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IDAHO PUBLIC
UTILITIES COMMISSION

February 25, 2008

Idaho Public Utilities Commissioners
472 W Washington
Boise, ID 83702

Reference: Case No. IPC-E-07-18

In the matter of the appropriate disposition of proceeds from the sale of Idaho Power Company's SO₂ emission allowances in CY 2007

Subject: Windland Incorporated comments regarding use of 2007 SO₂ proceeds

Dear Commissioners:

I testified as an interested party at the workshop held on January 15, 2008 and my comments are summarized below.

The best Idaho wind resources can provide very cost effective energy for IPC ratepayers

With wind as free fuel, the major cost of wind farms is the capital required to build them. By combining IPC's low utility cost of capital with a highly energetic Idaho wind resource such as the one on Cotterel Mountain, IPC ratepayers could gain access to carbon-risk free, fuel-price-risk free energy at a 20 year levelized cost of < \$60/MWhr.

Timely response is essential

As with any natural resource, the best wind resources will be developed before lower quality sites. Nevada Power has already contracted for several hundred megawatts of wind resource at Browns Bench. PacifiCorp has made similar purchases at Wolverine Creek. Utilities from Xcel in Minnesota to Austin Electric in Texas are saving millions for their customers due to their early investment in wind energy.

California commissioners have recently pre-approved as prudently incurred expenses wind energy purchases by IOUs in that state of up to \$95/MWhr (20 year levelized). Additional transmission capacity is planned for Idaho in the next few years. This will make the sale of Idaho wind energy to out of state customers economically compelling if Idaho utilities don't act quickly.

Using SO₂ proceeds to purchase wind development rights is consistent with Idaho Energy Plan

The Energy Plan directs Idaho electric utilities to acquire "diverse, cost effective and environmentally sound" resources (Plan p.47). The highest priority new generation resources under the Plan are "local renewable resources" (p 48). Among the rationale provided, the Plan notes that "local renewable resources also provide fuel diversity and help create jobs in Idaho" (p 49) and in so doing further plan Objective #4 to "promote sustainable economic growth, job creation and rural economic development" (p 46).

More on point, action E-15 notes “the Committee wishes to encourage Idaho utilities to invest in Idaho renewable resources and *urges the PUC (to) establish appropriate shareholder incentives* to encourage such investments” (p 55). Within action E-15 the plan lists two types of possible incentives while noting the range of possible incentives should not be limited to these two. The second sample incentive mechanism involves the utility shareholders receiving a “share of the net societal benefits attributable to a renewable energy purchase” (p 55).

Timely purchase of wind farm development rights could produce multiple societal benefits, including long term access to low cost energy for IPC ratepayers, rural economic development in Idaho, and environmental benefits from enhanced utilization of carbon free electricity generation.

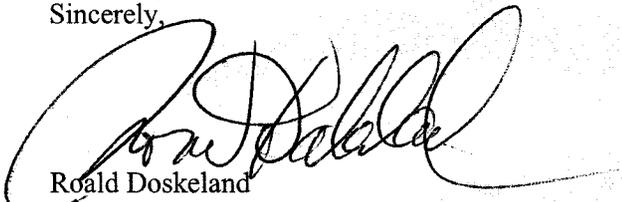
Like managements everywhere, the IPC managers continually face challenges in determining how to use their limited capital resources to best serve their shareholders. Using the SO2 proceeds to fund a timely acquisition of wind farm development rights would limit the total capital resources IPC will need to spend on the wind farm and defer the timing of much of those expenditures until actual construction of the wind farm. Such a use of the SO2 proceeds could incentivize IPC shareholders (by limiting the amount and deferring the time when IPC uses its limited capital resources) and in so doing allow them to share in the societal benefits of investing in this renewable energy resource.

One might expect large industrial users, especially a publicly traded firm like Micron that is facing significant Wall Street pressure every quarter, to downplay investment opportunities and want to get as much cost relief as quickly as possible through the PCA. Idaho citizens think differently. In BSU's 2007 Idaho Energy Policy Survey, the Idaho public rated lack of availability of renewables as the single most important Idaho energy issue, more important even than the price of gasoline. 89% of the 513 randomly selected participants in the survey agree that Idaho should provide incentives to promote renewable electricity generation (see survey questions series Q050_4).

If my understanding is correct, your Commission basically faces the question of whether to channel the SO2 proceeds back to ratepayers immediately via the PCA or whether to allow the public to invest those proceeds in wind farm development rights. The most cost effective of such development rights may not be available to the Idaho public in the future. The Energy Plan urges you to establish incentives to encourage renewable energy investments. Directing IPC to use the SO2 proceeds to procure wind farm development rights seems the appropriate path to take.

Thank you for the opportunity to provide these comments.

Sincerely,



Roald Doskeland
President, Windland Inc.



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The original and four copies of this letter have been delivered to the Commission Secretary. Written copies of the letter have been delivered to Lisa Nordstrom and John Gale of Idaho Power. Electronic copies of the letter have been forwarded via email to the following:

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