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Comments of the NW Energy Coalition
Idaho Power Company's 2006 Integrated Resource Plan

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IDAHO PUBLIC UTILITIES COMMISSION

The NW Energy Coalition appreciates the opportunity to provide these comments to the Idaho Public Utilities Commission relating to Idaho Power Company's 2006 Integrated Resource Plan in Case No. IPC-E-06-24.

The NW Energy Coalition (Coalition) was pleased to have had the opportunity to participate at the invitation of Idaho Power Company (the Company) in the 2005 and 2006 meetings of its Integrated Resource Plan Advisory Council (IRPAC). The Coalition is not a member of the IRPAC (although its interests are represented by IRPAC members Advocates for the West and the Natural Resources Defense Council), but extends its appreciation to the Company for including it in IRPAC meetings and for receiving Coalition views and comments as the Company prepared the 2006 IRP.

As we articulated in comments to the Commission on the 2004 IRP, the Coalition believes the IRPAC process is an excellent means of ensuring that all stakeholder constituencies have an opportunity to contribute to IRP development at virtually all stages of the process. More importantly, we believe the Company seriously evaluates and responds to the IRPAC's input, and that the IRP document is a better final product because of that commitment.

The NW Energy Coalition is a non-profit regional alliance of more than 100 diverse environmental, civic, consumer, low-income customer advocacy groups, energy efficiency and renewable energy businesses, and progressive utilities in Idaho, Montana, Washington and Oregon. The Coalition's main address is: 219 First Ave South, Suite 100, Seattle, WA 98104. Its Idaho address is 5400 W. Franklin, Suite G, Boise, ID 83705. In Idaho, the Coalition has numerous individual and organizational members, including Idaho Rivers United, Idaho Conservation League, Snake River Alliance, Idaho Rural Council, and the Community Action Partnerships in Idaho. Members of the Coalition and its Idaho member organizations include customers of Idaho Power Company.

The Coalition advocates for increased energy conservation efforts, sustainable and ecologically sound management of electric generating infrastructure, increased integration of renewable sources of energy in utility portfolios, and appropriate rate design policies consistent with these goals, all of which ensure low-cost and sustainable power and rate stability for all utility customers.

Introductory Comments on Preferred Portfolio

The Company's preferred portfolio continues a number of encouraging trends, notably long-awaited increases in demand-side resources as the Company's conservation and

efficiency programs develop and gain traction. To its credit, the Company is heeding Commission advice in the 2004 IRP proceedings to expand more aggressively its DSM programs. As discussed more fully below, we have expressed concern in the past about the size of the Company's rider-funded DSM balance and share the Company's optimism that this excessive balance will be drawn down this year and that the Company will return to the Commission with a renewed request to increase its DSM tariff rider.

We continue to be concerned about the amount of thermal resources proposed for acquisition in the preferred portfolio. While we agree that a planned acquisition of IGCC coal is preferable over conventional coal, we remain unconvinced the addition of 500MW of coal is neither necessary nor prudent, particularly given the modest amount of wind acquisition proposed in this IRP. In addition, it is not prudent to invest in the additional cost of IGCC without achieving the benefits of sequestering the CO_2. Realizing that the Company is soon to begin construction of yet one more natural gas peaking plant in the Mountain Home area, we were pleased to note that the Company has heeded Commission advice in the 2004 IRP process to take a harder look at gas peaking plants. None are required in the planning horizon in this IRP, and none are included in the preferred portfolio.

Supply-Side Resources

While we are relieved that the proposed acquisition of conventional coal in the 2004 IRP has been deferred, we remain unconvinced of the necessity to include 500MW of coal-fired generation in this IRP at all. In fact, we agree with the Northwest Power and Conservation Council's Fifth Power Plan, which projected the entire region may need only a single coal plant very late in the Plan's horizon—and only if its forecast of achievable wind turned out overly-optimistic. However, the Council recently reported that the region's wind resources are increasing faster than expected, while loads are a bit slower. Both these results put the need for *any* coal plants at question.

The Company proposes a 250MW conventional Wyoming pulverized coal plant in 2013 and a 250MW regional IGCC plant in 2017. Both would likely be shared, seasonal ownership. The Company has been in negotiations with Avista Utilities for one of the coal plants; we presume the IGCC plant would be an expansion of the partnership with PacifiCorp and likely at the Bridger complex.

