

## MINUTES

### Wind Energy Task Force October 4 and 5, 2012

#### The Center for Advanced Energy Studies and The Shilo Inn Idaho Falls, Idaho

The meeting of the Task Force was called to order by the Co-chairs, Senator Bert Brackett and Representative Judy Boyle at 1:05 p.m. Other members of the Task Force present were Senator Jeff Siddoway, Curt McKenzie, Representative Paul Shepherd, Representative Linden Bateman and Representative Elaine Smith. Senator Elliot Werk was absent and excused. Mike Nugent staffed the meeting for the Legislative Services Office.

Other persons present were Gary Veceillo, Idaho Department of Fish and Game; Mitch Coffman, Idaho Reporter; Randy Gardner and Dar Olberding, Ridgeline Energy; John J. Williams, Bonneville Power Administration; Dennis Keiser, Center for Advanced Energy Studies; Winston Inouye and John Inouye, Idaho Policy Advisors; Casey Kelley, Exelon Corporation; John Kotek, Gallatin Public Affairs; Alex Stuckey, Idaho Falls Post Register; Glen Pond and Russell Westerberg, Rocky Mountain Power; Jackie Flowers, Idaho Falls Power; Lane Allgood, Partnership for Science and Technology; Ted Rampton, Utah Associated Municipal Power; Peter Richardson, Exergy; Leslie Huddleston, U.S. Senator Mike Crapo; James Burr, Chapman and Cutler, LLP; Neil Colwell, Avista Corp.; Teresa Molitor, Energy Integrity Project; Rich Hahn and Karl Bokenkamp, Idaho Power Company; and Steven Serr, Bonneville County.

Senator Brackett read the following statement:

*This letter is in response to President Pro Tem Brent Hill asking me if I would serve on a Task Force on wind energy generation and a possible moratorium on future development. It is my intent to explain my personal situation and circumstances that exist in regard to wind energy. My nephews are players in the China Mountain project in Southern Twin Falls County and, if the project goes forward they would receive financial benefit. I have no personal interest in China Mountain but I have provided maps and given tours to two other wind energy companies on land that I have an ownership interest. However, nothing has materialized in either of those inquiries.*

*In terms of full disclosure, I want to declare a potential conflict of interest in the issue of wind energy generation and a possible moratorium.*

*Sincerely,*

*Sen. Bert Brackett*

**Mr. Nugent** read the charge to the task force which was established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The task force was a result of House Bill No. 561 being introduced in the 2012 Idaho Legislature. HB561 did not pass and the task force is a result. The task force's analysis shall address, but not be limited to, issues related to the effect that wind development is having on power rates, the ability of Idaho's utilities to integrate more intermittent wind power into their systems, the effect wind turbines are having on wildlife and species that could be listed as endangered, the effect that wind turbines have on private property values and uses, the range of tax issues regarding wind power development and any other issues to be pertinent. The task force is to report to the Idaho Legislature on or before January 10, 2014.

**Mr. Gary Vecellio of the Idaho Department of Fish and Game (IDFG)** spoke about the department's technical assistance role in wind energy development. He said the department is the state agency entrusted with the statutory authority to preserve, protect and perpetuate the wildlife and fishery resources of the state, and provide supplies for hunting, fishing and trapping. Mr. Vecellio said the goal of the department is to sustain Idaho's fish and wildlife and the habitats upon which they depend. A second goal of the department is to meet the demand for fish and wildlife recreation.

**Mr. Vecellio** said the Idaho Department of Fish and Game's direction regarding technical assistance is as follows: "It is part of the role and responsibility of the department in fulfilling its mission of protecting, preserving and managing wildlife to provide comments, whether required by law, solicited or volunteered, about proposals concerning their effects to wildlife and wildlife habitat and how any adverse effects might be mitigated.

He noted that IDFG is seldom, if ever, required by law to provide comments. He said that federal laws do require "request for information" from IDFG and that the department is often solicited for its opinion and may volunteer technical assistance and technical services.

**Mr. Vecellio** said effects to wildlife and habitat are informed through research, informed by experience in Idaho and guided by a common sense approach. He said effects to wildlife are mitigated through avoidance, minimization and mitigation.

**Mr. Vecellio** said that he would discuss what a technical request regarding wind energy might look like keeping in mind that counties require variable routes during permitting. He said IDFG may receive a call or letter from a wind project developer or their consultant. The staff will determine if enough information is present in the application and documentation to offer technical assistance. He said the department staff will usually meet with the consultant and/or tour the site and will analyze the status of the project such as scoping, permitting required or completed and gauge the appropriate level of response needed. He said technical information will be developed based upon several factors: status of the project (is it planned or completed), the audience requesting assistance (the developer/consultant, decision-maker or interested party), resources affected and the potential to avoid or minimize the need for mitigation and a discussion with other natural resource managers.

**Mr. Vercellio** said the department will look at potential for reduced use of habitat on a long-term basis such as inter range construction disturbance during critical periods with regard to big game wind projects, operations and maintenance disturbance and potential for fire or noxious weed infestations. Regarding upland game he said the department will look for potential loss of habitat or willingness to use habitat, potential for direct mortality through strikes, footprint loss of habitat for burrowing or terrestrial animals and possible increased mortality due to human access such as roads and power lines.

**Mr. Vercellio** next addressed bats and said they look for direct mortality through strikes as they are attracted to turbines during migration and they will look at Continental Scale migration routes as many bats will move through Idaho. Regarding raptors he said they will look at blade strikes during foraging and to reduced recruitment to adulthood, therefore reproduction.

