

November 29, 2017

The Honorable Tim Walberg
2436 Rayburn House Office Building
Washington, D.C. 20510

Re: Letter of Support for HR 4476, the Public Utility Regulatory Policies Act of 1978
Modernization Bill

Dear Representative Walberg:

Idaho Power Company thanks you for your leadership in introducing legislation to modernize the Public Utility Regulatory Policies Act of 1978 (“PURPA”), and submits this letter in support of such legislation and efforts. Idaho Power is a predominately hydroelectric based investor-owned utility providing electric service to a territory of approximately 25,000 square miles across southern Idaho and eastern Oregon. Idaho Power is consistently among the lowest cost retail public utility service providers in the nation. Even without state mandated renewable portfolio standards Idaho Power has significant and substantial development of renewable PURPA generation across its system. Idaho Power’s all-time peak load is just over 3,400 MW, with system-wide minimum load of approximately 1,100 MW. In comparison Idaho Power has more than 1,130 MW of PURPA generation under long-term contracts currently operating on its system. Idaho Power’s current long-term Integrated Resource Plan shows that the Company is completely generation sufficient to meet projected load through the year 2026, however, the mandatory purchase obligation imposed by PURPA requires the continued acquisition of any PURPA generation requesting contracts, at prices that typically exceed market prices.

The mandatory purchase obligation of PURPA consistently works to undermine Idaho Power’s state regulatory commission required, long-term integrated resource planning process that is designed to assure that utility customers are reliably served in a least cost manner. The price for PURPA electricity often exceeds the market price for electricity, causing unnecessarily high costs for utility customers. PURPA contract terms, typically as long as 20 or 35 years, unreasonably lock in these over-market prices for customers with no ability to change or modify such long-term contractual commitments. Under the mandatory purchase obligation, Idaho Power must continue to acquire PURPA generation, even if such generation is not needed to serve customers. The Company is sometimes forced to modify and curtail the operation of lower cost and/or more efficient and clean generation in order to accommodate PURPA generation. This distorts energy markets and results in higher costs for customers.

PURPA was enacted during the national oil crisis of the 1970s. The energy landscape is vastly different today than when it was enacted, and new market realities mean PURPA needs to be updated. Some of these developments include: open access to transmission for power producers and standardized interconnection for smaller generators; independent power producer development and greater competition in wholesale electricity markets; improvements in generation technologies; declining costs for renewable energy resources and natural gas; and implementation of various state and federal regulations, policies, and incentives that have bolstered renewable energy development and created greater opportunities for distributed generation. Given these changes, along with the substantial PURPA development that has occurred, it is essential that PURPA be modernized to more appropriately co-exist with the requirements to reliably serve the public in a least cost manner.

Today, PURPA results in unnecessarily high costs for customers and urgently needs to be reformed. While Congress made improvements to PURPA in the Energy Policy Act of 2005, PURPA still promotes the uneven and uneconomic development of PURPA generation at the expense of utility customers, other lower cost and more efficient resources, and system reliability. It is essential that PURPA be modernized to continue to serve the public interest. Legislation to reform PURPA is needed now.

The proposed legislation recognizes the important role of state regulatory processes to plan a cost-effective generation supply for the benefit of customers. It appropriately introduces a common sense, and missing, needs-based requirement for the continued acquisition of PURPA generation, as well as starting to address the abuses of the “one-mile rule” and the onerous 20 MW presumption of lack of access to wholesale markets.

Together, the changes will modernize PURPA as applied to qualifying small power production facilities on a prospective basis. Idaho Power currently has over \$3.5 billion of contractual obligation for more than 1,100 MW of PURPA generation. PURPA generation has typically represented approximately 19% of Idaho Power’s generation, and 32% of generation cost. While the proposed statutory changes cannot impact those existing contracts, it is important that Congress begin the necessary process of modernizing PURPA so that further onerous contracts, and their costs to customers, do not continue to grow.

As the bill is considered in the House of Representatives, please know that Idaho Power appreciates your efforts and stands ready to provide you with any assistance necessary to support this much-needed modernization to PURPA.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Malmen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jeff Malmen
Senior Vice President, Public Affairs
Idaho Power Company