Recent events have reduced the likelihood of these plants being built – certainly of any unsequestered plant. The Oregon Public Utilities Commission on Jan. 16 made it clear it was not convinced that PacifiCorp had justified the need for two new coal plants (including one that may be part of a partnership with Idaho Power). The state of Washington last fall passed a Renewables Portfolio Standard (RPS), and the state of Oregon may well enact an RPS this year. The state of California will not allow its utilities to import energy with a carbon footprint heavier than that of a modern CCCT. As a consequence, the market in this region for surplus coal-fired energy continues to shrink as the states and the nation move forward with measures to reduce carbon emissions. We

believe that adding 500MW in what is expected to be a carbon-constrained environment in the timeframe in this IRP's preferred portfolio amounts to a financial and environmental risk to ratepayers.

The Company proposes a 250MW conventional Wyoming pulverized coal plant in 2013 and a 250MW regional IGCC plant in 2017. Both would likely be shared, seasonal ownership. The Company has been in a joint exploratory effort with Avista Utilities for one of the coal plants; we presume the IGCC plant would be an expansion of the partnership with PacifiCorp and likely at the Bridger complex.

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The projected emissions adder for thermal resources in this portfolio should be elevated to reflect a figure higher than the anticipated $14 per ton carbon adder, and quite likely should be accelerated to a date earlier than 2012. We realize that the $14 figure represents the expected case (50 percent) probability of imposition of the CO2 adder. However, a more realistic expectation is higher – perhaps much higher - than $14, while likely below the high-case $50 per ton. Raising the $14 adder will of course place many of the renewable resources analyzed in the IRP in a more favorable position relative to thermal resources. It would also assign a more realistic risk to the thermal resources in this portfolio.

Overall, we believe the Commission and Company should adopt a cautionary approach with respect to new pulverized coal. Pulverized coal presents cost, market, and environmental risks that are unnecessary for customers and shareholders to bear. We believe a strategy of fully realizing the potential for renewable energy development and DSM over the short term presents the least risk strategy to bridge over the coming years of uncertainty related to carbon regulation and climate change.

The preferred portfolio also anticipates expiration of the production tax credit for wind at 2012 – the same year the company estimates the carbon adder will take effect. This likewise may be a pessimistic view of the future of the PTC and the appetite to extend the PTC beyond 2012. Should it be extended (and we believe it will), wind once again assumes a more favorable standing relative to other resources.

Wind variability and amount of wind in the preferred portfolio

The anticipated risk associated with wind variability continues to be overstated at the expense of its proportionate share of the new resource acquisition. In addition, a more comprehensive examination of the value of geographic diversity of future wind resource acquisition would likely reduce the risk this IRP currently attaches to wind. And as mentioned above, the Company is likely overstating the likelihood of the PTC expiring in 2012.

The amount of RFP-scale wind included in this portfolio continues to lack the level of ambition and creativity we see elsewhere in the region. Realizing the company's existing situation with regard to PURPA wind contracts and the amount of PURPA wind currently scheduled for inclusion into the resource portfolio, restricting the level of RFP wind to 150MW (and the soon-to-be-approved 100MW from Horizon Wind from the 2006 RFP) is unwarranted. The Idaho Energy Division estimates that, in Idaho, we have 208MW of approved wind PSAs, 4,716MW of wind projects in various stages of development, and 591MW of wind projects in advanced planning stages. Even if 50 percent of these projects are fully developed, this energy will need a home – preferably in Idaho. Therefore, we view the Company's planned wind acquisition as disappointing and as unambitious.

Progress in wind forecasting and the advantages of region-wide geographic wind distribution can go a long way to ameliorate the company's variability concerns. We welcomed the provision in the Company's pending Power Purchase Agreement (PPA) with Telocaset Wind Power/Horizon ((IPC-E-06-31) that commit Telocaset to provide the Company with detailed, real-time wind forecasting data, and as mentioned in our comments to the Commission in that docket, we hope such a provision sets a precedent in future wind PPAs. Doing so can only improve the cumulative reliability of wind resources in the Company's portfolio and allow for greater amounts of wind energy to replace the ill-advised thermal resources in this portfolio.

The company should be encouraged to treat wind as a region-wide resource and to incorporate the diverse generation profiles from such far-flung resources as Horizon and the Columbia Gorge; southern Idaho; and the firmed Montana wind resources. With adequate transmission resources, particularly in Southern Idaho, there is more than adequate room on the Company's system for a great deal more wind than the modest 150MW projected for 2012.

Non-wind renewables

As mentioned above, we believe the preferred portfolio should include significantly more wind. However, it also calls for a disappointingly low level of non-wind renewables in the company's total resource stack.

The company acknowledges on P.97 of the IRP that "Wind, geothermal, and other non-hydro renewable resources supplied a negligible amount of energy used by Idaho Power customers in 2005. Other than power purchased from several small PURPA projects and

green tags acquired to support the Green Energy Program, Idaho Power had no major non-hydro renewable energy purchases in 2005."

