



The Alliance for Industrial Efficiency

June 26, 2015

Commissioners Paul Kjellander, Mack A. Redford, and Kristine Raper
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: Dockets AVU-E-15-01, IPC-E-15-01, PAC-E-15-01
*In the Matter of Idaho Power Company's Petition to Modify Terms and Conditions of
PURPA Purchase Agreements*

Dear Commissioners Kjellander, Redford and Raper:

I am writing on behalf of the Alliance for Industrial Efficiency to express our concerns about Idaho Power Company's recent petition to shorten the required power purchase agreement contract term from 20 to two years. The Alliance is a diverse coalition of labor, contractor, business and environmental groups committed to increasing deployment of combined heat and power (CHP) and waste heat to power (WHP) technologies. Our membership includes businesses throughout the country, including 39 member companies in Idaho. We urge you to maintain standard policies for 20-year contract lengths of power purchase agreements under PURPA.

If the Commission reduces the length of purchase contracts, this decision would significantly set back the deployment of clean and efficient CHP and WHP facilities. Enacted in 1978, PURPA has helped installed CHP capacity grow by 550 percent (from about 12,000 MW in 1980 to more than 66,000 MW in 2000) enabling businesses to reduce energy consumption, save money, create jobs, and increase grid reliability.¹ This policy has been successful because long-term revenue streams have enabled financing for these large projects, which has no doubt helped at least 12 cogeneration facilities in the state of Idaho.² Now is not the time to reverse a successful energy policy.

Decreasing the term of PURPA contracts would significantly chill construction of future CHP and WHP projects. A typical CHP system requires a substantial up-front investment and remains in place for decades; EPA estimates a typical 10.6 MW gas turbine represents a \$20-million investment and the median age of these systems (which represent 64 percent of CHP capacity) is 20 years.^{3,4} Financing should similarly reflect the useful life of a CHP facility, rather

¹ DOE-ORNL, 2008, "Combined Heat and Power: Effective Energy Solutions for a Sustainable Future," at iv (<http://info.ornl.gov/sites/publications/files/Pub13655.pdf>).

² U.S. Department of Energy., 2015, "Combined Heat and Power Installation Database: Combined Heat and Power Installations in Idaho" Retrieved from: <https://doe.icfwebservices.com/chpdb/state/ID>

³ U.S. Environmental Protection Agency and U.S. Department of Energy, Combined Heat and Power Partnership. 2015, "Catalog of CHP Technologies." Retrieved from: http://www.epa.gov/chp/documents/catalog_chptech_full.pdf

⁴ U.S. Department of Energy., 2015, "Combined Heat and Power Installation Database." Retrieved from:

than be limited to the proposed two-year power purchase agreement term. Long-term financing is a crucial component of developing projects with significant up front costs such as CHP and WHP facilities.⁵ Limiting required power purchase agreements for CHP and WHP facilities would therefore diminish CHP development; this would weaken manufacturing competitiveness, increase Idaho's risk to variable fuel costs, and increase emissions of harmful air pollutants. Accordingly, we urge the Commission to restore the requirement for 20-year power purchase agreements for qualifying facilities.

By producing both heat and electricity from a single fuel source, CHP systems can be twice as efficient as the separate generation of heat and electricity, while WHP captures waste heat to generate electricity with no incremental emissions. CHP systems enhance the reliability of critical facilities such as hospitals and universities, make manufacturing facilities more efficient, reduce volatile fuel costs and bolster industry. PURPA allows these facilities to sell surplus power back to the grid at prices that protect electricity consumers, providing a revenue stream that has been a key factor firms have considered when adopting these technologies.⁶ The combined savings and revenue stream to businesses allows industry to reinvest these funds to increase both jobs and productivity, creating cascading positive effects for Idaho's economy. Reducing the required term of power purchase agreements to two years would eliminate a guaranteed market for clean and efficient electricity generated by CHP, making firms less likely to invest the large up-front costs that these systems require.

We appreciate the Idaho Public Utility Commission's efforts to make Idaho's energy sector reliable and efficient. We hope that your decision on this matter will preserve the current standard of requiring 20-year power purchase agreements for qualifying facilities under PURPA so that Idahoans can continue to benefit from these technologies.

Sincerely,



Jennifer Kefer

Executive Director

Alliance for Industrial Efficiency

<https://doe.icfwebservices.com/chpdb/>

⁵ Weiss, J & Sarro, M., 2013, "The importance of long-term contracting for facilitating renewable energy project development." [White paper]. Retrieved June 15, 2015, from: http://www.brattle.com/system/publications/pdfs/000/004/927/original/The_Importance_of_Long-Term_Contracting_for_Facilitating_Renewable_Energy_Project_Development_Weiss_Sarro_May_7_2013.pdf?1380317003

⁶ Fox-Penner, P. S., 1990, "Cogeneration after PURPA: Energy conservation and industry structure," *JL & Econ.* 33, 517.