



IBERDROLA RENEWABLES

July 29, 2011

Ms. Julia L. Kyriss
Colorado River Storage Project Manager
CRSP Management Center
150 East Social Hall Avenue
Suite 300
Salt Lake City, UT 84111-1580

VIA EMAIL

Re: **Western Area Power Administration Proposed Revisions to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning**

Dear Ms. Kyriss:

Iberdrola Renewables, Inc. ("Iberdrola Renewables") hereby submits the following comments in response to the Western Area Power Administration's ("WAPA") proposed revisions to its *Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning* published in the Federal Register on June 29, 2011.

I. COMMUNICATIONS

All correspondence and communications regarding this proceeding should be directed to the following persons:

Toan-Hao B. Nguyen
Senior Counsel
Iberdrola Renewables, Inc.
1125 NW Couch St., Suite 700
Portland, OR 97209
Tel: (503) 241-3204
Toan.nguyen@iberdrolaren.com

Rich Glick
Vice President, Government Affairs
Iberdrola Renewables, Inc.
607 14th St. N.W., Suite 225
Washington, D.C. 20005
Tel: (202) 783-0036
Richard.glick@iberdrolaren.com



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II. BACKGROUND

Iberdrola Renewables is engaged, directly and through its subsidiaries and affiliates, in the nationwide development of, and marketing of electricity generated from, wind, solar and thermal energy facilities. Iberdrola Renewables is the second largest wind power generator in the United States with more than 4,700 MW of operating wind power capacity. Iberdrola Renewables is developing wind and other renewable energy projects in each project-area served by WAPA and can be directly impacted by WAPA's resource acquisition and transmission planning decisions.

WAPA is primarily engaged in marketing to so-called "preference customers" hydropower generated at certain Federal dams. In carrying-out its responsibilities, WAPA is a substantial participant in the western power markets both as a seller and purchaser of wholesale electricity. In addition, WAPA is one of the largest owners and operators of the transmission grid in the West.

WAPA is also a Federal agency and, as such, has a responsibility to pursue the public interest. President Obama has consistently espoused the environmental and economic benefits associated with the increased reliance on renewable resources to satisfy the nation's energy needs. The Obama Administration has proposed and adopted a number of policies designed to promote investments in renewable energy, including renewable electric generating facilities. To date, WAPA's record in promoting renewable energy has been mixed. Iberdrola Renewables urges WAPA to revise its integrated resource planning (IRP) processes to enhance renewable electricity development in the western United States. There are a number of actions WAPA can take to promote renewable energy while ensuring that the rates it charges its preference customers don't exceed comparable wholesale prices for electricity in other regions in the western interconnect.

III. COMMENTS

WAPA is proposing to revise its IRP procedures to establish criteria for the evaluation of potential long-term (more than five years) power purchase agreements ("PPAs). According to its 2010 Annual Report, WAPA last year purchased 31 million MW of power through long term contacts. Long-term PPAs offer the purchaser significant benefits, including a hedge against volatility in future electricity prices.

Some preference power customers have argued to WAPA that it should primarily engage in only short-term power purchases to address Federal power shortages. They reason that below average precipitation in one year will be followed by better precipitation levels in a subsequent year. While that could be, precipitation patters are changing as the planet's



climate changes. If WAPA were forced to go to the market each year to make up for reduced hydroelectric generation, customers could very well experience significant rate increases.

Longer-term PPAs are also important for renewable electricity project developers. Short-term contracts don't provide a developer with the certainty needed to promote capital investments. Short-term PPAs are even less sufficient in regions without organized markets, including each of the WAPA project areas. If a WAPA project participated in a regional transmission organization ("RTO"), renewable energy facilities and other independent generation could more easily sell power in a market. WAPA's failure to participate in RTOs discourages generators from locating in WAPA's service territories without access to a long-term PPA.

WAPA's proposal, as published in the Federal Register, indicates that once a WAPA project determines that there is a need for a long-term resource acquisition, the project area will consult with preference customers. While these customers undoubtedly deserve to be part of the decision making process, WAPA – as a governmental entity – needs to include all stakeholders in its decision making process. Iberdrola Renewables recommends that WAPA modify its proposal to permit consultation to a wider group of interested parties.

The Federal Register notice lists ten criteria WAPA proposes to consider when generators offer to supply power pursuant to a long-term contract: (1) cost, (2) dependability, (3) dispatchability, (4) diversity, (5) environmental impact, (6) Indian preference, (7) renewable energy, (8) risk, (9) transmission availability, and (10) transmission losses. What follows are Iberdrola Renewables' comments on each criterion.

