utilities should give priority to cost-effective and prudent: (1) conservation, energy efficiency and demand-response; and (2) renewable resources, recognizing that these alone will not fulfill Idaho's growing energy requirements and that these resources play a role in addition to conventional resources in providing for Idaho's energy needs (2012 Idaho Energy Plan, P. 9);*

- *Idaho utilities should continue to acquire resources that are reliable, affordable, cost-effective, and environmentally sound to meet their customers' short and long-term electricity needs (Action Item E-1, P. 9);*

- *Idaho should encourage cost-effective investment in renewable generation and combined heat and power facilities (P. 9);*

- *The Committee finds ... that continued support for investments in economically attractive local renewable energy resources such as wind energy, geothermal energy, solar, low-head hydro, and biomass fuels could also provide economic benefits, particularly in rural areas of the state, while representing an environmentally friendly source of energy (P. 74);*

- *Though solar is an intermittent resource, its intermittency is consistent, and in general its production potential lines up well with high demand (mid-day). As control systems continue to improve, there is good likelihood for solar to play an important role (P. 49);*

- *The state of Idaho should encourage technologies that minimize emissions, harmful pollutants, and consumptive use of water (Action Item E-6, P. 117);*

- *Idaho could take actions to attempt to mitigate potential greenhouse gas emission regulations through ... supporting development of additional low carbon resources such as geothermal, bioelectricity, wind, solar, distributed hydropower, and biomethane (Action Item E-6, P. 117)."*

It is clear that the intent of the Legislature's 2012 Idaho Energy Plan is to advance deployment of supply-side resources such as solar generation when, as here, it is shown to be cost-effective. It is important to note that, subsequent to the Idaho Energy Plan's adoption more than two years ago, the cost of all forms of solar generation have declined sharply to the point where they are now competitive with most other supply-side resources. If anything, the advantages of generation such as that before the Commission in these two dockets have become more clear and favorable.

Protecting Customer Interests

The Alliance appreciates that analyzing Energy Sales Agreements for a relatively young technology such as utility-scale solar power must be done carefully, and we appreciate the deliberate and methodical manner in which the Commission and Commission staff have approached these groundbreaking Agreements and projects.

Furthermore, "Idaho Power states that the Agreement was executed in compliance with the Commission's orders directing the implementation of PURPA for the State of Idaho and contains negotiated avoided cost rates based on the incremental cost, integrated resource plan pricing methodology available to solar projects whose generation will exceed 100 kilowatts (kW)" (Order 33119, P. 1 and Order 33118, P. 1).

Both proposed Agreements call on Idaho Power to pay the respective developers a non-levelized rate under the 20-year term of the Agreements. The proposed payment level and solar integration charge for each project differ, but are the result of lengthy negotiations between the developers and Idaho Power. Customer protections (such as a reduced price for power below an agreed-upon threshold) for failure of either project to meet their generation estimates are included in each Agreement. In both applications, "the Company states that it is comfortable and confident that the Agreement contains provisions to reasonably assure that the project performs in conformance with it generation estimates and if not, the project receives a reduced priced for the non-conforming month's generation." (Both Orders, P. 2)

As the Commission is aware from prior filings dealing with utility planning and thermal power plant investment issues, it is now clear that the levelized cost of solar power has declined sharply in as short a time as that since Idaho Power's 2013 IRP. At the same time, we now know that the cost of investing in and operating Idaho Power's coal fleet is on an irreversible upward trend. The dynamic of increasingly favorable solar costs (along with solar's non-financial benefits) against steadily rising fossil fuel costs cannot be ignored and should weigh in favor of Commission approval of these two Agreements.

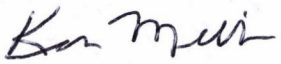
Conclusion

Given the novel nature of these first-ever solar Energy Sales Agreements, we reiterate our appreciation of

the willingness by all concerned to negotiate these Agreements. We believe the addition of these grid-tied solar projects to Idaho Power's generation portfolio will help blaze the trail for projects that are already joining these two in the PUCs case queue. The Commission is aware of the Alliance's long support of appropriate renewable energy technologies and of demand-side management programs as ways to help ensure that Idaho meet its obligations to reduce our share of the region's greenhouse gas emissions. We believe that solar power projects such as these are truly revolutionary in that they not only help bring clarity to solar project contracting provisions and future negotiations, but that they also support the spirit and the letter of the 2012 Idaho Energy Plan. In addition, we believe that development of these two projects will be a boost to Idaho Power – and the state of Idaho, for that matter – as we work toward compliance with the pending final Clean Air Act Rule 111(d) requiring sharp reductions in greenhouse gas emissions by each state.

As always, the Alliance appreciates this opportunity to provide its views on this important issue. The level of public interest in these dockets, as reflected in part by the volume of public comment, is inspiring and yet another indication of the strong support at this Commission of solar power in Idaho's energy future. We urge the Commission to approve both of these Energy Sales Agreements and acknowledge that both advance the public interest. We also support the Commission's determination that these dockets should proceed under Modified procedure pursuant to Rules 201 through 204 of the PUC's Rules of Procedure, IDAPA 31.01.01.201-204.

Respectfully submitted,



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