

**MINUTES
ENERGY, ENVIRONMENT AND TECHNOLOGY
INTERIM COMMITTEE
WEDNESDAY AND THURSDAY, MAY 17 AND 18, 2006
JFAC MEETING ROOM, STATEHOUSE**

The meeting was called to order at 9:00 a.m. by Cochairman Representative George Eskridge. Other committee members present were Cochairman Senator Curt McKenzie, Senator Patti Anne Lodge, Senator Tom Gannon, Senator Elliot Werk, Senator Kate Kelly, Representative Maxine Bell, Representative Bert Stevenson, Representative Eric Anderson, Representative Bob Nonini and Representative Elaine Smith. Ad hoc members Representative Wendy Jaquet and Representative Mark Snodgrass were also present. Senator Mike Jorgenson, Senator Gerry Sweet and Representative Ken Andrus were absent and excused. Representative George Eskridge and ad hoc member Representative Mark Snodgrass were also absent and excused for the Thursday, May 18, 2006 meeting.

Others in attendance were Kirk Hall; Dan Ruiz, KEMA; Russell Westerberg, PacifiCorp; Ron Law, Paul Kjellander and Lou Ann Westerfield, Idaho Public Utilities Commission; Mike Louis, Energy Policy Institute/Center for Advanced Studies; Rich Hahn, Idaho Power; Russ Hendricks, Farm Bureau; Dr. John Freemuth, Mike Louis and Carole Nemnich, Energy Policy Institute/Boise State University; Jeff Osterman, CH2M Hill; John Kotek, Washington Policy and Analysis, Inc.; Marc Johnson, Gallatin Group; John J. Williams, Bonneville Power Administration; Courtney Washburn, Idaho Conservation League; Ken Miller, NW Energy Coalition; Julie Pence; Bob Hoppie, Idaho Energy Division; Jerome Paige, Donald Milsten and Matthew Brown, Jerome S. Paige and Associates; Ron Williams, Idaho Consumer Owned Utilities (ICUA) and Idaho Energy Resource Authority (IERA); Ester Ceja, Snake River Alliance; Kurt Myers, Idaho National Laboratory; Dave Barnaby, KMUM; David Hawk, J.R. Simplot Co.; Brenda Tominaga, Idaho Irrigation Pumpers Association; Hilary Sinnamon; Dar Olberding, Stan Boyd and Rich Rayhill, Ridgeline Energy; Brian Dickens, Office of Science and Technology; Arne Olson and Ren Orans, E3; Neil Colwell, Clint Kalich and Ron Peterson, Avista; Richard Carlson, Idaho Rural Council; Mike Brassey, IdaCorp; Linda Jones, Holland and Hart, LLP; Orin LaRitchie and Corynna LaRitchie, Northern Lights, Inc./ICUA; Tom Hutchinson, Clearwater Power Co./ICUA; Kelci Karl, Idaho Association of Counties; William D. Edmo, Shoshone-Bannock Tribe; John Barclay, Idaho Council on Industry and the Environment; Dick Rush, Idaho Association of Commerce and Industry and Del Kohtz, Idaho Water Co., LLC. Legislative Services Office staff members present were Mike Nugent and Toni Hobbs.

After opening remarks from the cochairmen, **Representative Bell** moved that the minutes from the April meeting be approved. **Representative Anderson** seconded the motion and the minutes were approved unanimously by voice vote.

The following groups gave Power Point presentations supporting the proposals they submitted in response to the request for information (RFI) that was sent out by the committee. These complete presentations are all available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Jerome S. Paige and Associates, LLC - Mr. Jerome S. Paige, Mr. Matthew Brown and Mr. Don Milsten

Ben Johnson and Associates, Inc. and Utility Regulation - Mr. Don Reading, Mr. Bob Anderson and Mr. Bill Eastlake

KEMA - Ms. Liz Hicks (by phone) and Mr. Dan Ruiz

Greystone, Inc. - Mr. Randy Schroeder (by phone)

Washington Policy and Analysis, Inc. - Mr. John Kotek; Mr. Marc Johnson, Gallatin Group; Mr. Jeff Osterman, CH2M Hill; and Dr. John Freemuth, Center for Advanced Studies

Energy Policy Institute, Center for Advanced Studies - Dr. John Freemuth

Energy and Environmental Economics, Inc. (E3) - Dr. Ren Orans and Mr. Arne Olson

Below is a short summary of each presentation and questions that committee members asked the various presenters.

Jerome S. Paige and Associates, LLC

Their approach to this project is to support the Idaho Interim Committee on Energy, Environment and Technology (Interim Committee) in its efforts to develop a state energy plan. The plan needs to reflect the particular needs and situation of Idaho's citizens.

Their primary role is to:

- C Bring to Idaho their extensive experience from other states about what works best in state energy plans.
- C Bring to Idaho a comprehensive perspective of energy markets, energy policy and how their interaction affects the current and future energy needs of the state.
- C Gather and synthesize information and policy and help the committee to write a useful state energy plan based on Idaho's specific needs and priorities and in a format that has been successful in other states.

Senator Gannon asked whether other plans they have worked on have resulted in legislation. **Mr. Paige** said that most of the plans the company has worked on have gone to various legislatures for consideration. **Mr. Brown** explained that they worked on a plan for Kentucky that systematically over several years introduced legislation specifically related to the plan. **Mr. Brown** commented regarding what happens to the plan after it is developed. There are states that will tie specific issues such as power plant siting process to the plan. In other words, a proposal for siting has to be tied into or be consistent with the goals of the plan. **Mr. Paige** said a lot of plan review in other states is done by the executive branches of government as opposed to legislation.

Senator Gannon noted that their presentation seems to show that most of their experience has been in the eastern U.S. He asked whether they have done much work in the western U.S. **Mr. Paige** said their most recent work has been done in the eastern U.S. but they have done work in all parts of the country. **Mr. Brown** said that as program director of the National Conference of State Legislatures (NCSL), he has worked closely with South Dakota and Utah on their planning process over the last two years. **Mr. Milsten** said that his experience with the National Association of State Energy Officials gave him the opportunity to work with a number of people in the western U.S. He has been working on issues with Washington State and has worked with Utah. The organization has been active with Colorado and California. He said they are very much aware of the problems that exist in this part of the country, including water issues. **Mr. Milsten** emphasized that they understand the necessity of working within each state to understand its specific issues. He stated that he thinks this committee is on the right track in trying to get an overview and control through the legislative process.

Senator McKenzie said that the goal is to make a workable plan that is useful into the future. He asked about their experience with state plans; what has worked best and have the states been able to implement what is in those plans. **Mr. Milsten** said that in his opinion, states that have a strong implementing organization in their plans working in tandem with the legislature works well. He said that state energy offices, for example, if given a mandate by the legislature and supported by the executive branch, are in a position to carry through with these plans. Follow through is difficult and there needs to be agreement among the people taking ownership of the plan that they will follow the plan. **Mr. Brown** commented that guiding plans tend to be more successful with legislative and executive branch support. Plans that are too specific quickly become out of date. He said that guiding plans that are linked to other policies so people have to go back and use the plans seem to work best. **Mr. Milsten** said their company was attracted to the RFI because they got a sense that Idaho is doing something unique in looking at a system of energy and considering issues as a whole. Many plans are too highly focused on one area and that does not work as well.

