



June 29, 2015

Via Fax and Electronic Mail

Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074
Fax: (208) 334-3762
secretary@puc.idaho.gov

RE: Case Nos. IPC-E-15-01 / AVU-E-15-01 / PAC-E-15-03 – Comments on Petition to Modify Terms and Conditions of PURPA Purchase Agreements

Dear Commission and Staff:

I write on behalf of Pristine Sun, LLC to provide these comments on the above-referenced petitions to reduce the duration of Qualifying Facility (QF) contracts to as low as 2 years. The Public Utility Regulatory Policies Act of 1978 (PURPA) created an obligation for electric utilities to offer to purchase power from, and interconnect with, qualifying generation projects. Avoided cost (the cost a utility avoids as a result of the QF) forms the basis for determining QF purchase pricing.

As discussed below, Pristine Sun urges the Commission to approve a modified version of the pending proposals, maintaining the 20-year contract term, but allowing the avoided cost rate to be adjusted after year 10 of the agreement. This modification is necessary to avoid the significant market disruption that the existing proposals would create while fully protecting Idaho's ratepayers.

Background on Pristine Sun

Pristine Sun is a leading developer of small (1-3 MW) utility-scale photovoltaic energy projects in the U.S. Pristine Sun developed and built over \$100 million (26 MW DC) of projects in 2013 and 2014 with an additional 550 MW+ of projects expected to break ground by the end of 2016. Pristine Sun has approximately 20 projects with full site control in development in Idaho, with an average size of about 2 MW AC each. Of these, approximately 5 projects are undergoing active project management, preliminary permitting efforts, and preliminary site design and engineering today.

A Modified Proposal Is Necessary to Avoid Unnecessary Market Disruption While Protecting Idaho Ratepayers.

Reducing the contract length for QF projects to 2-5 years will cause Pristine Sun to halt all present and future development work in Idaho. This is because such a short contract length will make it impossible to recover the substantial up-front costs needed to plan, permit, construct, and interconnect the company's projects. Long-term contracts are necessary to allow the substantial up-front investments in these systems (including large capital expenditures) to be financed and recovered. In particular, 20-year contracts are necessary to secure financing under sufficiently favorable terms to make these substantial investments worthwhile. We especially believe this is critical for small projects on distribution feeder circuits (rather than transmission lines) of up to 3 MW.

Further, long-term contracts serve an important role in hedging against short-term price volatility in the wholesale energy markets. In California, the absence of long-term energy contracts was a significant cause of the state's wholesale energy market crisis of 2000-2001. See, e.g., *Causes and Lessons of the California Electricity Crisis* at 21-22, Congressional Budget Office (September 2001), available at <http://www.cbo.gov/sites/default/files/californiaenergy.pdf> (last visited June 25, 2015) (hereinafter "*Causes and Lessons*"); see also Michael A. Yuffee, *California's Electricity Crisis: How Best to Respond to the "Perfect Storm"*, 22 *Energy L.J.* 65, 69-70 (2001) (noting that California would have experienced less severe rate fluctuations had it allowed utility companies to purchase some of their electricity through long-term contracts instead of relying solely on the spot market for purchases). Then, as here, the utilities opposed entering long-term, fixed-price energy contracts because long-term prices were expected to be higher than the spot prices available in wholesale markets. *Causes and Lessons* at 22. However, as spot prices increased due to tightening of wholesale supplies in the summer of 2000 (driven in part by a prolonged drought in the Pacific Northwest), the inability of California utilities to enter long-term energy contracts contributed to lack of available generating capacity and worsened price escalation, resulting in massive price spikes that ultimately cost the state's ratepayers billions of dollars. *Id.* The point here is not that Idaho will experience a similar crisis, but rather that a balanced energy policy should provide for a hedge against short-term energy price volatility by protecting the kind of long-term energy contracts that PURPA provides.