**Mr. Vercellio** summarized with five points:

- IDFG has no authority regarding the development or siting of wind energy projects;
- IDFG provides technical assistance in an advisory capacity to other decision makers;
- IDFG comments on effects to the resource it manages not whether the project is approved or denied;
- IDFG technical assistance on wind energy projects is reviewed at the Director's Office level and is coordinated through the Governor's Office of Energy Resources; and
- IDFG comments on a project's effects to wildlife and wildlife habitat and its mitigation potential and strategy.

**Senator Brackett** stated that the Office of Species Conservation would comment and present at a later time particularly on sage grouse.

**Representative Bateman** noted that an ex legislator had commented that wind turbines are affecting deer and elk populations in Bonneville County and asked whether the Department had investigated to determine if that was correct. **Mr. Vercellio** said other states have done studies regarding that but the Idaho Department of Fish and Game really has not at least as to that particular person's land.

**Representative Boyle** asked whether IDFG consults with the U.S. Fish and Wildlife Service regarding endangered species or birds. **Mr. Vercellio** said yes but that they do not generally take the lead in those actions.

The next presenter was **John J. Williams of the Bonneville Power Administration (BPA)**. **Mr. Williams** said that 2012 was the 75<sup>th</sup> anniversary of BPA as a generating and marketing entity. He explained that in recent years the Pacific Northwest Region has experienced an oversupply of electrical generation during spring runoff. The challenge is further exacerbated when it occurs during periods of low electrical demand, since there must be a load use for the electricity that is generated to keep the system in balance. **Mr. Williams** said during these instances, BPA has three basic choices:

1. Let the spring runoff go through the turbines and create "excess" electricity that would cause an overload of the system and disrupt reliability in violation of federal law.

2. Spill the excess water over the dams and potentially violate Clean Water Act restrictions on nitrogen levels in the river (in violation of federal and state law); or
3. Take other step to reduce generation in the region.

**Mr. Williams** said in response to this situation, BPA developed a policy, known as “environmental redispatch” to maintain system reliability, meet standards for protecting fish as well as to satisfy BPA’s other statutory obligations.

**Mr. Williams** said in 2011, wind generators initiated a case against BPA at the Federal Energy Regulatory Commission (FERC) alleging that BPA discriminated against them. **Mr. Williams** said BPA’s position is that the environmental redispatch policies applied to all generators, not just wind generation, which is the last resource subject to curtailment. **Mr. Williams** said that BPA argued it has the obligation and the authority to meet its reliability, environmental and other statutory responsibilities.

According to **Mr. Williams**, FERC ruled on December 7, 2011, that BPA’s environmental redispatch was a discriminatory policy. **Mr. Williams** said on March 6, 2012, BPA issued its response to FERC with an Oversupply Management Protocol (OMP) that is to stay in place through March 2013. BPA will compensate wind project owners within BPA’s balancing authority when curtailed. Payments would be limited to revenue they would otherwise receive for generating, including production tax credits and renewable energy credits and will compensate them for lost revenue from power purchase agreements if they have signed sales contracts signed prior to March 6, 2012. **Mr. Williams** said BPA proposed splitting costs of this program between users of the federal based power system and wind project owners/purchasers.

**Mr. Williams** said after the initial draft of the OMP in late February, the Public Power Council (PPC) filed comments expressing numerous concerns about the policy and reiterated legal challenged to the FERC order. The PPC also noted that new entrants will be on notice of BPA’s potential need to curtail them and should build the price of curtailments into their contracts and should not be compensated in any way. The PPC filing stated that “PPC believes any policy must equitably treat the region’s preference customers that have contracts and obligations from the federal system, reflect prudent business practice, and meet legal requirements to protect fish, ensure system reliability, and protect Northwest ratepayers.”

**Mr. Williams** concluded by saying that the growth of wind generation in the Northwest has produced both challenges and opportunities. He said that BPA’s policies on intermittent generation have attempted to respect BPA’s multiple legislative mandates, equitably allocated costs and benefits and advance the economic and energy supply interests of the Northwest.

**Senator Siddoway** asked why it appears that there was such a high wind growth in Oregon and Washington. **Mr. Williams** said this is partially because Oregon and Washington have renewable portfolio standards that require utilities to have a certain percentage of wind or other “green” energy. He said Idaho has no such standard in place. **Mr. Williams** said another issue in this debate is about the federal production tax credit which is supposed to issue only when power is generated. So if the wind power is curtailed because of high flows, there is the issue about that payment to the wind power

developers. There is also the issue of dissolved gases when water is overflowing the dam which both Oregon and Washington have statutory criteria for protection of fish.

**Mr. Williams** commented that when there is little demand for power but when the wind is blowing BPA tries to sell the excess on the open market or if they cannot do this, they give it away or offer to pay another utility to take the excess power. **Mr. Williams** said there can be massive cost increases to customers when this occurs. Mr. Williams did say that BPA was working with other utilities in the region dealing with the integration of wind into the grid.

In response to a question from **Senator McKenzie** about a floating electricity rate, **Mr. Williams** explained that was a transmission issue. Sometimes the rate for usage of transmission lines depends on how full the grid is. The cost can depend on the fullness or lack thereof on a specific line.

**Senator Siddoway** asked whether there was a specific number in a negotiated sale that BPA tried to obtain. **Mr. Williams** said generally that the number that is in play is that which is set at the California-Oregon Border (COB). If there are no takers for power at that rate, BPA will try and discount the power and if there are no takers there, they will give the power away or in extreme cases pay someone to take the power away.

