



Powering Jobs in Idaho

Testimony before the
Interim Committee on
Energy, Environment and
Technology

Legislature of the State of
Idaho

Jim R. Smith, Energy Lead
Monsanto – Soda Springs

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Testimony by Jim R. Smith

Energy Lead, Monsanto Soda Springs

I. Introduction –

Mssrs. Co-Chairs, and Members of the Interim Committee. My name is Jim Smith and I work as the Energy Lead for Monsanto’s Soda Springs operations. As many of you know, our plant in Soda Springs, Idaho, is the birthplace of Monsanto’s award-winning weed control product, Roundup®. The elemental phosphorus we make in Soda Springs becomes the primary building block for the active ingredient *glyphosate*. Glyphosate is the foremost weed-control agent in the world, out-selling the next ten herbicides added together.

The product we make, elemental phosphorus, is impossible to obtain without the application of energy. Phosphorus itself is known to biologists as “nature’s best energy carrier.”¹ In nature, the phosphorus atom forms high energy bonds with surrounding oxygen to make a *phosphate* molecule. To revert back to pure elemental phosphorus, Monsanto must (1) apply energy to convert the phosphate and its surrounding rock into a state where chemical reaction is possible, and then (2) apply sufficient energy to break the bonds holding the oxygen. This is why Monsanto’s Soda Springs plant is Idaho’s single largest user of electricity, with a load of approximately 180 megawatts (MW) and using 1.4 million MW-hours per year, the equivalent of the residential demand of Salt Lake City.

Over the years a significant amount of research and engineering has gone into ensuring that no energy is wasted in this conversion process. To do this our chemical engineers calculate the stoichiometric² ideal energy requirement. Our “energy efficiency” success is measured against this requirement. The result is that Monsanto’s furnaces today produce elemental phosphorus at ranges between 90% and 95% of chemical and physical perfection.

There are two key reasons phosphorus production developed in Idaho. One, of course, is the western phosphate field on the Idaho-Wyoming border. The other was the once low cost of electricity. Low energy costs in eastern Idaho have gone by the wayside, jeopardizing not just phosphorus jobs, but much of the manufacturing base upon which our economy is built. To better secure these jobs we offer the following comments on Idaho’s 2012 State Energy Plan.

¹ http://en.wikipedia.org/wiki/Adenosine_triphosphate

² <http://www.merriam-webster.com/dictionary/stoichiometry?show=0&t=1321369761> – of or relating to a branch of chemistry that deals with the application of the laws of definite proportions and the conservation of mass and energy to chemical activity. [In this case, the absolute minimum amount of energy that the laws of chemistry and physics require to remove elemental phosphorus from phosphate ore.]

II. Comments on Draft Plan Recommendations

1. Energy Plan Objectives

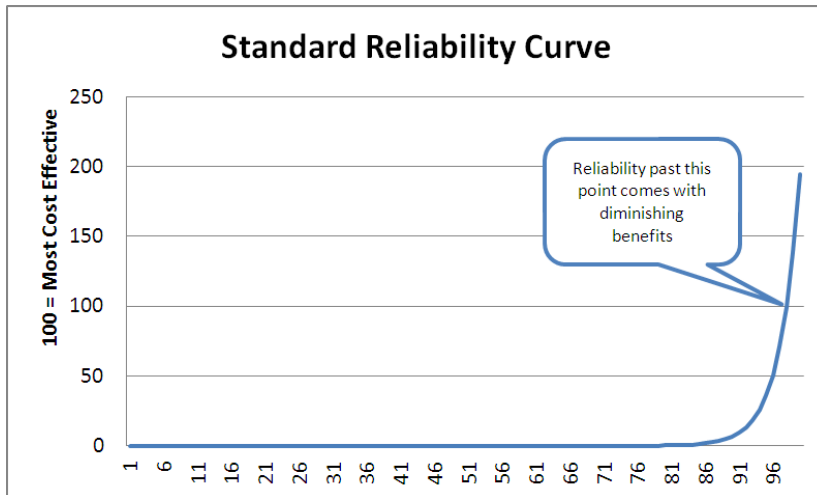
Draft Plan, page 8 – Energy Plan Objectives . . . 2. Maintain Idaho’s low-cost energy supply and ensure access to affordable energy for all Idahoans.

Objective one under the draft plan calls for a secure and reliable “energy system.” Objective two then states that the “system” should deliver energy that is affordable to Idahoans. It is our respectful observation that a system that delivers un-affordable energy is worthless. As an objective for Idaho’s Energy Plan, “affordability” trumps all other considerations.

RECOMMENDATION: Move the draft priority number 2 to the 1st priority position.

There is no Virtue in “Reliability at any Cost”

As evidence that the issue of affordability outweighs the considerations advanced in the draft Plan’s current priority one, consider the issues surrounding “reliability.” Everyone wants reliable power. But 100% reliability is generally considered beyond human capability. At the extremes of unlikelihood would be our ability to ensure a reliable system in the midst of nuclear war or asteroid impact. There is near unanimous agreement that the cost of reliability in such unlikely situations exceeds its benefits. Utility equipment manufacturers routinely recognize that “reliability at any cost is not a feasible or self-sustaining business model.”³



One of the ways in which utilities enhance their returns is to invest in “reliability improvements” that offer small benefit but impose significant costs. The justification almost always points to the critical need to deliver power to hospitals, emergency service dispatches, and industrial control enters, etc. In practice, the need for reliability in these instances already exceeds any utility’s ability to provide it cost-effectively, so best practice in all

of these cases already calls for local uninterruptible power supplies, local generators, and other backup resources. A dollar spent building new utility “reliability resources” may not be as well spent as that same dollar improving the ratepayer’s already-existing backup resources.

³See comments of Sandia National Labs in reference to utility-scale inverter manufacturing. <http://arpa-e.energy.gov/LinkClick.aspx?fileticket=KH3QxCmRUZ4%3D&tabid=408>

Affordability is the Key to Retaining Idaho Manufacturing Jobs and Protecting a Fragile Economy

Historically, Idaho has sold its low cost electricity as an attractor to business.⁴ When the Governor’s Project 60 was first rolled out, Idaho’s comparatively low energy cost was highly touted as a primary reason to “bring your business to Idaho.” We agree with the draft Plan’s finding that:

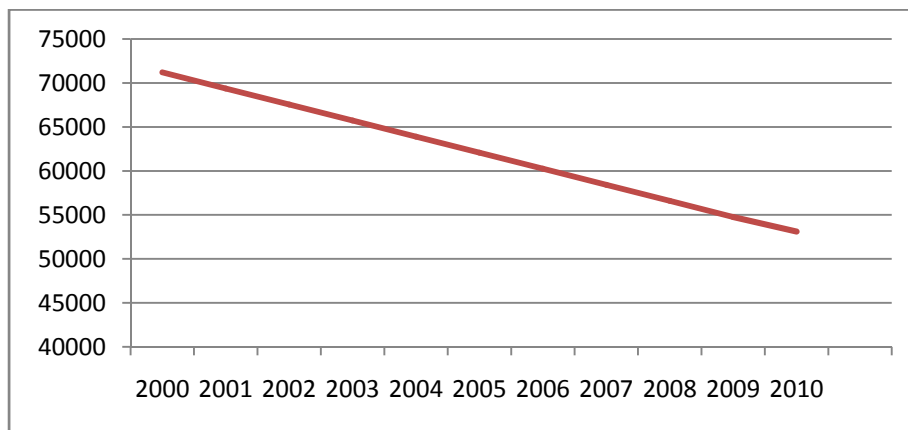
The Idaho economy is largely based on low cost energy, for example extensive agricultural pumping, energy intensive industry, and relatively high-use in residences.⁵

This is especially true for the primary employers in Idaho’s manufacturing base. According to the Bureau of Labor Statistics⁶, Idaho’s 1,942 manufacturing businesses employed approximately 52,900 Idahoans. Idaho’s top ten manufacturing sectors (by employment) include:

Manufacturing Sector	2011 Employment
Semiconductors and related devices	6,284
Dried and dehydrated food	1,869
Other millwork (including flooring)	1,820
Frozen fruit, juice and vegetables	1,669
Beet sugar	1,275
Sawmill products	1,151
Travel trailers and campers	1,122
Paper (except newsprint)	1,110
Cheese	1,025
Medical and botanical products	828

Every one of these top ten sectors is found in the upper 50% of energy intensive industries.⁷ The unfortunate news is that Idaho is losing these solid, well-paying manufacturing jobs. In its October 2011 Work Force Trends, the Idaho Department of Labor tracks a decade of manufacturing job decline⁸.

Figure 1 - Manufacturing Jobs in Idaho



⁴ 2012 Draft Idaho Energy Plan, p. 100.

⁵ 2012 Draft Idaho Energy Plan, p. 101.

⁶ Bureau of Labor Statistics and Bureau of Economic Analysis, http://www.bipac.net/profile.asp?leg_id_num=8284&g=nam_votes&detail=none

⁷ See the discussion in the 2012 Draft Idaho Energy Plan, p. 54

⁸ <http://labor.idaho.gov/publications/lmi/pubs/StateofIdahoProfile.pdf>, Idaho Department of Labor, State of Idaho Workforce Trend, October 2011

The Department of Labor further notes,

When assessing the size and importance of the manufacturing sector, it is vital to recognize that many other sectors such as transportation, finance, telecommunications, wholesale and retail trade and accounting depend on a strong manufacturing base.⁹

Affordability is Critical to Idaho Agriculture

Farmers and ranchers are traditionally large users of electric power. This is especially true for agriculture in Idaho, where electricity is needed for a range of critical farm operations, such as¹⁰:

Other Farm Shop Equipment	2%
Welding equipment	3%
Feeding equipment	4%
Animal housing HVAC	5%
Electrical water heating	5%
Lighting	9%
Vacuum pumps	9%
Ventilation	11%
Milk Cooling	12%
Irrigation Pumping	42%

The Draft Energy Plan is correct when it acknowledges that energy sources, electric and other, need to be “cost effective”. This term is synonymous with “least cost,” having the least likely impact on ratepayers. While certainly an important goal, “cost effective” does not mean the generation source chosen, and resulting rate, is “affordable” to ratepayers. It is possible to want something, even something very “cost-effective,” and yet not be able to afford that thing. Placing affordability as the top priority ensures that new assets, programs and investments are undertaken only if the ratepayers of Idaho can afford them . . . and once that is decided, it is appropriate that they then be implemented in the most “cost-effective” manner. Thus Monsanto contends that “affordability” should be referenced throughout the state’s energy plan.

⁹ <http://labor.idaho.gov/publications/lmi/pubs/idempnews/iecur.pdf> . Idaho Department of Labor, Idaho Employment Newsletter, Volume 23.10, October 2011.

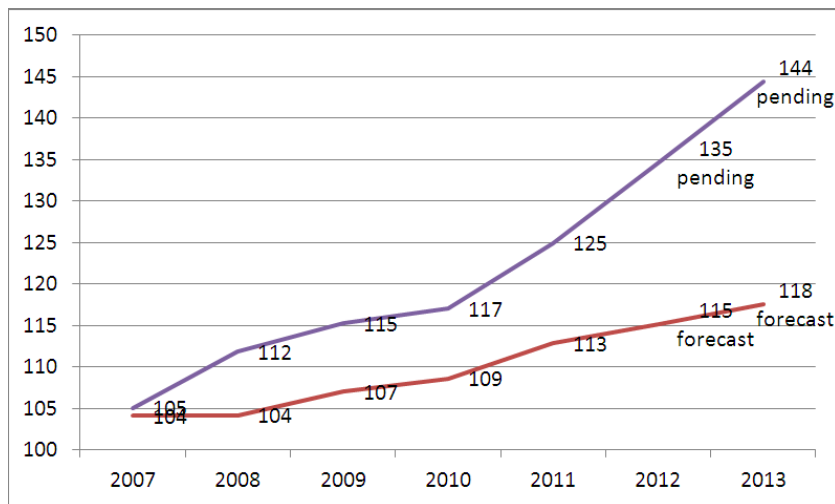
¹⁰ U.S. Department of Agriculture, NRCS, Conservation Technology Information Center, <http://energytools.sc.egov.usda.gov>

RECOMMENDATION: A stated Energy Plan objective should be utility rates that do not increase faster than the average inflation rate for the region. Regulated utility business plans should be evaluated with this objective in mind.

Escalating Energy Prices Reduce Jobs and Standards of Living

Substantial deterioration in the standard of living can be caused by rapidly escalating energy costs¹¹ The 2012 draft Idaho Energy Plan makes frequent mention of Idaho’s “low priced electric service as compared to other states.^{12”} It does not mention how that advantage is disappearing. As charted below, electric rates in Idaho’s Rocky Mountain Power service territory are increasing at rates significantly higher than the Consumer Price Index. In most household and business budgets, this will mean each year a greater allocation to paying the power bill, leaving fewer dollars for household necessities, educational costs, wages and salaries, or purchase or replacement of new equipment.

Figure 2 - RMP Electric Base Rates vs. CPI (percent increase since 2006)¹³



Part of the reason “affordability” must be a paramount objective of any state energy plan is that no such plan should accept declining standards of living as an acceptable end point. “Affordability” should be defined, at a minimum, as limiting increases in energy costs to not exceed the average rate of increase in other goods and services.

¹¹ Behrin, E.; Cooper, R. L. <http://adsabs.harvard.edu/abs/1976STIN...7712525B>

¹² For example, see 2012 Draft Idaho Energy Plan, p. 25

¹³ 2007-2011 CPI data is from <http://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 2012-2013 CPI data forecast from *Consensus Forecasts*, <http://www.itroth.com/valuation-update/article/economic-outlook1>
 2007 RMP rate increase taken from IPUC 2006 Annual Report <http://www.puc.state.id.us/ar2006/electric.pdf>
 2008 RMP rate increase taken from IPUC 2007 Annual Report <http://www.puc.state.id.us/ar2007/electric.pdf>
 2009 RMP rate increase taken from IPUC 2009 Annual Report <http://www.puc.state.id.us/ar2009/electric.pdf>
 2011 RMP rate increase taken from IPUC, Case No. PAC-E-10-07, Interlocutory Order No. 32151, http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1007/ordnotc/20101227INTERLOCUTORY_ORDER_NO_32151.PDF
 2012-13 RMP rate increase pending as proposed in IPUC, Case No. PAC-E-11-12, Notice of Proposed Settlement, Order No. 32399, p. 2, http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1112/ordnotc/20111109NOTICE_OF_PROPOSED_SETTLEMENT_ORDER_NO_32399.PDF

And in case you were wondering why Monsanto has become very active in Idaho's energy policy, consider the impact of the last few years of rate increases imposed on our Soda Springs operations. Because energy is our single largest expense category, absorbing a near doubling of that energy cost has clearly presented challenges. These include the plant's international competitiveness and its ability to provide affordable products to its customers.

Figure 3 - Monsanto Rate % Increase vs. CPI since 2006

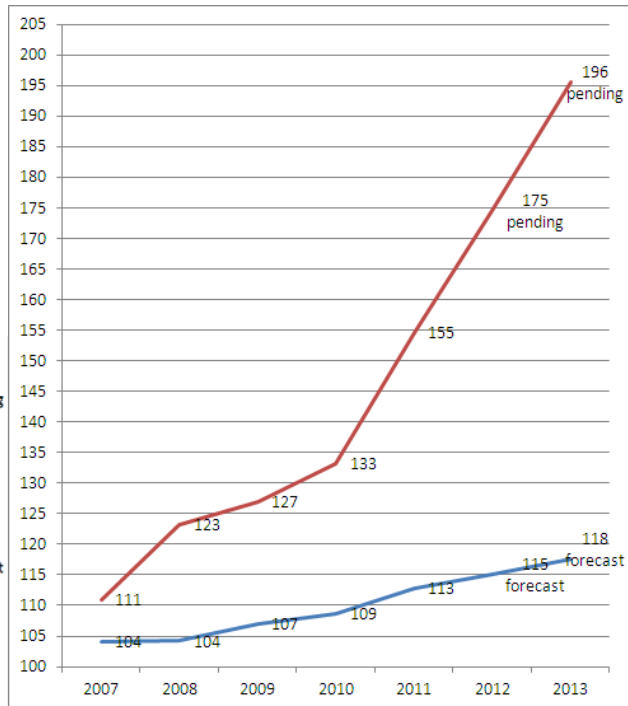
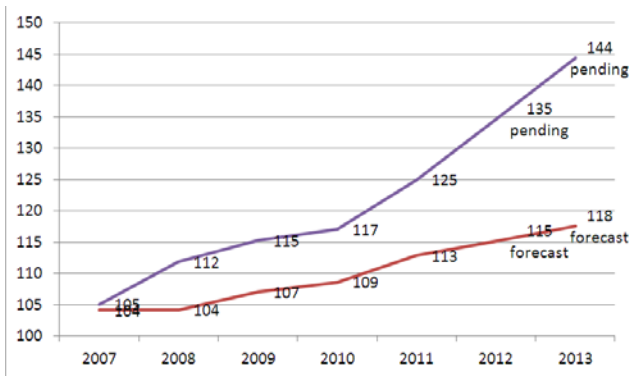


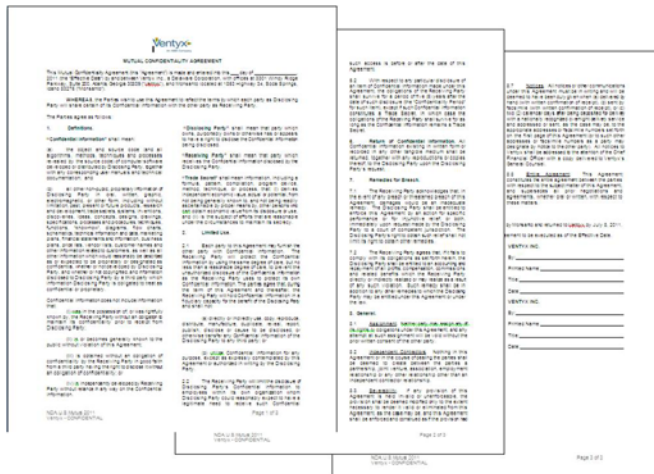
Figure 4 - RMP Base vs. CPI (Same as Figure 2)



Draft Plan, page 9 – Electricity Resource Actions . . . E-2. Idaho investor-owned utilities should continue to conduct formal Integrated Resource Planning, or the individual, board-accepted equivalent for public utilities, to assess the relevant attributes of a diverse set of supply-side and demand-side resource options and to continue to provide an opportunity for public input into utility resource decisions.

RECOMMENDATION: The Integrated Planning Process should allow for broad participation by all ratepayers, including the general public.

Figure 5 - Non-disclosure Agreement Required to View IRP Model



Much of the added cost that has crept into Idaho’s utility rate base came in through Integrated Resource Plans (IRPs) that were not truly vetted. While the plans attempt to project future load growth and millions, if not billions, in new capital expenditures, they routinely fail to disclose how much higher these investments will drive rates.

For example, “public meetings” on Rocky Mountain Power’s most recent IRP were conducted by way of mass phone conferences, some with as many as 40-50

participants. In most of the calls, the entire State of Idaho was represented by a single participant from the IPUC staff.

The content of these conferences is often highly technical, requiring familiarity with an “energy plan modeling software” that is proprietary. Because of this, just to train to use the software one must sign a non-disclosure agreement. One of the flaws of this process is that voicing a disagreement with the model potentially breaches the non-disclosure agreement. The utility has offered to “show you how we project load growth, but once we do, you’re prohibited from talking about it.” This is no way to engage the public.

And yet, public disclosure and open discussion of Integrated Resource Plan investments and the rate increases they produce are vital to ensuring that regulated utilities don’t become investment havens. Such havens are where large investors can profit from business monopolies and guaranteed rates of return (usually in the 10% per year range), delivering profits that could not be achieved from other investments, paid for by ratepayers.

The Wyoming Industrial Electricity Consumers (WIEC), a broad-based ratepayer organization representing businesses across Wyoming, recently highlighted the critical need to scrutinize IRP investments. Wyoming, whose average electricity rates have historically been lower than

Idaho's, is experiencing some of the same recent escalations. WIEC has prepared a memo intended for use in conversations with elected officials in Wyoming. While the memo is specific to issues with the investor-owned utility in Wyoming, it highlights that the primary driver of the severe rate increases is "a massive capital expenditure program" by a prominent investor who has billions of dollars to invest, whether Wyoming needs it . . . or not.

WIEC Elected Official Talking Points Regarding Electric Rates - Nov. 2011

Wyoming customers have experienced dramatic rate increases since Warren Buffet's MidAmerican Energy Holdings Company acquired Rocky Mountain Power in March 2006.

- MidAmerican Energy testified in late 2005 that its customers could expect rate increases of less than 4% a year on average under its management.
- However, Rocky Mountain Power's electric rates in Wyoming have increased a total of 37% from Jan. 2006 to Sept. 2011 or nearly 6.5% a year on average.
- Wyoming's largest industrial customers have borne the brunt of those increases and experienced a 57% rate increase in total over that time period – nearly 10% a year on average.
- By comparison, the national rate of inflation from Jan. 2006 to Sept. 2011 was 11.5% in total or just 2% a year.
- Since MidAmerican Energy acquired Rocky Mountain Power, electric rates in Wyoming are increasing at over 3 times the rate of inflation and, for the largest customers in the state, rates are increasing at 5 times the rate of inflation.

Unfortunately, there is no relief in sight. Rocky Mountain Power plans more dramatic rate increases.

- Rocky Mountain Power was just awarded a \$61.3 million annual Wyoming rate increase effective September 22, 2011. Yet Rocky Mountain Power has already indicated that they will be filing a new rate case before the year is out.
- Rocky Mountain Power has indicated it anticipates filing a new rate case seeking increases of 10% or more annually in Wyoming for the next several years.
- The main reason for these rate increases is Rocky Mountain Power's massive capital expenditure program. As of the end of June 2011, Wyoming's allocated share of Rocky Mountain Power's net investments in power plants, transmission lines, and distribution lines is just under \$2 billion in total. From 2011 to 2020, Wyoming's allocated share of new investments is projected to be nearly \$3 billion. If all of these new investments are allowed, rates in Wyoming will continue to increase at an unprecedented rate.
- These new investments include about \$6 billion planned for Rocky Mountain Power's Gateway transmission project – one of if not the largest and most expensive planned interstate transmission project in the United States – and about \$2.7 billion for new environmental controls on existing power plants.

Left unchecked, MidAmerican's desire to grow its investment and, in turn, returns to its shareholders will continue to cause unsustainable rate increases for Wyoming citizens and businesses. These new investments must be closely examined and should not be allowed unless they are proven to be both cost-effective and absolutely necessary to provide reliable electric service to Wyoming.

RECOMMENDATION: The Idaho Public Utilities Commission should develop metrics to determine whether a proposed utility investment provides benefits to Idaho ratepayers that exceeds its cost.

Prior to accepting an IRP, the Commission should approve proposed major additional capital expenditures. The utility should be required to justify the costs as compared to the benefits of new investments. This should include a full disclosure of the resulting rate increases and their impacts on customers that must pay the cost plus a “reasonable rate of return.” No projects should be approved for inclusion in the IRP unless they show that the benefits exceed the costs, the impact on rates, and whether those impacts are affordable.

Draft Plan, page 9 – Electricity Renewable Generation Actions . . . E-4. Idaho should encourage cost-effective investment in renewable generation and combined heat and power facilities.

RECOMMENDATION: Idaho should only encourage cost-effective investment in renewable generation that benefits Idaho.

Idaho does not currently have a legislated renewable portfolio standard (RPS). As a result there is question as to whether renewable generation developed in Idaho actually provides any renewable benefit to Idahoans. As a matter of practice, much of the state’s renewable resource constructed to date has independently marketed itself for renewable energy credits from states other than Idaho. To see why this is a problem, imagine if a new federal law imposed a 15% renewable standard on all 50 states. Much of the wind in Idaho would not count toward meeting that requirement, since it has already sold its “renewable characteristic” to other states.

We support a fuel neutral policy and believe that electricity should be generated in the most efficient and reliable manner.

“Fuel neutral” does not mean “anti-renewable.” It means we do not use the regulated rate-setting process to “short-circuit” the marketability of emerging renewable technologies. “Sustainability” means these technologies mature to where they “stand on their own feet,” to obtain competitive and economic viability in the marketplace. Idaho is reaching the point where continued on-lining of heavily subsidized and economically costly “alternatives” can do serious damage to our economy. Questions need to be asked and serious consideration given to identifying *sustainable* ways to capture the value of renewable energy.

In analyzing the potential use of increased renewable energy (particularly wind), the cost of building new transmission to bring the power, often generated at remote locations, to the load centers needs to be included, as does the cost of constructing and/or maintaining adequate back-up power. Increased intermittent generation (wind and solar) raises reliability questions since their availability is not constant or predictable and sudden ramps up and down present obvious reliability problems.

Draft Plan, page 10 – Electricity Transmission Action . . .E-13. Idaho should continue participating in regional efforts aimed at increasing the capability of the western transmission grid and bringing to Idaho the benefits of cost-effective remote resources.

