

**Renewable  
Northwest  
Project**

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IDAHO PUBLIC  
UTILITIES COMMISSION



Renewable Northwest Project

February 25, 2008

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE  
APPROPRIATE DISPOSITION  
OF PROCEEDS FOR THE SALE  
OF IDAHO POWER  
COMPANY'S SO2 EMISSION  
ALLOWANCES IN CY 2007

Case No. IPC-E-07-18

RENEWABLE NORTHWEST  
PROJECT'S COMMENTS  
TO NOTICE OF MODIFIED  
PROCEDURE

Thank you for the opportunity to comment on the Commission's Modified Procedure for Idaho Power Company's disposition of over \$10 million in SO2 proceeds. Renewable Northwest Project (RNP), a non-profit organization, is a broad coalition of public interest organizations and energy companies that actively promotes the development of renewable energy generation in the Northwest.

RNP urges the Commission and Idaho Power to rely on four guiding principles, outlined in these comments, to decide the best way for Idaho Power to spend the available SO2 allowance proceeds. The principles are very much in line with the 2007 Idaho Energy Plan, which prioritizes conservation, energy efficiency and demand response and renewable resources. Simply put, the SO2 proceeds should be used to invest in new energy efficiency/conservation and renewable energy resources in Idaho that reduce SO2 and CO2 emissions and offer long-term benefits to ratepayers. This investment should exceed Idaho Power's plans in its current Integrated Resource Plan and the proceeds should be spent as quickly as possible.

**Reaping the Benefits of Idaho's Renewable Energy Potential**

Idaho Power has an excellent opportunity to further encourage new renewable energy generation in the state. Idaho has strong wind, solar and geothermal resources throughout the southern half of the state that can be captured very efficiently with current technology. Renewable energy generation will help achieve the 2007 Idaho Energy Plan's objective of ensuring a secure, reliable, stable energy system, maintaining a low-cost energy supply, protecting public health, safety and the environment, promoting sustainable economic growth, job creation and rural economic development, and providing Idaho with the ability to adapt to changing circumstances.

For Idaho ratepayers, the most significant benefit of renewable energy is that there is no fuel cost. The fuels for renewable energy – sun, wind, heat from the earth, and water -- are free. All sources of energy are increasing in cost, with significant spikes in fossil fuel prices. The price of oil has surpassed \$100 a

barrel, natural gas used to power electrical plants has more than tripled in price since 1999, and coal prices are up 45 percent over the same period. Ratepayers are at risk as a result of this dramatic price volatility. These factors can cause Idaho's electricity prices to rise and fall dramatically from year to year. Alternatively, renewable energy generators offer a stable price over the life of the project, with no fuel price volatility. Renewable energy mitigates the risk of increasing natural gas and coal prices, and flattens the rate swings in Idaho Power's annual Power Cost Adjustment.

Renewable energy's primary environmental benefit – the fact that it is virtually free of polluting emissions -- removes additional costs and risks to ratepayers and utilities. Idaho Power has already benefited from the sale of SO2 allowances in the federal cap and trade program because much of the utilities' power comes from hydropower. An investment in renewable energy will further reduce emissions and offer Idaho Power the ability to generate additional proceeds through SO2 allowance sales.

The utility will also be ahead of the game in a future carbon constrained economy. Renewable resources are now in high demand because prudent utilities see that in the near future, they will have to pay for both the fuel going into a power plant and the carbon dioxide coming out of it. They also know that the price of carbon dioxide could be very high and very volatile. That's why Idaho Power and every other investor-owned utility in the region have compared all available resources in their twenty year plans and found that renewable resources such as wind are the long-term, least-cost, least-risk resources for ratepayers.

Finally, renewable energy generation can greatly benefit Idaho's economy. RNP compiled the economic development benefits of 954 MW of new wind projects in the Northwest built between October 2005 and October 2006, including the Wolverine Creek project in Idaho. These projects resulted in \$1.38 billion in new capital investment, \$2-3 million in annual royalty payments to rural landowners, \$5.8-6.8 million annually in local property tax revenues, and nearly 1,500 construction and operation and maintenance jobs. If more renewable energy projects are built in the state, Idahoans will be able to reap the benefits of hundreds of millions of dollars in capital investment, rural economic development and job growth.

For all of these reasons, RNP urges the Commission and Idaho Power to use the following guiding principles when deciding the best way to spend the available SO2 allowance proceeds.

### **Guiding Principles for Spending SO2 Allowance Proceeds**

- 1) Achieve the maximum amount of emissions reduction from Idaho Power's electricity mix, particularly SO2 and CO2 emissions, by investing in renewable energy and/or energy efficiency/conservation.
- 2) Maximize SO2 proceed monies to provide capital for an investment that will benefit Idaho Power ratepayers in the long-term and create additional allowance proceeds and/or income.
- 3) Exceed Idaho Power's IRP and funding capacity for energy efficiency/conservation and renewable energy.
- 4) Ensure SO2 proceed monies are spent as quickly as possible on energy efficiency/conservation and renewable energy projects within Idaho's borders.

RNP believes the Commission and Idaho Power should consider a suite of options, including options that were not included in the workshop alternatives presented in Order No. 30495.

### **Workshop Alternatives**

The first workshop alternative, to include the SO2 proceeds in the annual PCA case, is not in the best long-term interest of the Company or its ratepayers. First, this option does not reduce emissions. Second, this option would return all of the proceed monies at once to ratepayers, negating any ability for Idaho Power to use the proceeds to invest in options that will benefit ratepayers over the long term or generate additional allowance proceeds or income.

The second workshop alternative does have a clear benefit – the purchase of multi-year streams of renewable energy certificates (RECs) will reduce Idaho Power’s emissions in the utility’s resource mix. Unfortunately, the REC purchases will only be for renewable energy projects that have entered into PURPA contracts with Idaho Power. Assuming that these projects include PURPA projects in line for contracts with Idaho Power, this alternative does not maximize the SO2 proceeds to provide capital for a long-term investment, exceed Idaho Power’s IRP and funding capacity for renewable energy, nor spur new renewable energy generation in Idaho as quickly as possible.

The third workshop alternative also has clear benefits. The purchase of all or a portion of a wind project’s development rights will reduce emissions and maximize SO2 proceeds to provide capital for a long-term investment. However, as proposed, it is unclear whether or not this alternative will be above and beyond Idaho Power’s IRP and funding capacity for renewable energy and if it will spur new renewable energy generation in Idaho as quickly as possible.

The fourth workshop alternative may also have benefits. Spending a portion of the SO2 proceeds on energy efficiency education has the potential to reduce emissions and is a capital investment that ratepayers should expect to benefit from over the long-term. Yet it is unclear whether or not this type of spending will exceed Idaho Power’s IRP and funding capacity for energy efficiency/conservation, if it can be quickly deployable, and if it is cost-effective.

## **Conclusion**

RNP recommends that the Commission and Idaho Power spend the SO2 proceeds in a manner that fulfills our guiding principles. Workshop alternatives two, three and four or a combination of these alternatives have the potential to achieve these goals, but will require modification to do so. Idaho Power should also consider other options, such as investing in solar or additional geothermal energy. RNP recommends that the Commission require Idaho Power to submit a detailed spending plan for the SO2 proceeds within six months of the close of this case. The plan should specify the type, location, timeline and amount of investment.

Again, thank you for the opportunity to provide these comments. RNP looks forward to working with all stakeholders in this case to continue the development of Idaho’s homegrown renewable energy.

Sincerely,

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