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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S PETITION TO MODIFY TERMS) CASE NO. IPC-E-15-01
AND CONDITIONS OF PURPA PURCHASE)
AGREEMENTS)
_____)

IN THE MATTER OF AVISTA)
CORPORATION'S PETITION TO MODIFY) CASE NO. AVU-E-15-01
TERMS AND CONDITIONS OF PURPA)
PURCHASE AGREEMENTS)
_____)

IN THE MATTER OF ROCKY MOUNTAIN)
POWER COMPANY'S PETITION TO) CASE NO. PAC-E-15-03
MODIFY TERMS AND CONDITIONS OF)
PURPA PURCHASE AGREEMENTS)
_____)

Idaho Conservation League and the Sierra Club

Rebuttal Testimony of Adam Wenner

May 14, 2015

1 Q. Are you the same Adam Wenner who filed Direct Testimony in this case on behalf of the
2 Idaho Conservation League and the Sierra Club on April 23, 2015?

3 A. Yes.

4

5 Q. What is the purpose of your rebuttal testimony?

6 A. I have been asked to respond to Idaho PUC Staff Witness Sterling's testimony on two
7 subjects. First, I offer an opinion regarding the legality of adjustable rate contracts under PURPA
8 and FERC's implementing regulations. Mr. Sterling testifies on page 20, lines 11-16:

9 FERC rules do not specifically address whether adjustable rate contracts are acceptable in
10 instances in which the contracting parties agree in advance to an adjustment method and
11 frequency. Consequently, I am uncertain as to whether FERC would find adjustment
12 mechanisms acceptable.
13

14 Second, I offer an opinion of the intent of PURPA to stimulate the market for utility-scale
15 renewable energy up to 80 megawatts in size. Mr. Sterling testifies on page 24, lines 15-20:

16 I believe PURPA was intended to permit relatively small, non-utility-owned projects to be
17 developed and to compete on an equal footing with utility owned facilities. I do not
18 believe PURPA was ever intended to serve as the primary, or even a major, mechanism for
19 utility acquisition of new resources.
20
21

22 Q. Are adjustable rate contracts consistent with PURPA and the FERC's PURPA regulations
23 and decisions?

24 A. In my view they can be. First, in Order No. 69, FERC stated, with respect to state
25 commission implementation of the FERC PURPA rules: "These rules afford the State regulatory
26 authorities and nonregulated electric utilities great latitude in determining the manner of
27 implementation of the Commission's rules, provided that the manner chosen is reasonably
28 designed to implement the requirements of Subpart C [which includes establishing avoided cost

1 purchase rates].”¹ For example, my understanding is that the California Public Utilities
2 Commission, which was a leader in encouraging cogeneration and small power production
3 development under PURPA, adopted standard offer contracts, with terms of 15 to 30 years that
4 included an adjustable energy component. One standard offer contract, Standard Offer No. 2,
5 provided a fixed capacity price for the term of the contract, while the energy price was linked to
6 the price of fossil fuels used by California utilities. Standard Offer No. 4 contained fixed capacity
7 price for the entire term; energy prices were fixed for the first ten years; after that, the energy
8 price followed the price of fossil fuels used by California utilities.

9 These approaches, in my view, were reasonably designed to implement the FERC’s rules,
10 by including sufficiently lengthy terms and fixed payments that developers and their financing
11 parties could rely on for a portion of the payment, and thus providing an assured revenue stream
12 sufficient to justify the financial commitments required for development of cogeneration and
13 small power projects.

14
15 **Q. In your opinion, was PURPA not intended to serve as the primary, or even a major,**
16 **mechanism for utility acquisition of new resources?**

17 **A.** I do not agree. First, note that in addition to small power production facilities projects,
18 which are limited by statute to 80 MW, the same PURPA rules apply to cogeneration facilities –
19 and there is *no* size limit for cogeneration projects that qualify under PURPA. I am familiar and
20 have worked with cogeneration projects with a capacity of up to 800 MW. As to whether
21 PURPA was intended to serve as the primary, or even a major, mechanism for utility acquisition
22 of new resources, the answer is that the PURPA program was intended to “encourage”

¹ *Small Power Production and Cogeneration Facilities; Regulations Implementing Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 69, FERC Stats. & Regs. ¶ 30,128 (1980), 45 Fed. Reg. 12,214, 12,230-31 (Feb. 25, 1980).

1 cogeneration and small power production, because at the time the nation was in a severe energy
2 crisis. Since these technologies reduced conventional fuel use for power generation, the intent
3 was to develop as much cogeneration and small power production generation as possible,
4 without paying more than avoided costs, so that ratepayers did not pay more than they otherwise
5 would. So, to the extent that cogeneration and small power production could serve as the
6 primary acquisition vehicle for new utility resources while being rates that do not exceed avoided
7 costs, that result was intended by the legislation.

8

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes.