

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-08-24
AUTHORITY TO RETIRE ITS GREEN TAGS.)
) ORDER NO. 32002
)
_____)**

In May 2009, the Commission directed Idaho Power Company to sell its eligible 2007 and 2008 Green Tags¹ generated by the Elkhorn Valley Wind Project and the Raft River Geothermal Project and to include the proceeds from the sale in the Company's 2010 Power Cost Adjustment (PCA) calculation. Order No. 30818. The Commission also directed the Company to formulate a business plan regarding the disposition of Green Tags generated in 2009 and later.

On December 30, 2009, Idaho Power filed its REC Management Plan with the Commission. On April 23, 2010, the Commission issued a Notice of REC Management Plan Filing and Notice of Modified Procedure seeking public comment on the REC Plan. Order No. 31062. Two comments were submitted in addition to Staff's. After reviewing the filing and comments, we accept Idaho Power's REC Management Plan filing.

THE REC MANAGEMENT PLAN

For existing long-term Power Purchase Agreements (PPAs), such as the Elkhorn Valley Project and the Raft River Project from which Idaho Power receives RECs as part of the agreement, Idaho Power plans to sell the near-term RECs and return the customers' share of the proceeds through the PCA. The Company also plans to continue acquiring and holding long-term contractual rights to own RECs to meet future federal renewable energy standards.

For existing PURPA and REC generating projects that provide output to Idaho Power under mid- to long-term contracts, "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." Plan at 3. Idaho Power intends 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 renewable energy standard.

¹ Green Tags are also commonly referred to as renewable energy credits (RECs).

For new long-term Power Purchase Agreements, Idaho Power intends to continue to acquire long-term rights to the RECs to meet future federal renewable energy standards. The Company intends to sell the near-term RECs and return the customers' share of the proceeds through the PCA.

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

THE COMMENTS

1. Staff. Staff believes that unless and until the federal government establishes renewable energy standards and corresponding guidelines, the most prudent disposition of Green Tags is to sell the Tags and return the proceeds to ratepayers. Staff noted that Idaho Power reported \$665,788 in proceeds, to date, from 2007 and 2008 Green Tags sold in accordance with Order No. 30818. These proceeds are being returned to customers through the Company's 2010 Power Cost Adjustment. Order No. 31093. Staff believes that Idaho Power's Plan for the disposition of Green Tags generated in 2009 and later generally reflects the same treatment that the Commission ordered for the 2007 and 2008 Tags. Therefore, Staff recommended that the Commission accept for filing Idaho Power's REC Management Plan.

2. ICL and RNP. The Idaho Conservation League (ICL) and Renewable Northwest Project (RNP) (collectively the "Organizations") filed joint comments. The Organizations state that regulatory obligations and consumer demand drive the value of the REC marketplace. They argue that Idaho Power's Plan fails to consider the value of REC retirement for the purpose of complying with truth in advertising laws. For example, "if Idaho Power consumes RECs by making public statements concerning the environmental attributes of the Elkhorn, Raft River, or other renewable resources, [it] must retire sufficient RECs to account comply [sic] with regulatory obligations imposed by truth in advertising laws." ICL/RNP Comments at 7.

The Organizations maintain that the Plan should explain how the Company intends to sell its RECs and still comply with the REC market's guidelines, restrictions and procedures. The Organizations request that the Commission order Idaho Power to develop a more detailed plan regarding whether to acquire RECs from all potential sources and a more thorough evaluation of how to best derive value from the RECs.

3. Ms. Black. A residential customer of Idaho Power, Ms. Black, also submitted comments. Ms. Black asserts that RECs “that are sold are ‘glued’ by their buyer to an electron that would have otherwise not had such environmental benefits.” Black Comments at 5. Based on this premise, Ms. Black argues that “[r]atepayers continue to believe that [Idaho Power] has some amount of wind on its system that is being delivered to their meter[s]. The benefits they have associated with wind have been stripped away in the sale of the REC.” *Id.* at 7. She also asserts that selling RECs is contrary to currently recognized State policy supporting the pursuit of a diversified energy portfolio. *Id.* at 5. Ms. Black maintains that, even during a time of upward pressure on rates, there are compelling arguments for the value to ratepayers associated with retiring RECs.

Ms. Black requests that a hearing be granted to review the specifics and the implications of Idaho Power’s REC Management Plan. In the alternative, Ms. Black requests that the Commission “deny the Company’s REC Management Plan as written and request a new plan that either (a) reflects the inherent value to Idaho Power ratepayers of retiring all 2009 and future RECs the Company obtains the rights to, or (b) allows for the sale of 2009 and future RECs but requires the Company chart a course of action that more comprehensively educates stakeholders . . . on the implications of selling those RECs and report annually to the Commission on those education efforts.” *Id.* at 8.

DISCUSSION

Pursuant to *Idaho Code* §§ 61-129, 61-502, and 61-503, the Commission has jurisdiction over Idaho Power Company and over the issues raised in this case. As a preliminary matter, Ms. Black requested a hearing be granted to more closely consider the implications of Idaho Power’s Plan. We find the record established in this case is sufficient for the Commission to make a determination regarding Idaho Power’s REC Management Plan filing. IDAPA 31.01.01.204. Therefore, Ms. Black’s request for a technical hearing is denied.

In Order No. 30818, the Commission directed the Company to formulate a prudent business plan outlining how it intends to manage Green Tags generated in 2009 and later. The REC Management Plan is meant to be a tool for the Company that takes into account the present and near future renewable energy market of the State of Idaho and the federal government. The Plan is not meant to be a dispositive evaluation of all aspects of the REC market, but a showing

to the public that the Company has considered its options (i.e., to bank, retire, or sell RECs) and undertaken a reasonable course of action.

After reviewing Idaho Power's REC Management Plan and the comments, the Commission accepts the Plan for filing. This acknowledgement and acceptance of the Plan should not be interpreted as approval of the Plan, or as a judgment of the prudence of any transactions undertaken as part of the Plan.

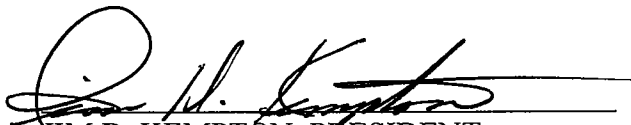
The Commission appreciates the concerns expressed by the Organizations and Ms. Black regarding Idaho Power's compliance with the REC market's guidelines and restrictions. As noted by the commenters in this case, the REC system is a complicated market that is still developing and varies from state to state. We expect Idaho Power to remain fully engaged in REC market developments and to comply with the proper procedures regarding representations of renewable energy. We further direct the Company to submit a modified REC Management Plan when a change in state or federal energy policy warrants such action.

ORDER

IT IS HEREBY ORDERED that the Commission accepts Idaho Power Company's REC Management Plan for filing.

THIS IS A FINAL ORDER. Any person interested in this Order or issues decided in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

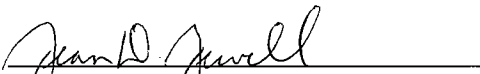
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11th
day of June 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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