**Ms. Jackie Flowers of the City of Idaho Falls Power Company** was the next speaker. Ms. Flowers said the City of Idaho Falls distributes power to its residents. She said that Idaho Falls Power is purchasing power from a wind generation entity and has been a BPA customer since 1963. **Ms. Flowers** said in the mid 1990's Idaho Falls Power determined they needed additional electrical generation capacity and began a partnership with other municipal and cooperative utilities to study the feasibility to purchase power from a coal plant in Utah. She said that project never got built but that the City of Idaho Falls' need for new electric generation persisted. As a result, the City of Idaho Falls obtained a percentage interest in the Horse Butte Wind Project which was built by the Utah Associated Municipal Power Systems (UAMPS). The Utah Associated Municipal Power Supply Systems has subscribers from Idaho, Oregon, Wyoming, California, Nevada, Utah, Arizona and New Mexico and consists of 47 different municipalities or cooperatives.

**Ms. Flowers** said that, as a BPA subscriber, fish mitigation on the BPA system is very important to Idaho Falls Power customers as 38% of the rates go for that and that they are very interested in the wind integration issues that BPA and the Northwest Power and Conservation Council are undertaking. Ms. Flowers said that legally the UAMPS is a political subdivision of the State of Utah that was created by the Utah Legislature in 1980. She said the City of Idaho Falls portion of the Horse Butte Wind Project is three megawatts and the wind farm is located 15 miles east of Idaho Falls in Idaho.

She said Idaho Falls Power look at this as a desirable project as it would reduce their carbon footprint and should help with fish mitigation issues in the BPA system. She said the total project is 57.6 megawatts and is scheduled to be operational in the second quarter of 2012. She noted that there are 23 other participants in the project in addition to the City of Idaho Falls.

Ms. Flowers said that UAMPS is the scheduling agent for the project and that Idaho Falls Power is selling the RECs from the project to the Idaho National Laboratory. A REC represents the property rights to the environmental, social, and other nonpower qualities of renewable electricity generation. A REC, and its associated attributes and benefits, can be sold separately from the underlying physical electricity associated with a renewable-based generation source.

In response to a question, **Ms. Flowers** said that Idaho Falls Power is buying power at \$65.94 per MWH which is higher than coal at \$55 per MWH for coal which is slightly higher than hydro or natural gas currently. **Senator Siddoway** asked where the power goes from UAMPS projects. Ms. Flowers said that all power goes through UAMPS to member utilities. **Senator Siddoway** whether Idaho Falls Power can benefit when BPA is giving power away or paying customers to take it. Ms. Flowers said the City of Idaho Falls does have the right of first refusal for the power but if they have a surplus of power during that period, they cannot sell or give that power to a UAMPS member if the other UAMPS member is not a preference customer of BPA. She said it could be a bit of a tricky accounting problem to keep the sales straight if that situation occurred.

**Representative Boyle** asked how much of the cost is passed on to ratepayers in an oversupply case. **Mr. Williams** said that BPA is currently going through a rate case to determine the allocation of the costs. He said an independent evaluator will determine wind energy issues and compensation when they are not generating because of oversupply. **Mr. Williams** said this year the cost was about \$2.7 million dollars which was down from the previous year.

**Randy Gardner the Senior Project Manager for Ridgeline Energy** was next to speak. He said that Ridgeline has installed capacity of 380 MW at their Wolverine Creek, Goshen North and Meadow Creek sites and it represents about a one-half billion dollar investment that benefits local landowners, contractors and provides a stable business environment. Mr. Gardner said that the wind energy industry is a way to meet demand for increased power that economic growth will bring in the region. Mr. Gardner said the existing process for siting and permitting wind energy projects works. He said that during the permitting process they try to address both the positives and negatives and to remedy any negative issues. He did indicate that the height of the towers can be a problem.

**Mr. Gardner** said during the permitting process they hire an engineering firm to ensure that county ordinances and codes are being complied with as well as county noise ordinances. **Mr. Gardner** said there is short-term job creation when a facility is being constructed. He emphasized that on the current facility they have under construction, there is an estimated \$60 million dollars is being spent with local businesses. **Mr. Gardner** noted that the 2012 Idaho Energy Plan said that energy facility siting should be kept at the local level.

**Representative Bateman** asked about maintenance. **Mr. Gardner** said that there is regularly scheduled maintenance every six months to inspect and tighten bolts and ensure structural integrity and that every three years the hydraulic fluid is changed. In responding to another question from **Representative Bateman**, **Mr. Gardner** said the life expectancy of a generating facility is 20 years.

**Representative Boyle** asked what government agencies are consulted regarding wildlife. **Mr. Gardner** said they have met with the Idaho Department of Fish and Game and with the U.S. Fish and Wildlife Services for bat protection. **Mr. Gardner** said that, at times, turbines are moved if either agency deems the particular site a problem. **Representative Boyle** asked whether they had obtained an incidental take permit. **Mr. Gardner** said they have not obtained one as yet. He noted that they do address eagles flying near turbines and said that the Avian Bat requires the most monitoring due to the fact that they are nocturnal creatures.

**Representative Boyle** asked about the effects on big game animals. **Mr. Gardner** said there is a difference of opinion among certain landowners. Some will say that wind turbines have caused big game animals to move elsewhere and while others will say that the animals like the turbines and like to be around them.

**Representative Smith** asked if they moved some turbines at the Rockland Wind Farm near American Falls. **Mr. Gardner** said they did because of eagles and that with more experience they are getting better at anticipating wildlife impacts and addressing them before erecting a facility.

**Senator Siddoway** asked of the money spent on a project, how much is spent locally versus out of state. **Mr. Gardner** said the costs at Meadow Creek which is being constructed will be about \$1.5 million dollars per megawatt. He said they try to utilize local businesses and labor for work on the project as much as possible. He said, at times, there is a particular company with a needed skill or expertise that is out of state and they will use them if they cannot find a local professional or tradesman that has the skill. He did say that turbine blades are manufactured out of state and they try to use U.S. built turbines. He said with the Meadow Creek project, there were no U.S. turbines that could be procured in a timely fashion so they purchased blades that are made in India.

**Representative Boyle** asked how much of their investment will be offset by the federal production tax credit (PTC) and by selling RECS to other entities. **Mr. Gardner** said that the federal PTC amounted to about 30% of the cost in today's dollars. He said the federal credit is due to expire at the end of 2012 unless it is reauthorized by Congress. He said with RECS it is hard to quantify. He said they have trouble selling them. He said that whether a facility is built or not is based on the economics of the day.

**Senator Brackett** asked how many jobs are involved in maintenance. **Mr. Gardner** said that there are 8 FTEs per 100 megawatts and that some of these employees are hired locally and some come from out of state and stay in Idaho. **Mr. Gardner** says that the College of Southern Idaho has a good program regarding wind farm technology that they like to hire from. He said the manufacturer of the turbines generally will bring someone in from outside to monitor how the turbines are being installed but the manufacturer likes to hire locally if they can.

**Peter Richardson representing Exergy** was the next to speak. **Mr. Richardson** said, in his opinion, the task force can report back to the legislature that the moratorium is not necessary at this time because of market reasons and the fact the federal production credit is expiring in a couple of months. He said that states with renewable portfolio standards have been fully subscribed and the REC market right now is in shambles. **Mr. Richardson** added that since the price of natural gas has plummeted, the avoided cost

rate the PUC sets for PURPA projects has gone down as well. He said that recently utilities load growth has flattened curbing demand for new projects.

**Mr. Richardson** said there are some non-market forces in play including the PUC action on both avoided cost rates on non-commercial sized projects and their soon to be released decision on PURPA contracts. Mr. Richardson said that the private utilities integrated resource plan methodology is leaning more toward natural gas use for generation of new electricity versus wind projects at this time.

According to **Mr. Richardson**, REC credits and who owns them as another reason that a moratorium is not necessary at this time. He said Wall Street would like to take into account whether or not REC credits have any monetary value when they consider financing for a particular project.

**Mr. Richardson's** final point as to why the moratorium is not needed at this time was that the threat of curtailment by utilities, either due to overabundance of electrical generation or lack of load growth, is a real concern to wind energy project developers.

**Mr. Steve Serr, the Bonneville County Planning and Zoning Administrator** was the next presenter. **Mr. Serr** explained that the first wind project occurred in Bonneville County in 2005. He noted that the county was not totally prepared for the first set of wind farms. After that county ordinances were adopted for the siting of wind generation facilities. **Mr. Serr** said, when adopting the ordinances, they were looking to where the wind was blowing and would try to make sites with good potential available for development if the land owner so desired. **Mr. Serr** said with the first siting of wind energy facilities, there was very little participation in the public hearing process. **Mr. Serr** said the Bonneville County ordinance did have a noise rating threshold and they have a wind overlay boundary on their map. He noted that in one of the public hearings a former State Senator who owned land in rural Bonneville County testified that elk did not like the wind towers and his neighbor testified that they did like them and congregated toward them particularly in summer as they provided shade.

**Senator Brackett** asked when the last revision was made in the county ordinance. **Mr. Serr** said 2010. **Representative Bateman** asked whether the county interacts with the Department of Fish and Game when there are disputes regarding wildlife. **Mr. Serr** said that the Department of Fish and Game did provide information regarding the UAMPS projects and the Meadow Creek project. He said that they did not provide any information or guidance on the first two projects that were sited in Bonneville County.

**Representative Bateman** asked whether there were any wind development plans for Taylor Mountain. **Mr. Serr** said the landowner was interested in siting facilities but the County Commissioners said no to that request.

**Senator Siddoway** asked whether there were any limitations on approved applications as to how long they have to begin construction. **Mr. Serr** said the unwritten rule is that they must start construction on the project within two years or return for further approval. He said the hook is the conditional use permit and language attached to that and remediation language also tied to the conditional use language.



**Senator Siddoway** asked if there were any outstanding projects that have been approved, but not yet built. **Mr. Serr** said there were a couple of project that had not yet been built after receiving approval from the county to do so. **Senator Siddoway** asked what would happen if Ridgeline or Exergy started a project but did not complete it. **Mr. Serr** said that language probably would be included in the permit for that eventuality and what would be required. He added that if language were not included in the permit, it could be challenged and this might be a subject to be included in a county ordinance change.

In response to another question from **Senator Siddoway** regarding changing terms of a long-term contract between a landowner and a developer, **Mr. Serr** said they would not consider limitations on long-term projects if the county changed its standards. They would only go out prospectively.

**Representative Smith** said, in her opinion, if new wind farms have to meet guidelines, existing farms should be required to meet them as well as a matter of fairness. **Mr. Serr** said the ordinances were approved after the initial projects were built. The ordinances are applicable to UAMPS and to Meadow Creek. He said they were advised that they could not make the ordinance retroactive.

**Representative Boyle** asked about bonding if a plant has to be decommissioned. **Mr. Serr** said that it is between the landowner and the developer as to how the cost is to be shared or borne. He added that a bond could be the subject of a future county ordinance.

