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IDAHO PUBLIC
UTILITIES COMMISSION

December 19, 2011

Idaho Public Utilities Commission
472 West Washington Street
PO Box 83720
Boise, ID 83720-0074

Re: Case No. PAC-E-11-12

Dear Idaho Public Utilities Commissioners:

I would like to comment on the Rocky Mountain Power rate increase request, Case No PAC-E-11-12. I am speaking on behalf of Energy Integrity Project, a citizens' grassroots organization which believes real science should be used to judge whether any component or new energy source be allowable under rate cases that will raise rates for Idahoans. We believe that we are currently being bombarded with false representations as to the advisability of consumers being forced to pay for expensive renewable energy projects. Unlike many other states, Idaho has not passed a renewable energy standard. In the current economic conditions, Rocky Mountain Power has seen power sales in Idaho stagnate or fall below projections. As the political climate of cap and trade, renewable energy, global warming, and climate change was evolving, it is obvious that Warren Buffett and his advisors saw it all as an investment opportunity.ⁱ They set about pouring billions of dollars into wind energy and planning massive investments in transmission facilities to move new renewable energy to market points.ⁱⁱ

To prove our points we direct you to an editorial that appeared on June 1, 2011, (*Idaho Falls Post Register*) titled "Ask the Power Company."ⁱⁱⁱ In the PostTalk, Gene Fadness, who is a public spokesman for the IPUC provided the following comments:

Wednesday June 01, 2011 5:25 pm

Kade,

I have spent this afternoon very quickly reviewing the testimony provided by Rocky Mountain Power in this rate case. You can also read it by going to our Website at www.puc.idaho.gov. Click on the electric icon, then on "Open Electric Cases," and scroll down to Case No. PAC-E-11-12. The testimony of company president Rich Walje, provides an overview of their case.

Before I offer the summary the company gives, I state that this is the company's claim. The Commission now begins a 6- to 8-month process of reviewing this application and does not endorse, at this point, any of the claims made by the company. As you may recall in the last general rate case, the average rate increase approved to be effective last Jan. 1 was 6.8 percent. The company's original request was 13.7 percent.

In this case, the company claims that \$17 million of their total \$32.7 million revenue requirement

increase comes from net power supply costs. These include 1) the expiration of a number of long-term wholesale power contracts with new higher-cost contracts (see Duvall testimony); 2) increased coal costs -- not from coal generation but from third-party coal supply and transportation and cost increases at the operations of the mines themselves; 3) a decline in wholesale sales revenues due to falling natural gas prices; 4) more capacity from thermal units needed to provide reserves for wind generation and 5) wind integration costs for wholesale transmission customers as required by federal law. So, net power costs are more than 50 percent of the requested increase.

Another 31 percent comes from capital additions. The largest portion of these are pollution control expenses at coal and natural gas plants (see Teply testimony) and upgrades to hydro generation. Another large component of capital investment is transmission. The company is requesting the 27 percent of investment in the Populus to Terminal transmission line that the commission did not include in the last rate case, plus another \$150 million (system-wide) in transmission investment (each project is outlined in Gerrard's testimony).

Gene Fadness
Idaho Public Utilities Commission

-- gene.fadness

As you can see, Mr. Fadness, in point number 4, states that more capacity from thermal units will be needed to provide reserves for wind generation – from this statement, we see that when incorporated onto the public grid, wind does have a fuel cost. The reality is that there is no such thing as wind energy by itself. Wind MUST always be paired with an augmenting (fast responding) source to continuously balance out wind's fluctuations. This augmenting source will be a fossil fuel source (with exception to the limited locations that have some finite hydro resources available).

Fadness' point number 5 addresses costs for wind integration as another driver of the requested rate increase pending before the IPUC. Further the Commission received direct testimony (page 17 - Duvall testimony) on the same topic:^{iv}

“Given the size of the wind portfolio, and the possibility of rapid variations in wind generation, the Company has had to commit its gas-fired generation units to be able to quickly respond to the magnitude of changes. At times, this "must-run" operation requires gas-fired generation units to run when it would otherwise be uneconomic to do so, thereby adding to the wind integration costs.”