Nonetheless, Pristine Sun recognizes the need to protect ratepayers against unnecessary price risk when entering long-term contracts. Accordingly, Pristine Sun urges the Commission to adopt a decision that does three things:

1. Maintains a 20-year contract length for PURPA energy purchase agreements. As noted, this contract length is critical to ensuring that small, distributed solar projects can be financed.

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2. Allows the price term to adjust after 10 years (commencing in year 11), or longer, to the avoided cost rate at that time. This modified price term would be allowed to adjust upwards or downwards.

3. Provides a buffer against adjustments that have no material affect on the contract price. Pristine Sun advocates a buffer of 20%, meaning the price term would not adjust unless the new avoided cost rate was 20% more or less than the original contract price. A buffer like this will ensure that the time, expense, and risk associated with a change in contract price is not incurred without some material change in the avoided cost.

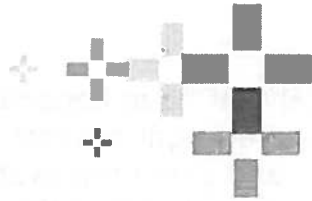
The price adjustment at year 11 of the contract (or later) will fully protect Idaho's ratepayers in the event that the avoided costs end up being lower in the future than they are today. However, this adjustment should not occur any earlier than year 11 of the agreement. Otherwise, the resulting price uncertainty will result in too much instability and risk to make a project financeable.

Pristine Sun thanks the Commission for considering these comments.

Sincerely,

/s/ Troy Helming

Troy Helming
CEO, Pristine Sun, LLC



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June 30, 2015

Randolph Mann
Vice President
NRG Renew LLC
5790 Fleet Street, Suite 200
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Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-3762

Re: Idaho Power – *Petition to Modify Terms and Conditions of Prospective PURPA Energy Sales Agreements*, Docket No. IPC-E-15-01

Dear Commissioners:

NRG Energy, Inc. ("NRG") writes in opposition to Idaho Power's proposal to limit contracts entered into under the Public Utility Regulatory Policies Act of 1978 ("PURPA") to two years from the current 20 years.

NRG is one of the leading developers, owners and operators of renewable power plants across the country, with over 3,000 MW of wind and solar assets under management. In addition, NRG pioneered the use of "Yield" companies designed to bring new, lower cost, capital into the renewables markets. NRG is, in fact, actively investigating renewables development in Idaho.

NRG urges the Commission to deny Idaho Power's request to limit new contracts to two years for the following reasons:

Adopting two-year contracts will increase the costs of renewables by denying developers access to low cost capital.

Providing less than a ten year contract makes it extremely difficult for renewables developers to access capital. Investors in the energy space simply do not consider two-year contracts to be financeable. The end result is to either significantly inhibit renewables development and to increase the cost of bringing the relatively few renewables projects that survive to market.

One of the greatest innovations in renewable energy finance was NRG's creation of NRG Yield, an investment vehicle designed to bring non-traditional sources of capital into the renewable energy sector. Adopting a two-year contract structure would completely cut renewable developers off

from innovative new sources of low-cost capital that have become available with the advent of Yield vehicles. NRG Yield has brought several billion dollars of additional investment in renewables, and given renewables developers the ability to access a lower cost source of capital than traditional investment structures.

NRG Yield, as well as other Yield-type vehicles, generally require contracts with a 10 – 20 tenor. A two-year contract, by contrast, would not be eligible for inclusion in most Yield structures, thus denying Idaho ratepayers access to this capital.

Jobs and investment in Idaho will suffer if two-year contracts become the standard.

If the Commission approves the Idaho Power request, the natural tendency will be for renewables developers to look elsewhere to site renewable generation projects. Making Idaho less attractive to business will drive jobs and economic development opportunities away from Idaho. As the Commission knows, renewables development has brought much-needed money into the Idaho economy. Sending these jobs elsewhere benefits nobody.

Less radical changes are available.