- *Cost—the amount paid to acquire resources, such as purchased power, fuel, plant and equipment, or labor services.*

The cost of offered power is obviously an important factor for any utility considering entering into a PPA. WAPA should ensure that it compares the full cost of each proposal over the life of a contract. Wind and solar energy provide an important benefit because their costs are generally fixed over the life of a project. The cost of fossil fuel generation, on the other hand, can rise considerably with fluctuations in fuel prices. When WAPA compares offers from competing renewable energy generators it should choose the proposal that will be most cost effective assuming the proposal satisfies the other criteria.

- *Dependability—a supplier's ability to provide power as specified in a purchase power solicitation. A supplier is considered dependable when it delivers to the*



contracted location, in the contracted amount, at the contracted time, and in the contracted manner.

Iberdrola Renewables agrees that counterparties should deliver energy to WAPA based on their contractual obligations. WAPA should recognize that these obligations might differ for renewable facilities compared to traditional generation.

- *Dispatchability—the ability of a utility to schedule and control, directly or indirectly, manually or automatically, the resources under consideration.*

This criterion should not be used to discriminate against variable energy resources. Wind and solar projects have the ability to manage their output, either through manual intervention or automatically. The technology is already being utilized in the eastern interconnection, in regions that require wind resources to be dispatchable.

- *Diversity—an acceptable level of both the mix of generation resources in the region's overall blend of power provided to a customer and the mix of generation sources of the supplier.*

As is the case with the country as a whole, the regions served by WAPA's projects are heavily reliant on coal and growing increasingly reliant on natural gas to fuel electric generation. In addition to the obvious environmental impacts, excessive reliance on fossil fuels puts consumers at unacceptable levels of risk given the potential for price volatility and supply disruptions. WAPA would serve its customers well to increase its acquisition of electricity from alternative sources, including renewable electricity generators.

- *Environmental impact—the degree to which the resource has an impact on the human environment. Impacts vary according to: (1) The type of resource purchased (supply-side, demand-side, or renewable), (2) the length of the purchase, (3) the geographical area from which the power is purchased, and (4) the transmission path(s) used to get to the contracted location.*

This is an extremely important criterion. The combustion of fossil fuels, particularly coal, at electric generation facilities harms our air and water quality and has led to an unprecedented warming of the earth's atmosphere. WAPA, as a governmental entity, needs to help lead the way by ensuring that power purchases minimize adverse impacts to the environment.

- *Indian Preference—Under section 2602(d) of the Energy Policy Act of 1992 (as amended by the Energy Policy Act of 2005), in purchasing any energy product or*



by-product, a Federal agency or department may give preference to an energy and resource production enterprise, partnership, consortium, corporation, or other type of business organization the majority of the interest in which is owned and controlled by one or more Indian Tribes. In carrying out this subsection, a Federal agency or department will not pay more than the prevailing market price for an energy product or by-product or obtain less than prevailing market terms and conditions.

Iberdrola Renewables takes no position on this criterion.

- *Renewable Energy Resource—the electric energy that is generated from solar, wind, biomass, land-fill gas, ocean (including tidal, wave, current, and thermal), geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project and is physically delivered to the grid.*

President Obama has consistently supported a national program to require utilities to meet a specific amount of their electric sales through the use of renewable energy or clean energy resources. Although Congress has yet to enact legislation mandating such a program, the Executive Branch should lead by example. Iberdrola Renewables believes that WAPA should ensure that a specific percentage of its energy purchases – 25% by 2025 – come from renewable energy resources. Such a program would help consumers by encouraging fuel diversity, while enhancing the environment.

- *Risk—the potential impact of market uncertainties, including a supplier’s financial condition and creditworthiness. A supplier shall be required to demonstrate adequate financial and physical resources to provide capacity and energy to meet Western’s requirements during the term of the contract.*

Iberdrola Renewables supports the criterion as proposed.

- *Transmission Availability—the ability to move or transfer electric energy over an interconnected group of lines between points of supply and points of delivery to Western’s system.*

Iberdrola Renewables supports this criterion as proposed.



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- *Transmission Losses—the reduction in available electricity after being transmitted over transmission lines and/or facilities from the generation source to the contracted delivery location.*

Iberdrola Renewables supports the criterion as proposed.

WAPA has also proposed to eliminate the transmission planning principles from its existing IRP. Iberdrola Renewables agrees that conditions have changed dramatically since WAPA finalized its IRP in 1995 and the transmission planning principles are no longer necessary. Instead, Iberdrola Renewables strongly urges WAPA to participate in the regional transmission planning processes as required by the Federal Energy Regulatory Commission (FERC) for utilities that are jurisdictional pursuant to the Federal Power Act pursuant to Order No. 1000. As a significant operator of transmission in the western interconnect, WAPA must participate in the various regional transmission planning processes to make FERC's proposal effective.

Thank you for the opportunity to comment.

Sincerely,

Rich Glick
Vice President, Government Affairs

Cc: Hon. Steven Chu
Hon. Daniel B. Poneman
Lauren Azar