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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30701 on December 11, 2008 in Case No. IPC-E-08-24, submits the following comments.

BACKGROUND

On November 14, 2008, Idaho Power Company (Idaho Power; Company) filed an Application with the Commission seeking authority to "retire" the Green Tags¹ it has obtained or will obtain in the future. By acquiring, retaining, and retiring the Green Tags, Idaho Power states it can comply with renewable certification and verification standards while clearly

¹ Green tags are also known as green certificates, renewable energy credits (RECs) and tradable renewable certificates (TRCs).

communicating the Company's renewable portfolio² to customers, meet customer expectations for increased use of renewable energy, and align with Idaho's interests in promoting renewable energy.

Idaho Power's Application describes Green Tags as tradable environmental commodities that monetize the environmental and social benefits of the non-energy attributes of renewable energy generation. Essentially, the entity that possesses a Green Tag holds the legal right to make claims about the environmental benefits associated with renewable energy. A Green Tag is produced for each megawatt-hour (MWh) of electricity generated by an eligible renewable energy resource. An active market exists for the purchase and sale of Green Tags.

Idaho Power purchases energy and receives the accompanying Green Tags from two qualifying renewable energy facilities, the Elkhorn wind project and the Raft River geothermal project. These facilities have generated more than 320,000 MWh of Green Tags in 2007 and 2008.³ If the market value of each tag is between \$5 and \$6 as suggested by Idaho Power in its Application, the value of the Green Tags produced to date is \$1.6 to \$1.9 million.

If Idaho Power sells the Green Tags from these facilities, it loses the right to claim any environmental attributes gained from these renewable energy resources. The person/entity buying the Green Tag retains the sole claim to have purchased "renewable" energy. In contrast, Idaho Power claims that by "retiring" the Green Tags it can clearly communicate the Company's renewable portfolio to customers, meet customer expectations for increased use of renewable energy and align with State interests in promoting renewable energy.

Idaho Power contends that the acquisition and retention of Green Tags are necessary to accurately represent the renewable energy component of Idaho Power's resource portfolio. Acquiring and retaining Green Tags assures Idaho Power's customers that it acquires or generates energy from renewable resources. The Company recognizes that the State of Idaho has no

² "Renewable portfolio" generally refers to the portion of the Company's electricity produced by renewable resources such as wind, solar, biomass, low-impact hydropower and geothermal energies.

³ Idaho Power is entitled to receive 100% of the Green Tags associated with energy from the Elkhorn project. The Company is entitled to receive the Green Tags associated with 3 MW of the output from the Raft River project for its first 15 years and 51 percent of the project's green tags for the remaining 10 years. Because the Elkhorn project did not go online until late in 2007, and because the Raft River project did not begin commercial operation until 2008, both projects together should annually generate approximately 320,000 Green Tags initially and considerably more if Raft River can increase its production to expected levels.

requirement that electric utilities possess Green Tags, but claims that retaining Green Tags would allow the Company to satisfy future federal or state laws imposing renewable energy standards.

STAFF ANALYSIS

Unlike states with Renewable Portfolio Standards (RPS), Idaho currently has no requirement for utilities to acquire, retain or retire Green Tags. Because Idaho Power has no requirement to possess Green Tags, Staff believes that the appropriate question for the Commission to consider is whether customers will be better off if Idaho Power retires them, sells them, or continues to simply hold onto them.

Staff opposes Idaho Power's request to retire its Green Tags for the reasons discussed below.

Retiring Green Tags will not cause any additional renewables projects to be developed.

Absent an RPS requirement, Staff believes that Green Tags only have real value if they cause new renewables projects to be built that would not otherwise be built. Retiring Green Tags will not cause any additional renewables projects to be developed, nor will it change Idaho Power's resource portfolio in any way.

Green Tags have the greatest value to Idahoans if they are sold.

Retiring Green Tags means that revenues foregone by not selling them cannot be productively used for any purpose. The foregone revenues simply become the price paid to permit Idaho Power to tell its customers that some of their power is renewable, without violating rules or guidelines of Green-e or other renewable certification organizations.

Many customers do not subscribe to the idea that environmental benefits can be bought and sold.

The existence of Green Tags is based upon the premise that the environmental attributes of a renewable energy project can be separated from the MWhs that are generated. As separate "paper" commodities, Green Tags are deemed to have value and can be bought and sold. However, except perhaps for reductions in greenhouse gases which have global impacts, the environmental benefits of renewable projects are generally local, and enjoyed mostly by those people living in relatively close proximity to the project. Whether Green Tags are sold or retired,

Idahoans will continue to enjoy the environmental benefits of the Elkhorn project located just across the border in Oregon and the Raft River project in southern Idaho.⁴ Many customers, Staff believes, simply cannot accept the idea that the environmental benefits of renewable energy projects are lost or transferred merely by the exchange of a piece of paper saying that they have been purchased by someone else.

Idaho Power contends that if it does not retire its Green Tags, it cannot explain to customers what the true source of their power is. Presumably, wind or geothermal energy from Elkhorn and Raft River could not be described as a renewable or green resource, but instead would have to be described as "null electricity", meaning energy that has been stripped of its environmental attributes. Staff believes that many customers would find such a concept to be irrational.