The company then states in subsequent passages that it "anticipates acquiring a greater amount of non-hydro renewable energy given the number of PURPA resources either under contract or in contract negotiations." The draft then delivers this disappointing projection: "The preferred portfolio includes approximately 250MW of wind generation and 150MW of geothermal generation by 2025." (P98).

Other portfolios considered by the Company included far greater amounts of geothermal potential. We would hope that the Commission will direct the Company to revisit this too-modest projection of geothermal resources in future IRPs and adjust accordingly. Adding another 200 to 250MW of geothermal, which we believe is warranted, could well relieve the Company and its ratepayers of the need for the next coal-fired generation acquisition.

The Company expects that, including existing PURPA contracts and the projected 400MW of proposed renewable resources in the preferred portfolio, renewables will account for only 8.4 percent of Idaho Power's total generation portfolio by 2025.[1] While that is a notable improvement over the current renewables share in the Company's overall portfolio, 8.4 percent renewables in a total portfolio by 2025, even assuming unanticipated PURPA resources that could move that number higher, can be improved.

Nuclear

It's difficult to gauge the seriousness of its inclusion of 250MW of nuclear energy from the Idaho National Laboratory. From all appearances, the nuclear component appears to be an energy resource of convenience. We realize nuclear is only included based on the advice of the U.S. Department of Energy and the possible development of an experimental plant at DOE's INL It would be prudent to attempt to better calculate a more realistic risk profile of this resource so that it more realistically stacks with other resources.

The IRP's projected cost of nuclear energy is underestimated. It does not appear to include an emission adder, nor does it adequately address unresolved waste issues. When these and other externalities are included in calculating nuclear's true cost, the resource would become prohibitively expensive.

Demand-Side Resources

The IRP's anticipated 187MW in peak DSM is a welcome increase from past IRPs, but could be enhanced to achieve greater savings – particularly given the expected successful

[1] Calculated on an energy basis, using a 35% capacity factor for wind.

resolution of the pending decoupling docket before the IPUC.[2] But we continue to harbor concerns that even this level of savings is not sufficiently ambitious. While the Company's primary concerns in meeting projected load growth are in peak demand, we encourage the Commission to continue to emphasize the need for the Company to more swiftly integrate the additional DSM programs identified in the 2006 IRP.

We have raised concerns to the EEAG about the size of the current rider-funded DSM account balance, and have been assured by the Company that this balance is expected to be drawn down significantly during 2007 as existing DSM programs are expanded and new ones come on line. We agree with the Company that, as the DSM balance is reduced this year, the Company will anticipate the proper timing to return to the Commission with a request for an additional incremental rider increase to help the Company edge closer to meet conservation targets set by the Northwest Power and Conservation Council in its Fifth Power Plan.

One additional way to accelerate development of the Company's DSM programs would be to examine the company's projected customer growth of 9,000-10,000 customers annually (P. 69) and to require or incentivize those new customers to participate in such DSM programs as the Company's AC Cool Credit program or to require or incentivize solar or other renewable energy hook-ups as part of their new service. This projected growth in the Company's customer base would appear to provide Idaho Power with great leverage in promoting its DSM and efficiency programs.

Transmission

The Company's IRP includes 285MW of transmission upgrades (225MW in 2012 with the McNary-Boise upgrade and 60MW in 2019 with the Lolo-Oxbow upgrade). The addition of expanded transmission is welcome, and should provide the Company increased access to renewable resources and markets in the Northwest. We're concerned, however, that the company did not include in its preferred portfolio additional improvements in Southern Idaho transmission.

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Eastern and Southern Idaho will soon be home to significant wind generation that will require access to the Company's load centers. In addition, any plans to expand thermal generation at Bridger will similarly require improved east-west transmission. Realizing the Company expects to complete the Borah-West transmission upgrade in 2007, we are nonetheless concerned that transmission upgrades in the southern part of the state are adequate.

The Company's plans to upgrade the McNary-Boise transmission to better access Mid-C markets for purchases and surplus sales is commendable. However, Portfolio F4 (formerly Portfolio 11, or the Bridger to Boise Transmission portfolio) held promise in

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[2] As well as the recently approved Load Growth Adjustment in the PCA proceeding that will tend to put much more of the cost and risks of load growth on the Company.

that it included the 900MW transmission line from Bridger to Boise. The company properly notes that a Bridger-Boise line "Will provide the capability to integrate additional generation from the Jim Bridger Project, and additional wind and geothermal resources..."

We agree. It's regrettable that this potential asset, particularly its ability to transport the substantial wind resources in southern Idaho, is not included in the preferred portfolio. We recognize transmission remains a concern for the company as well as the IPUC and the region at-large. We disagree that Portfolio F4 "May place an undue reliance on the Wyoming energy market," particularly given the possibility that future thermal acquisitions (250MW of coal in 2013 from either an Avista partnership or from Wyoming, likely Bridger) and also the 250MW of possible IGCC coal, perhaps a Bridger expansion) will create demands on the company's southern Idaho transmission. The value of Bridger-Boise cannot be understated for its ability to bring the wind resources likely to be developed in the south to the load centers in southwest Idaho.

