

May 15, 2012

TO: Jean Jewell  
Idaho Public Utilities Commission Secretary  
472 West Washington  
Boise, ID 83702

RECEIVED  
2012 MAY 15 PM 5:02  
IDAHO PUBLIC  
UTILITIES COMMISSION

FROM: Ken Miller  
Snake River Alliance  
Box 1731  
Boise, ID 83701  
Ph: (208) 344-9161

**RE DOCKET IPC-E-12-17: IDAHO POWER COMPANY'S APPLICATION FOR  
AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT RATES FOR  
ELECTRIC SERVICE FROM JUNE 1, 2012, THROUGH MAY 31, 2013**

**COMMENTS FROM THE SNAKE RIVER ALLIANCE**

Dear Ms. Jewell:

Please accept the following comments on behalf of the Snake River Alliance (Alliance) relative to the Commission's docket, IPC-E-12-17.

The Snake River Alliance is an Idaho-based non-profit organization established in 1979 to address Idahoans' concerns about nuclear 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 efficiency programs offered by Idaho utilities and the Bonneville Power Administration; and local, state, regional, and national policies and initiatives that advance sustainable and affordable energy policies. The Alliance pursues these programs on behalf of its members, many of whom are customers of Idaho Power.

As we have in the past, the Alliance generally supports the annual power cost adjustments or their equivalents by Idaho's regulated electric utilities and we do so here, with some reservations. We understand and appreciate the need for this Power Cost Adjustment (PCA) and as we have in past PCAs, we agree with Idaho Power on the need to recover expected and unexpected power costs over the past year. However, our members are increasingly concerned that Idaho Power is using this PCA, among other venues, as an arena to press the arguments it is attempting to make in another case before this Commission, GNR-E-11-03, the Commission's review of PURPA QF Contract Provisions and Methodologies for Calculating Published Avoided Cost Rates.

As we discuss below, we are concerned that Idaho Power is attempting to lay an inordinate amount of the impacts of this PCA at the doorstep of wind generation in general and of Idaho Power's federal and state regulatory obligations under the Public Regulatory Policies Act of 1979 (PURPA) specifically.

## **THE ROLE OF PURPA IN THIS PCA**

This is the first PCA filed with this Commission by Idaho Power in which the company attempts to shift so much of the cause for the requested upward PCA on a renewable energy resource. In various settings, including this docket and in communications with utility customers, Idaho Power makes bold and, we believe, unsubstantiated pronouncements on the extreme impacts wind integration is having and will continue to have on its power costs.

In his Direct Testimony in support of this application, Idaho Power witness Scott Wright discusses the company's view of the role PURPA expenses play in this docket:

“During the April 2001 through March 2002 PCA year, the actual PURPA expense that flowed through the PCA was \$42.2 million. Over the next 10 years, actual PURPA related expense fluctuated between \$39.6 million and \$64.8 million. In last year's PCA, the actual PURPA expense that flowed through the 2011 PCA was \$103.8 million, and this year the forecast is for \$129.6 million. Further, 38 projects totaling \$33.9 million of annual expense are expected to come online during this year's PCA. As I stated earlier in my testimony, PURPA expenses are the primary driver of this year's PCA filing and will continue to drive future PCA increases.” (WRIGHT, DI 15)

We do not disagree that an increase in QF wind obligations is playing a role in this PCA. Such is to be expected when a utility incorporates a new energy resource into its generation portfolio, and similar phenomena are playing out at other utilities throughout our region, although without the supposed cataclysmic results portrayed by Idaho Power in this case and in its recent communications with its customers and in the news media.

As Idaho Power states above, the 2011 PCA saw a significant PURPA expense, although last year's Idaho Power PCA was a 6.5 percent *decrease*. Our concern is partly the magnitude of the increase and also the company's characterization in its application, testimony, and elsewhere about the burden wind is placing on the company and its customers.

We suggest that the Commission withhold judgment on this application until a more detailed accounting of existing and expected wind contracts is furnished so they can be reviewed in more detail to determine more specifically the impacts these power purchases are having on power costs, particularly in light of the pending docket, GNR-E-11-03.

## **THE ROLE OF GNR-E-11-03 IN ESTABLISHING PROJECTED WIND COSTS**

Idaho Power has provided the Commission and its customers with grave predictions of the future costs of QF wind energy. Yet until GNR-E-11-03 is resolved and more certainty is reached with regard to establishing methodologies for calculating published avoided cost rates, we do not understand how Idaho Power can project future costs of PURPA energy sales agreements with projects that have not been built and that may or may not ever be built.

