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IPC-E-09-03

***Comments Prepared by the Boise Metro Chamber of Commerce  
Before the Idaho Public Utilities Commission  
Regarding Idaho Power's Request for a Certificate of Public Convenience and Necessity  
For the Langley Gulch Generation Plant  
June 11, 2009***

Commissioners:

The Boise Metro Chamber of Commerce (Chamber) has carefully evaluated energy resource issues and their impacts on the community. The Chamber stated its conclusions in a document entitled "Energy Resources Policy" which was approved by the Chamber's Board of Directors on August 14, 2008. A copy of this document is attached to these comments.

One of the key conclusions is the Chamber's strong support of public policy that encourages energy efficiency and responsible energy use by businesses, consumers, and government, including sustainable operation and design in buildings. Additionally, the Chamber is supportive of the development of additional energy infrastructure including distribution and transmission facilities, and environmentally responsible generation to meet the short-term and long-term energy needs for, and to accommodate economic development in, the Treasure Valley. Reliable and affordable energy is an important element to a vibrant area economy.

It is our position that the timely construction and operation of the Langley Gulch plant is consistent with the Chamber's stated Energy Resources Policy. We conclude that the Langley Gulch Project offers a reliable power supply, is the economical alternative, diversifies Idaho Power's resource portfolio, supplies jobs and tax revenues to the valley now and into the future, supports and complements the development of additional renewable resources, is environmentally responsible, and provides economic stimulus to the area.

The Chamber believes that the project is needed in the time frame proposed. We are well aware of the impact that supply and transmission constraints have in the valley's ability to recruit new quality commercial and industrial enterprises to the area. We understand that new or additional loads of any size are frequently asked to provide their own generation, be subject to interruption and/or reduce their summer load shapes in order to initiate service. Our examination of the restrictions in the recent Hoku Materials electric service contract indicates that Idaho Power is constrained in the amount of power it can provide a new customer even today.

Idaho Power's current resource mix relies significantly on its hydroelectric generation; therefore its operations can be significantly affected by water conditions. Idaho power often must rely on market purchases to meet energy deficits, which in turn are subject to transmission availability. The Langley Gulch Power Plant will reduce that reliance. This generation option is even more important as new transmission construction appears to be taking a slower route to completion.

From our gleaning of the Idaho Power filing, it is apparent that the Langley Gulch project is the most economical of the alternatives available with the second place project in the Request for Proposal process being substantially more expensive and without significant differences in achieving the goal of reliable power supply. Langley Gulch was the right choice for Idahoans.

By selecting the Langley Gulch Project, Idaho Power and its shareholders take on project development and construction risk. Customers retain the risk of fuel cost increases under either a tolling agreement or a utility-owned. However, this utility-owned resource option provides for customers the potential opportunity to share in the benefit if Idaho Power is able to operate and maintain the project for less than its anticipated costs.

Langley Gulch will create both short and long term job opportunities. The construction will require a labor force of up to 120 workers for as long as two years. These will include qualified local electricians, pipefitters, steelworkers, excavators, carpenters, concrete workers, and laborers. Additionally, Idaho Power has told the Chamber that local services, material and equipment suppliers will be used wherever possible. This will include such items as concrete, rebar, and steel, and the rental of equipment. Under commercial operations the combined cycle plant staff will consist of 18 personnel, including 10 operators to provide 24 by 7 coverage, two maintenance mechanics, two technicians, an engineer, a chemist, a clerk/materials coordinator, and an operations and maintenance supervisor. Once complete, the plant will be placed permanently in the tax base and Idaho Power will pay property taxes.

The addition of the Langley Gulch Power Plant to Idaho Power's generation portfolio will enable the Boise Metro Chamber of Commerce to realistically encourage the continued research and development of cost-effective renewable energy sources, including but not limited to wind, solar, geothermal and bioenergy. Development of these energy options will lead to new industries and lower the need for traditional generation in the future. From an environmental standpoint, the Langley Gulch Power Plant will be fueled by clean burning natural gas and will be constructed using the best technology to mitigate air emissions. The plant contains the best attributes of both a base load plant that can be run economically for long periods of time and a peaking plant that can be brought up and down to meet load. It is our understanding, that a combined cycle plant is an excellent resource to integrate wind, and other intermittent resources into the electrical system.

As mentioned previously, this power plant is a rather unique base load facility for the Idaho Power system with the inherent operational flexibility that can support use of renewable energy sources because it can be dispatched to optimize output and capabilities with Idaho Power's existing generation fleet. The plant can change generation quickly to maintain system balance as load varies or as intermittent resources such as wind and solar vary their output. Idaho Power has already leveraged the flexibility of its clean, carbon-free hydroelectric generating system and is limited in its ability to integrate intermittent generation resources such as wind and solar generation. The flexibility this plant would provide is necessary to permit integration of future intermittent generation resources. In addition, the plant will also provide additional operating reserves necessary to reliably operate Idaho Power's transmission and generation system in those peak times when demand is high and reliability is paramount to our members.

Respectfully submitted,

A handwritten signature in black ink that reads "Julie A. Pipal". The signature is written in a cursive style with a large initial "J" and "P".

Julie A. Pipal  
Director of Legislative Affairs  
Boise Metro Chamber of Commerce



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## ENERGY RESOURCES POLICY

**POLICY STATEMENT:** To support the continued economic development of Southwest Idaho and maintain the qualities of life we enjoy, the Boise Metro Chamber of Commerce will:

- Encourage cost effective energy efficiency programs and responsible energy use by businesses, consumers and government, including sustainable innovation in the operation and design of buildings. Energy conservation now will lower the need for additional energy in the future. Advocate and partner with the State of Idaho and local governments for 'high performance' buildings.
- Support the development of additional electrical and natural gas infrastructure projects to meet the area's short-term and long-term energy needs and to accommodate economic development in the Treasure Valley. This includes implementation of plans which specify necessary transmission and distribution facilities and construction of environmentally responsible generation facilities within the Treasure Valley that will serve the demand and enhance system reliability.
- Urge members of Idaho's Congressional Delegation to support environmentally compatible exploration for oil and natural gas in the Arctic National Wildlife Refuge (ANWR), on other federal lands and in portions of the Outer Continental Shelf now closed to drilling. Support allocation of a portion of the new revenues to national energy laboratories and universities for research for next generation energy development.
- Support relicensing of hydro-generation plants in the region, including retention of operational flexibility to meet demand. Hydropower is a renewable energy source that is clean and affordable.
- Support cooperative efforts to preserve and maintain existing water resources for hydro-generation in order to assure that our region's electricity rates remain affordable.
- Encourage the continued research and development of cost effective renewable energy sources, including but not limited to wind, solar, geothermal and bioenergy. Development of these energy options will lead to new industries and lower the need for traditional generation in the future.
- Advocate for the research and development in Idaho of power generation from nuclear energy. A diversified portfolio of sustainable economic energy options will best provide for the projected population and business growth in Southwest Idaho. In addition to traditional generating resources, the portfolio may include nuclear and various types of alternative energy resources.

Background:

Southern Idaho has historically benefited from abundant, low-cost, clean electricity due largely to the ability to generate electricity from 17 hydro-electric generation projects operated by Idaho Power on the Snake River and its tributaries. Low electricity rates have helped fuel historically unprecedented economic development in Southwest Idaho. Businesses have enjoyed reduced costs of production, making goods and services more economically competitive. Southwest Idaho consumers have enjoyed relatively greater disposable income which has allowed them to purchase more goods and services.

Due to the combination of increased demand for electricity due to population growth and increased electricity usage by individual households, and shrinking base levels of water in the Snake River that have reduced hydro-generation, once abundant supplies of electricity have become a luxury of the past. Electricity is now a precious resource, and will become more precious in the future. It must be used efficiently and conserved when possible.

