

**Subcommittee on Renewable Energy Resources  
Committee on Energy  
House Majority Caucus Room  
Statehouse  
Boise, Idaho  
September 30, 2003  
9:30 a.m.**

The meeting was called to order at 9:30 a.m. by Cochairman Senator Brent Hill. Other subcommittee members present were Senator Joe Stegner, Senator Clint Stennett, Cochairman Representative George Eskridge and Representative Bert Stevenson.

Others present were Norm Semanko, Idaho Water Users Association; Russell Westerberg, PacifiCorp; Rich Hahn, Idaho Power; Robert Hoppie, Idaho Energy Division; Bill Eastlake and Ron Law, Idaho Public Utilities Commission; Kevin Kitz, U.S. Geothermal; Neil Colwell, Avista Corporation; Russ Hendricks, Farm Bureau; Jim Kempton, Northwest Power and Conservation Council; John J. Williams, Bonneville Power Administration and Carl F. Austin and Richard Austin, Idatherm. Staff members present were Mike Nugent and Toni Hobbs.

**Mr. Jon Wellinghoff**, an attorney in Las Vegas, Nevada, specializing in the area of renewable energy and energy efficiency was introduced to discuss Renewable Portfolio Standards (RPS). An RPS is a way to establish a market based mechanism where a set aside of renewable energy is set forth in the portfolio of the utilities in the state. It really provides for a mechanism where renewables can be competitive with other more traditional fossil fuel methods of generation.

About six months ago, a study was done by the Union of Concerned Scientists that graded states on the use of renewable energy. Nevada was one of only two states to receive the highest grade of A. Thirty-four states received either D or F. One of the things they used in grading the states was the RPS. They determined that RPS would be a driver for the use of renewable energy. A copy of **Mr. Wellinghoff's** presentation is available at <http://www2.state.id.us/legislat/03intcom.html>. This includes maps and graphs showing more specific breakdowns of what states are encouraging the use of renewable energy. Currently there are about 7,460 MW of renewables being used in this country. The Union of Concerned Scientists has projected that over the next ten years there will be an additional 13,000 MW of renewables overall with the largest amount being in California.

In states that have RPS programs, Nevada has a 15% RPS with 5% solar by 2013. The solar component was added because Nevada has a tremendous amount of solar resources. If Idaho was to develop a program, it could emphasize other areas such as digesters or wind. Arizona's RPS is 1.1% by 2007 with 60% of that being solar. Texas RPS is 2.2% by 2009 but they have almost met that. Even though the Texas amount seems small, it is over 1,500 to 2,000 MW total. States

are mixed as to how these programs are put in place. Some states put them under the authority of the state public utilities commission, other states legislatures have enacted the RPS standards.

The federal RPS appears to be going nowhere. The RPS is included in Senate HR6 that is in conference committee. It includes a 1% RPS by 2005 and increasing 1.2% every two years. It goes to 10% by 2019. The problem with this proposal is there is no effective state savings clause. This means that it gives no provision for states that already have RPS in effect. If the federal RPS goes into effect, it could negate other state programs. In response to a question from **Senator Stegner, Mr. Wellinghoff** described a state savings clause as a clause stating that despite the provisions of the federal RPS law, if a state has enacted or does enact its own RPS that is different from the federal law, the state law will take precedent. There is no RPS in the House version of HR6.

There are things happening at the federal level that will promote renewables. A federal production tax credit exists for wind energy of about 1.8 cents KWH. This means for every KW of wind produced, the producers get 1.8 cents. This only applies to wind. The Senate is proposing to expand this tax credit to all renewables.

Geothermal energy with the tax credit would be about to compete or beat the price of gas or coal as well as other renewables. It would also be able to qualify for PURPA contracts. Without the tax credit, it does not compete in any of these areas. Even with a production tax credit, it is still important to have an RPS overall to provide a competitive market in the state for a portion of the requirements in the utility's portfolio. It is important to diversify that portfolio. In response to a question from **Representative Eskridge, Mr. Wellinghoff** stated that geothermal could compete with wind energy given the production tax credit due to the fact that wind is an intermittent resource that has to be backed up by hydro or natural to provide energy on a steady basis. Geothermal energy is available all the time. Ninety to ninety-five percent of the time, the geothermal plant is producing energy. The increment of capacity makes geothermal competitive with wind at 4.2 cents compared to wind at 3.5 cents KWH.