Senator Kelly asked whether they think this committee can realistically get an understanding of the issues and get a workable plan developed. **Mr. Paige** said the group will have to decide what it wants to accomplish in the time frame it has. They will need to focus. **Mr. Brown** said this does not require reinventing the wheel. There is a lot of data available regarding wind, coal, water, etc.; the challenge is in the integration of that data and what to do with it. In his opinion this is why goal setting is very important. If the committee cannot agree on the goals, the task will be very difficult.

In response to another question from **Senator Kelly** regarding stakeholder interest and public interest, **Mr. Milsten** explained that their job as consultants would be to gather data, do analyses and provide the committee with a draft report. Once that is completed and sent out to stakeholders and the public, the time frame for approval cannot be controlled. He said they will be able to give the committee a useful document with the question answering guideposts necessary. **Mr. Brown** commented that they do work with the stakeholders as part of the process in order to make sure their report is heading in the right direction.

Representative Jaquet asked whether they would also work with stakeholders that are not large industry such as the cooperatives and citizen groups. **Mr. Milsten** said absolutely. It is very important to include these groups because they have issues regarding the cost of power and infrastructure needs. **Mr. Brown** added that they would make sure and work with the committee and staff to decide who should be included in the process.

Representative Jaquet asked whether technical help would be available from organizations such as NCSL. **Mr. Brown** explained that he directed the energy program at NCSL for about twelve years but that he no longer works there. He said that NCSL can still provide research on broad trends and what other states are doing.

Representative Stevenson asked whether they thought the committee is trying to build a plan that cannot be completed by examining all types of energy in the time frame allowed. He asked if perhaps the task needs to be broken down. **Mr. Brown** said, in his opinion, the committee needs to look at the whole picture because everything affects everything else. **Mr. Milsten** said eight months is enough time to figure out how big the task is and to develop a plan. He said that will need to be reviewed in the next few years to see if the plan is still appropriate due to the fact that the energy market changes quickly.

In response to a question from **Representative Anderson** regarding residential net metering in other parts of the world, **Mr. Brown** said that residential net metering does play a part in this process. He noted that people talk a lot about net metering when discussing state renewable energy policy but that actually a very small number of people are doing it. The reason this is a small number is because net metering is only a small piece of a larger incentive. His company did some analysis and in most cases net metering would result in the equivalent of about a 5% tax incentive.

Representative Anderson said that peak meters/real time pricing were probably more appropriate for conservation. He said one of the downsides to this in the northwest is that low-cost hydropower has made it less effective. He said coal will probably affect this more and asked for comments on that. **Mr. Brown** said this also plays a part in the process. He noted that there has not been a lot of positive response to real time pricing in the U.S. Washington State did a pilot project and not many people signed up for it. He noted that due to the way that was structured, there was not that much advantage for small customers. He said this type of pricing does make customers think about their energy bill and people are not used to that.

Senator Werk stated his concern about how the group works together and asked who will do the actual work. **Mr. Paige** explained that the group has been working together like this for many years. Most of the practice involves people that are located in different parts of the country because of technology and the internet. He said that the principals will be here to help the committee and that they understand the importance of being available for the committee. **Mr. Brown** stated that there is no risk of others working on the project because this is a consortium of four small firms doing the work. **Mr. Milsten** agreed with the above comments and emphasized that they will be the people doing the work for the committee.

Ben Johnson and Associates, Inc. and Utility Regulation

They proposed a two stage process for development of an energy plan for Idaho.

- C Stage One (3 months)
 - C Plan the plan
 - C Compile a profile of Idaho's energy situation
- C Stage Two
 - C Engage stakeholders and the public
 - C Develop policy options
 - C Weave policies into an integrated plan

Senator Gannon asked whether they might be biased since the company has been so close to Idaho energy issues over the years. **Mr. Reading** admitted that he does have some bias but he has worked with clients from all interests and is able to put that aside. He noted that between himself, Mr. Bob Anderson and Mr. Bill Eastlake, they should be able to look at all of the issues and give them all equal consideration. **Mr. Eastlake** stated that as policy advisor to the Idaho Public Utility Commission commissioners, he was always able to discuss and advise on issues that he did not always agree with. **Mr. Anderson** said his job as part of this team is to rise above the local issues because he is from Montana and will bring different views to the table. He also works with Interconnected West and he can bring that information to the committee to allow them a chance to make choices. **Mr. Reading** added that over the years he has learned, sometimes the hard way, that it is the job of the consultant to give choices to the policymakers, not to make the policy.

Representative Smith asked how long stage two will take. **Mr. Reading** said that will depend on the committee and what policy issues they decide to deal with.

Representative Stevenson said it is his view that the committee needs a facilitator to help move them along in order to meet the deadline. **Mr. Anderson** agreed and said what they would do as a good facilitator would be to provide the committee with a framework to allow everyone to be on the same page and get them moving in the same direction.

Senator Kelly asked whether they currently have clients that would have any interest in this process. **Mr. Reading** said that the Industrial Customers of Idaho Power are a current client. He explained that his part of this process, as he sees it, is to provide numbers and research. He said that no matter who the committee hires, when stakeholders see who that is, they will be lobbied. He added that he could dissociate himself from this client for the length of the project if necessary.

Representative Eskridge asked whether they plan to help the committee assign risk to different resource alternatives and so on. **Mr. Reading** said in looking at various energy plans out there, most have risk built into them. **Mr. Anderson** emphasized that risk is probably the most important thing for the committee to consider. It involves outcome and how big that outcome is going to be. He said that energy diversity is also important to consider and cautioned that the

committee does not “put all its eggs into one basket.”

Representative Eskridge asked how they would help the committee define its goals. **Mr. Anderson** said first the terms “goal,” “principle” and “strategy” need to be defined. This puts everyone on the same page. Then they would provide the committee with the information that is available and help them move forward.

Representative Eskridge said their presentation emphasizes electricity. He asked if they plan to include transportation fuels and other types of energy in the research. **Mr. Reading** said they will look at natural gas forecasts. **Mr. Anderson** said their proposal does not include transportation fuels, just electricity and natural gas. **Mr. Reading** said they did not include transportation fuels but that they could bring someone with that expertise on board or that the committee could add another separate consultant for that.

Senator Kelly asked how much work has been done in other states by the company. **Mr. Reading** explained that the list of plans they included focused on plans that would contain data specific to Idaho. He said they would certainly look at plans from other states. **Senator Kelly** commented that, in her opinion, it is important for the committee to understand how other states have dealt with this issue.

KEMA

Their proposal included the following steps.

- C Kickoff meeting summary
- C Memorandum on key issues and objectives
- C Prospectus of key issues and actions
- C Presentation on key issues and actions
- C Draft Action Plan
- C Draft Implementation Plan
- C Presentation of Draft Implementation Plan
- C Draft Energy Plan
- C Final Energy Plan

Senator Gannon asked if the cost proposal would allow the company to participate in up to four subcommittee meetings a month plus the regular committee meetings. **Ms. Hicks** said the proposal is flexible and they would be able to make changes as necessary. **Mr. Ruiz** said that could be arranged.