Idaho lacks in-state energy resources to meet current or future demand. Idaho must import over 80 percent of the energy it consumes, including all of its natural gas and petroleum, and over half of its electricity. Much of the Treasure Valley's electricity demand is met by hydro-generation within the state. Environmental concerns and competing demands for water makes the development of significant additional hydro-generation unlikely. Moreover, while development of renewable energy resources such as geothermal, solar, wind and biomass will continue to help meet the Treasure Valley's energy needs, these energy resources cannot satisfy all additional future demand.

Meeting future demand for reliable electricity in the Treasure Valley will require unprecedented construction of new infrastructure – principally electrical transmission and generation facilities. These facilities will be expensive and take time to build. Paying for this new infrastructure will require the Idaho Public Utilities Commission (IPUC) to authorize responsible, yet necessary, increases in electric rates. Since the demand for electricity is growing nationwide, utilities across the country are also required to build infrastructure and their customers will encounter similar rate increases. Although Treasure Valley customers will see an increase in the cost of electricity, on a relative basis Treasure Valley businesses and residents will continue to enjoy among the lowest rates in the country.

Growth impacts all infrastructure – water, roads, governmental services, natural gas, and electricity generation and transmission. The cost of supplying electricity to new customers is significantly greater than the cost of supplying electricity to existing customers. Electrical utilities are not permitted by law to impose the full cost of new infrastructure only on new customers. As a result, existing customers' rates increase as they bear the cost of growth. In this way, attracting new businesses can have the effect of imposing higher costs on existing businesses. In order to preserve existing businesses and jobs, communities should measure the life cycle impacts of attracting new businesses. Maintaining relatively low electricity rates requires that communities plan better for growth. It also requires that stream flows in the Snake River be maintained in order to preserve our region's base of low-cost, clean, hydro-generated electricity.

In order to continue to enjoy low cost electricity and still permit reasonable economic growth, Treasure Valley business leaders, political leaders and citizens should:

- Educate themselves and others about energy issues and our precious hydro-resources.
- Conserve electricity and support energy conservation and efficiency efforts.
- Support cooperative efforts to preserve and maintain water resources.
- Communities need to plan better for growth.
- Support the development of new generation necessary to allow reasonable growth.

Introduction from the “2007 Idaho Energy Plan”:

Idaho has historically benefited from a reliable energy supply and from electricity and natural gas prices among the lowest in the country, despite the fact that Idaho has no domestic petroleum, natural gas or coal resources. These low electricity and natural gas rates have provided Idaho with an economic advantage in attracting and retaining industry and allowing Idaho households to spend less of their incomes on energy. However, Idaho’s economy is more energy-intensive than most other states, and the expansive western landscapes require Idahoans to drive more miles and burn more gasoline than residents of most other states. This is compounded by the fact that Idaho’s gasoline and diesel prices are somewhat higher than the national average. Moreover, Idaho’s relatively low household incomes mean that energy is a larger relative burden for Idaho households than many other states.

While Idaho’s existing electricity rates are very low, new electric generating resources are much costlier than the existing resources that serve Idaho customers. Idaho’s large hydroelectric resources are fully developed, and the cost of building and operating new coal and natural gas fired power plants has risen substantially in recent years. Natural gas prices have been rising because U.S. production has not kept pace with demand, requiring the development of costlier resources such as Arctic gas or liquefied natural gas imports. Geopolitical events such as the current instability in the Middle East and rising petroleum demands by developing countries are causing high and volatile global crude oil prices – and as a result, high fuel prices in Idaho. Going forward, Idaho will likely see escalating prices for its energy supplies.

Idaho’s lack of domestic energy resources means that Idaho relies on imports for over 80% of its energy needs, including all of its natural gas and petroleum supplies and more than half of its electricity. The in-state resources that are available to Idaho utilities are largely renewable resources such as geothermal, wind, hydro, and biomass. Increased deployment of energy conservation and renewable energy will help grow the state’s economy by reducing the flow of dollars outside the state and creating local jobs and tax revenues.