**Mr. Wellinghoff** clarified that the production tax credit (P.C.) in place today expires at the end of the year and it has been extended before. There is a proposal in the energy bill that would expand the P.C. to include geothermal, solar and biomass, as well as wind. **Senator Stegner** asked why the P.C. was only given to wind in the first place. **Mr. Wellinghoff** answered that there was a compromise about ten years ago. At that time the geothermal people preferred to have an investment tax credit over the P.C. As it turns out, the P.C. has been much more advantageous to promoting the development of the renewable resource. The investment tax credit is still in place but will disappear if these other forms of energy are given the P.C.

**Mr. Bill Eastlake, Idaho Public Utilities Commission**, explained that Idaho's avoided cost rate that was revised last year for a twenty year plant going online in two years would be 5.1 cents. The revisions done by the Northwest Power Planning Council increases that to 5.5 cents. **Mr. Wellinghoff** stated that at 5.5 cents KWH, geothermal is close to competing with gas depending on where gas prices are. The difficulty is comparing the 15 to 20 year renewable contracts against the shorter term natural gas contracts.

The RPS in Nevada received tremendous support from the rural Senators in the legislature. The reason for this support was, like Idaho, the resources necessary to fill the RPS portfolio standard are typically located in rural areas. Development of these resources tends to promote economic development in those rural areas. It is figured that, over the ten year period from 2003 to 2013 for the rural counties where these renewable energy systems will be developed, investments will be over \$3 million.

The bill itself (SB372) was passed in 2001. It provides that 15% of the energy sales in Nevada by 2013 be from renewable sources. It began in 2003 at 5% and increase by 2% per year until 2013. The resources include geothermal, wind, biomass and solar energy with a 5% set aside for solar. In 2003 there is additional provision for waste heat as a source also. This RPS includes all utilities under the Public Utilities Commission of Nevada and the PUC can impose fines for non-compliance. **Mr. Wellinghoff**, in response to a question from **Senator Hill**, clarified that this law is strictly a mandate. There are no incentives for utilities to comply but there are penalties for non-compliance. There are no provisions that tack on additional charges to consumers to pay for this. He also stated that the two utilities are allowed trading credits, due to their geographic locations, in order to meet the standards.

The first RPS contract in Nevada was awarded in March, 2003. It includes 89 MW of geothermal energy with prices ranging from .42 to .52 cents per KWH. This is currently below the IPUC avoided cost rate. This contract also includes 138 MW of wind and solar energy. The wind price ranges from .03 to .04 cents per KWH. This 227 MW of renewable power will meet the RPS requirement up to 2007.

When this legislation was first introduced, the Nevada utilities testified that based upon their projections looking ahead over 20 years, this law would cost consumers an additional \$300 million in higher rates above market. Once these contracts were finalized, the utilities did another calculation based on actual contract prices paid. The new calculations over 20 years show that these contracts will save consumers \$15.8 million. This law was independent of the deregulation/reregulation that Nevada went through. Also the RPS applies to any commercial or industrial customer that has 1 MW or more of power.

**Senator Stennett** asked if small hydro projects were considered renewable energy sources. **Mr. Wellinghoff** said that Nevada added waste heat and small hydro to the standard in 2003 and each state can tailor the sources to what best fits the state's resources.

**Representative Eskridge** asked about Nevada's avoided cost rate. **Mr. Wellinghoff** stated that Nevada does not have a published, long term avoided cost rate. The short term cost is much lower than Idaho, but he did not know what it was. Nevada was looking at the bids utilities were issuing and using the winning bid as an avoided cost.

**Mr. Wellinghoff** continued in response to another question from **Representative Eskridge** that the ratepayers are benefitting from lower rates and rural economic development in the state. According to the utilities analysis with these contracts and of what they would pay without renewables in the future, the ratepayers saved about \$15.8 million. **Senator Hill** asked why the estimate was off by so much. **Mr. Wellinghoff** answered that this is due to competition. This

RPS set up a system of competition for renewables that was not there before. Nevada had a tremendous amount of bids to provide this renewable energy. Most of this power is coming from outside contracts although the utilities could build their own renewable plants under the law.