NRG recommends that, if the Commission feels that it is necessary to reduce the term of new PURPA contracts, that it considers reducing the term to 10 years, instead of two years. A 10-year contract still provides many of the finance-ability benefits of a longer term contract without driving renewables development out of Idaho.

Sincerely,

A handwritten signature in black ink, appearing to read 'Randolph Mann', with a long horizontal flourish extending to the right.

Randolph Mann

Jean Jewell

From: bkformusa@msn.com
Sent: Tuesday, June 30, 2015 10:08 AM
To: Beverly Barker; Jean Jewell; Gene Fadness
Cc: bkformusa@msn.com
Subject: Case Comment Form: Brian Formusa P.E.

Name: Brian Formusa P.E.
Case Number: IPC-E-15-01
Email: bkformusa@msn.com
Telephone: 208-309-3023
Address: 108 S. 3rd Ave
Hailey Idaho, 83333

Name of Utility Company: IPCo
Acknowledge public record: True

Comment: Dear Commissioners Kjellander, Redford, and Raper,

As an Idaho consulting engineer, a solar system engineer for over 34 years and having been involved in most of the larger solar projects in Blaine County. I am well versed in many of the technical and economic issues regarding solar development.

From Feb 2014 through March 2015 I had been meeting monthly with Idaho Power's technical and advisory staff as part of a steering committee on local renewable planning.

As a result I have been privy to many of the technical arguments you will hear as part of the hearing regarding base-loading, peak load planning, the 'duck' curve (over-generation risk), solar integration challenges and other salient solar generation topics.

In short, I understand Idaho Power's point of view in desiring to limit the uptake of future solar generation.

However the existing Idaho Power structure of vetting and pricing for potential solar projects is more than adequate as-is and does not require an overarching ruling that would basically eliminate the consideration of any future mid/large scale solar projects.

To be fair, any developer of any energy resource requires long term pricing agreements. The need for limiting the rate term, or renegotiating it every two years is certainly not part of Idaho Power's or any utility's pricing negotiation structure.

For any generation project whether it be coal, gas turbine, wind or solar, long term pricing structures are part and parcel for financial planning. I urge the commission to explore whether PURPA 20 yr contracts is risky business for customers or simply business as usual.

I encourage the P.U.C. to explore Idaho Power's existing and exhaustive process of vetting for future solar projects.

Their 'avoided cost' procedures include long term planning methods, detailed costs for grid integration and various other costs for integrating additional PURPA capacity.

These Idaho Power studies are required before a solar PPA is offered and are more than adequate to protect the utility from unwarranted solar development.

It is not in the best interest of the public for the P.U.C. to eclipse potential low-cost reliable power generation strategies.

P.V. solar is a fast evolving industry with increasingly competitive costs. Utility compensation strategies to eliminate any adverse solar generation affects (on base and peak power generation) are well understood and yet ever progressing.

If the solar or other generation opportunities develop such that the avoided cost is far below peak fossil fuel alternatives, then Idaho Power should have an open door to these solutions, otherwise other utilities will reap these benefits, and Idaho Power customers would miss out on potential lower energy costs.

In the PUC's role as economic regulators, there is a duty to keep these PURPA options open and integrate low cost power strategies when Idaho Power's existing avoided cost analysis proves solar generation is amenable.

Having heard Idaho Power's arguments while spending considerable time with Idaho Power's strategic planning staff, in my opinion, reducing the solar PURPA term to two years is an unnecessary relief from the technical challenge or burden of integrating additional low-cost solar capacity. It may be that Idaho Power simply needs to work a little harder.

Idaho Power's current planning, vetting and pricing practices are more than adequate at this time. They do not need additional P.U.C. protection from solar or other future power generation opportunities.

One last point, as public economic stewards, the P.U.C. may want to consider the potential cost of defending an unpopular decision. Undermining a high profile Federal statute such as PURPA is an unwarranted legal liability.

Thank you for your consideration,

-Brian Formusa P.E. (mechanical)

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