**Representative Boyle** asked how tall a non-commercial turbine could be. **Mr. Serr** said that the maximum height is 60 feet tall. There a no maximum height restrictions for commercial turbines located in the wind areas. He said that the Federal Aviation Administration provisions that apply to television transmitters and cell phone towers would also apply to commercial wind towers.

**Karl Bokenkamp of the Idaho Power Company** spoke next about wind integration and forecasting. His complete Powerpoint presentation is available at:

<http://www.legislature.idaho.gov/sessioninfo/2012/interim/windenergy.htm>.

**Mr. Bokenkamp** explained that Idaho Power commissioned their first wind integration study in 2007. The results were \$7.30/MWHour for 500 MW of wind. He said the settlement stipulation was three tiers with integration charges capped at \$6.50/MWH. He said there are 678 MW of wind currently on the Idaho Power system with 638 MW currently on line and 40 MW under contract but not yet on-line. He said there are 142 MW connected to projects under dispute and 144 MW connected to proposed projects.

**Mr. Bokenkamp** said the goals of the current wind study are to discover the cost of integrating wind generation on Idaho Power's system and whether there is a limit to the amount of wind generation Idaho Power's system can accommodate. He said the study parameters use 2017 as the study year, wind penetration levels of 800, 1,000 and 1,200 MW and the model dispatched Hells Canyon hydro, coal and gas plants and determined purchases and sales within constraints. **Mr. Bokenkamp** said the general findings of the study were that as wind penetration increases hydro generation decreases with additional spill, coal generation decreases, net sales increase due to surplus energy, gas generation increases to provide reserves, frequency and duration of curtailment increases. Additionally, **Mr.**

**Bokenkamp** said there were problems during low load periods (1,000 to 1,100 MW) because all Idaho Power resources are backed down to minimums, more wind can be integrated when load is higher and integration cost and curtailment begin to increase rapidly at a penetration level of around 800 MW.

**Mr. Bokenkamp** next detailed a chart showing wind integration cost in dollars per MWH. The existing charge is \$6.50 which is the settlement stipulation following the initial integration study. The average cost at 800 MW is \$8.06 and the incremental costs if \$10.65. The cost at 1,000 MW is \$13.06 and the incremental cost is \$33.42 and the cost at 1,200 MW is \$19.01 and the incremental cost is \$49.46. **Mr. Bokenkamp** said the incremental cost is the estimated charge to account for existing contracts that are only paying \$6.50/MWH. These amounts would be necessary to keep customers whole if existing contracts are not amended.

**Mr. Bokenkamp** presented the above data in a graph form with the wind integration cost taking off from 800 to 1,200 MW. **Mr. Bokenkamp** presented two charts of load and demand response on the Idaho Power system from March 25-26, 2012 with the wind blowing, the rivers running and the temperature mild and a similar chart from July 12, 2012, when the high temperature in Boise was 108 degrees with the resultant loads and demand response.

**Mr. Bokenkamp** next discussed wind forecasting saying that some days are good with both an hour ahead forecast, a day ahead forecast and actual wind generation and some are not so good where the forecast missed its mark by a lot with either too little or too much wind being on the system.

**Mr. Bokenkamp's** presentation also included a chart with generation from the Upper Salmon B plant in February 2012, the average wind generation during that month on the system, and the variability of wind generation during the entire month showing the amount of load that must be brought on to shape the wind.

**Senator Siddoway** asked why the incremental pricing amount increased so much above the 800 MW figure. **Mr. Bokenkamp** said that is due to the fact that at that level the company has to run existing resources to ensure that power is available and that the customer is kept whole. In response to another question from **Senator Siddoway** regarding how long it takes the company to react to a change in the wind, **Mr. Bokenkamp** said that it varies depending on the accuracy of the wind forecast and what resources have to be either shut down or brought on-line when the wind is over or under the forecast. He said that natural gas or hydro is usually the fastest to be brought on or off line and coal is the slowest.

**Representative Boyle** asked whether there was a point when they were spilling water that they knew would be in violation of dissolved gas standards. **Mr. Bokenkamp** said Idaho Power tries to take environmental regulations very seriously and does not intentionally violate them. **Representative Boyle** asked whether it cost more for the company to violate dissolved gas standards than to shut down a plant or buy power elsewhere. **Mr. Bokenkamp** said he did not know the answer to that.

**Representative Boyle** asked about the cost to the ratepayers for integrating wind. **Mr. Bokenkamp** said that the \$6.50 cost and the incremental cost above that are costs that should keep ratepayers "whole."

**Representative Erik Simpson** next presented “Issues with the Wind Energy Industry in Idaho.” His complete Powerpoint presentation is available at:

<http://www.legislature.idaho.gov/sessioninfo/2012/interim/windenergy.htm>.

**Representative Simpson** gave the following reasons as to why this task force is necessary:

- Idaho is in the middle of an energy crisis created by the state and federal government;
- Due to extensive subsidies, advantageous federal regulations, and virtually no state oversight, Idaho’s investor-owned utilities are drowning in unreliable, expensive energy derived from commercial wind farms;
- Taxpayers and utility ratepayers are being negatively affected; and
- There is no relief in sight.

**Representative Simpson** said this problem was caused by PURPA that was passed by the U.S. Congress in 1978; the Production Tax Credit, passing in 1992; the Idaho Legislature passing the sales tax rebate in 2005; the production tax instead of property tax in 2007; and the Section 1603 Federal Grant Program in 2009. He said other conditions favorable to wind energy developers include renewable portfolio standards being passed by other states, lucrative renewable energy credits and favorable rulings by the Idaho Public Utilities Commission (PUC) and Federal Energy Regulatory Commission (FERC).