**Senator Stegner** asked how the 227 MW in renewable contracts compares to the increase in demand in Nevada over the same time frame until 2007. **Mr. Wellinghoff** stated that Nevada power is seeing a growth rate of 300 MW per year and Sierra Pacific Power's growth rate is about 75MW over that same time. The 227 MW is only a very small part of the state's needs.

**Mr. Wellinghoff** continued that the utilities are responsible to issue the requests for bid to get these resources into their portfolios. They then report to the state PUC what they have done. The prices for this power are busbar prices so there are no transmission costs. The law requires that the resources must be located within the state of Nevada or on a dedicated line into the state.

**Representative Eskridge** asked why this needed to be mandatory if there are so many bids to provide the power. **Mr. Wellinghoff** said that was because before the RPS there was no process for the competition. Without published avoided cost rates, there is no way for a renewable provider to finance plant development. Without a ten to twelve year contract to back up the plant, there is no way to get financing.

**Mr. Brian Parsons, National Wind Technology Center**, was introduced to update the committee on wind energy. He explained that his organization is part of the National Renewable Energy Laboratory that is a Department of Energy funded resource laboratory focusing on all renewables. They are a government owned contractor operated laboratory. The wind energy section of this laboratory focuses on ways to bring down the cost of hardware and increasing the efficiency. They look at all issues of technology improvement. **Mr. Parson** works with utilities on the issues of integrating wind into the grid. These issues include transmission and ancillary services.

Wind turbines come in three different categories. Small wind turbines are less than 10KW in size. Intermediate turbines ranges from 10 to 500 KW. These are used for village power, hybrid systems and distributed power. Generally these are for remote village grids common in the developing world. Large wind turbines are from 500 KW to 6 MV and include central station wind farms and offshore wind generation. These are going to be the primary focus of his discussion.

**Mr. Parsons** gave some background on the evolution of wind technology in the United States. His complete presentation is available at <http://www2.state.id.us/legislat/03intcom.html>. He commented that turbines keep getting larger and larger and the costs are getting lower. In the 1980s wind turbines being installed were from 50 to 200 KW in size. Since that time, the largest machine is 1.5 MWs and is the size of a Boeing 747 airplane. There are 5 and 6 MW designs on the table. The cost is about \$1 million per MW installed.

**Mr. Parsons** clarified that the federal production tax credit (P.C.) that was discussed earlier is 1.8 cents per KWH of wind energy generated for the first ten years of operation. If a wind plant is in place by the end of 2003, the P.C. would last until 2013. On the other hand, a plant that was

put in place in 1990 would no longer be eligible for that credit. The extension discussed is an extension of the date plants have to come online. He agreed with **Mr. Wellinghoff's** statement that at the time the P.C. was established, other renewables wanted investment tax credits instead because that was the more traditional way of doing things. In his opinion, the P.C. has incentivized the wind turbine manufacturers and wind power operators to produce. The investment tax credit is based on how much is spent putting the plant in.

**Senator Hill** asked if development of wind is generally due to policy. **Mr. Parsons** said that the drivers for wind energy included:

- Declining Wind Costs
- Fuel Price Uncertainty
- Federal and State Policies
- Economic Development
- Green Power
- Energy Security

Determining factors to wind development include:

- Wind Resource
- Financing and Ownership Structure
- Taxes and Policy Incentives
- Plant Size: equipment, installation and O&M economies of scale
- Turbine size, model and tower height
- Green field or site expansion
- What is included: land, transmission, ancillary services

**Senator Stegner** asked about the sound impact to an area below the turbines. **Mr. Parsons** stated that modern turbines are much quieter than those in the past. The typical set-back from homes is 250 to 450 feet and the in-home noise compares to a refrigerator. The noise level does go up as the wind speed increases and there is both mechanical and air noise. If a turbine is in the middle of an agricultural or grazing field, there is little or no problem.

Wind Power's Natural Characteristics include:

- Remote - Wind resources are often distant from major load centers. This also includes the issue of transmission. Wind cannot be moved so transmission must be close by.
- Variable - Plant output varies with variations in the wind.
- New - Wind is different for utilities. Operators are more comfortable with established power technologies with known characteristics.

