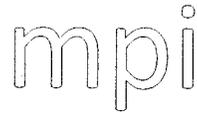


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IDAHO PUBLIC
UTILITIES COMMISSION



MILK PRODUCERS OF IDAHO
IDAHO WHEAT & AGRICULTURE CENTER
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August 3, 2012

Dear Commissioners,

The members of the Milk Producers of Idaho (MPI) want to make you aware that the recommendation (Case No. GNR-E-11-03) made by the Staff of the Idaho Public Utilities Commission that if implemented will negatively impact the Idaho Dairy industry.

In the recently released "Staff Legal Brief" regarding Case No. GNR-E-11-03, the PUC staff addresses the issue of who owns the "Renewable Energy Credits" (RECs) that are developed in the production of alternative energy projects that are PURPA qualified.

The staff recommendation is that those credits should stay with the energy and be given to the Utility that is required to purchase the energy under the PURPA laws. The members of MPI utilize those credits in contracting the construction of anaerobic digesters on dairies. These RECs are necessary for the project to pencil out and not become yet another regulatory cost for the dairy. If the IPUC follows the staff recommendation, the credits would no longer be available for the dairy and the construction of a very useful waste management tool will be eliminated.

Currently in negotiations with the Utilities, the credits are a large part of the discussion, and it is recognized that those RECs belong to the producer of the energy. During the last legislative session a bill was introduced that would force the creator of those credits to give them over to the Utility. After hearing from multiple impacted parties (including the Idaho Dairy Industry) the Senate State Affairs committee wisely chose to not give the bill a hearing.

For that reason the IPUC feels that they must be the determining body in deciding who should own the credits. To the dairy industry that is not a question that needs answering. The individual who took the financial risk, acquired the necessary permits and built the facility should own all benefits from the investment – including the RECs.

Any determination by the IPUC to force the owner of those credits to give them up to the Utility would be nothing more than a bureaucratic taking of personal property and would be contrary to how Idaho State Government has traditionally operated.

Commissioner, this is an extremely important issue for the Idaho Dairy Industry. The state of Idaho has encouraged the use of digester technology for over a decade. The industry has spent tens of millions of dollars in researching digesters and has finally found a process that helps solve the issues surrounding the waste products produced at a dairy operation and is affordable to build – provided the RECs are owned by the facility.

A decision by the IPUC that accepts the staff recommendation will create a regulatory expense that will jeopardize any further growth for a three billion dollar Idaho industry.

Respectfully,

Tena Petter, Chairman
Milk Producers of Idaho

J. Brent Olmstead, Executive Director
Milk Producers of Idaho

Cc: Governor Otter
Mark Warbus
Bonnie Butler