RECOMMENDATION: The costs of building new transmission should be borne by those that benefit from the transmission, “beneficiary pays” should govern cost allocation, and transmission assets should not be socialized.

Expensive new transmission should not be built to achieve public policy goals (increased use of renewable fuels by Pacific coast markets) that will not provide specific and quantifiable net benefits to Idaho consumers.

While justification has been made for new generation sources and transmission, little has been acknowledged in the document of the “beneficiary pays” or cost causation/allocation concept. Monsanto would like to highlight the following cost allocation principles and request that Idaho’s energy policy embrace such as core tenets to its rate making policy. Doing such will insure both cost-effective and affordable, electrical power rates for all Idaho consumers.

1. Costs allocated “roughly commensurate” with estimated benefits
2. Those who do not benefit from transmission do not have to pay for it
3. Benefit-to-cost thresholds must not exclude projects with significant net benefits
4. No allocation of costs outside a region unless the other region agrees
5. Cost allocation methods and identification of beneficiaries must be transparent
6. Different allocation methods could apply to different types of transmission facilities

It is Monsanto’s experience that transmission “incentives” are largely unnecessary. The allowed return on investment should be related to the degree of risk. Low risk investments should receive a commensurately low rate of return. FERC Order 1000, which allows utilities to recover transmission investments without building them into local rate bases, should be used wherever advantageous to the ratepayer.

To further implement this approach, capacity costs, including those for transmission capacity, should be allocated on a demand (kW), not energy (kWh), basis.

Idahoan Foods recently presented a case example of where transmission costs are being built into Idaho rates inappropriately. In testimony before the Legislature’s Business Council, they explained that:

PacifiCorp is planning a gigantic six state electrical transmission system that, when completed, will undeniably provide better electric reliability throughout the region. However, the system will also essentially allow for the unrestricted flow of mostly renewable energy from Wyoming down to California, with PacifiCorp as the “toll road” owner. The transmission system – the Gateway

Project -- is "supersized" and far in excess of what would otherwise be needed for PacifiCorp to provide safe, reliable electric service to its customers in Wyoming, Utah, Idaho, Washington, Oregon and California. Yet, PacifiCorp is asking all 6 of its state regulators to ratebase 100% of Gateway. My point is this: Ratepayers should not have to guarantee or "pay for" the building of this 8 lane electric freeway, when a 2 or a 4 lane highway will also provide "safe, adequate and reliable" electric service in Idaho, Utah and Wyoming, and other PacifiCorp electric service states.¹⁴

The cost causation and beneficiary pays concept is complimentary to the planning of new transmission and generation facilities. Idaho cannot let the renewable energy objectives of other states coupled with substantial investment projects to deliver this renewable energy – i.e. Wyoming wind resources to southwest markets – to unduly influence costs borne by Idaho rate payers. An adherence to cost causation and beneficiary pays policies will insure costs are not socialized to the point to where Idahoans are paying for renewable energy standards of California.

Draft Plan, page 11 – Conservation and Energy Efficiency Action . . . CE-1. All Idaho utilities should fully incorporate cost-effective conservation, energy efficiency and demand response as priority resources in their Integrated Resource Planning.

Defining "Efficiency"

Efficiency is the "effective operation as measured by a comparison of production with cost (as in energy, time or money)."¹⁵ As was already mentioned, Monsanto's Soda Springs Plant operates at a very high level of "efficiency," producing elemental phosphorus with energy close to the theoretical

chemical and physical ideal. When you consider how much we "produce," our large energy demand compares favorably to that of other energy users in Idaho.¹⁶

Figure 6 - Efficiency is defined by "Production"

With the energy that it takes to make	Monsanto produces the phosphorus for
 <p data-bbox="581 1608 902 1638">One computer workstation</p>	 <p data-bbox="1062 1608 1349 1638">530 gallons of Roundup®</p>

¹⁴ Sam Routson, Idahoan Foods, November 9, 2011, Testimony before Congressman Raul Labrador and the Idaho Legislative Business Council

¹⁵ <http://www.merriam-webster.com/dictionary/efficiency>

¹⁶ Average computer workstation energy demand taken from Williams, Eric, *Environmental Science & Technology*, Vol. 38, No. 22, 2004, p.6166, <http://www.cs.ucsb.edu/~chong/290N/Williams.pdf>

RECOMMENDATION: In the absence of a renewable portfolio requirement, the state should adopt a policy of “source neutrality,” removing barriers to demand response in markets for energy, capacity and ancillary services.