Key issues for wind deal with:

- Transmission: access, RTO formation and rules, new lines

**Mr. Parsons** stated that transmission is the most critical long-term issue facing wind. Energy policy is in a major transition phase currently. RTO formation in the west is a big issue and transmission planning is a big issue everywhere. No new transmission lines have been built for many years. It is very uncertain, if you invest in a transmission line, how you would recover your investment. He stated that transmission does not add a lot of cost to a consumer's electric bill. A proposed 20% increase in transmission infrastructure in the midwest would be result in a very small increase in electric bills.

- Operational impacts: intermittency, ancillary services, allocation of costs

Ancillary service costs are all the little things involved in keeping the power system balanced and running on a short-term basis.

- Siting and Permitting: avian/wildlife, noise, visual, federal land

**Mr. Parsons** admitted that wind turbines do kill birds but not many. A large plant in California is killing protected Raptors. This problem has been recognized and procedures are in place that look at preconstruction environmental surveys of species. So far this problem has not reoccurred.

There has been an effort by the Bush Administration to open up federal land to renewable energy projects. Historically project developers have avoided federal land because of the permitting procedures required. There are new guidelines being developed to make this process easier.

- Restructuring, regulatory, and market uncertainty
- Accounting for non-monetary value: green power, no fuel price risk, reduced emissions

There is a list of recently completed wind integration studies that are included in **Mr. Parsons** presentation that is available at <http://www2.state.id.us/legislat/03intcom.html>.

In response to a question from **Representative Eskridge**, **Mr. Parsons** said that wind and hydro would seem to be a good combination because dry years for water are worse than low wind years for wind and they could complement each other.

**Representative Smylie** commented that in looking at the charts, even for large projects the maximum energy produced is about 5 MW. At this level it would take a gigantic wind farm to be able to produce as much energy as a traditional power plant. As a result of this, in his opinion,

wind power will always only be a supplemental source of energy, not a major source. **Mr. Parsons** said that depends on how things are defined. A 100 MW wind farm may take 60 to 70 wind turbines with 25 to 50 acres of land spaced around each wind turbine. Realistically, no one expects wind to become the major source of energy production. It will be a part of the picture and will allow the country to not be dependent on one technology or fuel. Wind can be very significant and there is a goal of meeting 5% of U.S. electricity needs by 2010 or 80 gigawatts of power. This is a 30 to 40% growth rate in wind installations per year. Longer term, in high wind regions, the energy provided could be 10 to 20% of demand.

**Mr. Matthew Brown, Energy Program Director from the National Council of State Legislators**, was the next speaker. His complete presentation is available at <http://www2.state.id.us/legislat/03intcom.html>. He commented that in working with other states it seems that, in general, other bodies of government like the PUC will wait for direction from the legislature on what to do, especially with renewables. The legislature's decisions are critical.

Despite the fact that Idaho generation is overwhelmingly hydro, retail power rates have fluctuated considerably in the past five years. This has happened in large part because Idaho utilities have needed to purchase power from more volatile regional power markets. Natural gas prices drive many of these markets. **Mr. Brown's** presentation includes more detailed charts explaining rates and natural gas prices. He explained that 90% to 95% of the power plants that have been built in this country rely on natural gas. On the other hand, sustained natural gas prices have essentially doubled from where they were a couple of years ago.

Idaho has good, undeveloped renewable resources from wind, geothermal and even solar power. Idaho also has considerable potential biomass-based resources (including anaerobic digestion).

Even though Idaho has done less from a policy perspective than other states, there are incentives for renewable energy that exist in Idaho today. They include:

- Solar, wind and geothermal tax deduction capped at \$5,000 per year, \$20,000 total.

Usual usage is around \$250,000 per year.

- Low interest loans for renewable projects

Hardly used at all (perhaps 1-2 per year)

- Utilities have green pricing programs
- Utilities have net metering programs

Previously the state had \$75,000 grant program for solar energy that was very successful according to the Idaho Department of Water Resources.

The bottom line is that:

- Idaho has significant, varied renewable resources.
- Idaho has continuing exposure to regional power markets and price risks.
- Idaho incentives for renewables thus far appear to have had minimal impact.
- Limited experience shows potential for incentives to have an effect.
- Changes to existing rate structures may have a real effect, even without explicit incentives.

