

# Idaho energy tussle makes international ripples

JOHN MILLER - Associated Press - Associated Press

An Idaho alternative energy fight is sending out international shockwaves, with a Greek company saying utilities' demands to skirt their obligations to buy power from wind farms are a threat to its business.

Athens-based GEK Terna said Wednesday giving in to demands from utilities like Idaho Power Co. will hurt efforts to finance its 138-megawatt Mountain Air facility, slated to begin producing electricity near Mountain Home in October.

Idaho Power, the state's largest utility, wants Idaho regulators' permission to limit electricity output from wind farms like Terna's at times of low demand, arguing it will protect customers from higher costs.

With the matter unresolved, lenders are wary their money is at risk. Already, one company, Boise-based Exergy Development Group, has suspended \$323 million worth of projects amid what's become an existential crisis for the renewables industry in Idaho.

Wind companies have asked the Federal Energy Regulatory Commission to intervene, to protect them from utilities' demands.

"We are having conversations for this issue with both the Idaho Public Utilities Commission and the Federal Energy Regulatory Commission, and we are trying for the best," said Lampros Konstantinos, a Terna spokesman in Athens. "In general, any retroactive and unilateral modification affects the financing of any project."

At issue are competing readings of a 1978 federal law governing renewable projects.

Utility officials contend the Public Utilities Regulatory Policies Act, or PURPA, should allow them to halt otherwise contractually required electricity purchases during periods of light load, often at nighttime in the spring and fall when they're forced to back down other generation like coal-fired power plants to balance their systems, but then suffer higher costs when demand escalates hours later.

In those situations, customers end up paying more than is necessary, said Tessia Park, Idaho Power's director of load serving operations.

"If we took that coal unit all the way off, we couldn't get it back the next day, without paying some contractual penalties — even if they would let us back on," Park said.

Meanwhile, wind developers like Terna contend PURPA allows utilities to limit their output only during operational emergencies. The utilities, developers insist, are

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playing the price card to influence public opinion by unfairly basing their arguments on historically low natural gas prices, when longer-term pricing models are actually the basis for power purchase agreements.

Peter Richardson, a renewable energy lawyer in Boise, said the specter of curtailment has caused a wave of angst among lenders, since a utility's ability to shut down a wind farm heaps on the risk.

For projects under development, they'll pay more for lower-interest loans needed to replace higher-cost construction loans, he said.

And for completed projects like the 183-megawatt Idaho Wind Partners development in southern Idaho that's part-owned by General Electric Co., curtailment could mean a significant hit to annual revenue, resulting in a cascading effect where the project violates credit agreements on existing loans, potentially triggering a default.

"This curtailment issue is a wild card," Richardson said. "You're talking about people who have Las Vegas risk appetite, if you're going to have a utility that can curtail for economic reasons."

Fearing the Idaho Public Utilities Commission will side with utilities — PUC staffers have backed their proposal — Terna, Idaho Wind Partners and the industry-group American Wind Energy Association are seeking FERC help, on grounds this would create a damaging national precedent and set back the renewables industry everywhere.

If Idaho Power prevails, Terna spokesman Konstantinos said, it would not only endanger his project's financing, it would undermine confidence of other businesses seeking to invest in Idaho, if they can't count on contracts being enforced.

"Retroactive and unilateral initiatives have a broader impact on the investment climate and the reliability of any" state or country, he said Wednesday.

FERC officials in Washington, D.C., didn't immediately say when they would make a decision.

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