



RECEIVED

2008 NOV 14 PM 4:41

IDAHO PUBLIC UTILITIES COMMISSION

LISA D. NORDSTROM
Senior Counsel

November 14, 2008

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-08-24
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AN ORDER AUTHORIZING THE RETIREMENT OF ITS GREEN TAGS*

Dear Ms. Jewell:

Enclosed please find for filing an original and seven (7) copies of Idaho Power's Application in the above matter.

I would appreciate it if you would return a stamped copy of this letter for my file in the enclosed stamped, self-addressed envelope.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

LISA D. NORDSTROM, ISB No. 5733
BARTON L. KLINE, ISB No. 1526
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
Telephone: 208-388-5825
Facsimile: 208-338-6936
Inordstrom@idahopower.com
bkline@idahopower.com

RECEIVED
2008 NOV 14 PM 4:41
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF IDAHO POWER) CASE NO. IPC-E-08-24
COMPANY FOR AN ORDER)
AUTHORIZING THE RETIREMENT) APPLICATION
OF ITS GREEN TAGS)
_____)

Idaho Power Company ("Idaho Power" or the "Company"), in accordance with Idaho Code § 61-524 and RP 52, hereby respectfully makes Application to the Idaho Public Utilities Commission ("IPUC" or the "Commission") for an order authorizing Idaho Power to retire the Green Tags it has obtained or will obtain in the future. The Application is based on the following:

I. BACKGROUND

1. "Green Tags," also known as Renewable Energy Certificates ("RECs"), are tradable environmental commodities that monetize the environmental and social benefits of the non-energy attributes of renewable energy generation. For each megawatt-hour ("MWh") of power generated from a renewable resource, two separate commodities are produced: the electricity and the environmental attribute (or "Green Tag"). Under current market standards and contractual arrangements, the Green Tag represents the environmental benefit of the power generated from the renewable resource.

2. Each Green Tag represents proof that one MWh of electricity was generated from an eligible renewable energy resource. Solar, wind, geothermal, low impact hydropower, and biomass typically qualify as renewable energy resources. A certifying agency, such as the non-profit Western Renewable Energy Generation Information System ("WREGIS"), gives each Green Tag a unique identification number to prevent double-counting.

3. The Green Tag may be sold with the power (bundled) or separately from the power (unbundled). A Green Tag separated from the power (unbundled) carries with it the value imbedded in the environmental attributes of the generation along with all environmental claims. Under renewable energy purchase/sales agreements, a MWh of power sold without its Green Tag cannot be described as being delivered to customers as a renewable or green resource. Customers lose the environmental benefit, which is transferred to the purchaser of the Green Tag. This transfer of rights is outlined in the contractual agreement between the buyer and seller of the Green Tag

and backed by guidelines and policies developed by Green-e Energy,¹ the Federal Trade Commission,² and National Association of Attorneys General.³

4. Green-e Energy is the nation's leading independent certification and verification program for renewable energy. This voluntary consumer-protection program is administered by the Center for Resource Solutions, a nonprofit organization based in San Francisco, California. More than two-thirds of the green power transactions in the voluntary retail market in 2007 were certified by Green-e.⁴ A Green Tag without Green-e certification or the ability to become Green-e certified loses value in the market.⁵

5. A buyer of a Green Tag, transacting in either a voluntary or compliance market, can claim to have purchased "renewable" energy. Corporations or households may choose to voluntarily purchase renewable energy to reduce their carbon-based impact on the environment.⁶ By contrast, electric utilities in at least 25 states must purchase Green Tags in the compliance market to comply with Renewable Portfolio Standards ("RPS"). In these states, electric companies are required to supply a certain percentage of electricity from renewable generators by a specified year. For example,

¹Green-e Program Customer Rights information can be found at: http://www.green-e.org/whycert_rights.shtml. The Green-e Code of Conduct and Customer Disclosure Requirements can be viewed at: <http://www.green-e.org/docs/energy/Appendix B-National Code of Conduct Cust Disclosure.doc>.

²The Federal Trade Commission's Guides for the Use of Environmental Marketing Claims are outlined in 16 CFR Part 260. See <http://www.ftc.gov/bcp/gmrule/guides980427.htm>.

³The Environmental Marketing Guidelines for Electricity can be found at: http://apps3.eere.energy.gov/greenpower/buying/pdfs/naag_0100.pdf.

⁴Green Power Marketing in the United States: A Status Report, 11th ed., National Renewable Energy Lab, October 2008, at 16-17. <http://www.nrel.gov/docs/fy09osti/44094.pdf>.

⁵Although some RPS programs allow Green Tags to have a longer shelf life, Green-e will only certify renewable generated in the calendar year in which the product was sold, the first three months of the following calendar year or the last six months of the prior calendar year.

⁶Idaho Power purchases Green Tags on behalf of customers participating in its Green Power Program on the voluntary market.

