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**From:** kmiller@snakeriveralliance.org  
**Sent:** Thursday, April 15, 2010 9:27 AM  
**To:** Jean Jewell; Beverly Barker; Gene Fadness  
**Subject:** PUC Comment Form

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A Comment from Ken Miller follows:

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Please describe your comment briefly:

Comments of the Snake River Alliance  
On Idaho Power Company's 2009 Integrated Resource Plan (IRP) Submitted by Ken Miller, Clean Energy Program Director, Snake River Alliance

April 15, 2010

The Snake River Alliance appreciates the opportunity to submit these comments to the Idaho Public Utilities Commission in docket IPC-E-09-33, Idaho Power Company's 2009 Integrated Resource Plan (IRP); on behalf of its members, many of whom are customers of Idaho Power. The Snake River Alliance (Alliance) is an Idaho-based non-profit organization, established in 1979 to address Idahoans' concerns about nuclear waste and safety issues. In early 2007, the Alliance expanded the scope of its mission by launching its Clean Energy Program. The Alliance's energy initiative includes advocacy for renewable energy resources in Idaho; expanded conservation and demand-side management programs offered by Idaho's regulated utilities and the Bonneville Power Administration; and development of local, state, regional, and national initiatives to advance sustainable energy policies.

The Alliance appreciates Idaho Power's invitation to participate in the 2009 IRP Advisory Committee and the company's willingness to meet with us and to provide supplemental information on myriad issues during the preparation of this IRP. We also commend Idaho Power for making the extraordinary decision to interrupt the IRP development process to review its sales and load forecast and other issues to reflect economic and demand changes flowing from the current recession. We believe the IRP before the Commission is more meaningful given the adjusted forecasts.

As with the 2006 IRP (and 2008 IRP Update), the 2009 IRP is a marked improvement in many regards, notably the recognition of the need to continue raising the bar on energy efficiency and conservation achievements. We do have concerns about the Plan's treatment of greenhouse gas emissions and Idaho Power's coal resources, and those are detailed below.

**THE PREFERRED PORTFOLIO**

The Alliance focuses most of these comments on the 2010-2019 period of the IRP, as plans for the subsequent decade are by necessity extremely fluid. Nonetheless, Portfolio 2-4 (Wind & Peakers) for the period 2020-2029 sheds light on the Company's resource preferences: Natural gas, wind, and transmission.

Portfolio 1-4 (Boardman to Hemingway) for 2010-2019 contains a relatively low amount of non-transmission supply-side resources. The 150MW of wind in 2012 is the result of a request for proposals (RFP) that was issued in May 2009 and is a committed resource, although 10 months

after the RFP was issued the awarding of that contract seems to have taken longer than anticipated. We remain hopeful a successful bidder will be identified and that this wind resource comes online in 2012 as planned. Aside from that committed wind resource, and the expected integration of new PURPA wind resources during this time frame, there are no other plans to add wind until 2022. Idaho Power's justification is that the company continues to face annual peak demand increases of 1.5 percent over the 20-year planning period, compared to an average system load growth of 0.7 percent over that time frame (IRP at P. 49, although this box projects average system load growth at .07 percent). The company's position is that bringing significant amounts of wind online would not be prudent at this time given the wind resource brings little capacity (5 percent) to the system during times of peak demand. While we agree the current wind portfolio on Idaho Power's system currently does little to meet peak demand, we also agree with conventional wisdom that a geographically diverse wind portfolio and integration improvements will help mitigate the resource's capacity and energy variability.

With regard to the 425MW associated with the Boardman to Hemingway transmission in 2015 and 2017, we understand why Idaho Power chose this resource over others, such as additional natural gas beyond Langley Gulch. However, we raise the issue of whether this much power will be available for market purchases, and if so the nature of that generation.

Idaho Power has committed to completing the update of its wind integration study before initiating the 2011 IRP process in July 2010. As Idaho Power's projected use of wind resources theoretically approaches 600MW (IRP at P. 18), it will become increasingly important to continue advances in wind forecasting and other integration technologies. We are particularly pleased to note Idaho Power's interest in exploring such wind integration tools as the ACE Diversity Interchange in collaboration with other regional balancing authorities. While the 2009 IRP's preferred portfolios do not include solar thermal during the 20-year planning period, primarily for cost considerations, we appreciate Idaho Power's initial efforts to analyze various solar technologies and cost. Also weighing in solar's favor is the fact that the resource is available during Idaho Power's summer peak days - the resource very well tracks Idaho Power's system load curve (IRP at P. 65). While Idaho Power contracted with Black & Veatch to study the feasibility of developing solar resources in southern Idaho, the results of that study were presented to the IRPAC in September 2008. The analysis was helpful, and we encourage Idaho Power to consider updating the study for the 2011 IRP to reflect changes in solar technologies and cost.

