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Jean Jewell

From: Ed Howell
Sent: Tuesday, February 14, 2006 5:24 PM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Tuesday, February 14, 2006
5:23:56 PM

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Comment description: Comments on Power Sales Agreement between PacifiCorp and Schwendiman for a 20 MW rated output wind farm east of Idaho Falls.

As a ratepayer in Idaho Power Company service territory, I submit my comments in view of the potential effects this contract may have in setting a precedent for Idaho Power PURPA wind contracts. To start out, I do not want to be protected from wind power. I want to get as much of it as we can creatively fit into the system. The 90% to 110% provision is doing just that, protecting me from wind.

In as much as I am protected from wind power being integrated into the electric supply, I am subjected to other generating resources, resources from which you have absolutely no control of what costs will be transferred directly to me. Not considering the environmental considerations of any generating resource, the huge risks of price variability associated with fossil fuel-based generation are not born by the company that makes the decision on resources. If other generating resources were required to supply power according to a PURPA type rate, then I would feel that you are not protecting me from wind.

If the 90% to 110% provision had anything to do with some controllable aspect of wind generating resources, it could be useful. As it is it costs the developers of wind projects a great deal more than the value it delivers to me. This inequality of cost vs. benefit pushes choices toward other generation resources that would cost me far more than would wind.

This regulation smacks of the granting of monopoly rights to industry insiders. Stephen L. Parente and Edward C. Prescott, the 2004 Nobel Prize winners in economics, describe in their book "Barriers to Riches" how the granting of monopoly rights by government is at the heart of the differences in incomes between nations. The more you grant, the lower your average income.

It makes some sense to grant monopoly rights to natural monopolies and it could be argued that when the only choices for power generation were hydropower or coal, a natural monopoly of for generation could exist considering the large scales and concentrated resources required for these power generation techniques. However, this is far more difficult to argue with the hundreds of potential PURPA scale wind sites throughout southern Idaho. Here is a description of monopoly rights from the "Barriers to Riches"

"These monopoly rights are protected via regulation that makes it costly for a group of outsiders to enter the industry with a superior technology. The stronger is this protection, the greater the amount of resources a group of potential adopters of a superior technology must spend to overcome resistance to the use of that superior technology"

Also they say, "A key element of our abstraction is state protection of monopoly rights. How widespread these monopoly rights are in a country depends largely on the behavior of the state. The state must prevent firms in the industry from changing work practices of production methods that would increase productivity ..."
Putting arbitrary and costly restrictions on the independent (outsider) wind industry must be the granting of monopoly rights.

Lets assume that there is value for me as a ratepayer for my utility to pay less for wind power when it is not delivered according to a schedule made at least three months in advance. What if there was an incentive you could apply that would give me that value. If the incentive was equal to the cost of providing that value, this makes sense. When the cost is three or more times more than the value it provides, it makes no sense. We learned in the Idaho Power workshop series ordered by you on finding a good way to determine what a fair cost of integrating wind would be, that it is impossible to predict wind power output with any better than historical seasonal wind variation. If there was a way, and it had a cost and it provided a true benefit to the utility and to me, this would make sense.

If you want to lower the price of wind because it is intermittent, fine. If you want to grant monopoly rights to entrenched resources by putting arbitrary, non-pertinent, unattainable requirements on wind while shielding other generation resources from the real costs of fuel price variability, then, not so fine. The 90% to 110% requirement is a market distortion that will make my costs of electricity higher by brining in more coal and gas. If you want to maintain the unrealistic protection of the utility (read here monopoly) from fuel price variations at least do not put arbitrarily and capriciously detrimental rules in place for wind. Do something reasonable. I suggest including any value of the 90% to 110% rule in integration costs.

If you want to encourage accurate predictions of wind project output, 90% to 110% will not do it. My calculations show that to maximize profit (for the wind farm owner) the owner should always predict output at 80% of what it really expects. Even this may be high as I used a 20% standard deviation for same month, year-to-year variation of generation. LeRoy Jarolimek, who owns a 20 kW net-metered Jacobs wind turbine near Burley reports that last year it generated 800 kWh in January and this January it generated 4,800 kWh. I don't know where the idea that wind generation could be predicted three months in advance came from, but it certainly did not come from the experts in the field. If 90% to 110% related to anything controllable or real in wind power generation, it could be viewed as a means to ensure wind project performance, somewhat like a minimum availability guarantee combined with an integration cost price reduction. As it is, I can only conclude that it is a means to retain monopoly rights in generation resource selection by utilities. If this is the case, the odds of it raising my costs as a ratepayer are, in my opinion, well above 50%.

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