Oregon utilities must provide 25 percent of their power with renewable resources by 2025; California requires 20 percent renewable power by 2010. Electric utilities in these states must demonstrate RPS compliance by holding purchased or self-generated Green Tags equivalent to the required percentage of their electricity sales.

6. The State of Idaho has not established a RPS for electric utilities, nor has it passed legislation that creates Green Tags or a market in which to sell them. Idaho Power Company's resource portfolio includes both renewable resources and electricity purchased from renewable energy resources, such as the 101-MW Elkhorn Valley Wind Project located in eastern Oregon. In 2007 and 2008, Idaho Power will have obtained approximately 320,000 MWh of Green Tags from this project. Each of these Green Tags, depending on their ability to become Green-e certified as discussed below, could have a market value of between \$5 to \$6.

II. REQUEST FOR AUTHORITY TO RETIRE GREEN TAGS

7. Idaho Power remains committed to developing a diverse generation portfolio to better provide reliable, responsible, and affordable energy for generations to come. Renewables play an important part in this resource mix. As stated on page 7 of Idaho Power's 2006 Integrated Resource Plan ("IRP")⁷:

Idaho Power believes it should purchase and retain green tags from any renewable resource built or purchased by Idaho Power for the supply of energy to its customers. In addition, the acquisition and retention of green tags is necessary to accurately represent the renewable energy component of Idaho Power's resource portfolio. Acquiring and retaining green tags assures Idaho Power's customers it has acquired the energy from renewable resources.

⁷Idaho Power's 2006 Integrated Resource plan can be found at: <http://www.idahopower.com/energycenter/irp/2006/2006IRPFinal.htm>.

By acquiring, retaining, and retiring the Green Tags generated with company-sponsored renewable projects, Idaho Power can: (a) comply with certification standards regarding characterization of its resource portfolio while clearly communicating the Company's renewable portfolio to customers, (b) meet customer expectations for increased use of renewable energy, and (c) align with state interests in promoting renewable energy. Consequently, Idaho Power believes it would be appropriate for the Commission to authorize the Company to retire the Green Tags associated with its renewable resources on behalf of its customers.

A. Compliance with Certification Standards.

8. As described above in paragraph 4, Green-e Energy is the nation's leading independent certification and verification program for renewable energy. Green-e Energy has issued the Green-e Energy National Standard for Renewable Electricity Products⁸ ("Green-e Standard") to be applied to all Green-e Energy Certified products (e.g., RECs, utility green pricing programs, and competitive market electricity products). The Green-e Standard states that eligible RECs or renewable energy can be used once and only once; making a claim (e.g., stating "we buy wind power") is one example of a "use" that results in retirement.⁹ Therefore, renewable energy that can be legitimately claimed by another party may NOT be used in Green-e Energy Certified products. According to the Green-e Standard:

Examples of prohibited double uses include, when the same REC is claimed by more than one party, including any expressed or implied environmental claims made pursuant to electricity coming from a renewable energy resource,

⁸The Green-e Energy National Standard Version 1.5 can be found online at: http://www.green-e.org/getcert_re_stan.shtml#standard.

⁹*Id.* at 7.

environmental labeling or disclosure requirements. This includes representing the energy from which RECs are derived as renewable in calculating another entity's product or portfolio resource mix for the purposes of marketing or disclosure.¹⁰

9. As a practical matter, the sale of its Green Tags would limit Idaho Power's ability to communicate on a basic level with customers on subjects related to its generation portfolio. Because Idaho Power is not permitted under the Green-e Standard to imply that customers are receiving the benefits of the renewable energy in its system or delivering this energy to their homes when Green Tags are sold, Idaho Power will have difficulty clearly stating the resources in Idaho Power's generation mix and those delivered to customers. Under the Green-e Standard, Idaho Power would be prohibited from using visuals (including charts, graphs, line art, etc.) depicting green resources as part of the energy delivered to customers. The sale of all of its Green Tags that are (or capable of being) Green-e certified would also preclude Idaho Power from using photographs or other imagery depicting wind turbines, solar, or other green resources when describing or displaying its resource portfolio if all environmental attributes have been relinquished through the sale of Green Tags.

10. A May 1, 2008, draft of the "Best Practices in Public Claims Related to Green Power Purchase and Sales" from the Center for Resource Solutions provides the following example:

Utility W is selling the RECs from their wind farm to Marketer Q. Utility W wants to show their customers their commitment to the environment, so they launch an ad campaign with language about how they provide green power and display pictures of the wind farm on billboards, on their website, and in their annual report. Utility W could also say they have invested in renewable energy.

¹⁰*Id.* at 7-8.

In this example, the customers (or potential customers) of Utility W are under the false impression that they are purchasing renewable energy for their homes or businesses. In fact, the claims for all of the renewable attributes of that power were transferred to Marketer Q when Utility W sold the RECs. To avoid double-counting and false advertising, Utility W should not advertise that they supply green power.

