

Williams · Bradbury

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IDAHO PUBLIC
UTILITIES COMMISSION

April 23, 2015

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: IPC-E-15-01

Dear Ms. Jewell:

Enclosed please find nine (9) copies of the Direct Testimony of John R. Lowe on behalf of Renewable Energy Coalition, CD-ROM, and Certificate of Delivery for filing in the above referenced docket.

Please call should you have any questions.

Sincerely,



Ronald L. Williams

RLW/jr
Enclosures

BEFORE THE IDAHO PUBLIC UTILITY COMMISSION

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IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF)
IDAHO POWER COMPANY'S PETITION)
TO MODIFY THE TERMS AND)
CONDITIONS OF PROSPECTIVE PURPA)
ENERGY SALES AGREEMENTS,)

CASE NO. IPC-E-15-01

IN THE MATTER OF AVISTA)
CORPORATION'S PETITION TO MODIFY)
TERMS AND CONDITIONS OF)
PROSPECTIVE PURPA AGREEMENTS)
ENERGY SALES AGREEMENTS,)

CASE NO. AVU-E-15-01

IN THE MATTER OF THE PETITION OF)
ROCKY MOUNTAIN POWER FOR)
MODIFICATION OF THE TERMS AND)
CONDITIONS OF PURPA PURCHASE)
AGREEMENTS AND FOR)
MODIFICATION OF ITS AVOIDED COST)
METHODOLOGY.)

CASE NO. PAC-E-15-03

_____)

RENEWABLE ENERGY COALITION

DIRECT TESTIMONY OF

JOHN R. LOWE

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 **A.** My name is John R. Lowe. I am the director of the Renewable Energy
4 Coalition (the “Coalition”). My business address is 12040 SW Tremont
5 Street, Portland, Oregon 97225.

6 **Q. Please describe your background and experience.**

7 **A.** In 1975, I graduated from Oregon State with a B.S. I was employed by
8 PacifiCorp for thirty-one years, most of which was spent implementing the
9 Public Utility Regulatory Policies Act (“PURPA”) regulations throughout the
10 utility’s multi-state service territory. My responsibilities included all
11 contractual matters and supervision of others related to both power purchases
12 and interconnections. Since 2009, I have been directing and managing the
13 activities of the Coalition as well as providing consulting services to
14 individual members related to both power purchases and interconnections.

15 **Q. On behalf of you are you appearing in this proceeding?**

16 **A.** I am testifying on behalf of the Coalition.

17 **Q. Please describe the Coalition and its members.**

18 **A.** The Coalition was established in 2009, and is comprised of thirty members
19 who own and operate nearly forty non-intermittent small renewable energy
20 generation qualifying facilities (“QFs”) in Oregon, Idaho, Washington, Utah,
21 and Wyoming. Several types of entities are members of the Coalition,
22 including irrigation districts, water districts, corporations, and individuals.
23 Except two, all are small hydroelectric projects less than 7 megawatts. The
24 Coalition’s Idaho members sell power to both Idaho Power Company and

1 PacifiCorp pursuant to PURPA contracts, all of which are projects under the
2 published rate eligibility cap.

3 **Q. What are the Coalition's interests in this proceeding?**

4 **A.** The Coalition has a number of key interests in this proceeding. First, our goal
5 is to ensure fair and reasonable contract terms and conditions, and avoided
6 cost rates for small projects under the published rate eligibility cap. Second,
7 the Coalition's members are primarily existing QFs, and our goal is to ensure
8 that any final order in this proceeding recognizes and accounts for the unique
9 circumstances and benefits of existing projects. Finally, the Coalition
10 recognizes that PURPA must work to benefit all interested parties, including
11 the utilities, ratepayers, and new and existing QFs of various sizes. The
12 Coalition's goal is that PURPA policies account for all these interests, and the
13 changes (if any) adopted by the Idaho Public Utilities Commission (the
14 "Commission") are narrowly tailored to resolve specific problems. Any
15 policy changes should not unduly harm any one, especially parties not causing
16 the problems that led to the utilities' filings.

17 **Q. Please summarize your testimony.**

18 **A.** The alleged problems facing Idaho Power, PacifiCorp, and Avista are not
19 being caused by small QFs under the published rate eligibility cap, and any
20 policy changes that result from these proceedings should exempt smaller
21 projects. Second, I explain that there should be no change in policy for
22 existing projects under the rate eligibility cap. Existing projects are also not
23 causing any problems, and in fact are providing significant benefits to the
24 utilities. In addition, imposing a policy change like a shortened contract term

1 on existing QFs could have significant and unnecessary harm on these
2 projects, the utilities, and ratepayers. Finally, the Coalition is not clear as to
3 what the recommendations of other parties will be in this proceeding, and I
4 intend to review these parties' testimony and potentially respond in the next
5 round of testimony. For example, other parties may agree that small projects
6 under the published rate should not have their contract terms shortened, which
7 would reduce the Coalition's need to participate in these proceedings.