Senator McKenzie asked about their company experience with plans and states that have developed renewable portfolio standards. He inquired as to what makes a plan a useful working document that actually influences policymakers after it is created. **Ms. Hicks** stated that it is most important to involve stakeholders in the process so they know what is going on from the beginning. It is also important to try to get some sort of consensus from the stakeholders that things are going in the right direction. She noted that it is important to use a realistic basis for

setting the target for renewable portfolio standards.

Representative Eskridge asked for clarification of how KEMA would report to the committee after interviewing stakeholders regarding resource options. **Ms. Hicks** said they would allow stakeholders to be heard and give their opinions and then KEMA would provide an unbiased report of the information obtained and what has worked in other states.

Representative Eskridge asked how they would incorporate investor owned utility integrated resource plans (IRPs) in their analysis. **Ms. Hicks** said they would probably look at each of the IRPs, look at Bonneville Power Administration plans for Idaho as well as the Northwest Power and Conservation Council's proposal for the region. They would then try to synthesize those, while identifying a reasonable baseline for the load forecast and the resource mix for the state.

Representative Eskridge asked for more information on how the company will work with the committee to develop the actual plan. **Ms. Hicks** said they envisioned a series of meetings with the committee as well as stakeholder meetings. She said they have done this in the past and added that a public hearing could also be held. They would assume there would be a sort of project manager from the committee with whom they would have contact at least weekly. She said they would also be willing to consider having someone actually in Idaho for a period of time if necessary.

In response to a question from **Representative Jaquet**, **Ms. Hicks** explained that KEMA does work for utilities as well as state agencies. **Mr. Ruiz** added that KEMA is known worldwide as being able to provide an unbiased opinion regardless of who they are working with.

Representative Eskridge asked about their ability to include other types of energy besides electricity. **Mr. Ruiz** stated that KEMA has worked on plans that include transportation, biofuels and biodiesel, natural gas, liquefied natural gas and electricity and electricity and transmission lines.

Representative Eskridge asked how they would help the committee establish goals and address the differences of direction the stakeholders may want to go. **Ms. Hicks** said the process would probably start in a kickoff meeting having a long discussion of goals and objectives to establish a starting point. This would also involve some facilitative discussions among committee members themselves regarding the setting of the goals and objectives and the identification of priorities. She noted that she and another team member are experienced facilitators of these processes and have run a number of stakeholder meetings. It is her view that they would try to bring consensus first among committee members and then from the stakeholders. In order to do this KEMA would use experiences other states have had.

Greystone-Arcadis

Their objectives included:

- C Help identify Plan objectives

- C Help outline current Idaho energy situation
- C Assess future energy needs
- C Develop/implement stakeholder outreach
- C Outline effects of potential solutions
- C Help develop Plan
- C Help develop siting criteria for generation/transmission

Senator McKenzie asked from their experience what is the most effective energy plan that can be implemented; specific or general. **Mr. Schroeder** said, in his opinion, a plan should be somewhere in the middle. If a plan is too general there is nothing to enforce and due to how quickly the future changes in the energy field, a plan should not be too specific.

Senator Kelly asked if Greystone has clients in Idaho that would have interest in the Idaho energy plan process. **Mr. Schroeder** said he has worked on gas fired electric generating projects in Idaho and that the company works for many different types of clients both private and government. He said he does not think they are involved in anything that would bias their work product in relation to the committee.

Senator Werk said he was unclear about who would be doing the work for this company if the committee were to choose them. **Mr. Schroeder** said he would be the main person working for the committee. He noted that the company has a total staff of 3,000 across the U.S. that could be utilized in different capacities.

Senator Kelly asked if the company has worked with other states to develop energy plans. **Mr. Schroeder** said they have worked with California but that was mostly just review or regulatory in nature.

Representative Jaquet asked if his vision of stakeholder involvement would consist of several meetings with those stakeholders resulting in a final report back to the committee. **Mr. Schroeder** said that for a project of this nature, because of the very diverse number of stakeholders and interests, he would recommend a series of workshops involving these groups sitting together to hear the different issues. This would also help level the playing field and give stakeholders the realization that all issues are relevant but one is not more important than another. He envisions asking all of the various stakeholders to send only one representative to sit at the table and take part in the meetings or workshops. This would prevent certain groups from trying to stack the deck by sending several people to participate. **Mr. Schroeder** agreed with **Representative Eskridge** that this could involve meetings in different parts of the state.

In response to another question from **Representative Eskridge** regarding components of the plan besides energy, **Mr. Schroeder** stated that all of these are part of the whole and that his company would look at all of those components and decide how much focus each would get in the ultimate plan.

Representative Jaquet commented on demand-side management and the achievements California has made in this area using more efficient appliances and so on. **Mr. Schroeder** said that would also be part of the overall evaluation of the plan. Demand-side management is something that is evaluated in almost any plan situation.

Representative Eskridge asked about risk management and risk analysis in studying whether certain resources are actually going to be available as anticipated. **Mr. Schroeder** said they have the resources to do those things internally at his company but that the committee may want to bring in a specialist for that.

Representative Nonini asked for details of **Mr. Schroeder's** familiarity with Idaho. **Mr. Schroeder** said he lived here for a few years and worked for the government. He added that he has worked on other energy projects in Idaho including transmission and generation projects. He has also worked on a variety of other natural resource type projects; mining projects and timber harvest and development projects.

Washington Policy and Analysis, Inc.

Below is a summary of their presentation.

- C The process is key to development of a credible and sustainable Idaho Energy Plan – must be open and inclusive
- C Develop a solid understanding of four key factors:
 - C energy supply and demand growth
 - C economic impacts
 - C environmental impacts
 - C public attitudes and concerns
- C Evaluate and recommend policy proposals
- C Issue Draft Idaho Energy Plan
- C Solicit public comment
 - C public meetings
 - C the Internet
 - C mail
- C Finalize Idaho Energy Plan and communicate results
 - C press briefings
 - C testimony

Representative Jaquet asked whether Mr. Kotek's employment with the Department of Energy would affect the outcome or analysis of the plan. **Mr. Kotek** said he had previously worked for DOE in Idaho Falls but that he does not solely promote nuclear energy. He added that he has not heard of any proposals for nuclear plants in Idaho other than at the INL site.

Senator Kelly asked how the different team members fit into the process. **Mr. Kotek** said that his company has experience in energy policy development. He noted that CH2M Hill has built energy projects throughout the state and that the Gallatin Group are experts in strategic planning or how to do the most effective job in soliciting input from interested parties.

Senator McKenzie said that he would like recommendations and information explaining which plans from other states were successful and how they were designed. **Mr. Kotek** said that is definitely part of their work. **Senator McKenzie** asked what has worked for other states. **Mr. Kotek** said that conservation measures seem to have the greatest impact in the shortest period of time. **Senator McKenzie** asked how that is reflected in these plans. **Mr. Kotek** said there is a spectrum of how this can be done. There are broad areas that can be impacted. It could be done through specific mandates or incentives that lead to conservation.

Senator Gannon asked if they have clients that could be influenced by the energy plan. **Mr. Kotek** said that he does not, but other members of the team probably do.