#### ALTERNATE PORTFOLIOS

The Alliance understands the prudence in developing alternate portfolios in the event some of the assumptions supporting the preferred portfolios do not occur or are materially affected. The primary driver for developing the alternate portfolios is the timely development of the proposed 300-mile Boardman to Hemingway (B2H) 500kv transmission line from the Hemingway substation in southwest Idaho to a switching yard at the Boardman Power Plant near Boardman, Oregon (IRP at P. 83). Among the attributes of this project are improved access to renewable energy resources in northeast Oregon and the ability to more fully transmit power from the existing 101MW Elkhorn Valley Wind Project. While firm transmission capacity exists for 66MW from the Elkhorn Project to Idaho Power's system, potential congestion may require curtailment at certain times in the future.

Central to Idaho Power's planning for B2H is third-party interest in subscribing to the project (IRP at P. 115). Should that interest fail to materialize, Idaho Power will consider delaying construction of B2H and replacing that resource mostly with substantial amounts (340MW) of gas-fired generation on top of the 300MW from Langley Gulch, replacing Preferred Portfolio 1-4 (Boardman to Hemingway) with Alternate Portfolio 1-2 (Gas Peakers). In a prior IRP, the Commission raised the issue of rising amount of natural gas in Idaho Power's resource portfolio. We have similar concerns, given uncertainties with natural gas availability and prices during this IRP planning period and we recommend the Commission revisit the natural gas issue in its review of this IRP.

#### PUBLIC POLICY ISSUES

The public policy issues contained in the IRP received extensive discussion during preparation of the IRP. For example, the issue of asset ownership drew diverse comments on whether Idaho Power should own its own supply-side resources (as with its coal plants and

Langley Gulch) rely on Power Purchase Agreements, or a blend of the two. We believe a mix of company-owned and merchant generation is appropriate from a risk perspective. While company-owned resources bring advantages such as the ability to include them in rates and rate of return advantages, the company has a tendency (inadvertent or otherwise) to own only fossil fuel resources and rely on PPAs or PURPA contracts for renewables.

The issue of Renewable Energy Credits is also one that we hope Idaho's utilities and the Commission are able to resolve with more certainty. We agree with Idaho Power that retention of RECs will be important should the company need them to comply with a federal Renewable Portfolio Standard and we supported the Company's application to the PUC for permission to retire RECs from its geothermal and Elkhorn Valley wind PPAs. That said, we believe Idaho Power's proposed REC management program filed in IPC-E-08-24 on Jan. 4, 2010, is reasonable and should assist the Company in complying with anticipated federal renewables standards. We support Idaho Power's consideration of a Solar Pilot Project, and urge the Company to involve its diverse stakeholders in determining the nature of such a project. A "shareholder" funded demonstration project has merits, but is only one of many possibilities to showcase solar energy and just as important to demonstrate Idaho Power's seriousness in planning for portfolio-scale solar generation in the future.

**GREENHOUSE GAS EMISSIONS AND CARBON REDUCTIONS** On May 21, 2009, IDACORP shareholders asked the company to develop a strategy to reduce its greenhouse gas emissions. On Sept. 17, the company filed a Form 8-K with the U.S. Securities and Exchange Commission outlining its intent to comply with the spirit of the shareholders' resolution and its goal to reduce its resource portfolio's average CO2 emission intensity for the 2010 through 2013 time period to a level of 10 percent to 15 percent below Idaho Power's 2005 CO2 emission intensity of 1,194 lbs CO2/MWh.

The issue of when and how Idaho Power attains these carbon reductions is an important one, both from risk-avoidance given the inevitable federal carbon constraints and also for Idaho Power bill-payers who would bear the costs of higher rates when the carbon costs associated with coal plants are imposed. We're concerned this IRP sends mixed signals about Idaho Power's plans to reduce its carbon emissions. On one hand, the IRP states that "Idaho Power has chosen to directly face the issue of curtailment and the 2009 IRP attempts to quantify the impact of proposed carbon legislation" (IRP at P. 125). On the other hand, the IRP appears to set a "tipping point" that will influence the company's decisions on dispatching from its coal resources: "The results of the analysis indicate at an allowance price of less than \$30, the no-coal curtailment scenario is a lower cost option. If the cost of carbon allowances exceeds \$30, the coal curtailment scenario becomes the lowest cost option" (IRP at P. 117). Furthermore, the IRP states: "...Alternative compliance options implemented as part of any future carbon regulation may allow the continued operation of Idaho Power's coal resources."

