

Comments of Idaho Power Company  
To the Interim Committee on Energy, Environment and Technology  
On the Draft 2012 Idaho Energy Plan

Members of the Interim Energy, Environment and Technology Committee:

Idaho Power appreciates the opportunity to offer its comments on the draft 2012 Idaho Energy Plan to members of the Interim Energy, Environment and Technology Committee, and as the largest investor-owned electric utility in the state, Idaho Power commends members of the Interim Committee for their leadership and willingness to help shape the state's energy future. Idaho Power would also like to commend the Interim Committee, the Office of Energy Resources, and the leadership and members of the Idaho Strategic Energy Alliance (ISEA) for the time and energy that has been devoted to updating the 2007 Idaho Energy Plan.

Idaho Power employees are actively involved in the various ISEA task forces, and at a board level.

Idaho Power's comments are focused on five general areas:

- emphasizing the strategic nature of the plan;
- energy and economic development;
- transportation – the elephant in the room;
- consumer advocacy;
- energy planning vs. energy statistics; and

Two specific comments regarding:

- adoption of International Building Codes, and
- PURPA regulations and encouraging development of customer-owned renewable generation.

Emphasizing the Strategic Nature of the Energy Plan

Idaho Power believes Idaho's energy plan should be strategic and directional in nature, as opposed to being overly tactical and prescriptive. Initiatives to implement the strategies set forth in the plan should be evaluated and vetted through the legislature at the time the specific initiative is proposed. The energy business is changing rapidly and the state's energy plan needs to be capable of adapting to the changing environment. This approach is similar to the Integrated Resource Planning (IRP) process, in which a utility IRP is acknowledged or accepted for filing by the Idaho Public Utilities Commission (IPUC), but not approved. The fact that the resource

plan contained in the IRP is not “approved” provides the utility and the IPUC with the flexibility to adapt to changing circumstances.

### Energy and Economic Development

The plan identifies “opportunities for economic development associated with energy production as well as in serving global energy markets through manufacturing and services” as one of the three pillars of Idaho’s energy future. Idaho Power believes there is a strong linkage between access to affordable energy services and a successful economic development program. Idahoans’ access to some of the lowest electricity rates in the country, coupled with the region’s abundance of natural resources, emerging energy-related businesses and related research at our state universities, the Center for Advanced Energy Studies (CAES), Idaho National Lab (INL), and the region’s quality of life make Idaho a natural for energy-related economic development.

Idaho Power strongly supports the concept of aligning the allocation of low cost energy with public benefit value, as detailed in section 4.3 of the draft, and it encourages the Interim Committee to embrace and build on this concept. This approach can be especially successful if the right types of new businesses are attracted to Idaho and they provide a high ratio of economic benefit to their energy requirements, helping to preserve low rates for all customers. In order to support future economic development, in its 2011 IRP Idaho Power has proposed adding an additional 80 MW of peak-hour load to its load and resource balance beginning with the 2013 IRP. The resulting 80 MW of additional peak-hour capability will be available to support both existing and new large load customers.

Idaho Power stands ready to support the electrical needs of the state’s growing economy, including working with the Interim Committee, members of the legislature, the Governor’s office, Department of Commerce, Office of Energy Resources and the IPUC, to craft meaningful economic development programs.

### Transportation – the Elephant in the Room

While we believe that access to a low cost, reliable supply of electricity is one of the keys to economic development – and Idaho Power will continue to work to ensure its customers have access to an abundant supply of low cost electrical energy – this is only part of the energy picture for the average Idahoan. As detailed in Table 2.3 on page 56 of the draft, the average Idaho household spends \$1,195/year for electricity, 27% of their annual energy bill. Compare this to gasoline expenditures. The average household spends \$2,555/year on gasoline, 57% of their annual energy bill – more than twice as much as they spend on electricity.

The ISEA has identified the need to establish a task force on transportation to investigate ways to reduce the average household’s expenditures for gasoline. Idaho Power fully supports the idea of establishing a transportation task force and encourages the Interim Committee to address this issue. With over 582,000 households in Idaho, this works out to over \$1.4 billion/year on gasoline! In fact, during 2005 transportation accounted for the largest percentage of Idaho’s

gross greenhouse gas (GHG) emissions<sup>1</sup>. So, if the state can implement programs that result in meaningful reductions in gasoline usage through conservation and efficiency, carpooling, regional land use planning programs and policies to reduce vehicle miles traveled, and development and use of public transportation where practicable, Idahoans will be able to reduce their energy expenditures and reduce Idaho's GHG emissions. Carpooling or other programs that result in a 10% reduction in fuel expenditures could save Idahoans over \$140 million per year.

### Consumer Advocacy

Other comments submitted on the draft 2012 Energy Plan suggest the need for a consumer advocate office to represent residential customer interests. Acknowledging the importance of stakeholder engagement, Idaho Power does not believe the 2012 Idaho Energy Plan, or comments on the Plan, are the appropriate vehicles for debating the pros and cons of establishing and funding a consumer advocate office.