Senator Gannon asked specifically about the relationship between CH2M Hill and Sempra. **Mr. Osterman** said that as an environmental consultant company, they offered a proposal to provide environmental permitting analysis should the plant move forward. Since that time they have had no further relationship with Sempra. He noted that CH2M Hill has worked with Sempra in other states in the past.

Senator Werk commented that he and other committee members would not want consultants helping develop the energy plan who have other clients with interests that could skew the results of the plan. **Mr. Kotek** agreed that it is good to be concerned about that. He said this team was put together in such a way as to cover the gamut of the different energy technologies that are available and the different skill sets they think the committee will need to be able to put the plan together. He said it will be difficult to get a consultant that has not had or does not have other clients interested in the process. **Representative Bell** commented that the team involved in his presentation seems much more deep and broad than what the committee needed. **Mr. Kotek** said they wanted to make sure that all of the bases were covered in terms of energy policy expertise, energy infrastructure expertise as well as communications, and measuring public attitudes.

Representative Eskridge asked how the group would gather and sort through the different public attitudes from the different parts of the state. **Dr. John Freemuth** said part of this process would include a public opinion survey that allows statewide samples of Idahoans and how they feel about various energy technologies. Samples can be done that are large enough to reflect regional differences.

Energy Policy Institute (EPI)

They recommend the following phases for development of an Idaho Energy Plan.

- C Preparation
 - C Identify planning resources
 - C Establish roles and responsibilities
 - C Develop approach and process
 - C Identify stakeholders
- C Information Gathering and Analysis
 - C Gather data from stakeholders and outside environment (i.e. other state's plans, federal legislation, SWOT, etc.)
 - C Review data, identify issues, and identify alternatives
- C Plan Development
 - C Review and select policy alternatives
 - C Present plan to citizens and Legislature
- C Audit and Review
 - C Conducted during all 3 phases

Representative Anderson commented that trying to bring the entire citizenship of Idaho up to speed on these issues will take a very long time. **Dr. Freemuth** agreed and said the citizen deliberation process is an option for the committee but it takes time and is quite costly.

Representative Bell asked what would be available to the committee from the EPI as part of the university system outside of a formal proposal. **Dr. Freemuth** said that the Legislature is his boss in the long run and in his opinion university professors teach, do research and are supposed to be of service to the state. He said that the EPI is available to the state and is not a fee-for-service entity.

Representative Jaquet asked, since he is the interim director of EPI, if that means he will be leaving. **Dr. Freemuth** said that there will be a formal nationwide search for the replacement director but that he is not planning on leaving.

In response to a question from **Representative Jaquet**, **Dr. Freemuth** said some energy questions could be asked at no cost. He said in order to get a larger sample size, the cost goes up. He said generally in trying to get a survey that is accurate, it demands a sample between 600 to 1,200. Anything above that is much more costly. **Representative Jaquet** asked whether private parties paid for the survey EPI did on energy earlier this fall. **Dr. Freemuth** said EPI wrote those questions themselves. He said occasionally someone will buy questions or a state agency will buy a complex of questions.

Representative Eskridge asked whether there are recent surveys available that show energy usage and opinions of the citizens of Idaho. **Dr. Freemuth** said they asked a number of questions this year. This was the most comprehensive set of questions on energy that EPI has done in Idaho. They also did a survey for INL in terms of citizens' attitudes toward the laboratory that was contracted with INL. He said those surveys are posted on their website and he would get copies for the committee.

Representative Eskridge asked whether this survey is the same survey he discussed as part of the Washington Policy/Gallatin/CH2M Hill proposal. **Dr. Freemuth** said they have partnered with that group on the citizen involvement part. He stated that the survey is in both proposals. Citizen deliberation is directly addressed in the EPI proposal and applied in the Washington/Gallatin proposal.

In response to a question from **Senator Gannon**, **Dr. Freemuth** explained that EPI information is located on the Center for Advanced Energy Studies webpage at INL: www.casenergy.org. **Dr. Freemuth** noted that, in his opinion, EPI could find students that would serve as interns for the committee. **Representative Jaquet** commented that would be very helpful regionally as the workload gets heavier.

Energy and Environmental Economics, Inc. (E3)

Their project scope and deliverables include:

- C E3 will assist in the legislative and public process if needed
- C E3 will prepare initial and near-final draft of report
- C E3 will develop and the committee will choose from a menu of policy options
- C E3 will develop loads and resource descriptions, tables and forecasts
- C Committee will define Idaho objectives and constraints
- C Review legislative participation in state energy processes from other jurisdictions

The timeline for this would run from June 2006 to February 2007.

Senator Gannon asked if working with subcommittees on specific issues would fit with their proposal. **Mr. Olson** said yes. This is a huge issue and it needs to be broken down in order to get a handle on it. He said their view of the process was that they would write reports from each of these meetings and submit those as chapters to the entire committee for discussion. He thinks breaking it into smaller subcommittees is a very good approach.

Senator McKenzie asked for information on how to implement policies once the plan is in place and whether the plan should be general or specific. **Mr. Olson** said that is up to what the committee decides is important. In his opinion providing a more specific list of options that lead to legislative action would develop a more complete plan. **Senator McKenzie** said he would like to see analyses of states and whether setting prescriptive limits for certain types of energy were successful or whether it is more effective for a state to have a general policy that recognizes the benefits of certain energy.

Representative Jaquet commented that stakeholder involvement is not included in their proposal and she does not feel comfortable without that. **Mr. Olson** explained that their expertise is in energy systems and energy economics and how the energy infrastructure is planned, built and operated, not in public process or constituent communications. He said the legislators are the experts on that so they did not propose anything specific in that area. They do think it is very important but it is not their area of expertise. In response to another question from

Representative Jaquet, Mr. Olson stated that they will have to talk to a number of stakeholders in order to get understanding of how the system works and what energy is in the various portfolios.

Representative Eskridge noted that the company indicated a willingness to participate in public meetings and to discuss the draft report in order to get public input to incorporate into a final document. He asked if that was correct. **Mr. Olson** said yes, they would be willing to travel around with the draft report to get input. **Representative Eskridge** asked for more information on how the company would provide a final report. He asked how that final report will lead into a policy document from the committee. **Mr. Olson** said their vision was to develop chapters as the meetings go along. Each of these chapters would include a set of policy recommendations that would be decided upon by the committee. The company does the report and would help the committee facilitate those policy options. He said the committee has to own those policy options in order for anything to be effective.

Representative Eskridge commented that low-cost energy is very important to Idaho. He asked what type of guidelines the company will be able to provide the committee in terms of the trade-off between “affordable” energy service compared to clean air, water and conservation of our natural resources. **Mr. Olson** said there will be multiple goals for the energy sector and some of them will be conflicting. He said they could provide modeling information along these lines but it really is part of the give and take that comes through the political process.

Senator Kelly asked whether E3 could see the public participation process that was described by the EPI group as potentially tying together with their process. **Mr. Olson** said yes. He said this type of survey could be a good way to help establish the committee priorities.

Senator Kelly asked whether E3 would be able to consider biofuels and other types of transportation fuels in the discussions. **Mr. Olson** said there are not that many opportunities or options for states regarding transportation fuel. Ethanol and biodiesel are areas in which there are possible options. He said the work E3 does is mostly electricity and natural gas but they do have expertise in petroleum and would be able to put that on the list for policy options.