To their credit, each of Idaho's regulated electric utilities is now planning for federal CO2 constraints. Most utilities, including Idaho Power, are attaching specific dollar amounts per ton of carbon, and in Idaho Power's case a risk analysis was performed to estimate the effect of a \$43 per ton carbon tax with an annual escalator. The Alliance is concerned the level of Idaho Power's commitment to reducing its carbon emissions will be based in large part on the price the federal government eventually places on those emissions, and that could pose financial and environmental risks to the company, its shareholders, and its customers. The IRP implies that should federal legislation price carbon below an arbitrary number such as \$30 a ton, the most attractive option in the second 10 years (2020-2029) falls back to relying on coal-fired generation and the negative environmental and financial consequences that accompany it. The implication that Idaho Power might forgo the 2-4 Wind and Peakers portfolio for the second 10 years of this IRP and revert back to its most heavily polluting generation thermal resources absent adequate federal carbon prices is troubling.

We are also concerned about assertion that Idaho Power's resource selection in the first 10 years is almost immune from federal carbon legislation and, as a consequence, will likely not impact dispatch decisions from existing and planned generation resources: "There are only minor costs of the proposed carbon legislation in the first 10 years of the planning period because the carbon legislation does not change Idaho Power's resource choices during the first 10 years. However, the proposed carbon legislation does affect how Idaho Power operates

its resources in the first 10 years, but the effects are minor and result from reduced off-system sales" (IRP at P. 116). This seems contradictory inasmuch as the probability of federal carbon legislation in the next two to three years is very high. If Idaho Power is assuming that its risks associated with its coal-fired generation plants are nominal, it may be placing an unnecessary risk on its shareholders and customers.

The IRP does consider possible coal curtailment from anticipated federal carbon-reduction mandates in the 2020-2029 planning period (IRP at P. 116). We appreciate that Idaho Power is anticipating replacing lost capacity from coal curtailments, and we understand the quandary in which Idaho Power finds itself: The presumptive resource to replace the bulk of the curtailed coal-fired generation appears to be simple cycle combined turbines. We would hope that, given Idaho Power's pledge to begin reducing its carbon emissions intensity by 2013 (primarily through changes in the existing hydro system, water leases, and cloud-seeding), it will continue to consider how the need to begin ramping down those emissions fits with Idaho Power's dispatch decisions. We would also have preferred to see in this IRP a quantification of carbon emission reductions attached to the portfolios that were analyzed.

We raise the issue of meeting future load growth and the expected coal curtailment in part because those issues were thoroughly analyzed in the Northwest Power and Conservation Council's new Sixth Power Plan. That plan envisions that the Northwest can meet 85 percent of its new load through energy efficiency and conservation; most of the remainder being met through wind and in some cases with new gas turbines. The Sixth Plan deservedly puts a premium on the expected savings through efficiency rather than supply-side resources. We are concerned that Idaho Power's preferred portfolio at best stabilizes carbon emissions rather than begins to reduce them.

#### BOARDMAN COAL PLANT

The IRP's conflicting approach to the coal and carbon issue is evident in its lack of an articulated position on the Boardman coal plant in Oregon. Idaho Power is a 10 percent stakeholder in Boardman. The majority owner, Portland General Electric, faced an Oregon Department of Environmental Quality order to install pollution abatement equipment at Boardman, although those measures would not have reduced the plant's CO2 emissions. Recently, PGE has indicated it plans to decommission the plant by 2020 rather than continue operations through 2040. If the installation of all required abatement measures proceeded, Idaho Power's share of those expenses would have been well in excess of \$50 million - again realizing no carbon reductions. Given the environmental challenges at Boardman, we believe Idaho Power's best interests would be served by conducting detailed modeling of the various scenarios surrounding the operation of Boardman when Idaho Power conducts its next IRP.

Environmental representatives on the 2009 IRPAC urged Idaho Power to take a more definitive approach to its plans regarding Boardman. We realize PGE's decision will largely seal Boardman's fate, but given the nominal amount of power received from Boardman (64MW), and given the plant's significant carbon emissions that will be subject to federal penalties, we believe this IRP represents a missed opportunity for the company to meet its carbon-reduction pledge to its shareholders.