**Mr. Brown** stated that whenever renewable energy is discussed, it really involves money. Most renewables cost a little more than traditional sources of electricity at the outset. On the other hand, most renewables don't have volatile prices; their fuel costs nothing. Also, renewables have other benefits that might not show up in rates such as environments, waste management and economic development benefits. These benefits are primary reasons why other states are focusing on renewables.

To be effective, renewable energy policies need to address pricing, term/length of contracts and rules for interconnecting with the power grid. There are many different policies to address each of these issues such as:

- PURPA rates

**Mr. Brown** cautioned the committee that, in his opinion, PURPA will not be in effect within a year. It is likely to be repealed through the energy bill in Congress. This happens to be one of the less controversial parts of the energy bill. **Senator Stegner** stated that was very important news to the committee and asked why it will not be renewed. **Mr. Brown** answered that in the many states he has visited, most do not even bring PURPA up in discussions on energy. He added that PURPA was significant in the 1980s and 1990s to promote small energy projects. Today it has become irrelevant in most parts of the country. **Senator Stegner** commented that Idaho's interest in PURPA is tied to the dilemma of whether to develop mandated percentages of renewable power generation or to rely instead on incentives. If PURPA-style incentives are chosen, the state still needs a statutory way to require utilities to purchase this power. He asked if most states have abandoned incentives for mandatory standards. **Mr. Brown** said that the RPS is a flexible mandate and this seems to be the direction most states are headed. **Senator Stennett** asked what the biggest hurdle will be if PURPA is repealed. **Mr. Brown** said that a state version of PURPA would be easier to develop without the federal PURPA in the way.

- Green pricing with revenues to support Idaho projects

Utilities in Idaho have green pricing programs in effect that are a voluntary contribution that is used to encourage renewables in some way. All three investor owned utilities in Idaho have such programs. Idaho Power has close to 1% participation in their program and this is close to the national average. The problem with Idaho's green power programs is that none of the renewable energy is produced in the state so that money goes to other states. Green pricing is not going to produce a lot of renewable energy development. For the best programs the penetration rates are only 3% to 6% of customers. There are some variations of green pricing programs being developed. State governments can also begin purchasing green power, therefore serving as a model for the rest of the state.



**Mr. Brown** commented that the Renewable Portfolio Standards (RPS) is a mandate. In the last legislative session, he has seen more interest from the western states in the RPS than in most other energy policies. Part of this is due to the rural interest in renewable energy.

- Interconnection Rules

Another issue facing renewable energy is interconnection rules. Interconnection rules can make or break a project. If small projects need to pay large fees to connect with the power company's grid, those fees can overwhelm the economics of the project. An examination of Idaho's interconnection rules to discover whether they hinder development for either large or small renewables might be a good place to start.

- System benefit fund with revenues supporting Idaho projects

System benefit funds (SBF) are a fee paid by all utility customers that is used to develop and support renewable energy in any number of ways. Utilities collect these funds and either the utility, a state agency or a third party spends the money. By the year 2012 state spending in 15 states with SBFs will be \$3.5 billion.

- Production tax credit/other tax advantages

The federal production tax credit programs have been effective but states do not have a lot of experience in this area. A number of states use investment tax credits for smaller projects and these are effective. A state tax credit reduces the federal production tax credits making them less effective for large projects.

In conclusion, **Mr. Brown** suggested that Idaho look at the voluntary contributions and the potential link between green pricing and economic development investment. The potential for system benefit funds is another area to explore as well as renewable portfolio standards. These RPS become the hammer that many states are using. Barriers to renewable power such as interconnection rules and fees need to be examined.

**Mr. Parsons**, in response to a question from **Representative Eskridge**, stated that most states have a cap on the size of generator that qualifies for net metering that tends to be very small. In most states that cap is 10KW to 50KW with 10KW being the most common. That tends to eliminate wind as a net metering option.

**Senator Stegner** asked for **Mr. Parson's** opinion on the federal PURPA being repealed. **Mr. Parsons** agreed with **Mr. Brown's** earlier comments. He stated that in most states PURPA is essentially defunct because it has been preempted by bidding. Bidding is the way to set the avoided cost and allows the number of megawatts set to be capped. This was a big issue in California during the PURPA days. There is a large body of the utility industry that will not be upset if or when PURPA goes away. On the other hand, these utilities do not necessarily want to see PURPA replaced with renewable portfolio standards.