In response to a question from **Representative Anderson** regarding the RFI the committee sent out, **Representative Eskridge** said it was left open because the committee is looking for direction, guidance and insight from the different consultants on how to proceed. Some choose to discuss public involvement at their discretion, not at the request of the committee.

After committee discussion, it was decided that committee members would review the proposals and presentations and return their top three choices to the cochairmen by May 25, 2006. After that the cochairmen and a subcommittee of this committee will review those rankings and make a recommendation to the full committee.

The committee recessed for the day at 4:45 p.m.

Day 2

Thursday, May 18, 2006

Mr. Karl Bokenkamp, General Manager of Planning for Idaho Power was introduced to give a review of their Integrated Resource Plan (IRP). A link to the IRP is available at: www.legislature.idaho.gov.

The two primary goals of the 2004 Integrated Resource Plan are to:

1. Identify sufficient resources to reliably serve the growing demand for energy service within the Idaho Power Company service area throughout the 10-year planning period.
2. Ensure that the portfolio of resources selected balances cost, risk, and environmental concerns.

In addition, there are two secondary goals:

- a. To give equal and balanced treatment to both supply-side resources and demand-side measures.
- b. To involve the public in the planning process in a meaningful way.

The Integrated Resource Plan is a comprehensive look at Idaho Power's present and future demands for electricity, as well as a plan for meeting those demands. The company's 2006 IRP will address how Idaho Power expects to meet its Idaho and Oregon customers' growing electrical demand well into the 21st century.

Idaho Power enlists the assistance of its customers in developing this IRP through an advisory council. The council's responsibilities include:

- * representing the interests of Idaho Power's more than 440,000 customers,
- * being part of the plan's development, and
- * participating in open and active discussions of relevant issues.

Also among the council's responsibilities is working with Idaho Power to develop ways to engage the public at-large in the IRP process.

The IRP describes the company's projected need for additional electricity and the resources necessary to meet that need while balancing reliability, environmental concerns, efficiency, and low cost.

Idaho Power Company files an Integrated Resource Plan with both the Idaho and Oregon Public Utility Commissions every two years. The new plan is expected to be filed with the

commissions in June 2006.

Senator Gannon asked when the peak generating capacity in Mountain Home has to kick in. **Mr. Bokenkamp** said that it is variable and depends on the type of power available. This is usually brought on at 90 megawatts out of the Danskin unit and 160 megawatts out of the Bennett Mountain units. If the area experiences a number of hot days in a row, that drives the peak. This is usually brought on at the 2,800 or 2,900 megawatt load.

In response to a question from **Senator Werk** regarding hydro capabilities and a chart in the presentation, **Mr. Bokenkamp** said that if nameplate capacity for potential hydro was added, that would put it at 1,700 megawatts, so it would be off the chart at about 15,000,000 megawatt hours. It was clarified that in a sense the backbone of the system is thermal plants, and hydro generating capacity is what can be made up in terms of what load is going to be. **Mr.**

Bokenkamp noted that one of the hugely valuable components of the hydro system, specifically to the Hells Canyon Complex, is that even though there might not be a lot of water in any given year, there is still the ability to change and follow loads very quickly as far as increasing flow rates through the turbines. This gives Idaho Power the ability to meet a lot of the load swings.

Senator Kelly asked whether the company responds to the public comments they receive or just reads them and decides whether or not to adjust the IRP. She also asked what the company does if the PUC receives comments. **Mr. Bokenkamp** said how they respond depends on the comments. Some are just considered, some are responded to, especially if they are received at a public hearing. Written comments are more likely incorporated into the plan without an actual response. The company will likely file actual responses to formal comments filed with the PUC and for PUC staff comments.

Senator McKenzie asked where the energy would come from if Idaho Power cannot get energy from the northwest grid during peak time. **Mr. Bokenkamp** said they used a 25 megawatt safety valve that exists on some transmission capacity through PacifiCorp's system. He explained that their planning says that in order to serve future loads, more resources and new resources will need to be obtained. **Senator McKenzie** said this projection is not too far in the future and asked what is being done to solve the need for energy. **Mr. Bokenkamp** explained that the preferred portfolio for energy for the 2004 IRP includes:

- 350 MW wind
- 48 MW combined heat and power (CHP)
- 100 MW geothermal
- 88 MW peaking resource
- 62 MW peaking resource/DG/market purchases
- 500 MW coal (seasonal ownership)
- 124 MW demand-side resources (efficiency & DR.)

Senator Werk asked for more information on seasonal ownership of coal. **Mr. Bokenkamp**

explained that since Idaho Power's need for power is primarily summer driven, the idea was to find a northwest utility that had a similar winter need and have a jointly-owned project. This resulted in Idaho Power and Avista looking at such a partnership to develop resources together.

Since the 2004 IRP, the following has changed:

- PURPA Generation is up . . . 50-60 aMW
- 200+ MW of PURPA wind resources
- Large 100+ MW PURPA cogen project
- Larger Peaking Resource in 2008
- Shoshone Falls upgrade delayed until 2010
- New depleted flow study from Idaho Department of Water Resources
- New DSM programs implemented
- Wind Integration Study
- Dramatic increase in fuel costs
- Increase in resource costs (steel)
- Load forecast is down a little

In response to a question from **Senator Gannon** dealing with the 200 MW of wind, **Mr. Bokenkamp** explained that is through PURPA. Since it has been added, they have had to reduce the RFP because they got so much through PURPA. That is partly why they asked for the wind moratorium. The company wanted to do an integration study to look at some of the costs associated with wind resources that perhaps were not reflected in the PURPA rates. **Senator Gannon** asked whether Idaho Power will go back to the PUC and say lift the moratorium because the company is ready to accept PURPA wind projects. **Mr. Bokenkamp** said they will go back to the PUC with a study that identifies what the cost of integrating wind resources into the system will be, and then it will be up to the PUC to decide whether the avoided cost rate is fair.

Senator Gannon asked whether the Conservation Reserve Enhancement Program (CREP) program is reflected in the IRP. **Mr. Bokenkamp** said that has not been reflected to a large extent.

Representative Jaquet asked how they forecast the loss of agricultural land and residential growth. She also asked that, since the Rural Electrical Administration no longer exists, how the company provides a community with service for growth and whether there is a way for the Legislature to help provide that power. **Mr. Bokenkamp** said the principal driver for forecasting growth is residential housing. He said he did not have a specific answer for her second question. He said that in general each new customer adds 6 kw of average load. Looking at what that would cost to build a power plant for only one customer, that can be quite costly. Rates will go up as new customers are added because transmission and resources need to be added to serve the additional needs. He noted that Idaho Power had resources and capacity in the 1960s and 1970s and they have grown into it and now need more. **Representative Jaquet** asked whether there is

a role for state government to help small communities grow and to make sure power is available. **Mr. Bokenkamp** said he did not know.

Representative Stevenson asked for the difference between industrial and commercial customers. **Mr. Bokenkamp** said size is the difference in terms of load and that there are different tariffs.

Representative Stevenson noted that the CREP program was just recently authorized so Idaho Power would not have been able to include it in their 2004 IRP. **Senator Gannon** asked how many acre feet were put into CREP. **Representative Stevenson** said it was authorized for up to 100,000 acres. He added that nothing will actually be eligible until after Oct. 1, 2006.