Gene Fadness also pointed to transmission costs as a driver in the current rate case. We believe that it is very clear a major change occurred at Rocky Mountain Power with regard to transmission. In the PacifiCorp 2004 IRP Update (page 46), it talks about only ONE definite transmission upgrade, “Path-C Upgrade,”^v which became one of the commitments when MidAmerican Energy Holdings acquired PacifiCorp in 2006. In the PacifiCorp 2007 Integrated Resource Plan (page 20), it talks of THREE possible transmission upgrades: Path-C (\$78 million), Mona-Oquirrh (\$196 million), and Walla Walla – Yakima or Mid-C (\$88 million) for a total of \$362 million.^{vi} Fast forward to the PacifiCorp 2011 Integrated Resource Plan where we have the full Energy Gateway transmission system which, as stated on page 78, is an approximately \$6 billion investment plan.^{vii}

What is the driver of this Energy Gateway transmission plan? **Wind**. Page 82 of the PacifiCorp 2011 Integrated Resource Plan says:

“The modeling analysis indicates that the full Energy Gateway strategy is cost effective assuming incremental wind additions are in line with the Company's current wind acquisition plans. However, without the mandate for additional renewable resources and regulatory support for associated transmission investments, further evaluation of proposed incremental transmission originating in Wyoming (most economic location for wind) would be required to determine need for Company load service. One thing is clear; the Energy Gateway strategy provides the necessary capacity for the Company to be aligned with a green resource future.”

And from expert witness, Dennis Peseau, testimony given on 10/14/2010:^{viii}

“Energy Gateway is PacifiCorp's program to invest over \$6 billion for approximately 2,000 miles of high voltage transmission lines, primarily 500 kV, throughout the western United States. If completed as planned, the project would have a total capacity of 6,000 MW with the intention of transmitting electricity generated primarily from wind energy planned in Wyoming and elsewhere, to markets in California, southern Nevada and to a lesser extent Utah and the Pacific Northwest.”

Exactly why does Rocky Mountain Power choose wind as a resource?

On page 129 of PacifiCorp's 2011 Integrated Resource Plan, it says:

“It should be noted that primary drivers of wind resource selection are the requirements of renewable portfolio standards and the availability of production tax credits.”

So, is this about Rocky Mountain Power making money from the production tax credits for renewables, given by the federal government, and by mandates to use renewables?

We respectfully point out the following:

Idaho does not have a renewable energy standard. Many jurisdictions that do are rethinking it.

Rocky Mountain Power sales in Idaho are not demanding huge increases in generation capacity or transmission upgrades that justify the huge and crippling increases already announced. Rocky Mountain Power and their parent companies, in a politically-charged atmosphere, chose a bad and expensive power source that Idahoans don't need or support and became one of the nation's largest owners of wind turbines.^{ix}

To grant this rate increase leaves Idahoans paying for an extremely expensive energy source that is unreliable, variable, and has a 29% - 35% annual capacity factor, but more importantly has very little capacity value. Furthermore, there is NO evidence in the real world -- NONE -- that wind actually offsets meaningful levels of CO2 emissions or reduces fossil fuel consumption.

Our economy cannot stand the already announced rate increase plans of Rocky Mountain Power.

School officials are starting to realize what is happening to them. As an example, on September 22, 2010, West Side Superintendent, Melvin Beutler, said the following in his public comments submitted to the Commission:^x

“Two years ago we took a 5% decrease in State Budget dollars. Last year we took an 8.5% decrease in state funding with a warning from the Governor and Legislature to budget for a 13% decrease because that look eminent. I can't in good faith to my students budget find another dollar to pay fixed cost.”

Likewise, on August 3, 2011, the Shelley School District Superintendent was on record in the *Shelley Pioneer* newspaper saying “it was almost impossible for a small school district to absorb a 15-percent rate hike in light of shrinking funds for schools in Idaho.”^{xi}

Big businesses and small businesses will be hurt as quoted in the Peseau IPUC testimony:

“These rate increases are certainly disastrous not only for Monsanto, but for the general livelihood of eastern Idaho.”^{xii}

Chris Horner, an energy expert and attorney, recently summarized the nation's situation which we can aptly apply to our current Rocky Mountain Power situation:^{xiii}

“There are other things that result, indeed economic harms, from politically directing capital and from increasing energy costs, forcing less reliable and more expensive energy sources into the market that need governmental intervention in order to have a market to speak of.”

“This does more than just transfer wealth, from people who use energy to entities experiencing what in any other context is called a “windfall” thanks to this act of government. Worse, it inescapably means the cost hits everyone, most particularly seniors and the poor, anyone on a low- or fixed-income is hit first and worst.”