8 **II. THERE SHOULD BE NO POLICY CHANGES FOR SMALL AND**
9 **EXISTING PROJECTS UNDER THE RATE ELIGIBILITY CAP**

10
11 **Q. Please describe what you mean by small projects under the published**
12 **rate eligibility cap.**

13 **A.** The rate eligibility cap is the maximum size for a QF to be eligible to sell
14 power at a utility's published avoided cost rates. The current rate eligibility
15 cap is 100 kilowatts for wind and solar, and 10 average megawatts for all
16 other generation resources

17 **Q. Is the rate eligibility cap important?**

18 **A.** Yes. It is much more difficult for QFs to negotiate contracts over the rate
19 eligibility cap than those below the cap. All states that I work in allow smaller
20 QFs to obtain published rates instead of negotiating rates or having their rates
21 determined by a utility computer model.

22 **Q. Why are small projects treated differently than larger projects?**

23 **A.** There are a number of important reasons for treating smaller projects
24 differently, some which include developer sophistication, transaction costs,
25 economies of scale, and the inability to economically access alternative
26 markets. It is important to recognize the unique difficulties facing smaller

1 projects, and allowing smaller projects to sell power at a published rate helps
2 mitigate some of these difficulties.

3 Negotiating contracts can be costly in terms of upfront transactional
4 costs. Small QFs do not typically have in house attorneys and experts with
5 the skills to assist in the evaluation and negotiation of contracts. Therefore,
6 they often need to hire outside experts. In addition, negotiating a QF contract
7 with a utility can take a great deal of time. All of these transactional costs can
8 impose significant economic burdens, and even make a smaller project
9 uneconomical.

10 Small projects also do not have the options available to larger projects.
11 For example, large scale resources developed by utilities or large independent
12 power producers benefit from being sized so that the dollar-per-kilowatt
13 investment required to build the plant is less than for a much smaller sized QF
14 of the same basic technology. Similarly, it is my understanding that the
15 typical short-term power sale trades in the Pacific Northwest electricity
16 market are for blocks of 25 MW power, and small QFs cannot effectively
17 participate in this market.

18 **Q. Please explain what you mean by existing QFs?**

19 **A.** Existing QFs are those projects that are already operating and are generally
20 selling power to the interconnected utility. Some of these projects have been
21 operating since the mid 1980s.

22 Existing projects face some unique challenges. Existing projects must
23 enter into a replacement power purchase agreement (“PPA”) when their
24 current PPA expires. This always means that their new PPA starts during a

1 term that includes an initial period of utility resource sufficiency. Most
2 existing projects have been operating for years, and may require upgrading of
3 their equipment and facilities including interconnections. New
4 interconnection agreements are often required. There can be significant costs
5 involved in addressing these needs or requirements

6 **Q. Are existing QFs treated differently than new QFs?**

7 **A.** Yes. For example, existing QFs are included in the utilities' resource plans.
8 These QFs have been and will continue to contribute to the utilities' capacity
9 needs, which justifies paying existing QFs a capacity payment that recognizes
10 their capacity value when they renew their contracts regardless of the utilities'
11 resource position. Therefore, there is precedent for recognizing that existing
12 QFs should sometimes be treated differently from new QFs given that they
13 have been selling, and are expected to continue to sell, power to the utilities.

14 **Q. Would changing PURPA policy to include a two-year or other short**
15 **contract term harm these existing and small projects?**

16 **A.** Yes. Currently, small QFs can enter into a twenty-year contract term.

17 Renegotiating PPAs can be time consuming and costly, especially for
18 small and existing QFs, and could be expected to be very burdensome if
19 required every five years or less. As I explained above, small existing
20 facilities nearly always do not have the option of selling their power to other
21 entities, and typically only have the choice of continuing to sell their power to
22 their interconnected utility or shutting down. Also, since existing QFs,
23 especially small hydro projects that are FERC licensed or exempted are not

1 going mobile, there is no need to place a significant burden and the cost of
2 constantly entering into new short-term contracts.

3 Significantly shortening the contract term for small QFs would also
4 harm the utilities and ratepayers. It is my understanding that that small
5 hydroelectric QFs below the rate eligibility cap make up the majority of
6 individual PURPA projects. Idaho Power Petition at 17-18. According to
7 Idaho Power, small hydroelectric projects make up 68 of the total 133 that
8 utility's PURPA projects under contract. *Id.* at 18. Requiring the utilities to
9 renegotiate all of these small QF contracts every two years, for example,
10 would be costly for the utilities. These unnecessary costs would be passed on
11 to ratepayers.