Representative Anderson asked what the megawatt power needs are for the next five years as well as transmission needs. **Mr. Bokenkamp** said they anticipated in the 2004 IRP needing 500 mw through 2010. He said the deficit could be solved with either transmission or generation resources. **Representative Anderson** asked whether he is saying they have enough transmission capacity to serve that peak load. **Mr. Bokenkamp** said no, they will either need additional transmission or supply-side resources; power plants or demand-side conservation. Whether they will need additional transmission depends on where the resource is located. If it is located close to existing load, there is not an issue with transmission. If it is located outside of the state, there will be a transmission issue to get that power into Idaho Power's system. The existing transmission system is essentially full and if a resource is located outside of Idaho, additional transmission will have to be built.

Senator McKenzie asked how they anticipate getting residential customers to buy into the idea of demand-side management and to conserve. **Mr. Bokenkamp** said in a lot of ways that is a marketing program and that the company needs to create incentives that will make people sign up for those programs.

This complete IRP and presentation is available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Mr. Neil Colwell from Avista Corporation was the next speaker. He introduced **Mr. Ron Peterson, Vice President of Energy Resources for Avista** and **Mr. Clint Kalich who is responsible for directing the team that puts the IRP together** to discuss their 2005 IRP.

Key themes of their presentation included:

- Robust resource planning happens today
- Avista's planning capabilities continue to increase in analytical sophistication
- Avista controls a diverse mix of generation assets
- Renewables are growing in importance
- Conservation acquisition has accelerated

- Majority (~90%) of Idaho served by IOUs with Integrated Resource Planning (“IRP”) requirements
- Each must file a biennial IRP
- Idaho is a large net importer of electricity
- Transmission access is instrumental to Avista plans

Avista’s IRP strategy includes:

- C Owning or controlling a diverse mix of low-cost/low-risk resources, both on the supply- and demand-side, that meet our customer loads while reducing both rate variability and our environmental footprint.
- C Preferred Resource Strategy (PRS) includes a significant mix of renewable, plant upgrade and conservation assets, combined with a modest contribution from coal fired technology.
- C PRS provides a more stable cost profile at modestly higher cost when compared to the least-cost alternative of relying exclusively on gas fired assets.

Their view of the IRP is that it:

- C Is not simply a “regulatory requirement”
- C Is supported at highest levels of corporation
- C Guides our future
- C Is integral to “real” resource decisions
- C Provides key support in company rate filings
- C IRP model used for acquisition analyses and ratemaking proceedings

The IRP process includes:

- C Biennial report filed in Idaho and Washington
- C Approximately 18 months start to finish
- C Multiple public meetings to obtain input
- C 20-year future look at loads & resources
- C Model utility generation & distribution functions
- C Plethora of scenarios & alternatives
- C Preferred Resource Strategy (PRS) selected from among alternatives
- C 2-year action plan to implement IRP results

Modeled resource options for their 2005 IRP include:

- C **Gas-Fired Plants**
 - Combined cycle
 - Simple cycle
- C **Wind Plants**
 - AVA territory
 - Northwest

- Montana
- C **Coal Plants**
 - Northwest
 - Outside Northwest
 - Pulverized coal
 - Integrated gasification combined-cycle (IGCC)
 - Carbon sequestration options
- C **Biomass Plants**
 - Landfill gas/manure methane
 - Inside and outside territory
- C **Cogeneration Plants**
 - Alberta's oil sands
 - Inside and outside territory
- C **Geothermal Plants**
 - Likely from outside NW
- C **Nuclear Plants**
- C **Conservation**
 - 51 options
- C **Plant Upgrades**
 - Hydro plants
 - Colstrip

Senator Werk commented that their future portfolio includes a large amount of renewables. He asked whether they plan to use wind resources that are located in other areas such as in Montana. **Mr. Kalich** explained that the wind blows a lot at night and in the morning in the Spokane area and this seems to be the case in most areas where the wind blows in Washington. In moving to other geographic areas this changes and the wind blows in different patterns. He said it is likely they will look at using wind from different geographic areas due to this fact.

Representative Anderson commented that if wind in areas with different weather patterns is developed, the cost would be in the transmission of that power. He asked if that was part of their IRP. **Mr. Kalich** said he was very proud of the fact that when they looked at a resource location, whether it was coal, geothermal or wind, they looked at the transmission grid and its ability to integrate that energy into the system. So in areas such as Montana, where there is no transmission, the costs to build the plant include building additional transmission. In many cases this makes the projects uneconomical.

Representative Anderson asked for more information on how Avista plans to recapture transmission line loss. **Mr. Kalich** said that will be a challenge due to FERC regulations. There is no way to talk to transmission people within the same company without holding a public meeting with public notices and so on. He said the challenge with this is that it breaks up the

flow of information and makes it hard to have an integrative process. In the last plan they had a number of those meetings and the transmission department did the necessary studies and put them on the internet so that the generating side could get the information.

Senator Werk asked, with regard to a slide in their presentation, how they figure that nuclear plants are low cost to build. **Mr. Kalich** explained that this model is a quantitative analysis and only looks at the costs of building, operating the resource and fueling the resource. Avista is not including nuclear energy in its 2005 IRP. He added that this slide includes all costs, not just up-front capital costs. It includes fuel and maintenance. He said, in his opinion, there is a perception that nuclear plants are very expensive. He did say that their next plan will spend more time on nuclear energy, especially as a carbon reducing future becomes more of a reality. On a cost per kilowatt, nuclear is no more than coal.

Senator Kelly asked for a clarification of what they looked at when deciding what types of energy to include in the IRP and how that fits with what the committee is trying to do. Did their IRP look only at the cost of power and the cost of producing that power? **Mr. Kalich** said that the above comments and slide are quantitative and just look at costs. The qualitative piece is a huge piece of the utility IRP. For example, some of the wind and biomass resources included in the portfolio were clearly not the lowest cost. There are a lot of qualitative things that cannot be quantified numerically.

Senator Kelly asked how the fact that Avista operates in different states with different laws regarding carbon and emission laws affect them and if that is factored into the planning process. **Mr. Kalich** said it does make a difference and is something they have to consider.

Mr. Rob Peterson, Vice President for Energy Resources for Avista was introduced to make a few comments to the committee. He suggested that the committee might consider taking the three utilities' IRPs and combining them to come up with a state plan. He commented that in terms of generation issues, Idaho is an importer of power and he encouraged the state to acquire resources from a variety of companies and individuals. The way we acquire energy today, in his opinion, works very well. It is a good idea to try to find generation that is close to load to eliminate some of the transmission issues. Diversity is important and it is important not to eliminate certain types of energy.

Mr. Peterson went on to say that the current siting process has worked very well. He said in the last 10 years or so Avista has sited plants on the Rathdrum prairie and the process worked well.

Mr. Peterson said that he is not sure it makes sense to mandate renewables through renewable portfolio standards because utilities are already including them in their future IRPs. Mandating tends to skew the market.

He added that conservation is also important. He suggested that the committee look at ways to

encourage customers to conserve. Avista has tariff riders that are collected from customers to be used for conservation programs.

