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Conservation League

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IDAHO PUBLIC
UTILITIES COMMISSION

Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

April 15, 2010

RE: Idaho Conservation League Comments on Idaho Power Company's 2009 Integrated Resource Plan, Case No. IPC-E-09-33

Honorable Commissioners:

Thank you for the opportunity to comment on Idaho Power's 2009 Integrated Resource Plan. For thirty-four years, the Idaho Conservation League ("ICL") has been Idaho's voice for clean water, clean air, and wilderness—values that are the foundation to Idaho's extraordinary quality of life. As Idaho's largest state-based conservation organization we represent over 9,500 members, many of whom have a deep personal interest in protecting our clean air, clean water, and quality of life.

ICL served on the IRP Advisory Council ("IRPAC"), attended all IRPAC meetings, and submitted detailed comments on several occasions. ICL appreciates the Idaho Power's inclusion of a public process and its willingness to engage in dialogue and answer our questions regarding the IRP. Idaho Power has made a great deal of progress in adopting a plan with a more environmentally sound resource portfolio, but there is so much more that can be done. ICL is excited to see the amount of progress made and looks forward to a strategic and detailed plan to reduce its greenhouse gas emissions in the 2011 IRP.

ICL comments below pertain to Idaho Power's greenhouse gas reduction goals, energy efficiency and demand side management programs, supply side resources, and public policy issues.

I. GREENHOUSE GAS ("GHG") EMISSIONS REDUCTION

Whether it comes in the form of a cap and trade system or regulation by the U.S. Environmental Protection Agency ("EPA") carbon will carry a heavy cost in the near future. The better prepared the Company is to reduce its carbon emissions, the better Idaho Power customers will fair under carbon regulation. Unlike previous IRPs which utilized a carbon adder to account for the social costs of carbon, the 2009 IRP models a cap and trade scenario that reduces the Company's output from its coal facilities based on the number of allowances that are expected to be allocated to the company. Approaching the portfolios from a position of being carbon constrained versus using a

carbon adder when calculating operational costs recognizes the end goal of carbon regulation regardless of form – to reduce carbon emissions.

ICL is pleased that Idaho Power has established goals to reduce its resource portfolio's average carbon emission intensity for the 2010 through 2013 time period to a level of 10% to 15% below the Company's 2005 levels. ICL also appreciates that the Company will make its carbon emissions public by publishing this information on its website.

While these are positive developments, the 2011 IRP should include a more detailed plan on how the Company plans to reach its carbon reduction goals and curtail its coal operations. As part of the greenhouse gas reduction strategy Idaho Power should include the quantity of greenhouse gas emissions per average megawatt hour associated with each portfolio. This will better inform the Company and IRPAC members and allow for more meaningful feedback.

One issue of specific concern is the Company's plans regarding the Boardman coal plant. The Oregon Department of Environmental Quality ("DEQ") is requiring Portland General Electric ("PGE") to make \$600-700 million of investments to reduce the sulfur and nitrous oxide emissions or close the plant down between 2014-2018. Idaho Power has a 10% ownership in the plant, which contributes about 50-60 aMW to its system. PGE originally planned to make the investments and keep the plant running until 2040. Since the publication of this IRP, PGE has changed course and offered to close the plant by 2020. Advocacy groups continue to pressure PGE to close Boardman even sooner.

Because of these developments, the 2011 IRP must explain Idaho Power's plan for a future without Boardman. ICL submits that continued development of energy efficiency measures is the least cost, least risk, and most environmentally responsible way to plan for this future.

II. ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT

Energy efficiency and demand side management (DSM) remains the cheapest, cleanest, and fastest way to meet Idaho's energy needs. Increased savings from efficiency and DSM programs benefit all customer classes by reducing the need for new generation, distribution, and transmission.

Several related factors discussed in the IRP reveal the growing importance of investments in efficiency and DSM. The 2009 IRP forecasts peak hour load will grow at roughly twice the rate of average system load. The IRP also details the growing constraints on the regional transmission infrastructure and continued volatility to natural gas prices. The IRP predicts that retail rates will continue to climb throughout the planning horizon. Finally, the IRP explains the capacity constraints that may result in the inability to serve large new loads. Reducing both average load through efficiency investments and peak load through demand response programs address all of these issues.