**Senator Hill** asked for more information on tax incentives for renewable energy. **Mr. Brown** commented that for the past year or two due to economic problems, states have not been looking in other directions. Tax incentives have been probably the most popular kind of incentive offered until recently. Property tax and sales tax incentives are the most common but there are also production tax incentives such as Oklahoma has. He said he would get that language for the committee.

Investment tax credits, that gave tax credit for the investment in the facilities, have gone by the wayside. The reason for this is they did not encourage production of energy from the facility and this resulted in poor quality construction of the plants. Once the investors got their tax credit, they simply walked away from the plants.

**Dr. Carl Austin and Richard Austin, Idatherm**, were introduced to speak to the committee about geothermal energy in Idaho. After giving some background information, **Dr. Austin** stated that there are at least 14 good looking high temperature prospects in Idaho alone. He has two of these under lease. It is difficult to identify these sources because a geothermal resource is an anomaly, virtually a point anomaly, and board institutional type regional studies will only identify such an economically exciting point by accident. One problem with exploration programs is that once a model is designed, they spend all the money looking at one model. Many a resource has been overlooked because it does not fit that model.

Identification of a high temperature geothermal prospect is based on an intimate knowledge of hydrothermal ore forming processes. It is based on a totally open mind and the ability to ignore institutional mindsets. Geothermal prospects are those places that exhibit:

1. A heat source
2. Presence of a fluid that can transmit heat
3. A plumbing system that will allow the fluid to flow to the well being produced
4. A provable disposal system in the form of deep nearby permeable zones that will allow spent brine injection

These are what to look for in the basin and range, in the overthrust belt, and in the mega-sills called batholiths. You do not need to have water to run a geothermal power plant and in Idaho geothermal fluids do not involve water rights.

Unfortunately, states have many rules and regulations. In Idaho, a high temperature geothermal resource is a public commodity and you cannot own it per se. You can only lease access to it. Idaho's laws, rules and regulations are the main reason no one has done any serious high temperature work to date in the state. **Dr. Austin** believes these problems can be worked out. Idatherm has developed a broad political base to help us work out these issues and hopefully get Idaho's rules to match modern technology.

Idaho has major undeveloped, unexplored, high temperature geothermal resources. It is the intent of Idatherm to identify these and lease them to the extent their finances allow and to put them into production after working through the regulatory requirements. One project in Idaho is expecting 100 MW with a productive life of 200 years.

The problems are:

- There are very few people with the experience and qualifications to go out and identify high temperature geothermal projects and in particular to evaluate their probability for successful exploitation. You have to have people with the right training, experience and mind set.
- The leasing practices of BLM and the general attitude of the USFS will make the development of geothermal resources on federal land rather unattractive. Idatherm is working to get this situation changed. In Idaho, state lands are the best, followed by private lands.
- Idaho's rules and regulations are seriously outdated and need to be modernized.
- Venture capital is always scarce. There are no guaranteed loan programs for drilling at present. Geothermal is not that bad a risk; people just have little or no experience with it.

In **Dr. Austin's** opinion, geothermal electric generation belongs in Idaho's anticipated power supply mix. It is a power source with very high reliability, on line experience being in the very high 90s, has little surface signature, if done well consumes no water, emits no greenhouse gasses and is totally independent of fish, rainfall, climate patters, changing fuel costs and so on. Individual producing fields will have life expectancies measured in centuries.

**Russell Westerberg, Pacificorp Power, Neil Colwell, Avista Corp and Rich Hahn, Idaho Power,** were introduced to discuss how Idaho utilities feel about renewable power sources. **Mr. Westerberg** stated that Nevada's renewable portfolio standard requirements are very aggressive. In general Pacificorp would prefer a substantive initial target and increases at five year or greater increments. Washington's proposed legislation would have set a five percent requirement by 2010 and a 10% requirement by 2015. Pacificorp would prefer not to have to ratchet up their renewables every year or every other year. They also feel that RPS should include all utilities in the state, not just those of a certain size.

Without getting too complicated, the Nevada law appears to limit the projects utilities can use to comply with the RPS, particularly merchant projects located outside of the state. As a multi-state utility, Pacificorp would want the flexibility to use out of state resources to comply with the RPS. Pacificorp would also like to be able to determine what mix of renewables to build or acquire to comply with the RPS. In Idaho's case, they would anticipate part of that being from anaerobic digesters.

