



July 29, 2011

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

TRANSMITTED VIA E-MAIL

RE: Western Area Power Administration Revision to the Final Principles of Integrated Resource Planning

Dear Ms. Kryiss and Ms. Fronk:

The Solar Energy Industries Association (SEIA) appreciates the opportunity to offer comments on behalf of our 1,000 member companies regarding the Western Area Power Administration (Western) Integrated Resource Plan (IRP) principles for acquisition of power resources. SEIA represents the entire solar industry, encompassing all major solar technologies and all points in the value chain, including financiers, project developers, component manufacturers and solar installers. We are eager to work together with Western, its customers and key stakeholders on the question of how Western should obtain solar power resources on a long-term basis.

Best Regards,

A handwritten signature in black ink that reads "Daniel M. Adamson". The signature is written in a cursive, flowing style.

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General Comments

The potential for Western to purchase renewable electricity has been debated periodically for over 20 years. However, Western has yet to sign a long-term power purchase contract for a significant amount of solar, wind or any other type of renewable power. Western's longstanding reluctance to purchase renewable power is puzzling given that it routinely purchases large amounts of power in the wholesale market.¹ Moreover, Western's service territory and transmission network contain some of the best solar, wind and geothermal resources in the United States.

The proposed final IRP power purchase principles are a step in the right direction. SEIA commends Western for this action. However, the IRP principles alone are not sufficient. Instead, SEIA recommends that Western affirmatively commit to meet a significant part of its long-term power purchase needs from solar and other renewable resources within a year. To that end, Western should conduct a public process regarding the quantity and type of renewable power each Western regional project office should purchase through competitive processes. This effort should culminate with the execution of long-term power purchase contracts for both central station and distributed renewable power resources. In addition, Western should, within a year, set a specific renewable target to meet (e.g., 25% by 2025).

Western has clear authority to do this pursuant to its Reclamation Act², Flood Control Act³ and other authorities. Moreover, Western has executed long-term power purchase contracts for fossil resources on many occasions. Indeed, as discussed further below, Western currently has a number of long-term power purchase contracts in place today.

The IRP principles are drafted based on the concept that they will help guide Western's long-term power purchase decision making process, if at some unspecified time in the future a Western regional project office decides it is necessary to purchase power on a long-term basis. Left unsaid is that Western routinely spends hundreds of millions of dollars a year purchasing power, primarily from fossil-fired resources, in order to meet its contractual obligations. For example, according to its 2010 Annual Report, Western spent approximately \$472 million and about \$555 million on purchased power in FY 2010 and FY 2009 respectively.⁴

SEIA's understanding is that many of these purchases are made in the short-term "spot" market. However, the Annual Report also states that Western currently has in place long-term power purchase contracts that total \$388,117,000 through 2016.⁵ Surely, it is in the interest of Western and its customers to purchase a significant amount of renewable power on a long-term basis rather than relying

¹ "Roadmap for Renewable Energy: Western Area Power Administration Annual Report 2010," at p. 27.

² Reclamation Project Act of 1939, 43 U.S.C. § 485 *et seq.*

³ Flood Control Act of 1944, 16 U.S.C. 460d *et seq.*; 33 U.S.C. 701 *et seq.*

⁴ Annual Report at p. 27.

⁵ *Id.* at p. 41.

exclusively on short-term “spot” market purchases and long-term contracts for fossil-fired electricity. As Western itself notes in the Annual Report “[r]enewables are a hedge against volatility in energy prices.” Indeed, the federal hydropower system electricity resources that Western markets are an excellent example of the value of long-term investments in renewables with relatively high upfront capital costs that have evolved over time to be some of the lowest cost power resources in the United States.⁶

Specific Comments on IRP Criteria

When evaluating potential resource acquisitions under the Final Principles of IRP, Western will consider ten criteria. SEIA offers the following comments on the long term power purchase criteria proposed by Western:

1. Cost – the amount paid to acquire various resources

SEIA urges Western to consider long-term life-cycle costs, including environmental costs, over a 20- to 25-year contract period so that the full value of renewable energy is demonstrated. We also suggest that Western take into account that solar resources are fueled for free, thus avoiding the uncertainty of volatile fossil fuel commodity markets.

2. Dependability – supplier’s ability to provide power as specified in a power purchase solicitation

Western considers a supplier dependable when it “delivers to the contracted location, in the contracted amount, at the contracted time, and in the contracted manner.”⁷ SEIA agrees with this criterion.

3. Dispatchability – ability of utility to schedule and control resources under consideration

SEIA appreciates that dispatchable power generation is needed and that variable resources such as wind and solar are generally not dispatchable (with the exception of certain concentrating solar power (CSP) plants with thermal storage.) However, it is absolutely critical that variable resources such as solar and wind are not ruled out for long-term purchase because they are not automatically dispatchable. Solar and wind generators can provide firming and shaping products that effectively make the resources they provide dispatchable. In addition, Western itself can play a key role in the integration renewable resources into its hydropower system. Solar and hydropower resources are complementary in many respects, including that the solar electricity peak is roughly coincident with peak load. Finally, another option available to Western is to purchase a “hybrid” solar and natural gas product that is fully dispatchable.

⁶ *Id.* at p. 24.

⁷ 76 Fed. Reg. 38,147 (Jun. 29, 2011).

4. Diversity – acceptable mix of generation resources

SEIA strongly supports this criterion because it is important that Western not over rely on any particular generation technology or fuel. A diverse electricity system that includes both central station and distributed renewable power resources will be more resilient and robust if properly managed.

5. Environmental Impact – degree to which resource impacts human environment

SEIA believes that when Western purchases power resources it should take all reasonable steps to minimize adverse environmental impacts by purchasing clean, renewable energy such as solar.

6. Indian Preference – preference for entity that is majority owned by Indian Tribes

Under Section 2602(d) of the Energy Policy Act of 1992 (as amended in the Energy Policy Act of 2005), when purchasing any energy or by-product, a Federal agency may give preference to an entity in which the majority interest is owned and controlled by one or more Indian Tribes. SEIA supports this criterion.

7. Renewable Energy Resource

Western defines a renewable energy resource as a source of electric energy that is generated from solar, wind, biomass, landfill gas, ocean, geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project.⁸ SEIA is generally comfortable with Western's definition of "renewable energy resource." It is similar to the definition of renewable energy in Section 203 of the *Energy Policy Act of 2005*.⁹

8. Risk – potential impact of market uncertainties

Western requires a supplier to demonstrate adequate financial and physical resources to provide capacity and energy to meet Western's requirements during the term of the contract. SEIA agrees with this criterion. Any risk analysis by Western should include fuel price risk.

9. Transmission Availability – ability to move or transfer electric energy over interconnected lines

SEIA strongly agrees that transmission availability is a critical criterion, and notes that there are extensive solar resources in the immediate vicinity of Western's transmission system.

⁸ *Id.*

⁹ 42 U.S.C § 15852.

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10. Transmission Losses – reduction in available electricity after it is transmitted from the generation source to the delivery location

SEIA agrees that transmission losses should be minimized to the extent it is reasonable to do so.

In conclusion, SEIA appreciates the opportunity to comment on Western's IRP power purchase principles. If you have any questions or concerns about SEIA's comments, please do not hesitate to contact SEIA. Thank you for your consideration.