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July 26, 2007

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1302

Enclose for filing in the above-referenced docket is Idaho Power Company's Opening Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Lisa F. Rackner

cc: Service List

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1302

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Investigation into the Treatment of CO_2 Risk in the Integrated Resource Planning Process.

IDAHO POWER COMPANY'S OPENING COMMENTS

I. BACKGROUND

The Oregon Public Utility Commission (the "Commission") required utilities to include carbon dioxide adders in their integrated resource planning in Order No. 93-695 on May 17, 1993. Specifically, "utilities should identify strategies that are preferred for specific values in the following ranges for ..., and carbon dioxide (CO_2): $10 to $40 per ton" in 1990 dollars. The purpose of including the CO_2 adder is "to insure that utilities provide the information necessary to evaluate the trade-off between direct system costs and environmental impacts in their [integrated resource plans]."

In 2005, the Commission opened Docket UM 1056 to "investigate whether the requirements for least-cost planning, first established in Order No. 89-507, should be revised." On January 8, 200, the Commission concluded Docket UM 1056 and issued Order No. 07-002. Guideline 8 of Order 07-002 requires that "Utilities should analyze the range of potential CO_2 regulatory costs in Order No. 93-695, from zero to $40 (1990$)."

On February 8, 2007, the Commission opened Docket UM 1302, "Investigation into the Treatment of CO_2 Risk in the Integrated Resource Planning (IRP) Process." On April 19, 2007, Commission Staff and other parties to Docket UM 1302 submitted the following list of issues:

1. What CO_2 regulatory cost stream should utilities use in their IRP base case, and what assumed CO_2 regulatory future, *e.g.,* a fixed carbon adder or a carbon policy modeling constraint, should serve as the basis for the base case cost stream?

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2. What alternative CO_2 regulatory cost streams should utilities use in their IRP scenario analyses, and what assumed CO_2 regulatory futures should serve as the basis for these alternative cost streams?

3. How should the existing, and potential future, carbon or other greenhouse gas emission goals of the State of Oregon be included in utility IRPs?

4. What probability weighting, if any, should utilities assign to the CO_2 base case and scenario analyses?

5. How should utilities vary the CO_2 regulatory cost streams to identify the "trigger point" (or CO_2 regulatory future) that changes the preferred resource portfolio, and should utilities vary other model inputs to achieve logical consistency and to test the sensitivity of the trigger point to the changes in other variables?

6. Are the alternative futures used in the scenario analyses an adequate measure of the cost risk associated with choosing one portfolio over another? Should utilities use a different approach when considering the risk of future CO_2 regulation?

The parties to Docket UM 1302 have been asked to prepare formal comments on the six issues presented above.

The schedule for submitting comments as defined in a Commission Memorandum dated May 10, 2007 is as follows:

July 26:	Opening Comments
August 16:	Workshop
September 13:	Closing Comments

II. DISCUSSION

Idaho Power Company ("Idaho Power") refers to the original Commission Order directing least-cost and integrated resource planning for guidance. Order No. 89-507 defines Least-Cost Planning (now called Integrated Resource Planning):

> "Least-Cost Planning is an approach to utility planning which requires consideration of all known resources for meeting the utility's load, including those which focus on the generation

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> and purchase of power, or the 'supply-side,' and those which focus on conservation and load management, the 'demand-side'."

Further, Order No. 89-507 provides additional clarity:

> "The result of the process is the selection of that mix of options which yields, for society over the long run, the best combination of expected costs and variance of costs."

The requirement in Order No. 89-507 that the process select "that mix of options which yields, for society over the long run, the best combination of expected costs and variance of costs" make it clear that utility integrated resource plans must consider costs such as future carbon taxes that may affect resource choices and energy prices even though carbon taxes and carbon regulation are not explicitly mentioned in Order No. 89-507. Carbon regulation including carbon taxes are undefined at the present time, but remain a distinct possibility over the planning horizon of recent integrated resource plans.