The IRP incorporates the findings of the Idaho Power 2009 DSM Potential Study authored by Nexant. ICL notes that the IRP only refers to the "achievable" potential reductions, which are far less than the "economic" potential identified in the study. For example, page 3-1 of the Nexant report graphs the potential savings in the residential sector. The "achievable" reductions are roughly one quarter of the "economic" potential. According to Nexant, "economic" potential is

the level of reductions that pass the Total Resource Cost and Utility Cost tests while “achievable” potential factors in predicted levels of program participation.

ICL submits that Idaho Power, the Commission, and other interested parties should make every possible effort to achieve all the economic potential for energy efficiency in Idaho. At least since 1989 in Order 22299, the Commission has directed Idaho Power to pursue every cost effective conservation measure available before committing to new generation resources. While the 2009 IRP reveals some progress towards this goal, ICL believes the Commission should direct Idaho Power to redouble its efforts in the 2011 IRP to achieve the economic potential for DSM documented in the Nexant report.

III. SUPPLY SIDE RESOURCES

ICL is pleased to see the Company’s continued interest in acquiring geothermal energy. Idaho has some of the best potential for geothermal energy development in the country, and geothermal provides base load power unlike many other renewables. ICL understands that the results of the previous geothermal RFP were disappointing but is pleased to see it has not discouraged Idaho Power from continuing to pursue this valuable resource. Particularly in light of the eminent closure of Boardman, the likelihood of a carbon constrained future, and the impact of fish mitigation measures on hydropower resources geothermal will be an increasingly important supply side resource in the future.

Similarly, ICL is pleased to see Idaho Power’s interest in pursuing combined heat and power (CHP) projects. CHP has the potential to provide cost effective, reliable, and clean power to Idaho Power customers. ICL is excited to see the results of the project between Idaho Power, the Idaho Office of Energy Resources, and Amalgamated Sugar.

The 2009 IRP explains that peak demand continues to outpace average demand throughout the planning horizon. ICL is dismayed Idaho Power continues to focus on gas fired peaker plants to meet this growth. While natural gas prices are low today, they remain highly volatile. Meanwhile, solar generation matches Idaho Power’s load profile and the price continues to decline rapidly. ICL urges the Commission to support investments in solar power as opposed to natural gas.

IV. PUBLIC POLICY ISSUES

A. New Large Loads

The 2009 IRP continues to not plan for additional large loads. However, economic development and job creation remain a top priority for the state. ICL believes the Commission should direct Idaho Power to plan for new large loads in the 2011 IRP. In doing so, the 2011 IRP should consider using efficiency and DS investments to free up existing capacity. ICL also encourages Idaho Power and the Commission to consider policies that encourage a high ratio of jobs created per megawatt hour consumed.

B. Renewable Energy Acquisition and Renewable Energy Certificates (RECs)

Responding to Commission Order 30818, Idaho Power submitted a Renewable Energy Credit Management Plan on December 30, 2009. Under this plan Idaho Power will continue acquire REC's, but sell them and return the income to ratepayers through the PCA. ICL believes this plan is an appropriate response to the Commission's Order and the current state of affairs.

C. Emission Offsets

Idaho Power should reduce GHG emissions directly from the electricity generation serving its customers. It should not purchase offsets as a means of meeting required GHG emission reductions. First, Idaho Power has agreed to a GHG reduction strategy pursuant to the shareholder initiative. The essence of the initiative is to reduce emissions from the Company's own generation, not by purchasing offsets.

Second, the current carbon offset market is not sufficiently reliable to assure actual carbon reductions. In order to achieve the goal of actually reducing carbon emissions ICL believes Idaho power should focus investments on measurable, verifiable, and durable reductions.

D. Solar Pilot Project

ICL *strongly* encourages Idaho Power to develop a solar pilot project. The Company has much to gain from solar energy because its availability coincides with Idaho Power's peak demand. The option to develop a photovoltaic (PV) project at a substation near existing load is an excellent idea and one that should be pursued. The economy of scale benefits in addition to the utilizing existing transmission and distribution will make the project economically viable. ICL also finds the idea of allowing customers to purchase shares in a solar pilot project to be a novel approach worthy of additional investigation. Allowing customers to purchase shares could demonstrate the public's interest in paying a bit more for generation while not requiring all ratepayers to do so.

Thank you for the opportunity to comment on this application. ICL looks forward to working with Idaho Power and the other IRPAC members on the 2011 IRP. If you have questions about our interest in this matter, please contact Ben Otto at (208)345-6933 ext. 12 or at botto@idahoconservation.org.

Sincerely,



Benjamin Otto
Energy Associate
Idaho Conservation League