



City of Ketchum

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February 24, 2015

Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720

Re: IPE-E-15-01

Dear Commissioners,

The City of Ketchum appreciates the opportunity to comment on Idaho Power's filing with the PUC concerning shortening the length of PURPA contracts. Ketchum is anxious to increase its use of renewable energy and to encourage the development of renewable energy projects to help Idaho to reduce its dependence on fossil fuels. A strong economy, clean energy and a healthy natural environment are key components of Ketchum's resilience strategy. Idaho Power's request to shorten the PURPA contract length is in direct conflict with our community's goals. Current PUC rules require Idaho Power to enter into 20-year contracts for new independently produced renewable energy facilities. Idaho Power has asked that this requirement be reduced to two years.

Long-term contracts provide renewable energy developers the opportunity to secure the financing to build their projects. Ketchum based Sagebrush Solar's plan to develop an 8.5 MW community solar farm between Ketchum and Hailey beginning with a 2.5 MW Phase 1 in 2015 would in effect be halted by anything shorter than a 20-year contract. In 2012, the PUC ruled against reducing 20-year contracts stating "We continue to believe that a 20-year contract better coincides with the useful life of the renewable/cogeneration resources."

The rapid growth of the solar industry in Idaho should not come as a surprise to Idaho Power and could have been addressed with more acuity in recent IRPs. Idaho Power's poor planning and over-purchasing of out-of-state resources should not come at the expense of Idaho ratepayers. If solar can out-compete traditional power sources then solar should be encouraged by the PUC to enable locking in long-term contracts and low prices while Idaho Power shuts down older fossil fuel plants and opens access to clean energy across the state. If there is a cost for their lack of planning, Idaho Power shareholders should pay for those costs, not ratepayers.

In January 2014, the Ketchum City Council formed the Ketchum Energy Advisory Committee (KEAC) to address energy risks and opportunities, focused on reliability, environment, and economy. To that end, Ketchum is building an energy resilience strategy including renewable energy, local generation, carbon neutrality and energy efficiency goals. A critical first step will be an energy innovation district, combining local generation (rooftop solar, community solar, utility-scale solar and combined heat and power CHP), integrated

storage, and a mini-grid to connect local generation, storage and critical loads. To carry out our work, we are collaborating with Idaho Power, NRG, and the Rocky Mountain Institute, among others.

Several KEAC members are also working with the Wood River Valley Renewable Energy Working Group established by Idaho Power in 2014 to create a pilot project for renewable energy in the Wood River Valley. In addition, Idaho Power and the Citizens Advisory Committee reviewing the transmission risks facing the north Wood River Valley are considering a “redundant distribution” strategy that would support combining local renewable energy with a new 138kV transmission line from Hailey to Ketchum. We believe that the PUC must maintain the current PURPA rules so that we can continue strengthening Ketchum’s resilience and our economy on which it relies.

According to Idaho Power, it is seeking to change our PURPA rules in order to slow down solar energy growth in Idaho. Idaho Power’s latest IRP forecasts that there is no need for additional power plants until the year 2021. Because of this claimed lack of need, Idaho Power wishes to sign short-term PURPA contracts so it can reassess the need and price for solar. But at the same time Idaho Power continues to pursue building the massive Boardman to Hemingway Transmission line to meet future growth for years beyond 2021. When Idaho Power builds a resource, it locks customers into paying for it for the life of the facility, twenty years or more. Just as IPCo needs long-term contracts for its investments, so do independent renewable energy producers. As recently as 2012, as noted above, the state PUC agreed.

We have plenty of energy here in Idaho that should be tapped to meet our local needs, creating jobs here and benefiting our tax base. Local energy investments should have at least as desirable a set of rules as out of state investments.