The language of the draft plan could be construed to suggest each utility adopt “more investments” to implement conservation, energy efficiency or demand response. Sometimes, however, the most cost effective answer is not another investment, but passing through to ratepayers the benefits of conservation and load control by way of reduced rates. Please reference the testimony of Mike Veile, Monsanto’s Manufacturing Lead, before this committee when it met in Idaho Falls on September 28, 2010.

Monsanto continues to believe that the pricing of power in Idaho is skewed to benefit utility generators over load reductions. It has been suggested that Idaho would need to “incentivize” utilities to get them to adopt more conservation and demand response programs. In some states that may be true, but utilities in Idaho are regulated and receive a guaranteed rate of return on their investment. All that is required in Idaho is that new generation not be “favored” by the regulator. Utilities need no greater “incentive” than the threat that a new investment would not be added to the rate base because equally affordable conservation and load reductions are already available.

III. Additional Recommendations

Items to consider to addition to the Draft Plan

RECOMMENDATION: With annual utility investments totaling in the billions of dollars, and highly sophisticated modeling and analysis being used to justify rate increases, the concept of a formal ratepayer “advocate” within state government should be examined. A model suited for Idaho may take some time to develop and it is appropriate to begin that discussion.

Monsanto believes that the time may be right to consider what options are available to assist ratepayers with a regulatory process that has become increasingly complex, filled with technical terms and jargon, and governed by precedents, technology and sophisticated software.

We do not come to this belief lightly, or in any doubt about the capabilities of the staff of the Idaho Public Utilities Commission. Under current law, that staff has the important duty to act as defenders of Idaho ratepayers, while balancing the legitimate business requirements of the regulated utilities.

Figure 4 - Initial "Utility Information Package" to Begin Challenging a Rate Request



But as rate cases have become more frequent, the rate requests increasingly large, and the capital investment now mounting into the billions, the staff's resources to "balance" this equation have become stretched. Auditing the expenditure of a million dollars is not the same job as auditing the expenditure of BILLIONS of dollars. In this equation, the utilities have a profit motive to hire the resources needed to present and argue for their revenue needs. The IPUC, on the other hand, must live within the budget provided for it.

One option for balancing this equation would be to authorize a specific office whose duty it would be to ensure that ratepayer interests and questions are researched, organized and presented to the IPUC staff in an efficient and timely manner. Freed from the double-duty of balancing utility interests, this office could serve as an advocate for ratepayers, without being the final arbiter of the decision. That role would remain with the IPUC.

A few of the key components that would be necessary for such an office would be:

(1) a focus on revenue requirements, representing the broadest possible cross-section of ratepayers,

(2) governance by an independent board that sets priorities and approves operations, and

(3) a reporting relationship with those existing state agencies or departments with economic development and employment responsibilities, rather than with the IPUC, so as to continue to protect the Commission's status as an impartial judge.

RECOMMENDATION: Extend the time allowed to consider more complex rate cases.

For many of the same reasons noted above, ratepayers may need a longer time to engage and prepared for more complex rate cases. Many other states allow 11 months for a rate case, and we believe that extension would be reasonable.

RECOMMENDATION: Authorize the IPUC to allow sourcing at current low-cost wholesale market prices if necessary to keep Idahoans employed.

IV. Summary of Recommendations

Draft Plan, page 8 – Energy Plan Objectives . . . 2. Maintain Idaho’s low-cost energy supply and ensure access to affordable energy for all Idahoans.

RECOMMENDATION: Move the draft priority number 2 to the 1st priority position.

RECOMMENDATION: A stated Energy Plan objective should be utility rates that do not increase faster than the average inflation rate for the region. Regulated utility business plans should be evaluated with this objective in mind.

Draft Plan, page 9 – Electricity Resource Actions . . . E-2. Idaho investor-owned utilities should continue to conduct formal Integrated Resource Planning, or the individual, board-accepted equivalent for public utilities, to assess the relevant attributes of a diverse set of supply-side and demand-side resource options and to continue to provide an opportunity for public input into utility resource decisions.

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RECOMMENDATION: In the absence of a renewable portfolio requirement, the state should adopt a policy of “source neutrality,” removing barriers to demand response in markets for energy, capacity and ancillary services.

Proposed additions to the Draft Plan

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