

Developing an Idaho Energy Plan

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About E3



- E3 is a San Francisco-based partnership serving the needs of electric and gas utilities, end-users, and government agencies
- E3 has substantial experience in energy planning and recently prepared an energy resource plan for PNGC Power, a Portland-based group of cooperatives including six Idaho utilities
- E3 has considerable experience in state-level energy policy analysis
- E3 has an active practice in the Pacific Northwest and understands the unique nature of the Northwest hydro-based power system
- Arne Olson worked for six years as an energy policy specialist for Washington state tracking energy planning and infrastructure issues

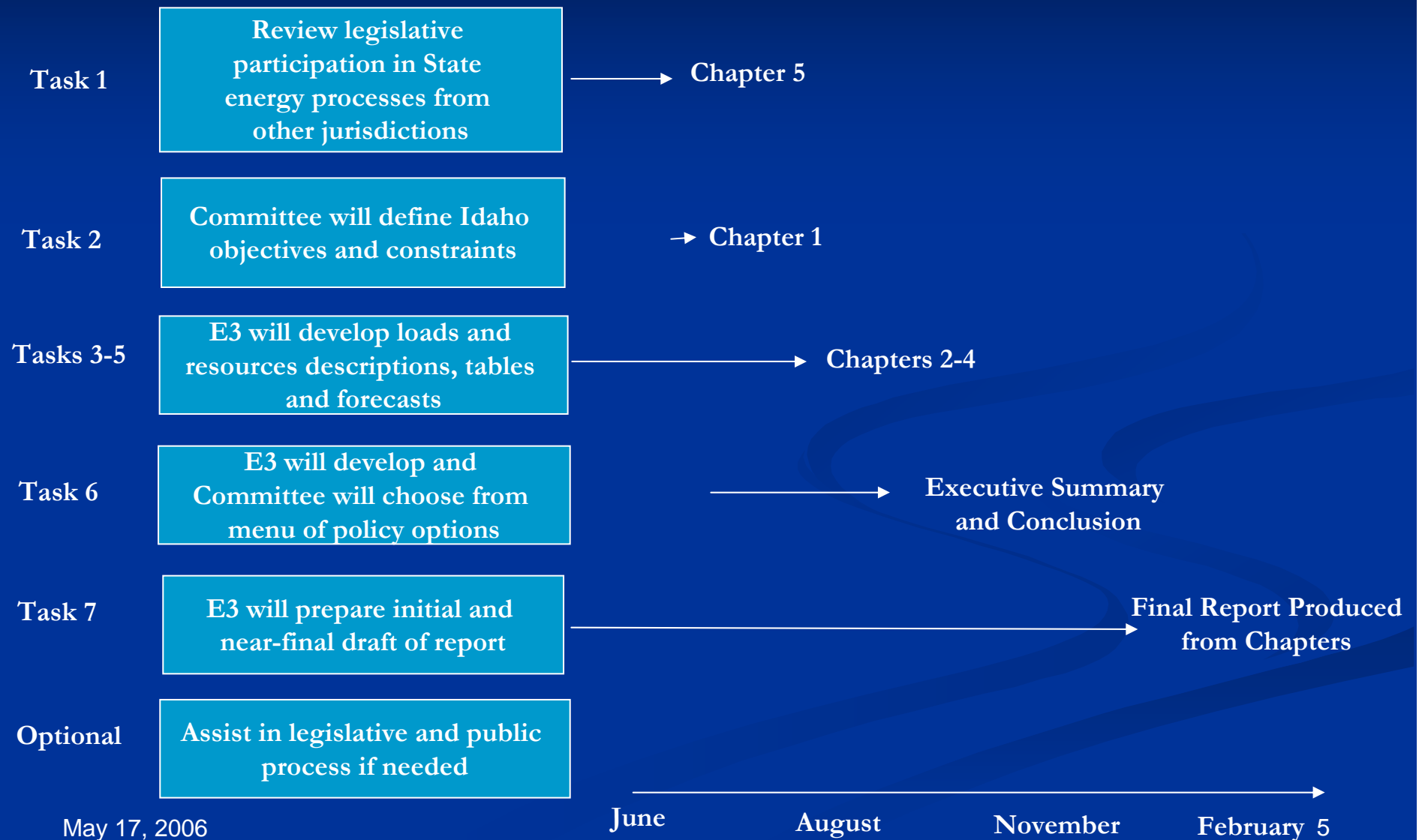
Developing an Idaho Energy Plan: What Really Matters?

- Who are the players?
 - Electric and gas utilities
 - Gas pipeline companies
 - Petroleum suppliers & refiners
 - Idaho PUC/other state agencies
 - Energy consumers
- Role of legislature is to establish statutory framework that guides the actions of the players, i.e., the rules of the game

Developing an Idaho Energy Plan: What Really Matters?

- Players need economic analysis, modeling, etc. to support investment decisions
- Legislature does not need detailed quantitative modeling of energy options to support policy decisions
- Instead, legislature needs a good understanding of the playing field:
 - Who the players are
 - Current infrastructure
 - Technology developments
 - Current Idaho statute
 - Current and new federal statute

Project Scope and Deliverables



Current Industry Landscape: Electricity

- Idaho electricity supply still under control of regulated utilities (Avista, Idaho Power, PacifiCorp) or BPA
- Single regional grid means some of Idaho's energy comes from surrounding states
- Deregulation pressure has largely fizzled
- Future developments:
 - Utility integrated resource plans
 - Newer technologies such as wind, geothermal, coal gasification

Current Industry Landscape: Natural Gas

- Idaho served by Canadian and Rocky Mountain gas via two interstate pipelines: GTN Pipeline (northern Idaho) and NW Pipeline (southern Idaho)
- Idaho gas companies (Avista, Intermountain Gas) pass through to ratepayers cost of gas commodity purchases
- Recent price pressures caused by increasing resource scarcity in traditional producing areas
- Future developments:
 - LNG terminals on Pacific Coast
 - “Frontier Gas” from Alaska, Northern Canada

Energy Challenges Facing Idaho Today

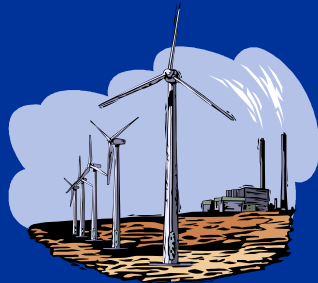
- Meeting energy needs of growing population
- Merchant power plants
 - State vs. local siting authority
 - Centrally vs. locally assessed
- Best use of water: hydropower or aquifer recharge
- PURPA contracts vs. IRPs: How should utilities procure renewables

What Are Other States Doing?

- We will find a variety of state positions in our review
- Some of the state energy-related functions include:
 - Energy Facility Siting
 - State Energy/Building Codes
 - Integrated Resource Planning Standards
 - Ratemaking Standards
 - Renewables Portfolio Standards
 - Public Purpose or “Systems Benefit” Charges
 - State Power Authorities



Outline of E3 Proposal



E3 Approach

- There does not appear to be momentum behind major restructuring initiatives
- Not enough time before January to do big, grass-roots process
- Instead, focus process on key leverage points
 - What are the most important issues for the legislature to tackle?
 - Where can state action can be most effective?

What Is E3 Proposing to Do?

1. Facilitate a discussion of Idaho policy objectives
2. Develop a set of basic information about Idaho energy sector
 - Profile of Idaho energy uses
 - Profile of energy supply infrastructure
 - Context of current events
3. Develop menu of policy options for the Committee to consider
4. Other items as necessary

Task 1: Review of Other States' Energy Plans

- E3 will prepare written report and presentation summarizing energy plans from other states
 - Washington, Oregon, Montana, Wyoming, Utah, Nevada, others
- Policy goals identified in enabling documentation
- Policy options the states are considering or already doing



Task 2: Facilitated Discussion of Policy Goals for Idaho

- Develop broad list of high-level policy principles
- Non-partisan, non-ideological:
 - “Maintain Idaho’s low-cost energy advantage”
 - “Conserve Idaho’s natural resources”
 - “Preserve Idaho’s clean air and water”
 - “Provide affordable energy services to all Idahoans”
- Later, E3 will use these policy principles to “score” policy options



May 17, 2006

June

August

November

February 14

Task 3: Current and Projected Energy Demand

- E3 will prepare written report and presentation on Idaho's current and projected energy use:
 - By fuel (electricity, natural gas, petroleum products)
 - By sector (residential, commercial, industrial)
 - Large energy users in Idaho
 - Idaho energy prices compared to neighboring states and U.S. average
 - Idaho energy intensity compared to neighboring states and U.S. average
 - Projected growth



Task 4: Energy Supply Infrastructure Description

- E3 will prepare written report and presentation on Idaho's energy infrastructure
- Describe major infrastructure and who owns and operates it
 - Power plants & transmission lines
 - Oil and gas supply basins, pipelines, and refineries
- Statutory and regulatory framework
 - Rate regulation
 - State roles in facility siting



Task 4: Energy Supply Infrastructure Description (2)

- How are infrastructure improvements planned, permitted, built and paid for?
 - Utility integrated resource plans
 - Gas pipeline open seasons
- New energy supply options
 - Coal, gas, wind, geothermal, nuclear
 - LNG, frontier gas, coalbed methane
- How are energy efficiency and demand-side management incorporated into resource plans?