As a regulated utility operating under the jurisdiction of the IPUC and the OPUC, Idaho Power has some of the lowest residential rates in the country. This is at least due in part to the diligence of the IPUC Commissioners and Staff, and the regulatory oversight they provide for Idaho's investor owned utilities. With this in mind, Idaho Power encourages the Interim Committee to focus on the strategic issues identified in the plan and work to maximize the effectiveness of any additional energy related programs or expenditures.

### Energy Planning vs. Energy Statistics

The draft 2012 Idaho Energy Plan is approximately 150 pages in length. Idaho Power encourages the Interim Committee to consider separating the planning and policy components of the plan from the energy statistics and status sections. Statistics and status change quickly – some will be out of date soon after the 2012 Idaho Energy Plan is released, but the strategic aspects of the policy should be longer lived. With this in mind, Idaho Power suggests that the Interim Committee consider ways to address the *enhancing our collective IQ component* of the 2012 Idaho Energy Plan, by making numerous sections of the draft Plan available in an on-line format that is updated more frequently than once every five years. If implemented, this change will reduce the size of the document and help to emphasize the strategic nature of the Plan.

### International Building Codes

Idaho Power believes that it is important for the state's building codes to remain current. From our perspective, it is more efficient to incorporate energy efficiency features in buildings during their initial construction than it is to retrofit an existing building. However, we also recognize that the state faces a number of implementation issues associated with updating the building codes on a regular basis. Is adopting the updated International Building Codes every three years the right answer? Idaho Power encourages the Interim Committee to discuss the implementation concerns with the appropriate state agencies, and to develop a policy recommendation that takes

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<sup>1</sup> [http://www.deq.idaho.gov/media/345475-ghg\\_inventory\\_idaho\\_sp08.pdf](http://www.deq.idaho.gov/media/345475-ghg_inventory_idaho_sp08.pdf), see page iii

into consideration both the lost opportunities (from an energy efficiency perspective) and the implementation issues to reach a balanced solution that addresses the interests of all stakeholders.

### PURPA Regulations and Encouraging Development of Customer-Owned Renewable Generation Projects

Idaho Power has serious concerns regarding the potential modifications to Action E-7 discussed at the Interim Committee's meeting held on November 3, 2011. Action E-7, as listed in the October 14, 2011 draft of the 2012 Idaho Energy Plan, reads as follows:

*In accordance with federal law, the Idaho PUC should continue to administer its responsibilities under the Public Utility Regulatory Policy Act.*

Idaho Power has no objection to the above action. However, at the November 3<sup>rd</sup> meeting, discussion of potential modifications to this action tended to gravitate to the language and concepts contained in the 2007 Idaho Energy Plan (Action E-16), which reads as follows:

*The Idaho PUC should administer its responsibilities under the Public Utility Regulatory Policy Act in a way that encourages the development of customer-owned renewable generation and combined heat and power facilities.*

Idaho Power has serious concerns with this language. If the intent of incorporating the additional language is to direct the IPUC to provide preferential pricing to incent the development of certain types of renewable Qualified Facilities (QF), then Idaho Power recommends that the Interim Committee review the applicable PURPA regulations and consult with legal counsel on this issue.

PURPA is not meant to incent renewable energy projects with the price that is paid to a Qualified Facility (QF). In fact, an incentive price for QFs is illegal under PURPA, as PURPA requires prices to be set at the utility's avoided cost, which is to reflect the incremental cost to an electric utility of electric energy or capacity or both, which, but for the purchase from the QF, such utility would generate itself or purchase from another source. *See Independent Energy Producers Association v. California Public Utilities Comm'n*, 36 F.3d 848, 858 (9th Cir. 1994) ("If purchase rates are set at the utility's avoided cost, consumers are not forced to subsidize QFs because they are paying the same amount they would have paid if the utility had generated energy itself or purchased energy elsewhere."). The incentive to QF development from PURPA is therefore not in the price that a QF is entitled to but in the fact that the utility is required to contract with the QF. *See* 16 U.S.C. § 824a-3(a).

PURPA requires that utility customers be economically indifferent to the effects of whether power is purchased from a QF or otherwise acquired (generated or purchased) by the utility. *Southern California Edison Co.*, 71 F.E.R.C. P 61,269, 1995 WL 327268 (F.E.R.C. 1995) ("The intention [of PURPA] was to make ratepayers indifferent as to whether the utility used more traditional sources of power or the newly-encouraged alternatives."). When the utility is forced to buy QF power in excess of its true avoided cost, customers are no longer indifferent.

## Conclusion

In conclusion, Idaho Power appreciates the opportunity to submit these comments and we commend the members of the Interim Committee on Energy, Environment and Technology for their leadership and willingness to address the state's energy needs. We encourage the Interim Committee to develop a plan that is strategic in nature, focusing on the state's energy future and the path we take to get there. Idaho Power is actively planning to meet the future electrical energy needs of its customers, and the company stands ready to assist the Interim Committee in development of the 2012 Idaho Energy Plan.

Sincerely,

A handwritten signature in cursive script that reads "Karl E. Bokenkamp". The signature is written in black ink and is positioned above the printed name and title.

Karl E. Bokenkamp  
Director Operations Strategy  
Idaho Power Company