Representative Simpson read an excerpt from North American Windpower in June, 2009. *“Up to two-thirds of the value of a wind project may derive from federal programs and tax subsidies, as the revenues from the sale of power may not be sufficient to pay for the project development and operating costs. These tax subsidies include combinations of accelerated depreciation, production tax credits, investment tax credits, federal cash grants and federal loan guarantees.”*

**Representative Simpson** listed 21 Idaho wind projects that received Section 1603 federal grant awards. He said the total of these awards from 2010 to 2012 totaled \$329,430,090 and that number represents 30% of the total project costs and most of these projects paid no Idaho sales tax credit. He also discussed the federal production tax credit of 2.2 cents per KW subsidy. This number represents 33% of the total project cost. He said there have been many attempts in Congress to extend the credit this year.

**Representative Simpson** said from 2005 to 2011 developers paid no state sales tax and the developers reap lucrative renewable energy credits. In 2007, the legislature discontinued the requirement that wind developments pay property tax and instead pay a three percent production tax which is a fraction of what they would pay in property taxes.

**Representative Simpson** discussed the result of the property tax elimination. He said Bonneville County’s first approved project consisted of 34 1.5 MW turbines and in 2006. This project paid \$603,490 in taxes. In 2007 through 2010, with the production tax in place \$147,047, \$158,000, \$182,286 and \$166,166 was paid to Bonneville County. **Representatives Simpson** emphasized that the three percent production tax greatly reduces what developers pay to local communities.

**Representative Simpson** compared the amount of subsidies wind received versus other generation sources. In his opinion, wind received, by far and away, more than other sources with nuclear receiving the second most subsidy, coal third, natural gas fourth and hydro the least.

**Representative Simpson** next read a quote from Kimball Rasmussen, President and CEO of Deseret Power. *“The downside of wind intermittency is clearly evident in the actual performance data of wind turbines already installed. Wind performs poorly across all traditional utility metrics for generating resources. For reliability, stability, forecast ability, proximity to load centers, and economics, wind power is a poor choice for large-scale power production.”*

**Representative Simpson** next read a quote from Dr. Andrew Morriss, Professor of Law and Business at the University of Illinois’ Institute for Government and Public Affairs: *“When the claim of hundreds or thousands, or even millions of green jobs are used as a basis for billions in new government spending, we ought to insist that those claims be backed by transparent documentation and sound methodology, not implausible assumptions and inconsistent definitions.”*

**Representative Simpson** said that the majority of jobs created in wind projects are short-lived and are in manufacturing and construction. He said that Ridgeline Energy confirmed this in a letter to the House Local Government Committee members on February 16, 2012: *“Our most recent project in Power County have over 160 construction employees. The project built in Bonneville County in 2010 had over 250 construction employees.”* He said there was no mention of permanent jobs created.

**Representative Simpson** said regarding the Rockland Wind Farm Project that 170,000 labor hours went into the project; 60,000 hours were attributed to workers from American Falls, southeastern Idaho and surrounding areas, meaning that 65% of the labor came from out of state.

**Representative Simpson** said that wind power is difficult to integrate into a utility’s electrical supply because turbines typically only generate power about 20% to 30% of the time and must be backed up by more reliable energy sources, typically natural gas or coal. He said when wind turbines produce power the investor-owned utilities do not need, the utility must transfer that energy to the open market at a loss, paid for by the ratepayers.

**Representative Simpson** next read from Idaho Power IPUC filing (Case No. GNR-E-11-03) of January 31, 2012. *“Because a vast majority of the new PURPA contracts are for wind projects, Idaho Power will still have to build new resources in order to meet projected growth in peak-hour demand. Wind resources provide less than five percent of capacity on peak and therefore do little to meet Idaho Power customers’ growing summertime peaking needs.”*

*“From an operational perspective (policy and legal arguments aside), it is neither good utility practice nor prudent for Idaho Power to be acquiring such large amounts of wind generation. In fact, the preferred portfolio in Idaho Power’s 2011 Integrated Resource Plan does not include any new wind resources for the next twenty years.”*

In this filing by Idaho Power with the PUC, **Representative Simpson** said the utility outlined that ratepayers will pay \$85 million more for PURPA generated power (much of it wind) per year for the next ten years than the utility would pay for the same amount of power on the open market.

**Representative Simpson** said that figure should be compared to the tax benefits of Idaho counties as outlined in Ridgeline Energy's Feb 16 letter that payments to Idaho counties will likely total about \$4 million for 2011. **Representative Simpson** said the additional costs to Idaho Power customers due to PURPA contracts (much of it wind) amount to about a \$100 per year increase for homeowners to more than \$138,000 per year additionally for large corporations. He said that Avista and Rocky Mountain ratepayers are also experiencing increased rates due to wind energy.

**Representative Simpson** went on to say that when a local governing body decides to issue a permit for a wind project, adjacent landowners can be negatively impacted if the county has inadequate ordinances for setback limits and sound levels, wildlife could be negatively affected without property environmental analysis and hundreds of thousands of ratepayers even hundreds of miles away will experience an increase in their electric rates.

**Representative Simpson** said several studies are complete or under way to determine impacts to raptor and bat populations with some paid for by the wind industry. He said this will become an issue as more information is collected in advance of a federal government decision on the listing of the sage grouse. He said Wyoming is restricting wind farm development in high sage grouse population areas.