Green Tags retired now may not satisfy future RPS requirements.

Staff is uncertain whether any Green Tags retired now would be eligible to satisfy future renewable portfolio standards, if implemented. As stated previously, there are currently no Green Tag requirements in Idaho. It is unknown if and when federal or state requirements might be implemented. However, if requirements are eventually implemented, Staff believes it is unlikely that utilities will be expected to comply immediately. Instead, it is likely that utilities would be given some time to comply, making it unnecessary for Idaho Power to have a stockpile of retired Green Tags.

Retiring Green Tags is an expensive way to satisfy a minority of Idaho Power customers.

Staff does not believe it is necessary to have to represent, at least to most customers, that they are purchasing renewable energy from the Elkhorn and portions of the Raft River projects. Staff believes that most Idaho Power customers realize that a significant portion of their power is generated by hydroelectric plants, and that most customers consider hydropower to be renewable. Customers who may want assurance that some of their power is supplied by the Elkhorn and Raft River projects are, in Staff's opinion, a very small minority. This need for assurance by a very small minority should not deny the majority of customers of the potential revenue from Green

⁴ The Elkhorn project is located in Oregon, approximately 130 miles northwest of Boise. The Raft River project is located in Idaho, approximately 36 miles southeast of Burley.

Tags, especially when the revenue could be used to acquire additional renewable energy. Staff believes that most customers would rather receive a bill credit or more renewables projects than the paper assurance that some of their energy supply is renewable.

Green Tags from some Idaho Power resources have already been sold.

Some of the RECs from the Raft River project have already been sold to another entity in Colorado, so Idaho Power cannot claim all of the MWhs it purchases from the project are renewable anyway. To the extent such a problem really exists, Idaho Power already has to deal with the problem of explaining that only a portion of the Raft River project is renewable, regardless of whether it retires or sells the remaining Green Tags from the project.

Similarly, Idaho Power does not currently receive Green Tags from any of the 92 projects with which it has PURPA contracts. In fact, for contracts signed after June 2004, Idaho Power voluntarily waives any claims to ownership of Green Tags associated with the projects. Presumably, if any of these projects or any future PURPA projects eventually choose to sell Green Tags to anyone other than Idaho Power, the Company could not claim that power it purchases from them is renewable.

STAFF PROPOSALS

As an alternative to permitting Idaho Power to retire its Green Tags, the Commission could require that the Green Tags be sold and that the sale proceeds be returned back to customers through the PCA. This is the same mechanism by which the proceeds from surplus SO2 credits are being returned to customers.

As a second alternative, the Commission could require Idaho Power to sell all Green Tags until they are needed, and further, to require that the sale proceeds be held in a dedicated account directed towards the future purchase of power from new renewable projects. Funds could be used either for directly purchasing renewable energy from others under a contract, or for buying down rate base associated with future projects that might be owned by Idaho Power. That way, the purchase of renewable energy could actually cause more renewables to be acquired than otherwise might be. Effectively, under this approach, more renewables projects could potentially be developed if the Green Tags are sold than if they are retired.

Furthermore, converting Green Tags into dollars, i.e., selling them, preserves their value for use in the future. Green Tags normally have a "shelf life." Green Tags generated in the past at some point become too stale and lose their ability to satisfy current or future renewable energy requirements, such as RPS standards. However, the proceeds from Green Tag sales, if used to buy down rate base of future projects, benefit customers year after year for the life of the new projects.

Staff recommends that Idaho Power sell its unneeded Green Tags for a year at a time rather than under multi-year agreements, in order to preserve its ability to retain and retire Green Tags for its own use if they are required in the future.

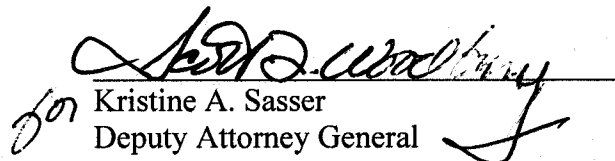
Certification fees for retired Green Tags

If Idaho Power is permitted to retire Green Tags, Staff sees no point in paying fees to have the Green Tags certified by Green-e. Fees charged by Green-e seem to not be based on actual costs incurred for certification, and instead seem to be arbitrary.

RECOMMENDATIONS

Staff opposes Idaho Power's request to retire Green Tags it has obtained or will obtain in the future. Staff recommends instead that Idaho Power be instructed to sell its Green Tags until such time as they may be required in the future, and return the proceeds to customers through the PCA. As an alternative, Staff would support holding the proceeds from Green Tag sales in a fund dedicated to acquiring additional new renewable generation in the future. Policies regarding use of the funds could be determined in the future as specific opportunities for acquiring renewables arise.

Respectfully submitted this 8th day of January 2009.


for Kristine A. Sasser
Deputy Attorney General

Technical Staff: Rick Sterling

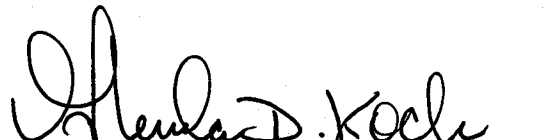
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8TH DAY OF JANUARY 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-08-24, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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