In addition to the possible Boardman upgrades, the IRP notes on Page 59 ("Planned Upgrades at Thermal Facilities") that Idaho Power is also looking at expenditures of an estimated \$40 million for efficiency upgrades at each of the four Jim Bridger units (at a cost of about \$11 million per unit, and with an estimated generation increase of 6.1MW per unit) beginning in 2010. Combined with the costs of upgrading Boardman, the total cost of upgrading existing coal plants will likely exceed \$60 million to maintain the same output from Boardman and to gain an estimated 24.5MW from efficiencies at Bridger. This does not include the anticipated 2018 plant modifications for North Valmy (IRP at P. 59) for which no costs estimates are attached. Add the carbon costs that Idaho Power anticipates will come from Washington, and customers will soon begin to question the wisdom of these investments when expanded energy efficiency and conservation opportunities exist along with more renewables opportunities.

#### DEMAND-SIDE MANAGEMENT

As in the past, we applaud Idaho Power's progress in expanding its DSM programs. We appreciate the company's consideration of various resources for help in assessing its DSM accomplishments and goals, and note that the 2007 Idaho Energy Plan, in recommendation E-2 says:

"The Idaho PUC should establish annual targets for conservation achievement based on estimates of cost-effective conservation in the service territories of Idaho's investor-owned utilities.

The Committee believes it would be useful for the PUC to establish targets for conservation achievement by Idaho's investor-owned utilities based on estimates of available cost-effective conservation in each utility's Idaho service territory. The PUC could establish these targets in a formal evidentiary proceeding or, alternatively, could work with the Power Council to adapt its estimates of cost-effective conservation in the Pacific Northwest region for use by Idaho utilities."

While we applaud Idaho Power for requesting the latest increase in the energy efficiency tariff rider to 4.75 percent and the Commission for approving it, we remain concerned that the rider funds may be inadequate to capture all cost-effective DSM identified by the company and its Energy Efficiency Advisory Group. The rider balance may be affected as well if the Commission grants Idaho Power's request to fund its participating share of the Northwest Energy Efficiency Alliance (NEEA) from the rider account rather than through rates. We don't question that those funds will be well spent; only that each dollar in the rider account is crucial to maximize the Company's many energy efficiency and demand response programs. We question whether some cost effective energy efficiency may not be captured if adequate funds do not exist in the rider account.

Regarding the Appliance Standard Assessment (IRP P. 43-44), we note Idaho Power references the 2007 Quantec study on appliance energy efficiency standards as well as how the standards existing in Oregon and Washington are performing - and how they might "increase the potential of less-efficient equipment being marketed and sold to Idaho residents." That Idaho risks becoming a dumping ground for inefficient appliances that cannot be sold in neighboring states is a major concern. Unfortunately, the IRP suggests no solutions as to how this threat can be addressed. Similarly, the Appliance Standard Assessment raises significant issues relating to energy-saving potential. Idaho Power's potential savings analysis (IRP at P. 44) is startling: 278,809MWh in energy savings and 43MW in demand savings for the commercial and residential classes combined. In addition, the IRP discusses a number of recommendations by Quantec on how Idaho Power and "other entities" (IRP at P. 44) can evaluate and develop energy efficiency standards. We commend Idaho Power for including this discussion in the IRP and urge the Commission to make note of it in its order acknowledging this IRP.

#### PEAK DEMAND

We remain concerned about the rate of Idaho Power's growth in peak demand compared to the projected growth in energy. To a degree, it is the peak demand that will set the table for future supply-side resource acquisitions at considerable costs to customers. The company will realize significant and laudable peak demand shifts through its dispatchable irrigation demand response program, and to a lesser degree through its air-conditioner cycling program, but we view the rate of peak-hour load increases relative to average system load increases as not sustainable.

We agree with those who have argued in support of efforts to flatten the company's peaking periods through more aggressive demand response programs. While some such efforts may not result in reduced average-energy consumption as the consumption will be shifted to other times, they will certainly help defer the need for additional peaking resources.

Idaho Power's DSM programs have relieved pressures for new supply side resources. We believe the new dispatchable irrigation demand response program is proving a huge success. We were disappointed that Idaho Power's proposed commercial air-conditioner cycling program was not approved by the Commission, and we urge the Company and Commission staff to seek ways to develop a program that will meet Commission approval.