Company's Request for Comment on Public Policy Issues

The 2006 IRP contains five "public policy issues" on which the Company seeks public input. These issues include: The treatment of environmental attributes or Green Tags; emission offsets; financial disincentives for DSM Programs; IGCC technology risk; and asset ownership. We are not addressing each of these issues, but would like to comment on the following:

Green Tags
The Company asks several policy questions regarding the disposition of environmental attributes, or green tags. We agree that the Company must position itself for inevitable requirements of a future imposition of a national or state RPS. We believe Idaho Power must possess green tags in order to truly represent the renewable components of its generation portfolio. We realize the Company is currently wrestling with treatment of these green attributes, and we share the Company's concerns that it wants to avoid "double counting" these attributes. Green-e has established standards for treatment of these attributes, and we're pleased that the Company is looking to Green-e for guidance. If the Company plans to obtain green tags to satisfy its anticipated obligations, it may want to include provisions in future RFPs that bidders include tags as part of the product and pricing, but the tags should not be delivered to the Company unless provisions to do so have been included in a PPA.

Emission offsets:
As mentioned above, we do not believe the $14 per ton cost of the CO2 emission adder used in the IRP analysis is sufficient. A much higher figure would better reflect both the risk of thermal energy acquisitions in this IRP as well as more accurately rank the various resources considered. It is evident from the analysis that a $14 per ton adder still resulted in unsequestered coal resources being included in the Company's portfolio. We cannot imagine that if the state or federal government imposes a carbon restriction it would

choose a penalty level that did not change utility behavior. Thus, such an amount is inadequate for analysis of a future that requires carbon controls.

The question posed by the Company, however, deals with whether it should "investigate purchasing options to acquire future carbon offsets," which "could potentially reduce the large financial exposure of possible carbon taxes for the cost of the option premium." The Company also believes it should be able to recover such purchases as well as the cost of any emission offsets.

In selecting resources with carbon implications, the Company is assuming significant risk. That risk should not be borne by ratepayers who disagree with the resource selection, and that risk should also be elevated to reflect the true probability of the emission adder's imposition and its implications for ratepayers and shareholders. It seems absurd to allow the Company to choose high-carbon resources at ratepayer expense (and risk) and then also charge ratepayers for the cost of offsetting the emissions from those choices. In addition, we are not convinced that purchasing offsets today will, as the Company asks, meet future carbon control requirements and regulations. IRPAC members discussed this issue at length, and there were sharp disagreements as to whether such purchases are prudent, and also whether purchasing "options" were prudent and whether they would have value once the CO2 adders arrive.

IGCC technology risk:
Integrated Gasification Combined Cycle coal generation technologies are far from mature, which is why the Company placed acquisition of this 250MW supply-side thermal resource in 2017, deep into this IRP's horizon and after development of a conventional coal resource.

Of course, if the Company eliminated both of its proposed coal generation proposals in this IRP, as the Coalition recommends, this policy question would be moot. The Coalition opposes acquisition of *any* coal generation resource in the Northwest, the lone exception being an IGCC plant that includes full carbon capture and sequestration and only then if all other options have been exhausted.

We appreciate and understand the Company's interest in exploring the cleanest possible thermal generation options, and also in deferring acquisition of even an IGCC plant until the Company can assure it meets the above requirements. The preferred portfolio envisions a partnership in a pulverized coal plant to come online in 2013 and a partnership for an IGCC plant to come online in 2017. One of the Company's policy questions is whether, if a near-term opportunity arises that would allow it to participate in an IGCC partnership, the Company should take advantage of it. Pending fruition of a viable IGCC partnership within the timeframe covered by this IRP, we cannot support inclusion of coal-fired generation of any sort being included in this IRP.

Conclusion

Idaho Power's 2006 IRP has much to commend it, notably its increased levels of DSM, its attention to transmission concerns previously expressed by the Commission in acknowledging the 2004 IRP, and the absence of yet more natural gas peaking generation. We would hope that the Commission would agree with our concerns about the projected level of renewable energy, particularly wind, in this IRP, and we do not believe an adequate case has been made for the two coal acquisitions – certainly the near-term pulverized coal proposal.

We reiterate our belief, as stated at the outset, that the Company's IRPAC process and the Company's willingness to consider diverse views from the Advisory Council continue to improve the final product, and we commend the Company's efforts to reach out to its ratepayer and other constituent stakeholders.

Respectfully submitted,

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