Task 5: Current Events Affecting Idaho Energy Sector

- E3 will prepare written report and presentation on current events affecting Idaho energy companies
 - Electricity deregulation
 - FERC policy and regional efforts to form transmission entity
 - EPACT 2005 and repeal of PUHCA
 - Supply and price pressures in natural gas and oil sectors
 - Merchant power plants/energy facility siting
 - IPUC decisions regarding PURPA generators
 - Proposed transmission lines linking Wyoming coal or Alberta oil sands with loads in the Southwest
 - Others...



Task 6: Menu of Policy Options

- E3 will develop a broad list of possible policy options derived from a variety of sources:
 - Recent Idaho legislation
 - Other state energy plans
 - Committee and stakeholder ideas
 - E3 pet ideas
- E3 will score the policy options for how well they meet the policy goals established early on by the Interim Committee



Tasks 7 and 8: Draft Final Report and Present Results to Committees

- E3 will prepare a near-final draft of the report to the legislature
- E3 will be available to make presentations to Energy Committees

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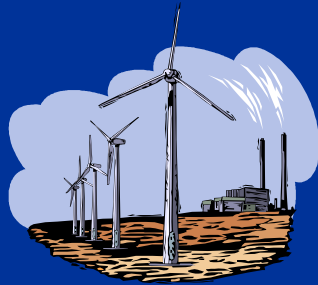


E3 Proposal

- Time and materials basis with a not-to-exceed budget of \$190,860 for Tasks 1-8
- Special research projects as directed by the Interim Committee on a time and materials basis
- E3 is willing to work with any other consultants the committee may select



Why Choose E3?



Why Choose E3?

- Industry planning experience. E3 is trusted by utilities to do economic analysis and strategic planning supporting major investments.
- Regulatory knowledge. E3 consultants regularly provide expert testimony in front of state and provincial regulatory authorities.

Why Choose E3?

- Supply-side and demand-side expertise. E3 is trusted by advocates of both supply-side and demand-side resource options.
- State-level policy experience. E3 supports state initiatives in California, and E3 consultants have considerable experience with state-level energy policy issues.

Why Choose E3?

- Understanding of consultant's role. E3 will help frame the issues for the committee to consider, but will not bring its own agenda. E3 is trusted by a broad range of stakeholders for its unbiased analysis.
- Client focus. E3's projects always benefit from the experience and personal attention of its partners.

Recent E3 Energy Plans

| City/Area | SCOPE | | | ATTRIBUTES | | | RESOURCES | | |
|---------------------------|------------|--------------|--------------|-------------|------|------|-------------|-------------|------------|
| | Generation | Transmission | Distribution | Reliability | Cost | Risk | Supply-Side | Demand-Side | Renewables |
| Manhattan (Con Ed) | X | | | X | | | X | X | |
| Chicago (Com Ed) | X | X | | X | X | X | X | X | |
| Toronto (Ontario Hydro) | X | | | X | X | X | X | X | |
| San Francisco (PG&E) | X | | | X | X | | X | X | |
| San Francisco, City of | X | | X | | X | | | | X |
| Palo Alto, City of | | | X | X | | | | | X |
| Alameda, City of | | | X | X | | | | | X |
| Nashville (TVA) | | | X | X | X | | X | X | |
| Memphis (TVA) | | | X | X | X | | X | X | |
| Greater Seattle (BPA) | | X | | X | X | | X | X | |
| Olympic Peninsula (BPA) | | X | | X | X | | X | X | |
| Jackson/Afton, Wyoming | X | | | | X | | X | X | X |
| Southern Oregon Coast | X | | | | X | | X | X | X |
| Fort Collins/Longmont, CO | X | | | X | X | X | X | X | X |
| PNGC Power | X | | | | X | | X | X | X |