**Representative Simpson** said there are eight other issues the task force should consider:

- Bonding;
- RECs and who should retain them;
- How the production tax is calculated and who oversees the data;
- Should the production tax be dramatically increased to account for the rate increases;
- Should there be statewide uniform siting standards;
- Are nearby property owners being negatively affected and public involvement requirements; and
- Severability of the lease from the sale of the property.

**Representative Simpson** summarizes that taxpayers and ratepayers serve one purpose -- to transfer revenue to wind energy developers for inferior products. The rationale behind the new oil/gas exploration law could be applied here as state control assures uniformity. PUC filings over the last year indicate that investor-owned utilities are pleading for help and this task force needs to study the potential environmental impacts and many other issues.

**Representative Bateman** praised Representative Simpson for all his hard work on the issue. He asked about improvements in future technology with things like storage batteries or something we have not thought of yet. **Representative Simpson** said the current solution would be to build more transmission so that when the wind is blowing here and it is not needed, it could be transported to a place where it is needed. He said for that to occur, it would entail quite a lot of subsidies.

**Representative Boyle** asked whether, without a bond, a property owner could be left holding the bag if the lease is sold and the new owner goes bankrupt in the event of a decommissioning. **Representative Simpson** said, without a bond, the cost of decommissioning might fall to the tax payer or the property owner if they are wealthy enough.

The Task Force recessed at 5:50 p.m.

**Public Hearing  
Twin Falls Room  
Shilo Inn  
Idaho Falls, Idaho**

The public hearing began at 7:05 p.m. on October 4, 2012. Members present were the Co-chairs Senator Bert Brackett and Representative Judy Boyle, Senator Jeff Siddoway, Senator Curt McKenzie, Representative Paul Shepherd, Representative Linden Bateman and Representative Elaine Smith. Senator Elliot Werk was absent and excused. Mike Nugent staffed the meeting for the Legislative Services Office.

Other persons in attendance were Ken Pape, Randy Gardner, Pete Nelson, David Higginbotham, Stephen Topper, Steve Bachmeier, Kyle Waltor, Brian Axtman, Brandon Rose, Janelle Munkvold, Amanda Jensen, Andrew Malig, Brett Schneider, Kelly Davis, Tom Darlant, Harold Smith, JoEllen Blosan Smith, Bob Neilson, Tony Telbot, Trent Telbot, Tim Hardin, Ryan Bebout, Nathan Smith, Rusty Lampagne, Trent Pohnoon, Layne Elkington, Keith Elkington, Russell Westerberg, Peter Richardson, Dar Olberding, Matt Heath, Lane Allgood, Chuck Cragow, Russell Shamomon and Matt Thompson.

**Representative Boyle** said the purpose of the public hearing was for the task force to receive input from the Idaho Falls and the surrounding community regarding wind energy.

The first person to speak was **Ken Pape** who said he was for wind energy. He said he sells products to wind developers as well as other energy developers. **Mr. Pape** said that Idaho is going to need electrical energy to grow in the future and that Idaho has some good wind sites that are close to transmission lines.

**Randy Gardner** was the next to speak and said he was pro wind and referred the task force to his comments that afternoon at CAES.

**Pete Nelson** informed the task force that he was working on his seventh wind farm. He said he started his career in Idaho and the wind industry allows him and his family to stay in Idaho and make a good living.

**Steven Topper** said he was pro wind and is a local contractor who sells services and parts to the wind farms and it has been very good for his business.

**John Backmeier** spoke in favor of wind. He does communications with landowners for a local wind energy company.

**Bob Neilsen**, a retired INL employee spoke in favor of energy of all kinds. **Mr. Neilsen** serves on the Idaho Strategic Energy Alliance and said Idaho needs to look at all forms of energy generation in the future. In response to **Representative Bateman's** question about future technology, **Mr. Neilsen** said that wind is intermittent and right now needs an energy source that is constant to shape it. He said currently storage technologies are expensive and may become less costly in the future. **Mr. Neilsen** said the federal production tax credit is set to expire in December and that there are some nuclear technologies that might bear watching.

**Tony Telbot**, a landowner that leases land to Ridgeline Energy at their Meadow Creek facility said, in his case and to his knowledge in most cases, the developer puts up a bond for decommissioning costs if a project shuts down. **Mr. Telbot** said the capacity to develop a wind project positively affects private property rights.

**Senator Brackett** asked if Bonneville Planning and Zoning required the bond or if Ridgeline put it up. **Mr. Telbot** said it is in his lease with Ridgeline. He said the Meadow Creek project is going up on the family farm and, from his perspective, he has seen no impact either positive or negative on wildlife that normally roam though there.

**Tim Hardin**, operations manager at the Wolverine Creek facility said the wind energy industry has been a wonderful opportunity for him and others to make a good living in Idaho. **Mr. Hardin** said it has been his observation that both wildlife and cattle like the wind turbines and tend to mingle around them because they provide shade during the warm weather months. **Representative Bateman** asked whether the towers ever killed birds. **Mr. Hardin** said that in his experience, there was one bird killed at a project in Texas but that has been the extent that he has seen.

**Rusty Lampagne** said he has been involved in the electrical industry most of his career and that the nation needs to improve its electrical grid and make the investment necessary to do that. He said if that happens, many of the issues with wind will disappear as the wind will be blowing somewhere and can be dispatched to areas where it is not blowing.

**Trent Johnson** said he is grateful to the wind energy as it gave him employment. He said that the wind energy companies are good stewards of the environment.