Based on the foregoing, Idaho Power believes that the ability to certify its 2007 and 2008 Green Tags associated with the generation from Elkhorn and Raft River is in doubt.

11. Most contracts for the purchase of Green Tags contain attestation clauses that require the seller to certify that the Green Tags are Green-e certified or capable of becoming so. Given the above market guidance examples, Idaho Power is concerned that it will not be able sign in good faith the attestation clause for the Green Tags it has obtained thus far. Any claims or inferences that Idaho Power customers enjoy the environmental benefits of the project would be a violation of the contract signed between Idaho Power and the purchaser of any associated Green Tags.

B. Customer Expectations Supporting Renewable Energy.

12. Customer expectations support adoption of a balanced energy portfolio that includes alternative sources of energy. For instance, in the *Idaho Energy Policy Survey 2007*¹¹ conducted by the Energy Policy Institute, Center for Advanced Energy Studies sponsored by Boise State University's Social Science Research Center, 50 percent of respondents said "green" or renewable sources of electricity should be the highest priority to meet Idaho's electricity demand. This result is consistent with the

¹¹<http://ppa.boisestate.edu/ssrc/archive/2007-EPI-pressconf.pdf>.

majority of the feedback Idaho Power received in customer comments filed with the Commission on the Company's 2006 Integrated Resource Plan.¹²

13. For customers who want to support incremental renewable energy development above and beyond Idaho Power's standard business practices, Idaho Power offers a voluntary Green Power Program which gives customers the opportunity to purchase Green Tags through the Bonneville Environmental Foundation. These Green Tags are sourced from renewable generation located in the northwest but outside Idaho Power's service area. The program has seen steady participation growth of 13.85 percent annually since 2001. As of September 2008, the Company had 2,522 residential customers and 119 commercial customers participating in the Green Power Program. According to the 2008 Electric Utility Residential Customer Survey by J.D. Power and Associates, Idaho Power customers who participate in the Green Power Program (and consequently pay more on their monthly bill) have a higher satisfaction rate (index 630 out of 1000) for the price they pay for electricity than customers that do not participate (index 564 out of 1000).

14. Green Power Program participants and Idaho Power, through the administration of such a program, recognize the inherent value of the environmental benefit contained in the Green Tags as separate from the electricity produced. To be consistent, Idaho Power should not sell Green Tags generated by its system resources and still claim or imply to customers that they receive the environmental benefits of the renewable energy.

¹²Staff Decision Memo dated 03/09/2007, Case No. IPC-E-06-24. The Commission Staff's summary of the 2006 IRP noted of the 20 individuals that submitted comments, "most added their desire that the Company focus on alternative sources such as wind, solar, biomass and geothermal energy sources."

C. Alignment with State Interests in Promoting Renewable Energy.

15. The retirement of Green Tags on behalf of customers aligns with Gov. C.L. "Butch" Otter's 25 x '25 initiative, which established the Idaho 25 x '25 Renewable Energy Council (later renamed the Idaho Strategic Energy Alliance) to further the goal of providing 25 percent of Idaho's energy needs through renewable sources by the year 2025.¹³ The original 25 x '25 effort was focused primarily upon using agricultural and forestry resources to meet 25 percent of the state's energy needs by 2025 but was later expanded by the Governor's Office of Energy Resources ("OER") to include sustainable resources, energy efficiency and conservation, and energy development in accordance with the 2007 Idaho Energy Plan.¹⁴

16. By selling the Green Tags, that portion of renewable energy represented by such Green Tags will be claimed by the purchasing entity to help meet their state's goals and cannot be considered part of Idaho's mix. However, the Green Tags Idaho Power retains and retires now on behalf of customers may hold value to be used at a later date if either the State of Idaho or the federal government adopts a RPS that allows utilities to bank credits for use in future years.

III. MODIFIED PROCEDURE

17. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201, *et seq.* If, however, the Commission determines that a technical hearing is required, the

¹³Executive Order 2007-20 can be found at: http://gov.idaho.gov/mediacenter/execorders/eo07/eo_2007_20.html.

¹⁴The 2007 Idaho Energy Plan can be found at: http://www.energy.idaho.gov/energy_plan_0126.pdf (page 47).

Company stands ready to present its testimony and support the Application in such hearing.

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

18. Communications and service of pleadings with reference to this Application should be sent to the following:

Lisa Nordstrom
Barton L. Kline
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
lnordstrom@idahopower.com
bkline@idahopower.com

Mark Stokes
Karl Bokenkamp
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
mstokes@idahopower.com
kbokenkamp@idahopower.com

V. REQUEST FOR RELIEF

19. Idaho Power respectfully requests that the Commission issue an Order authorizing Idaho Power to retire the Green Tags it has obtained or will obtain in the future.

DATED at Boise, Idaho this 14th day of November 2008.


LISA D. NORDSTROM
Attorney for Idaho Power Company