#### RENEWABLES

We credit the company for a thorough discussion of its renewables options in the coming years. We also encourage the company to more closely examine the possibility of enhanced geothermal technologies as they begin to unfold, such as with the DOE's funding of enhanced geothermal research with the University of Utah and U.S. Geothermal's Raft River site. We also are pleased to see Idaho Power giving serious consideration to a solar pilot project, and we believe an investment of some sort in solar PV and other technologies is appropriate and should be expanded in future IRPs. We are also pleased to see Idaho Power continuing to

address its wind integration issues through exploring such ideas as the ACE Diversity Interchange (AID) and intra-hour scheduling to reduce wind's variability and enhance its role as a more reliable renewable resource.

#### DISTRIBUTED GENERATION

To the extent Idaho Power can rely on a limited amount of dispatchable customer-owned generators during periods of extreme peak demands or other exigencies in serving load, this idea appears worthy of exploration (IRP at P. 38). We would have concerns about air quality issues stemming from anything but a rare and limited deployment of such diesel generators, particularly since a peak load that triggers deployment of the diesel generators may well occur during summer periods when the Treasure Valley's air quality is poor and borders on non-attainment status. This IRP recognizes the environmental concerns and as a result its analyses were based at a lower capacity factor of .69 percent (60 hours per year), similar to the capacity factor for a SCCT natural gas-fired peaking turbine. The IRP notes Industrial Customers of Idaho Power (ICIP) believe a distributed generation program of this nature could reach 80MW. The idea of dispatching 80MW of diesel generation - much of it in Idaho Power's Treasure Valley load center - on a hot summer day seems potentially problematic. We would be far more comfortable with Idaho Power's projected initial size of 15MW until such time as this concept can be more fully analyzed.

Nonetheless, we understand the value a fleet of distributed generators can have in meeting Idaho Power's reserve requirements. It is difficult to envision a scenario in which Idaho Power would need much more than 15MW during a peak crunch. And at a 30-year levelized cost of \$519 per MWh (IRP at P. 39), such a program certainly is not cost-effective, other than banking the generation for reserve requirements while deploying the generators rarely, if ever.

#### RISK ANALYSIS AND RESULTS

We appreciate Idaho Power's attention to the potential demands from electrifying our transportation fleet and encourage the company to explore the implications (including the benefits, such as storage) of the coming wave of plug-in and other hybrid vehicles (IRP at P. 105).

As mentioned above, we are concerned about the narrative (IRP at P. 105) that says in part: "Limited, or ineffective, carbon legislation could lead Idaho Power and other utilities to continue to generate from traditional fossil-fueled plants." Once again, this implies that Idaho Power is agnostic on the issue of continued operations of its coal fleet; but that those decisions will be dictated by possible federal mandates rather than a pledge it has made to its shareholders to reduce its carbon emissions.

Regarding the CO2 Allowance Prices (IRP at P. 108), we believe any estimate of a carbon price that is below \$43 per ton is not acceptable from a risk or environmental responsibility perspective. Attempting to plot a glide path for the Boxer-Kerry Carbon Allowance Price Cap and High Case Scenario (Figure 10.3, IRP at P. 108) may be a reasonable approach given the dearth of information on what future carbon prices may look like. To its credit, Idaho Power polled members of the IRPAC during preparation of the IRP, and there was general agreement that it is very difficult to discern what the price may be.

Regarding resource siting (IRP at P. 113), Idaho Power has over the course of the past two years acquired important experience on the challenges in siting resources - particularly transmission. We commend the Company's recent efforts at community and stakeholder involvement in making such monumental decisions. For clarity, however, we note that decisions reached by MidAmerican Nuclear Energy Co. to cancel plans for a Payette County reactor had nothing to do with siting and everything to do with economics. The problems encountered by Alternate Energy Holdings, Inc., in Owyhee, Elmore and now Payette counties stem from siting challenges but more importantly from a lack of public acceptance and, again, economics.

#### SUMMARY

The Alliance believes Idaho Power's 2009 IRP is the product of the Company's willingness to involve myriad stakeholders, and also to re-evaluate future sales and load growth estimates in light of the current recession. More than ever, the Company's decision to divide the planning period into 10-year portfolios is prudent given the uncertain near-term landscape on such matters as federal climate and tax legislation; changing technologies for solar, wind, and other renewable resources; fuel prices; and the future of region-wide transmission

projects. The preferred portfolio identified for the 2010-2019 planning period seems reasonable in light of the current economic realities and the appropriate emphasis on expanding the company's energy efficiency and conservation initiatives.

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