It is important to PacifiCorp that any RPS laws in any of the states they operate in include provisions for renewable credits because it appears that credits can be assigned on a state-specific basis (as opposed to generation resources, which are allocated across the system).

PacifiCorp is generally supportive of efforts to adopt RPS laws in the states in which they operate. The current version of the IRP has them adding 1,400 MW of renewable energy over the next ten years. However, as a multi-state utility, they favor a uniform federal RPS over a piecemeal approach across their service territory. If a federal RPS is adopted, although doubtful, PacifiCorp would not support efforts to adopt RPS laws at the state level.

In response to a question from **Senator Hill, Mr. Westerberg** stated that PacifiCorp has entered into an agreement to buy the output from a wind project in Washington state and other programs in Oregon. They also have a green tag program in all states they serve. **Representative Stevenson** asked if one of the reasons for developing RPS within a state is so the state can get the benefit of the renewable resource. **Mr. Westerberg** stated that was correct because they are a multi-state utility and they need flexibility to use the output of any facility to meet RPS requirements in other states and vice-versa.

**Neil Colwell** stated that as a multi-state utility Avista Corp echoes the same concerns as PacifiCorp. The location of facilities is the main issue. Avista has gone out and requested bids, specifically on wind power. They have received eight proposals from six providers with prices ranging from 3.5 to 3.6 cents KW. To have development take place in Idaho, bids just need to be asked for by people located in the state. He suggested that RPS might not be necessary to force utilities to develop renewable power. Most of them are already doing this. In response to a question from **Representative Stevenson, Mr. Colwell** stated that Nevada is the only western state with an RPS in place. Washington state has had proposals but nothing is in place yet.

**Senator Stegner** clarified that he is hearing that Avista Corp. is not necessarily adverse to RPS but concerned with the requirement to locate the facility in a specific state. If the requirement were that renewable power sources be located within the utility's service area, that might be a different story. **Mr. Colwell** said that RPS can get very complicated but they do not object at this time because there is nothing specific on the table. **Mr. Colwell** said that the investment tax credit approach may be a better way to go to encourage this type of activity. He brought up the example of the tax credit for broadband in rural areas that seems to be working.

**Representative Stevenson** asked both **Mr. Westerberg** and **Mr. Colwell** what their respective company's position would be on the theoretical implementation of a renewable portfolio standard in Idaho. **Mr. Colwell** said he would not be averse to renewable portfolio standards per se but Avista would like some flexibility in having the ability to locate them in various states where their load is or generating capacity is. **Mr. Westerberg** said if the legislature mandates renewable portfolio standards, PacifiCorp would like to be able to get a rate of return on the investment.

**Representative Eskridge** said he was struggling with mandating these standards because he thought that rates would have to increase. He asked all of the representatives of the utility industry that, absent mandates, how can we insure that utilities pursue renewables in an

aggressive manner. **Mr. Rich Hahn** said a way out of this box might rest with the integrated resource plans that the utilities are required to complete. He said Idaho Power had some broad based advisory committee members helping put together their plan for 2004 and that the plan could include renewables.

**Representative Eskridge** asked why a utility would invest in renewables absent a mandate from the legislature or the Public Utilities Commission? Mr. Hahn said that if a utility is guaranteed a rate of return for their investment that it would be the marketplace driving the commodity.

**Representative Eskridge** said he did not think he supported mandates to develop renewables because of the effect on the rate payers and the fragile economy of Idaho.

The Subcommittee started to discuss recommendations to the full committee. **Representative Stevenson** said he was interested in looking at the investment tax credit approach to encourage renewables like for broadband. He also said that we need to get a handle on interconnection costs to utilities so that developers of renewables can get them to market cost effectively.

**Senator Stegner** agreed with Representative Stevenson about interconnection costs. He said he liked the concept of Nevada's renewable portfolio standards as the market was keeping costs down and allowing renewables to develop. **Senator Stennett** said it appeared that Nevada's system has created a bidding war among developers and has kept prices down, apparently below Idaho's avoided cost.

The Subcommittee on Renewables decided to hold its next meeting on October 27<sup>th</sup> and the full Committee on Energy would meet on October 28<sup>th</sup> in Boise.

The meeting was adjourned at 3:05 p.m.