Another reason Idaho Power wishes to slow down solar development is that it claims the PURPA contract price is higher than the average price the company pays for coal and natural gas, and that the requirement to buy renewable energy could increase customer bills. It is critical that we understand the full costs of those sources, especially coal, since the proposed Clean Power Plan under the Clean Air Act will require significant clean-up of these old facilities. How does the recent \$138 million expenditure at the Jim Bridger coal plant Units 3 and 4, in which Idaho Power is a 1/3 owner, impact Idaho ratepayers? How will an expenditure in excess of \$800 million for selective catalytic reduction (SCR) on all four Bridger units impact Idaho ratepayers? What is the actual cost that ratepayers are paying for coal-fired electricity and with only partial clean up of Bridger to date? What will be the future costs of finishing that job to bring it into compliance, and what will that mean to Idaho ratepayers? The massive investments in SCRs at Bridger does nothing to control carbon dioxide emissions as the technology to reduce those emissions does not yet exist, but there will be significant costs if and when greenhouse gas controls are developed. Idaho Power’s 50% ownership in the two N. Valmy coal plants will also add extensive clean-up costs to ratepayers. The full cost of compliance – with all current environmental regulations taken into account, including the pending cost of carbon – makes continued expenditure on and operation of coal plants no longer economically justifiable. As the true cost of coal becomes clearer, new alternative resources will be needed sooner than currently anticipated. Therefore, in addressing changes to the PURPA rules, the PUC should establish stronger precedents in how it assesses the true costs of continued operation of coal fired plants.

Idaho Power claims that a combination of traditional and renewable resources could exceed customer demand causing the sale of energy to other states at a loss. A counter argument to this issue is that the wholesale market price fluctuates. Sometimes the “avoided cost” under PURPA contracts may be more expensive than alternatives while other times it may be less. In addition, Idaho Power designed the pricing model, and despite claiming it no longer works, the company does not offer any solutions. There are solutions.

Before considering a PURPA rule change that would have devastating consequences on independent renewable energy power producers and consequently on the production of renewable energy in Idaho, the PUC should study how to improve the pricing model, determine how the fact that Idaho-grown renewable energy benefits the state

through job creation and reduced price risk, and how the indirect costs of fossil fuel energy, which harms our valuable natural environment, also harms the ratepayer and the state's economy.

Idaho has been fortunate to have access to hydro power, which IPCo considers a renewable resource. In the near-term, this resource can be a good complement to additional solar power: solar nicely matches peak power use and hydropower can fill in where solar doesn't, primarily late afternoon and early evening. However, although essentially carbon-free, dams cause significant biological and environmental damage to anadromous fish, natural river flow and temperature. Burning climate-disruptive coal is impacting hydro production by altering the amount of water as a result of decreased snow pack and drought. To make up for diminished hydro (in 2013 hydro was only 42% of the state's energy and coal 47%) more coal must be burned, which emits more carbon further disrupting the climate and hydro generation. The cycle can only be mitigated with the addition of solar. Furthermore, over allocation of water rights in conjunction with drought means there is not enough water for all users. Hydro is now most available when it is least needed. Also, as the dams continue to be silted in by the toxic sludge from southern Idaho's massive dairy industry, they will eventually be unable to produce power. This is a serious consideration in future energy production for the state. With more solar additions to Idaho's energy system, less hydropower will be needed, and these growing risks associated with our hydroelectric system can be mitigated. Finally, like hydro with its near-constant fuel price, solar also dramatically decreases ratepayers' energy pricing risk.

At a local level, Ketchum is one of the most popular tourist destinations in the western United States due to world-class skiing at Sun Valley, mountain biking, fishing, hiking, river rafting, restaurants, and art galleries. Visitors from around the globe and across the country including, of course, the Seattle and San Francisco technology sectors, are concerned about energy reliability and security, and protecting the exquisite natural environment that draws them here. Renewable energy attributes and ratings influence whether their conferences are held here or in some other more energy-conscious state. "Put the Sun in Sun Valley" is a slogan Ketchum hopes will create a national example and draw more tourists and cutting-edge entrepreneurs to our beautiful state.

Given the critical importance of outdoor recreation to Ketchum's economy, community leaders are concerned about climate change impacts: the 2013 Beaver Creek fire cost the economy over \$40 million, 23% of our average annual economic activity. Continuing years of low snow pack, warm temperatures and fire threat will further affect the local economy, which also impacts the state's economy. Currently, \$35 million per year leaves our valley and state to pay for energy generated out of state while hurting the state as well as the local economy. Maintaining fair PURPA rules that give local renewable energy projects a chance is a critical way the PUC can support our local economy.

The City of Ketchum recognizes the severity of our energy situation and requests that the PUC take the above points into serious consideration for the future benefit of our state's residents and environment.

Sincerely,



Nina Jonas
Mayor