12 **Q. Please describe the alleged problems facing the utilities.**

13 **A.** The utilities have supported their request to reduce the contract term with
14 claims regarding the harm caused by new large wind and solar QFs. For
15 example, Idaho Power and PacifiCorp state that they have a large amount of
16 new wind and solar projects under contract, and a large number of additional
17 wind and solar QFs seeking new contracts. They allege significant customer
18 rate and reliability concerns associated with this large amount of large wind
19 and solar QFs.

20 **Q. Do you agree with the utilities that they are facing significant problems**
21 **associated with new PURPA projects?**

22 **A.** I have not independently verified the accuracy of the utilities expected new
23 QF contracts, rate impacts, or reliability concerns. In my experience, not all
24 of the QFs that request contracts, or that even enter into contracts, ever come

1 on line. Utilities also typically over estimate the costs and harms associated
2 with QFs, and underestimate their benefits. That said, I believe that the
3 utilities have raised legitimate concerns that warrant careful review, and
4 justify some changes in policy to account for the significant volume of large
5 scale intermittent QFs

6 **Q. How should the Commission address the alleged problems facing the**
7 **utilities?**

8 **A.** I recommend that the Commission open a generic investigation into PURPA
9 issues to review whether other solutions might better protect the utilities and
10 ratepayers without unduly harming QFs. There is no need to make long-term
11 decisions without considering all the potential impacts and solutions.

12 The Commission should not revise PPA term limits without a thorough
13 review of the issues and potential solutions typically achieved by a broader
14 investigation. By this, I mean that any solution should be narrowly tailored to
15 the specific problems that can be proven, and should not cause unintended or
16 harmful consequences. Simply reducing the contract term may achieve the
17 utilities' goal of reducing the amount of QF development, but it may not be
18 the best solution to the problem of large amounts of new wind and solar QFs.
19 For example, the Commission could instead revise avoided cost rates for
20 certain QFs, better account for integration costs, limit the amount of unneeded
21 power that a utility must purchase, or change the utilities' computer models.

22 I understand that many parties want the scope of the proceeding to be
23 narrow and only focus on the issue of contract length, but the Commission
24 should be aware that there are other, potentially more appropriate, solutions.

1 **Q. Are small and existing projects contributing to the utilities' alleged**
2 **problems?**

3 **A.** No. Assuming that all of the utilities alleged problems are true, these
4 problems are not being caused by existing and small QFs.

5 For example, Idaho Power explains that the hydroelectric projects
6 under the rate eligibility cap provide only 154 megawatts of the total current
7 1,302 megawatts of PURPA nameplate generation. Idaho Power Petition
8 at 18. While there is a large number of QFs under the published rate
9 eligibility cap, the total megawatt size of these existing projects is small and
10 not causing the alleged rate or reliability concerns identified by the utilities.

11 In fact, these projects provide Idaho Power with significant benefits.
12 For example, many of these projects are seasonal, which means that they
13 provide Idaho Power with valuable capacity. Limiting the contract length to
14 these projects not only does not address the problems identified by Idaho
15 Power, but may harm both Idaho Power and its ratepayers. The
16 Commission's final order in this proceeding should be careful not to harm
17 those QFs that are not contributing to the problems faced by the utilities.

18 **III. CONCLUSION**

19
20 **Q. Do other parties support your position that projects under the rate**
21 **eligibility cap should be exempt from shortening the contract length?**

22 **A.** Yes. It is my understanding that Idaho Power, the Snake River Alliance, Twin
23 Falls Canal Company, North Side Canal Company and American Falls
24 Reservoir District No. 2, and AgPower, all support or do not oppose keeping
25 the current contract term for projects under the current rate eligibility cap. We
26 think it would be inappropriate for the Commission to lower the contract term

1 when Idaho Power has not requested such an action. Given that Idaho Power
2 did not request a lower contract term for projects under the rate eligibility cap,
3 it is likely that there are parties that would have participated in the case if they
4 knew there was a chance that their future contract terms could be shortened.

5 Given that it is unclear what other parties' positions on this issue will
6 be, the Coalition is only submitting this limited testimony at this time. We
7 will review the testimony of other intervenors and may respond to their
8 arguments in rebuttal testimony.

9 **Q. Does this conclude your testimony?**

10 **A. Yes.**

CERTIFICATE OF DELIVERY

I HEREBY CERTIFY that on this 23rd day of April, 2015, I caused to be served a true and correct copy of the Direct Testimony of John R. Lowe on behalf of Renewable Energy Coalition upon the following individuals in the manner indicated below:

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