Wind Task Force Talking Points

PURPA General Case:

- PURPA is a federally mandated program that requires Investor-owned utilities to purchase the output of qualified renewable energy projects.
- States have some discretion as it relates to the size and amount paid for eligible projects (published avoided cost rate).
- The case the PUC recently decided addressed two main problems:
    - 1) Developers were "gaming" the system by breaking up large utility scale projects into multiple smaller projects and then forcing the utilities to purchase the total output under the published rate.
    - 2) The published rate no longer reflected the true "avoided cost".
- These two problems resulted in utilities being forced to pay for power they did not need at prices that were too high.

Addressing the gaming problem:

- Idaho had established a generous project size for PURPA that was intended to assist with basic economy of scale issues for developers...the project size for the published rate for all project types was 10 average megawatts delivered (contracts were 20 years).
- The problem occurred when wind developers took advantage of a FERC rule that said projects separated by one mile were considered separate projects. This allowed wind developers to break up large scale utility sized projects into multiple 10 average megawatt projects and then force the utility to purchase the output at the published rate.
- While wind developers were the primary reason for the problem we faced...it became apparent that solar developers could also manipulate the system similarly.
- The solution was to cap the size of solar and wind projects to 100 kw. This took away the incentive to break up large projects in an effort to get the published avoided cost rate.
- For all other renewable projects such as small hydro, geothermal, biomass, and biogas that were not viewed as being capable of gaming the one mile separation rule, the cap of 10 average megawatts delivered was maintained (nothing changed for them). This means they can still get the published avoided cost rate for projects up to 10 average megawatts delivered.

- For eligible projects above the established caps (regardless of resource type), developers must negotiate an avoided cost rate using the utilities long-range growth plan (integrated resource plan). This means that the cost paid for power will more accurately reflect the need for power.

Addressing issues associated with "reflecting the true avoided cost":

1) Pushing projects above the cap size (100kw for wind and solar-10 average megawatts for all other resources) into a negotiated "avoided cost" scenario that is based on the utilities integrated resource plan deals with one aspect of getting to a reasonable cost.
2) For the published rate, the solution was to update fuel cost forecasts on June 1st of each year using natural gas price forecasts provided by the Energy Information Administration's Annual Energy Outlook.

General renewable energy/PURPA factoids:

Avista: 6.8% PURPA (58% counting non-PURPA hydro)

Idaho Power: 20.1% PURPA (62% counting non-PURPA hydro)

PacifiCorp: 20.8% PURPA (29% counting non-PURPA hydro)