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LISA D. NORDSTROM
Senior Counsel
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December 30, 2009

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 – REC Management Plan

Dear Ms. Jewell:

In Order No. 30818, the Commission directed Idaho Power Company ("Idaho Power" or "the Company") to formulate a business plan that describes how it will manage Green Tags generated in 2009 and later. Enclosed with this letter is Idaho Power's Renewable Energy Credit ("REC") Management Plan describing the scenarios under which Idaho Power will likely acquire RECs and how it intends to manage them going forward.

If you have any questions or concerns, please do not hesitate to contact me at 388-5825.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom

LDN:csb
Enclosures

IDAHO POWER REC MANAGEMENT PLAN

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Renewable Energy Credits

To promote the construction of renewable resources, a system was created that separates renewable generation into two parts: (1) the electrical energy produced by a renewable resource and (2) the renewable attributes of that generation. These renewable attributes are referred to as renewable energy credits ("RECs") or green tags. The entity that holds a REC has the right to make claims about the environmental benefits associated with the renewable energy from the project. One REC is issued for each megawatt-hour ("MWh") of electricity generated by a qualified resource. Electricity that is split from the REC is no longer considered renewable and cannot be marketed as renewable by the entity that purchases the electricity.

A REC must be retired once it has been used for regulatory compliance and once a REC is retired, it cannot be sold or transferred to another party. The same REC may not be claimed by more than one entity, including any environmental claims made pursuant to electricity coming from renewable energy resources, environmental labeling, or disclosure requirements. State renewable portfolio standard ("RPS") requirements also typically specify a "shelf life" for RECs so they cannot be banked indefinitely.

Idaho Power's RECs

Idaho Power Company ("Idaho Power") is currently receiving all of the RECs from the 101 megawatt ("MW") Elkhorn Valley Wind Project in northeast Oregon. The Elkhorn Valley Wind Project is expected to provide approximately 300,000 RECs to Idaho Power annually throughout the term of the power purchase agreement ("PPA") that expires in 2027.

Idaho Power is also receiving RECs from the 13 MW Raft River Geothermal Project. For the first 10 years (2008-2017) of the agreement, Idaho Power is entitled to 75 percent of the RECs from the project for generation that exceeds a monthly average of 10 MW. For the second 10 years of the agreement (2018-2027), Idaho Power is entitled to 51 percent of the RECs generated by the Raft River Geothermal Project.

Regulatory Treatment of Idaho Power's RECs

In late 2008, Idaho Power filed an Application with the Idaho Public Utilities Commission in Case No. IPC-E-08-24 asking to retire RECs received as part of the long-term power purchase agreements for generation from the Elkhorn Valley Wind Project and the Raft River Geothermal Project. Because the state of Idaho does not have a RPS, these RECs could be either voluntarily retired or sold. Idaho Power's Application indicated that these RECs needed to be retired in order for Idaho Power to represent to its customers they were receiving renewable energy from these projects.

In May 2009, the Commission issued Order No. 30818 directing Idaho Power to sell eligible 2007 and 2008 RECs from these projects and include the proceeds in the Company's 2010 Power Cost Adjustment ("PCA") calculation. The Order also instructed Idaho Power to file a business plan addressing the disposition of future RECs by the end of 2009.

Idaho Power's REC Management Strategy

Idaho Power believes there is a reasonable likelihood that a federal renewable energy standard ("RES") will be passed by Congress that will require the Company to obtain and retire RECs for compliance. Idaho Power also believes it is prudent to continue acquiring ownership of RECs associated with renewable resources to minimize the impact when a federal RES is implemented. However, because of current economic conditions and recent increases in costs and customer rates, the basic philosophy of Idaho Power's REC Management Plan is to sell its RECs in the near-term and return the customers' share of the proceeds through the PCA mechanism while continuing to acquire and hold long-term contractual rights to own RECs for use in meeting a future federal RES.

Proposed federal RES legislation includes a shelf life for RECs, thereby allowing the holder to "bank" RECs for a period of time. The ability to bank RECs is important to Idaho Power because the number of RECs required to comply with a federal RES is expected to fluctuate depending on hydrologic conditions. The proposed federal RES legislation would allow Idaho Power to deduct generation from its hydroelectric resources from the sales base used to calculate the number of RECs required annually.

In above average water years, Idaho Power's REC requirement will be lower because of increased production from hydroelectric resources. In low water years, Idaho Power's hydroelectric resources will produce less electricity and the number of RECs required will increase. With the ability to bank RECs, Idaho Power would be able to save additional RECs from good water years and rely on banked RECs to meet requirements in low water years.

Therefore, Idaho Power's REC Management Plan is as follows:

1. **Existing Long-Term PPAs.** For existing projects, such as Elkhorn Valley Wind Project and the Raft River Geothermal Project, in which Idaho Power receives RECs as part of a long-term power purchase agreement, Idaho Power plans to sell the near-term RECs and return the customers' share of the proceeds through the PCA while continuing to acquire and hold long-term contractual rights to own RECs for use in meeting a future federal RES.

2. **Existing PURPA and REC Generating Contracts.** For existing PURPA and other REC generating projects that provide output to Idaho Power under mid- to long-term contracts (such as Fossil Gulch Wind Project or the Arrowrock Hydroelectric Project/Clatskanie Exchange), if a mutually agreeable price can be reached with the project owner, Idaho Power may enter into contracts to purchase the project's RECs on a mid- to long-term basis with the expectation that the REC acquisition costs will be treated as a PCA expense. In this situation, Idaho Power's intent is the same – to sell the near-term RECs and return the customers' share of proceeds through the PCA while continuing to acquire and hold long-term contractual rights to own RECs for use in meeting a future federal RES.

3. **New Long-Term PPAs.** For new long-term power purchase agreements, like the recently filed Neal Hot Springs Geothermal contract (Case No. IPC-E-09-34), Idaho Power intends to continue to acquire long-term rights to the RECs under these agreements. As noted above, Idaho Power intends to sell the near-term RECs and return the customers' share of the proceeds through the PCA while continuing to acquire and hold long-term contractual rights to RECs for use in meeting a future federal RES.

4. **Qualified Renewable Projects.** To the extent Idaho Power's small hydroelectric projects can be certified as renewable under other states' renewable portfolio standards, Idaho Power will consider selling the near-term RECs as opportunities become available and return the customers' share of the proceeds through the PCA.