Presently there is regulatory uncertainty associated with CO_2 taxes and carbon mitigation strategies. Order No. 89-507 addresses uncertainty and environmental mitigation as well:

> "If there is some uncertainty about the costs of mitigation of environmental effects or the likelihood that mitigation will be required, then a range of costs and associated probabilities of occurrence should be used in evaluating resource strategies."

Idaho Power recognizes that Order No. 93-695 setting the initial range of costs for CO_2 mitigation, and Docket UM 1302 updating the costs set in Order No. 93-695, are consistent with the intent and the requirements of Order No. 89-507 defining the least-cost planning process.

Issue 1: What CO_2 regulatory cost stream should utilities use in their IRP base case, and what assumed CO_2 regulatory future, *e.g.,* a fixed carbon adder or a carbon policy modeling constraint, should serve as the basis for the base case cost stream?

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Comments: Order No. 93-695 set the range of costs to be included in utility resource plans for carbon mitigation as directed in Order No. 89-507. The cost range specified in Order No. 93-695 is from $10 to $40 per ton in 1990 U.S. dollars. The cost range was updated in Order No. 07-002 to be from zero to $40 per ton in 1990 U.S. dollars. Today, in 2007, the cost range identified in Order No. 93-695 would be updated to approximately $20 to $80 per ton of CO_2 in 2007 U.S. dollars based on the producer price index for fuels and related products and power (PPI Series WPU05).

Idaho Power considered CO_2 adders ranging from zero to $50 per ton in 2006 U.S. dollars in the 2006 Integrated Resource Plan. Idaho Power identified $14 per ton beginning in 2012 as the expected case in the 2006 Integrated Resource Plan.

Idaho Power recognizes that there continues to be uncertainty surrounding the implementation of carbon taxes and CO_2 mitigation policies. Idaho Power is concerned that the simple escalation of the values identified in Order No. 89-507 from 1990 dollars to 2007 dollars may overstate the value of future carbon taxes. Idaho Power supports a range of future carbon taxes bounded at the lower end by zero as identified in Order No. 07-002 and at the upper end by $80 per ton in 2007 U.S. dollars as specified by Order No. 89-507 and considers the range from zero to $80 per ton to be reasonable.

Idaho Power believes that there is too much uncertainty surrounding greenhouse gas regulation for the Commission to define a specific set of standards for CO_2 or other greenhouse gasses at this time. Idaho Power recognizes that national regulations and policies may be developed and that it may be appropriate for the Commission to identify specific standards for CO_2, other greenhouse gasses, or other emissions, that are consistent with national regulations or policies at some future date. Idaho Power supports the cost range as adopted in Order No. 89-507, explicitly specified in Order No. 93-695, and extended in Order No. 07-002, as the appropriate method to deal with possible future carbon regulation.

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Issue 2: What alternative CO_2 regulatory cost streams should utilities use in their IRP scenario analyses, and what assumed CO_2 regulatory futures should serve as the basis for these alternative cost streams?

Issue 4: What probability weighting, if any, should utilities assign to the CO_2 base case and scenario analyses?

Comments: Idaho Power views issues two and four as similar and has grouped issues two and four together for comments. The uncertainty surrounding carbon regulation leads Idaho Power to recommend that the Commission decline to identify a specific regulatory future or probability distribution surrounding the range of future carbon taxes at this time. Idaho Power develops its Integrated Resource Plans in consultation with an Integrated Resource Plan Advisory Council and Idaho Power believes that the details regarding specific regulatory futures and the probability distributions surrounding the CO_2 regulatory cost streams are best identified in discussions with the Idaho Power Company IRP Advisory Council. Idaho Power recognizes that specific analytical techniques may vary in subsequent resource plans depending on the regulations and political discussions at the time that the resource plan is developed and that regulatory requirements should have the flexibility to be applicable in a wide variety of possible regulatory environments.