Mr. Peterson said that low-income energy assistance and the state money that was appropriated this year was a good thing and he thinks maybe something more permanent should be established. In his opinion, utilities should be able to adopt certain low-income assistance programs as well.

Representative Anderson asked whether Avista has participated in transmission siting and how that process worked. **Mr. Peterson** said they have done significant upgrade to their transmission system that includes lines in Washington. So far that process has also worked well. He said he thinks the process is similar in Idaho.

Representative Nonini asked whether the FERC relicensing process is a concern for the generation into the future of the Spokane River project. **Mr. Peterson** said that he does not think renewal of that license will cause a lot of restriction in the amount of generation from those projects but he thinks there will be increased costs. He commented that if the costs of the Post Falls project become too large, they might look elsewhere.

Senator Werk said he appreciated the comments about low-income assistance and encouraged suggestions on types of legislation for that.

This complete IRP and presentation is available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Mr. Dave Tuthill, Water Management Division Administrator of the Idaho Department of Water Resources was introduced to give a presentation on water right considerations for power plants in Idaho. His presentation includes the issuance of permits and licences for both thermal and hydropower plants, other beneficial uses downstream of water and issues regarding priority dates. This complete presentation is available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Mr. Tuthill explained that there are three ways to establish water rights in Idaho. These include:

- C Apply for a permit with Idaho Department of Water Resources
- C Divert the water and beneficially use it
 - C “Grandfather Right”
 - C “Beneficial Use Right”
 - C “Constitutional Right”
 - C No longer available except in certain de minimis situations
- C Specific legislation

Each water right has a diversion and beneficial use. There is an exception for minimum instream flows and minimum lake levels established by the Legislature and held by the Idaho Water Resource Board.

Mr. Tuthill said that for most water rights the diversion might be for the beneficial use of irrigation, recreational use, wildlife use or for power. Power is a recognized beneficial use of water in Idaho.

He explained that if someone diverted water for their land on June 16, 1905 and someone else diverted from the same stream one day later on June 17, 1905 and there is enough water in the stream for both, both will receive water. If there is not enough water, the appropriation doctrine says that the junior right (June 17, 1905) will be curtailed. According to **Mr. Tuthill**, this has worked quite well for the last 100 years. The challenge is when someone diverts for a well that might be near the stream in 1980. This is now being looked on as being conjunctive, so conjunctive administration is part of the picture.

Mr. Tuthill said a big issue relative to this committee is the downstream hydro power water right that has capacity for great amounts of water in the turbines. If that right is a 1900 right and it was to put a call under the appropriation doctrine for the rights upstream, effectively that right could stop all upstream development. That gives rise to the concept of subordination.

The process for obtaining a water right involves:

- C Apply for a permit
 - C Advertisement
 - C Protest resolution
- C Permit issued
 - C Project constructed
 - C Water placed to a beneficial use
 - C Field examination conducted
- C License issued

Mr. Tuthill said there are many water rights for power in Idaho as summarized below.

- C 605 Water Rights with Power as a purpose
 - C 42 Applications for Permit
 - C 111 Permits
 - C 452 Licenses, Decrees and Statutory Claims
- C Total Cubic Feet per Second
 - C Applications for Permit 29,362
 - C Permits 68,859
 - C Licenses, Decrees 290,964

and Statutory Claims

He said this is a major use of water in Idaho.

Mr. Tuthill continued that constitutionally Article XV, Section III says *the right to divert and appropriate the unappropriated waters shall never be denied*. This was amended in 1923 to say that the state may limit the use of water for power purposes. The constitution also provides preferences for eminent domain. This means one use can condemn another use. The four uses that can do this are domestic, mining (in mining districts), agricultural and manufacturing.

The following are taken into consideration for new water rights.

1. Will it reduce the quantity of water under existing water rights?
2. Is the water supply sufficient for the purpose?
3. Is the application not made in good faith?
4. Does the applicant have sufficient financial resources?
5. Will it conflict with the local public interest?
6. Is it contrary to conservation of water resources within the state of Idaho?
7. Will it adversely affect the local economy?

Mr. Tuthill said these questions are for new water rights.

Another way for a user to obtain a water right is to take an existing water right and change the nature of use to a new use. This is allowed through Section 42-222, Idaho Code. The factors considered for this are:

1. No other water rights may be injured thereby.
2. The change cannot constitute an enlargement.
3. The change must be consistent with the conservation of water resources within the state of Idaho.
4. The change must be in the local public interest.
5. The change may not adversely affect the local economy.

Mr. Tuthill said that Section 42-203, Idaho Code, is the statute that established the trust water as a result of the Twin Falls decision and Section 42-203C, Idaho Code, provides guidance on how the state is to administer that trust water.

Mr. Tuthill said that regarding the issuance of permits and licenses for both thermal and hydropower plants:

- C Water rights are required for both thermal (largely consumptive) and hydropower (largely nonconsumptive) uses.
- C Hydropower water rights are subordinated to later-in-time upstream water rights, to avoid stopping economic growth upstream.
- C Consumptive impacts from new uses must be mitigated so senior water rights are not injured.

Mr. Tuthill said this last bullet is the bottom line that is considered.

Mr. Tuthill went on to discuss the issue regarding other beneficial uses downstream. He said that downstream water rights must be protected. This is important for consumptive uses. In other words, relative to a thermal plant, the department would look at changes before a thermal plant was built and after. Those changes could not result in any increase in rate of flow or consumptive use or total volume diverted relative to the thermal plant as compared to previous uses. He said that Section 42-222, Idaho Code, does provide enough protections to other existing rights. He noted that water rights can be moved to thermal plants but in the opinion of the Idaho Department of Water Resources mechanisms are in place to protect other water users. The Department is required to look at this regardless, and if there is a protest, that can be part of their review.

For issues regarding priority dates, **Mr. Tuthill** explained that new projects requiring water can acquire water rights by:

- C Submitting an Application for Permit if water is available for appropriation.
- C Submitting an Application for Transfer if existing water rights are to be used for the new use.
 - C Water rights can be purchased.
 - C Changes in point of diversion, place of use, nature of use or period of use can be allowed.

Senator Gannon asked where Sempra was with regard to water rights before they decided not to pursue the plant. **Mr. Tuthill** said his understanding is that Sempra had agreements to purchase water rights. These water rights have not been transferred yet but it is his understanding those could be used if the plant survives the protests and scrutiny of the process. He said often for a proposed project an initial agreement is made for the water right pending the other approvals required.

Senator Kelly asked how seasonality and transfer of water rights fit together. She asked how it works if someone is buying a water right that is used for agriculture to be used for a full year-round purpose. **Mr. Tuthill** explained that even with the new use, they are only allowed to divert when the other right holder diverted, if doing so at other times would harm other existing water rights. He said that ground water rights are not usually affected by seasonality as long as the water is stored. **Senator Kelly** asked whether water rights specify when the water can be used. **Mr. Tuthill** said yes, a water right contains an explicit season of use depending on availability that is determined by the water master. The season can be extended if there is no impact on others.

Representative Stevenson asked whether Sempra made an application for a water right transfer. **Mr. Tuthill** said he did not think so. He said they might have had discussions with the Twin Falls office of Water Resources but he is not aware of an actual application. **Representative**

Stevenson asked whether someone who is going to use 10 cfs year round would purchase 15 cfs for a nine month period. **Mr. Tuthill** said yes, they would expect that the total volume for the year would not be able to be increased so a longer season might be acceptable if the ground water conditions in the area were not affected by that.

