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Jean Jewell

From: Ed Howell
Sent: Monday, April 24, 2006 5:55 PM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Monday, April 24, 2006
4:55:07 PM

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Comment_description: Comments of the NW Energy Coalition
on Ratemaking Treatment of Idaho Power Co.'s SO2 Allowance Sale Proceeds

Submitted by
Ken Miler, NWEAC

April 24, 2006

The NW Energy Coalition appreciates the opportunity to provide comments relating to the appropriate ratemaking treatment of Idaho Power Company's SO2 allowance sale proceeds and the proposed settlement in case IPC-E-05-26 between Idaho Power, Idaho Public Utilities Commission staff, Industrial Customers of Idaho Power, and Micron. NWEAC supports the proposed allocation of the sale proceeds and would like to offer some additional recommendations in light of the unusual nature of the proceeds at issue.

90-10 Allocation of SO2 Allowance Proceeds is Reasonable

NWEAC agrees with parties that allocating 90 percent of after-tax proceeds from the SO2 emissions allowance sales to ratepayers and 10 percent of those proceeds to shareholders is reasonable and equitable. The sales at issue were made possible by the Company's laudable reductions in SO2 emissions, and shareholders should reasonably expect both a reward for the company's actions and also be encouraged to continue promising improvements in reducing emissions. Ratepayers, meanwhile, bear much of the cost of resource acquisition environmental compliance and deservedly expect to benefit as well from benefits accruing from improved generation operations for which they paid.

NWEAC also generally supports the proposed settlement's goal of treating the proceeds, currently estimated at \$49 million, as a component of the Power Cost Adjustment proceedings as a true-up for the June 2007-May 2008 PCA rate period.

Commission Could Explore Other Uses for Ratepayer Allocation of Proceeds

While NWEAC is comfortable with the allocation envisioned in the proposed settlement, we nonetheless wish to bring to the Commission's attention that this somewhat unusual case presents the Commission with an opportunity explore creative alternatives (including some that if properly leveraged may have greater longevity than as a true-up in the next PCA proceedings) for the use of some of the ratepayer portion of the sale proceeds between now and the Company's next PCA docket.

For instance, it might be possible in the intervening months between now and Idaho Power's next PCA case to solicit public comment on alternative uses for some of the proceeds at

issue. NWECC is aware the Commission has received at least one comment suggesting creative uses for some of the proceeds, and we applaud such innovative ideas. Given the proceeds are the direct result of reduced SO2 emissions in the Company's thermal portfolio, the Commission might entertain suggestions on how some of these proceeds might likewise help foster initiatives that further reduce carbon emissions, promote carbon-reducing technologies through such means as providing new solar incentives, implementing more programs to reduce peak demand (thereby reducing the need for new thermal peaking resources), leveraging funds for investments in agricultural biodigesters, or enhancing energy-savings weatherization and other programs for low-income ratepayers in the Company's service territory.

Setting aside 20 to 30 percent (or some other portion) of the ratepayers' 90 percent allocation of the SO2 allowance sales for such initiatives could create significant opportunities for long-term ratepayer relief, or reduce some of the "peaks and valleys" often associated with annual PCA cases.

NWECC is not prepared at this juncture in this proceeding to present the Commission with a complete menu of such creative programs to maximize the benefits of the SO2 allowance sale proceeds. Rather, we simply wish to present to the Commission the possibility that some percentage of the 90 percent of proceeds we agree should accrue to ratepayers can or should be deployed to a use that compliments or enhances the next PCA docket. Such a combination of measures (i.e., earmarking some proceeds in a Power Cost Adjustment case and some in longer-term conservation and efficiency programs) would potentially deliver both one-time rate relief but more important help to reduce rates over a number of years beyond the next PCA case.

Summary

NWECC appreciates the efforts by the Company, staff, and interveners in this case to reach what we agree is an equitable 90-10 allocation of these proceeds. We also appreciate the efforts by the Company and its utility partners that made possible the sale of these excess SO2 emissions allowances. We believe the allocation in the proposed settlement provides incentives both to ratepayers and shareholders to continue on this path toward reduced emissions relating to the Company's thermal portfolio. It would be our hope that the Commission seize this unique opportunity and encourage parties to consider additional options beyond one-time return of all proceeds to shareholders and ratepayers.

Respectfully submitted,

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