Issue 3: How should the existing, and potential future, carbon or other greenhouse gas emission goals of the State of Oregon be included in utility IRPs?

Comments: Idaho Power is a regulated electric utility that provides service to customers in portions of Oregon. Idaho Power serves nearly 500,000 customers, including over 18,000 customers in Oregon. The Oregon customers use about 80 average megawatts of energy. Idaho Power primarily operates in Idaho; the Oregon customers represent only about five percent of Idaho Power Company's energy deliveries. Idaho Power is bound to consider any existing or future carbon, greenhouse gas, and emission

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goals of the State of Oregon when developing the Idaho Power Company integrated resource plans.

Issue 5: How should utilities vary the CO_2 regulatory cost streams to identify the "trigger point" (or CO_2 regulatory future) that changes the preferred resource portfolio, and should utilities vary other model inputs to achieve logical consistency and to test the sensitivity of the trigger point to the changes in other variables?

Comments: Idaho Power continues to research new tools to be applied to resource planning. Idaho Power used graphical and other analytical tools in the 2006 Integrated Resource Plan to identify the conditions where one resource technology would yield, or crossover, to another technology. Idaho Power strongly supports including analytical methods to identify the "trigger points" where one generation technology supplants another generation technology in its Integrated Resource Plan. Again, Idaho Power believes that it would not be prudent for the Commission to dictate a specific technology or analytical method to identify the "trigger points." Idaho Power encourages the Commission to support identification of the crossover points in utility resource plans but also encourages the Commission not restrict the analytical methods used by utilities to define the crossover points.

Issue 6: Are the alternative futures used in the scenario analyses an adequate measure of the cost risk associated with choosing one portfolio over another? Should utilities use a different approach when considering the risk of future CO_2 regulation?

Comments: Idaho Power continues to use scenario analysis in its Integrated Resource Plan. The scenario analysis is analytically consistent with recommended treatment of uncertainty described in Order No. 89-507 and the "trigger point" requirements discussed in Issue 5 of the Docket UM 1302 Issues List. Idaho Power recognizes that some utilities apply other types of complex analyses. Idaho Power also recognizes that scenario analysis is a proven analytical tool when correctly applied. Other analytical methods may be

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computationally more difficult or computationally more intensive, but scenario analysis has numerous advantages including the requirement for logical consistency and the necessity to coherently explain the analysis in the narrative of the resource plan. Idaho Power supports the continued application of scenario analysis when developing integrated resource plans.

III. SUMMARY

In general, Idaho Power recognizes the need to reexamine the carbon tax or carbon adder values first identified in Order No. 93-695. Using the U.S. Producer Price Index to recalculate the $10 to $40 per ton values in 1990 dollars identified in Order No. 93-695 leads to a range of $20 to $80 per ton in 2007 dollars. Idaho Power believes that the range should be extended downward to include zero dollars per ton as indicated in Order No. 07-002. Please note that Idaho Power is not offering an opinion on the correct value of carbon taxes but only that Idaho Power is suggesting that zero dollars per ton is the present level of U.S. carbon taxes and that it is appropriate for resource planning purposes to include a continuation of the present regulatory conditions.

Just as in 1989 and 1993, in 2007 there continues to be significant uncertainty regarding the future of CO_2 and greenhouse gas regulation in the U.S. Idaho Power believes that the present uncertainty surrounding CO_2 and greenhouse gas regulation make it imprudent to impose too many specifications, restrictions, and requirements concerning the treatment of CO_2 and greenhouse gas in integrated resource planning at this time.

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Idaho Power believes that the regulatory requirements identified in Order Nos. 89-607 and 93-695 continue to be relevant and continue to adequately serve the citizens of Oregon and the customers of Idaho Power Company.

DATED: July 26, 2007.

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1302 on the following named persons on the date indicated below by email addressed to said persons at his or her last-known address indicated below.

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