**Layne Elkington** said the issue of siting wind energy projects is a private property issue. He said the state should not be telling people what do with private property. He said wildlife has not been affected by the projects and that currently wind is the cheapest power that Rocky Mountain Power can buy. In his opinion, it is a win for the industry and the customers of Rocky Mountain Power.

**Keith Elkington** said he would like to address the subsidies for wind. He noted that both the Ashton Dam and the Palisades Dam had federal subsidies when they were built. He said that a three megawatt

wind project cost less than a similar size capacity dam. In his opinion, the power companies need to have some renewable and cannot solely depend on thermal power.

**Matt Heath** said his company is in the power line construction business and they have crews in both Texas and the Idaho Falls area. He said the big challenge is to harness the wind. He would like to have Idaho lead the country in energy production.

**Matt Thompson**, a Bingham County rancher, said that the siting of wind energy facilities should be left up to the counties and is a private property rights issue. He said the City of Idaho Falls Power Company is struggling for new power generation to meet their load and recently went into a wind project for that purpose. He said a big issue facing the state is providing an environment so that new power infrastructure and transmission lines get built. He said the reason that power companies do not like wind energy is that they do not own most of the turbines. He said they would like them if they owned them.

**Chuck Cragow** said he was in the electrical design business for Ridgeline and his company is located in Hailey. He said his company has received about \$1,000,000 annually from doing work for Ridgeline and all of his employees are from Idaho.

**Steven Martin** said his family is getting their property ready for wind power. He said if the State, instead of the county, were to be put in charge of wind siting that would be unfair. Currently the county is about creating jobs locally. He said PacifiCorp owns wind projects in Wyoming and to not use local opportunities for wind would be a tragedy.

**Harold Smith** commented that the sage grouse normally do not fly high enough high enough to be impacted by the turbines.

**Russell Shamomon** said the siting of wind turbines is a property rights issue. He said that the project nearest to him is 5.15 miles away from any other family.

**Curt Burns** said he has a contract with a wind energy company. He said the market and not the government should choose the economic winners and losers.

**Harold Jones** said he is a former planning and zoning commissioner for Bonneville County and believes in private property rights as long as the use of that property does not negatively impact land or people around that property. He said that Bonneville County learned a lot from the earlier wind farms and hopefully learned from the mistakes. In his opinion, government price supports for wind projects should be allowed to expire and the production tax should be phased out and replaced with a property tax on wind projects. He said the property tax would provide more moneys to counties to provide necessary services and infrastructure.



**Mr. Jones** went on to say that some places are better suited to having windmills than housing developments and that he is a believer in local control. Mr. Jones said that nationally, the coal plants that are being shut down can lead to opportunities for wind developers. Mr. Jones concluded by saying that we are the land of the free, not the land of the handouts.

**Mr. Layne Allgood** stated that currently there are 104 generating nuclear plants that are about to wear out and will have to be decommissioned. This will mean there will be a need for a new power source to replace that capacity. With that is an opportunity for wind, natural gas, solar, geothermal and perhaps the new breed of nuclear reactors to supply that power.

**Robert Baker** was next to speak. He said he has worked at the Goshen Phase II plant and that when it was being constructed 10 FTEs were involved with two being brought in from out of state. He said they try to use local businesses as much as possible for procurement. He said that they have bought fire engines down for some city or county fire calls and that Ridgeline employees helped put a fire out that was started by arson.

**Keith Elkington** spoke about house values and wind turbines. He said an opponent of the wind industry lives next to his daughter. He said his daughter's property values went down prior to the construction of the windmills. In his opinion the decrease in value probably had much more to do with the national financial crisis than the siting of the windmills.

#### **Friday October 5, 2011**

#### **Tour of Ridgeline Facilities and adjoining neighborhoods.**

The tour began at 8:30 a.m. Members present were the Co-chairs Senator Bert Brackett and Representative Judy Boyle, Senator Jeff Siddoway, Representatives Paul Shephard and Representative Linden Batement. Senators Curt McKenzie, Senator Elliot Werk and Representative Elaine Smith were absent and excused. Mike Nugent staffed the meeting for the Legislative Services Office.

**Mr. Randy Gardner from Ridgeline Energy** conducted the tour. He gave a brief history of Ridgeline in SE Idaho. He said Ridgeline successfully developed and sold the 65 MW Wolverine Creek project. This project came online in December 2005. He said in partnership with BP Alternative Energy and Diamond Generating Company, Ridgeline brought the Goshen project, a 124.5 MW wind project in southeastern Idaho online in 2010. He also said that they developed a project in Power County which was not part of the tour. In April 2011, the 80 MW Rockland Wind Farm, located near American Falls began construction and that on December 19th, 2011, the Rockland Wind Farm began commercial operation. The tour went through the Meadow Creek facility that is currently under construction and is under contract with power to be sold to Rocky Mountain Power.

The task force also toured through a neighborhood where residents have been opponents to wind power and stopped at a house located near some turbines. There the residents told the task force their

concerns and frustrations over the siting process, some of the effects, including noise from the turbines, the view of the foothills and lights the Federal Aviation Administration requires on the turbines at night.

There was concern that the notice requirement under the Local Planning Act was too short to afford concerned citizens notice that a project was proposed to be sited. There was also concern that running a legal notice in a newspaper was inadequate to provide residents with notice and that perhaps a siting process like California has in place might be a better solution than is currently the process in Idaho. There was discussion of the need for a web based notice or the requirement that a paper notice be mailed to all persons in the county or perhaps within a five mile radius of the project.

The tour concluded at 12:05 p.m. and the meeting was adjourned.