Senator Kelly asked about geothermal reinjection and water rights. **Mr. Tuthill** explained that is another power use for water and that it is unique because the water is reinjected. If that is water reused by the plant it does help mitigate its original use. Some geothermal rights exist throughout state and there is a right in Raft River that is for power. He said that water rights are issued to the geothermal resource in the same manner as other water rights, but it does depend on the type of use. That can be for heating, power generation and so on.

Mr. Russ Westerberg from PacifiCorp introduced Mr. Greg Duvall, the Integrated Resource Manager for PacifiCorp, to discuss their IRP. A link to this is available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Mr. Duvall explained the IRP planning process as follows:

- C Planning is conducted on a system-wide basis
 - C Need for new resources is driven by the annual system coincident peak hour plus a capacity planning margin of 15 percent
 - C Resource portfolios are evaluated according to their relative total system costs and risks
- C The IRP focuses on the long term
 - C Covers a 20-year study period
 - C Identifies resource needs for the next ten years
 - C Includes an action plan that targets procurement decisions needed within the next two to four years
- C PacifiCorp files IRPs with all the states biennially with updates in between
 - C Evaluate resources on a comparable basis
 - C Consider a range of load forecasts
 - C Assess the impact of uncertainty, risks, and reliability on resource portfolios
 - C Evaluate environmental impacts
 - C Involve the public throughout the IRP process

The public process consists of:

- C General meetings and technical workshops held throughout the IRP cycle
 - C Stakeholders are invited from PacifiCorp's six state service area
 - C Participants include regulatory commissions, consumer agencies/advocacy groups, environmental/renewables groups, others (e.g., energy experts, utilities, etc.)

- C Meetings held via video conference between Portland, Oregon, Salt Lake City, Utah and Cheyenne, Wyoming, plus a telephone link
- C Opportunity for the public to submit comments on the draft IRP prior to filing, and to submit formal comments to commissions after filing (Oregon, Utah, Washington, Idaho)
- C Email address, IRP@PacifiCorp.com, and hotline telephone number, (503) 813-5245, for IRP inquiries
- C Past plans and public meeting information are available on the company's Web site <http://www.pacificorp.com> by clicking "News & Information,," then "Integrated Resource Planning"

Representative Jaquet asked for copies of the minutes of the Portland/Salt Lake City meeting for the committee.

Mr. Duvall said that the action plan for the current IRP includes:

- C Demand-Side Management
 - C Acquire 177 MW of summer load control, including 88 MW in PacifiCorp's east side (Utah, Idaho, and Wyoming)
 - C Acquire 450 average MW load reduction through new energy efficiency programs
- C Renewables
 - C Acquire 1,300 MW of additional wind resources by 2012
- C Baseload Resources
 - C Acquire at least 575 MW of new coal resource on east side of system by 2012
- C Transmission
 - C Pursue 300 MW upgrade to transfer capability from southeast Idaho to Utah

Current acquisition activity is as follows:

- C Demand-Side Management
 - Issued Request for Proposal in late 2005
 - C Idaho Home Energy Program expected to be approved by the Idaho Public Utility Commission by the end of May 2006
 - C Continue to pursue Idaho Irrigation load control program
 - Working to renew interruptible contract with Monsanto
- C Renewables
 - First Request for Proposal
 - C Wolverine Creek - 64.5 MW wind plant about 10 miles southeast of Idaho Falls, Idaho (began commercial operation in February, 2006)
 - C Cove Fort - 42 MW geothermal plant to be built near Cove Fort, Utah
 - Second Request for Proposal
 - Issued March 24, 2006
 - C Targeting 100 MW by March, 2007 and 400 MW by December 31, 2007
- C Baseload

- Draft Request for Proposal will be filed in July for approval in OR, WA and UT
- C Transmission
- Initiated 300 MW requests for service from southeast Idaho to Utah

Additional activities include:

- C 2006 Integrated Resource Plan is in progress and is expected to be completed by the end of 2006
- C Performing wind penetration study as part of the 2006 Integrated Resource Plan
- C Pursuing additional transmission upgrades to facilitate wind, improve reliability, and improve system integration
 - Miners to Jim Bridger
 - Jim Bridger to Wasatch Front
 - Southern Utah to Wasatch Front
 - Southeast Washington and northeast Oregon to Yakima and Mid-Columbia
- C Forming a stakeholder workgroup to discuss various policy and technology issues associated with Integrated Gasification Combined Cycle technologies
- C First meeting on May 19, 2006

Representative Stevenson asked whether the 100 megawatts of renewables that is listed for March 2007 is in addition to the 400 megawatts for later that year. **Mr. Duvall** said that the 100 is part of the 400 as is the Wolverine Creek plant in Idaho Falls.

Senator Werk asked, since the Wyoming wind project is part of PacifiCorp's generating resources, whether they have looked at locating wind generation in a larger geographic area in order to help smooth out the peaks. **Mr. Duvall** said they have looked at what the peak load carrying capability of wind is. As stated earlier by other utilities, they found that the more wind located in the same spot, the less the load carrying capacity. Wind needs to be spread out in order to make it more reliable. **Senator Werk** commented that all three utilities have mentioned the need to firm up wind and said perhaps all three could work together to do this.

Senator Werk said the presentation mentions additional power transmission from southeast Idaho into Utah. He asked whether PacifiCorp is expecting new power generation to be developed in southeastern Idaho to transmit to Utah or if that is being looked at as a corridor for generation resources they already have. **Mr. Duvall** said they have added new resources including the Wolverine Creek project in Idaho Falls and expect to be able to transmit some of that excess power to other areas.

In closing, **Mr. Westerberg** stated that regardless of where people live in Idaho, there is an organization responsible to provide electrical service. He commented that as the committee crafts an energy plan for Idaho, they realize that there are people planning for future customer load growth in Idaho that are more than willing to help. This planning process is required by Idaho law.

Senator McKenzie reiterated that the committee needs to decide on a consultant as soon as possible and reminded committee members to send their top three choices to the cochairmen by Thursday, May 25, 2006 for consolidation. Those will be sent to committee members and then a subcommittee will be formed to make a recommendation to the full committee. He said that if there is a clear favorite, the cochairmen will let everyone know.

Representative Bell stated her concern with the \$300,000 cost involved. She said that the committee already has a lot of people available that have been here all along and just because the money is available, they do not have to spend the entire amount. **Representative Anderson** agreed with **Representative Bell**. He said that if money is to be spent, the committee needs to utilize the skills that are available through the groups that have been involved in the process for many years. **Representative Nonini** commented that even with a consultant, he would still like to bring these other groups into the mix in some way or another. **Senator McKenzie** agreed with using the groups that have been involved all along but said that the consultant is needed to help gather and consolidate the information into a finished product.

Representative Stevenson commented that a lot of money has been spent on analysis with the IRPs and he does not see need for the committee to regather that information. The task is to be able to get the information out of the IRPs in order for the state to use it.

The next meetings were scheduled for June 12 and 13 in Boise.

The meeting was adjourned at 12:15 p.m.