

**Comments of the Snake River Alliance
On the Matter of the Appropriate Disposition of Proceeds from the Sale of Idaho
Power Company's SO2 Emission Allowances in Calendar Year 2010**

Case No. IPC-E-10-20

**Submitted by
Ken Miller, Clean Energy Program Director, Snake River Alliance**

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The Snake River Alliance ("Alliance") appreciates the opportunity to provide comments relating to the disposition of proceeds from the sale of Idaho Power Company's SO2 emission allowance sales for calendar year 2010.

The Alliance has long been interested in promoting sustainable energy opportunities as an alternative to conventional fossil fuel-based energy resources in Idaho. As such, the Alliance is interested in encouraging local, state, and federal policies that promote renewable energy resources to serve Idahoans, as well as in promoting energy conservation and efficiency measures to slow the growth of base load and peak energy demands among Idaho's utilities. The Alliance has participated regularly before the Idaho Public Utilities Commission in furtherance of these goals. The Alliance submits these comments on behalf of its members, many of whom are Idaho Power customers.

Issues in this Case and Past Treatments of SO2 Emission Allowance Sales Proceeds

Case No. IPC-E-10-20 is relatively straightforward. The issue before the Public Utilities Commission is whether the proceeds from three separate 2010 sales of surplus SO2 emission allowances, totaling \$543,000 net after deducting fees of \$5,000, should be returned to Idaho Power customers and shareholders under the 95-5 split used in Idaho Power's current Power Cost Adjustment mechanism and to offset the PCA Deferral Account. In one form or another, this has been the practice dating back to the first SO2 emission allowance sale case in 2005, when the division was 90 percent customers and 10 percent shareholders.

Snake River Alliance Clean Energy Program Director Ken Miller, who is submitting these comments on behalf of the Alliance, has participated in Idaho Power SO2 emission allowance sales cases beginning with IPC-E-05-26 (Ratemaking Treatment of SO2 Allowance Sales Proceeds) in 2005-2006; in IPC-E-07-18 (SO2 Allowances Revenue Allocation) in 2007-2008; and IPC-E-08-14 and IPC-E-09-08 in 2008 and 2009. In the initial case in 2005, Miller participated as Idaho Energy Advocate for the NW Energy Coalition. He joined the Alliance shortly thereafter.

The approach taken by Idaho Power and the Commission in dealing with the SO₂ emission allowance sales proceeds has evolved since the initial case in 2005. From the initial case in which all of the proceeds were returned to customers and shareholders through the PCA, the treatment of the proceeds in IPC-E-07-08 provided Idaho Power, the Commission, and interested parties an opportunity to explore novel uses for some of the proceeds. The Alliance was pleased to see Idaho Power suggest such possible uses as investing in land for a possible future wind farm, or the possible acquisition of renewable energy credits (RECs) in anticipation of future renewable energy standards. In the end, the Alliance fully supported the proposal by Bill Chisholm and the Idaho Energy Education Project (ORDER No. 30790), which called for the use of a small portion of the proceeds for a two-year energy efficiency education pilot project in conjunction with Idaho Power to foster greater energy efficiency awareness among students in schools in Idaho Power's service territory. The Commission in Order 30760 reserved \$500,000 in SO₂ proceeds for the energy efficiency education project.

The Alliance is aware that in Order 30790 the Commission determined that "it is not appropriate to set aside additional SO₂ proceeds for energy education ... until the two-year pilot project has been evaluated." We agree that such evaluation will follow completion of the energy education pilot in mid-2011, and given this order it is unlikely SO₂ proceeds in this case will be used for anything but passing them through the PCA at the 95-5 split and apportioned equitably between Idaho Power's Idaho and Oregon service territories.

