

IDAHO PUBLIC UTILITIES COMMISSION

Case No. IPC-E-05-22

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Idaho Power, Avista seek suspension of small wind-power projects

Boise – The Idaho Public Utilities Commission will hear oral arguments July 22 on Idaho Power Company's petition to temporarily suspend the company's federal obligation to buy wind power from independent developers of qualifying small-scale wind projects.

Avista Utilities, headquartered in Spokane, and serving customers in northern Idaho, filed comments in support of Idaho Power's petition and asked that the temporary suspension apply to it as well.

The Public Utility Regulatory Policies Act of 1978 (PURPA) requires regulated electric utilities to buy renewable power from qualifying small-scale power production facilities. The act, in response to the energy crisis of the late 1970s, requires that electric utilities offer to buy power produced by small power producers at an "avoided-cost rate" equal to the cost the electric utility avoids if it would have had to generate the power itself or purchase it from another source.

The avoided-cost rate that Idaho Power must pay to qualifying wind developers for 20-year contracts averages \$60 per megawatt-hour. That's considerably more, Idaho Power contends, than it has to pay in standard contract rates for large-scale wind projects. The company cites, as an example, a 135-MW wind project recently approved in Montana that was priced at \$31.71 per MWh.

The Idaho commission set the avoided cost rate and determined the parameters of wind and geothermal contracts in a major case that concluded in November 2004. At that time, the commission ruled that projects 10 average megawatts and smaller would qualify for the avoided-cost rate. Since that case was settled and since Congress approved a production tax credit of \$18 per MWh for wind projects, Idaho Power claims it has received an unforeseen number of wind projects that will negatively impact the company's power supply costs, threaten the reliability of the electric grid and has already artificially inflated the bids it receives from large-scale wind developers.

Since last November, Idaho Power has signed contracts from wind developers totaling 61.5 MW and has applications pending before the commission for another 21.5 MW. The company has also received contracts from developers intending to pursue another 193 MW of wind projects. Before the completion of the 2004 case, Idaho Power had less than 1 MW of PURPA wind-powered generation under contract.

The money that Idaho Power pays wind developers is included as part of Idaho Power's overall power supply cost that is eventually recovered from customers in the company's power cost

adjustment (PCA) process every spring. Customers will be impacted negatively, the company contends, because they will be reimbursing the company for power supply costs at the higher avoided-cost rate of about \$60 per MWh.

Further, Idaho Power contends, the higher rate paid small developers is impacting the company's bid process for wind from large-scale projects. Bid responses are averaging about \$55 MWh, which the company contends is not reflective of market prices. The company claims the bids are being unduly influenced by the current avoided-cost rates.

Idaho Power further alleges that large-scale developers are reconfiguring their projects into several smaller projects so that they qualify for avoided-cost rates under the commission's 10 average-MW limit.

Wind developers, responding to Idaho Power's application, claim the commission does not have authority to suspend an electric utility's purchase obligations under federal PURPA requirements and that developers will be economically harmed because of the substantial investments already made.

The developers also maintain that the company had the opportunity to address concerns such as the impact of intermittent wind on the company's grid during the case that concluded last November.

Idaho Power seeks the suspension to allow time for an independent study to assess the total amount of additional wind resources the company can absorb without negatively impacting its overall power supply costs and grid reliability. The company also wants time to submit a proposal for a new avoided-cost rate tailored to wind resources that have to be backed-up by alternative power due to the unpredictability of wind. Further, the company wants to propose possible steps to increase the likelihood of large-scale wind bids that more accurately reflect market prices.

Parties seeking to intervene in the case so they can present evidence, cross-examine witnesses and participate in settlement discussions must file a petition with the commission by July 15. Parties must also file their direct testimony and exhibits by that date.

The commission will hear oral arguments on Friday, July 22, at 9:30 a.m. in the commission hearing room at 472 W. Washington St. in Boise.

Documents related to this case are on the commission's Website at www.puc.idaho.gov. Click on "File Room," then on "Electric Cases," and scroll down to Case No. IPC-E-05-22.