In one mailing to customers, Idaho Power suggests “These additional projects would require customer to pay **an additional \$2.7 billion** over the company’s existing contractual obligation of more than **\$3.6 billion.**” [Emphasis is Idaho Power’s]

In this and in other forums, such as on Idaho Power’s internet home page and also on Idaho Power’s separate page dedicated to the company’s criticism of wind power ([www.getpluggedin.com](http://www.getpluggedin.com)), the company has escalated its criticisms of wind power and its attempts to inflame customer opinion against wind power to new levels. We are concerned that Idaho Power is using PURPA (and Commission-approved published rates, which is something Idaho Power neglects to point out in its criticisms of PURPA contracts) to mobilize public sentiment to be applied in GNR-E-11-03 rather than in this case.

We also note that an April 13, 2012, Idaho Power mailing to customers warns that, “If our filing is approved by the Commission as filed, Idaho customer rates will be increased by \$43 million, or an overall percentage increase of 5.10 in current billed rates beginning June 1. This year’s PCA increase is driven primarily by PURPA expenses. They have grown by nearly 25 percent in the last year and that increase is reflected in this year’s request.”

We believe the company’s use of its required Customer Notice for the PCA veers well beyond simply informing customers of the nature of the PCA and drifts instead into a frontal assault on the company’s obligations under PURPA and into advocacy for the separate GNR-E-11-03. Another example of Idaho Power’s advocacy for the generic case can be found in an earlier mailing in the section labeled “How PURPA Impacts the PCA”:

“The PUC is currently accepting comment on this case (GNR-E-11-03) from the public and other interested parties. A decision is expected in late summer or early fall of 2012. More information is available at [www.idahopower.com](http://www.idahopower.com).”

We also question the validity of the comparisons in the application testimony and in customer mailings between current PURPA expenses and those of a decade ago.

As the Commission knows, a PCA, including this one, is driven by a variety of factors that influence the cost of power one way or another. Hydropower conditions have long been a primary determinant in whether a PCA would adjust rates up or down. Recently, other factors have come to play a role as well, including such things as the sale of sulfur dioxide emission credits and renewable energy credits, the cost of coal, market transactions, and, more recently, certain demand-side management (DSM) incentive costs. In this case, we can add the Langley Gulch natural gas plant, which is scheduled to come online this summer.

Commissioners have long been sensitive to consumer concerns about multiple rate adjustments, particularly when compressed in a relatively short amount of time as we are seeing with Idaho Power and this case, IPC-E-12-17, as well as cases IPC-E-12-09 (Boardman balancing account) IPC-E-12-13 (revenue sharing, IPC-E-12-08 (depreciation rates), IPC-E-12-14 (Langley Gulch) IPC-E-12-07 (mechanical metering depreciation), IPC-E-12-12 (fixed-cost adjustment), and IPC-E-12-06 (transmission deferral). Customers can be forgiven for finding it difficult to keep track

of so many cases that may have an impact on their rates, let alone understanding the nature of each case.

In this instance, customers might be confused about how each of these cases will impact their rates individually or cumulatively. When they receive a mailing from Idaho Power indicating rates will rise 5.1 percent due to this PCA and that the culprit is wind power, the results are predictable. However, when these cases are treated separately, customers, those customers might be left with a much different opinion of how the respective cases might impact rates. For instance, customers are being asked to pay \$398 million for the Langley Gulch natural gas plant near New Plymouth, including a \$60 million increase in annual revenue. Compared to the average PCA rate increase of 5.1 percent, the impacts of the Langley Gulch request would be an average increase of 7.1 percent. It could be argued that the current and cumulative impacts of the Langley Gulch plant may be far greater than those associated with QF wind energy purchases. Yet Idaho Power customers are not showered with company fliers regarding the rate impacts of Langley Gulch as they are with the company's arguments in the PURPA case and wind QFs in particular. Customers are further confused by Idaho Power's attempts to fold issues being explored in GNR-E-11-03 into this application.

The Snake River Alliance again appreciates the opportunity to provide these brief comments in the above-referenced case on behalf of its members. Should the Commission have any questions about these comments, please do not hesitate to contact us.

Respectfully,

Ken Miller  
Snake River Alliance  
PO Box 1731  
Boise, ID 83701  
208 344-9161  
[kmiller@snakeriveralliance.org](mailto:kmiller@snakeriveralliance.org)