Alliance Comments on Future Considerations of Sale Proceeds

Nonetheless, the Alliance believes it is appropriate for the Commission and others to prepare for the treatment of future sale proceeds. It is logical that Idaho Power will continue to sell surplus SO₂ emission allowances as the company continues its laudable efforts to reduce its reliance on coal-fired generation. Idaho Power is assuming in the 2011 Integrated Resource Plan that is now being prepared by the company and its IRP Advisory Committee (the Alliance is a member of the IRPAC) that coal-fired generation from the Boardman coal plant in Oregon will end no later than the end of 2020. While Idaho Power is only a 10 participant in that plant, its need for pollution allowances will presumably be diminished, perhaps substantially so. Likewise, as federally mandated improvements are made at the Jim Bridger coal complex in Wyoming and at North Valmy in Nevada, it is logical to assume additional sales of surplus SO₂ emission allowances will take place.

While the proceeds from these sales are at levels that are not dramatically reflected in Idaho Power's annual PCA, the Alliance believes some of them deservedly should flow to the customers who are paying for the power plant improvements that make the sales possible.

The Alliance is not prepared at this point to recommend one or more possible additional uses of future sales proceeds. Rather, we would hope all parties begin to give serious consideration to uses and programs that, as with the energy efficiency education program promoted by IEEP, will have longer lasting impacts and that can be leveraged with other financial resources.

The case of GNR-E-10-04 (Joint Petition of Idaho Power, Avista Corporation, and Rocky Mountain Power to Address Avoided Cost Issues and to Reduce the Published Avoided Cost Rate Eligibility Cap) notwithstanding, Idaho Power appears to be embarking on a commendable effort to integrate more renewable resources into its supply-side portfolio. Its suggestion in 2007 that sales proceeds be used to perhaps secure real estate for a wind project, while not accepted by the Commission, was nonetheless a signal that Idaho Power is interested in such resources – and perhaps even owning them. Acquisition of RECs, in the Alliance’s view, is not the best use of these proceeds at this time for several reasons, not the least of which is the Commission’s direction to Idaho Power to sell its RECs in the short term pending establishment of their need through a renewable standard or other renewable energy requirement. Idaho Power is seriously exploring solar photovoltaics and thermal solar resources for future supply-side needs. Acquisition of property purchase options for the land needed for such a project could be an effective use of these funds and would have clean-energy impacts for decades rather than the one year’s worth of benefit from a relatively minor PCA adjustment. It appears that all classes of Idaho Power’s customers would benefit directly and indirectly from such a foresighted planning regime.

Additionally, as Idaho Power observed in its Comments in IPC-E-07-08 in which it discussed these possible uses of the proceeds, the company said: “These investments also conform to the 2007 Idaho Energy Plan’s recommendation that Idaho utilities develop in-state renewable resources to promote fuel diversity, create Idaho jobs and tax revenues, and reduce Idaho’s vulnerability to likely carbon regulation.” The Alliance couldn’t agree more.

And of course, energy efficiency programs have life spans of several years. Not only do they deliver direct benefits to utility customers, they also have the important effect of moderating or even reducing the need for new supply-side resources. IEEP’s energy education project will certainly prove its value once it is evaluated, and we will be among those who will encourage the pilot program be extended. We would also encourage Idaho Power to explore whether funds from these sales in the future could be leveraged to enhance its demand-side management efforts.

We expect that the Commission will likely direct the proceeds at issue in this case to be treated as they have in the past through the PCA. Our comments in this case serve more to encourage the Commission and others to begin considering the rich array of options for the funds so that we are prepared for a constructive discussion on possible uses of the funds when we return to this discussion, most likely at this time next year.

The Alliance once again appreciates the opportunity to provide its comments in Case No. IPC-E-10-20 and looks forward to participating in future discussions of the most effective disposition of future allowance sale proceeds.

Respectfully submitted,

Ken Miller
Clean Energy Program Director
Snake River Alliance
P.O. Box 1731
Boise, ID 83701
(208) 344-9161 (o)
(208) 841-6982 (c)
kMiller@snakeriveralliance.org
www.snakeriveralliance.org

cc via e-mail: Lisa D. Nordstrom and Donovan E. Walker, Idaho Power Company