However, MidAmerican Energy Holdings Company promised no more than a 4% increase in rates per year. In Idaho, Brent Gale testified “We [MEHC] do not expect that the commitments that we are offering will cause an increase in the percentage discussed in PacifiCorp witness Johansen's testimony.”^{xiv} In this referenced Johansen testimony, Johansen said “we believe that PacifiCorp's rates, even taking into account revenue from load growth, will have to rise annually across all our jurisdictions by over 4 percent for the foreseeable future.”^{xv} Also, Brent Gale testified before the Oregon PUC in 2005 that if MidAmerican was allowed to acquire PacifiCorp, rates would not increase more than 4% per year.^{xvi} This has not been true – where is the accountability?

The ratepayers of the Rocky Mountain Power service area in Idaho have for many years suffered higher rates than other ratepayers in Idaho. At the same time our climate is one of the most severe in the nation which sends demand skyrocketing. Idaho Falls was just identified as the 18th coldest city in the country!^{xvii}

On behalf of the ratepayers of Rocky Mountain Power in Idaho, we urge the Idaho Public Utilities Commission to send the message to the wealthy investor owners of Rocky Mountain Power that the investment in renewables (i.e. wind) was not required by anyone in Idaho, and the attendant costs will damage our economy. Tell them to use their political connections to stop the mad rush into politically-driven energy decisions that diverge completely away from the capacity of ratepayers to pay.

We urge the Idaho Public Utilities Commission to focus on what is best for Idaho and deny the rate increase. Please do as the Oregon Public Utilities Commission recently did – send them back to MidAmerican Energy Holdings Company with the message – “Des Moines, we really have a problem here.”^{xviii}

Sincerely,

Tauna Christensen
Energy Integrity Project
Box 3555
Idaho Falls, ID 83403

ⁱ <http://www.bloomberg.com/news/2011-12-07/berkshire-s-midamerican-energy-to-buy-topaz-solar-farm.html>
Buffett, 81, has said that businesses like utilities have earnings power even under adverse economic conditions and can provide fair returns on capital as long as they make investments in infrastructure to meet customer needs. Owning utilities is “not a way to get rich,” he said at a meeting of U.S. state regulators in 2006. “It’s a way to stay rich.”

ⁱⁱ http://www.lebanon-express.com/business/article_d8f82250-4f4e-11e0-bb64-001cc4c002e0.html
PacifiCorp, a division of Pacific Power, is in “heavy investment mode.”
PacifiCorp has put in 1,700 megawatts of new wind resources over the last few years.
“That makes us the second largest wind owner among regulated utilities in the country,” Reiten said.
The company has invested about \$2 billion in wind over the last four years.
Additionally, PacifiCorp has focused on investing in high voltage transmission.

ⁱⁱⁱ <http://www.postregister.com/story.php?accnum=1015-06012011&today=2011-06-01&keywords=ask+the+power+company>

^{iv} <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1112/company/20110527DUVALL%20DI.PDF>

^v <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE0502/200511042004%20UPDATE.PDF>

^{vi} <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE0711/200705302007%20IRP.PDF>

vii

<http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1110/20110401INTEGRATED%20RESOURCE%20PLAN,%20VOL%20I.PDF>

^{viii} <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1112/company/20110527DUVALL%20DI.PDF>

^{ix} http://legislature.idaho.gov/sessioninfo/2010/interim/energy0927_0929min.pdf

Mr. Walje, President of Rocky Mountain Power, said the following in the Sept 2010 Energy Interim Committee meeting: "Rocky Mountain Power and its parent Mid American Electric Co is the second largest owner operator of wind turbines in the United States."

^x <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1007/public%20comments/20100923COMMENT.PDF>

^{xi} <http://www.energyintegrityproject.org/uploads/ShelleyPioneer.pdf>

^{xii}

<http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1007/intervenor//MONSANTO/20101014PESEAU%20DI.PDF>

^{xiii} <http://www.globalwarming.org/2011/12/15/cei%E2%80%99s-chris-horner-testifies-before-ohio-house-on-folly-of-green-energy-policy>

^{xiv}

<http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE0508/company/20050817REVISED%20GALE%20DIRECT,%20EXHIBITS.PDF>

^{xv} <http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE0508/company/20050715JOHANSEN%20DIRECT.PDF>

^{xvi} <http://edocs.puc.state.or.us/efdocs/HTB/um1209htb132123.pdf>
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^{xvii} <http://www.thedailybeast.com/galleries/2010/12/10/america-s-25-coldest-cities.html#>

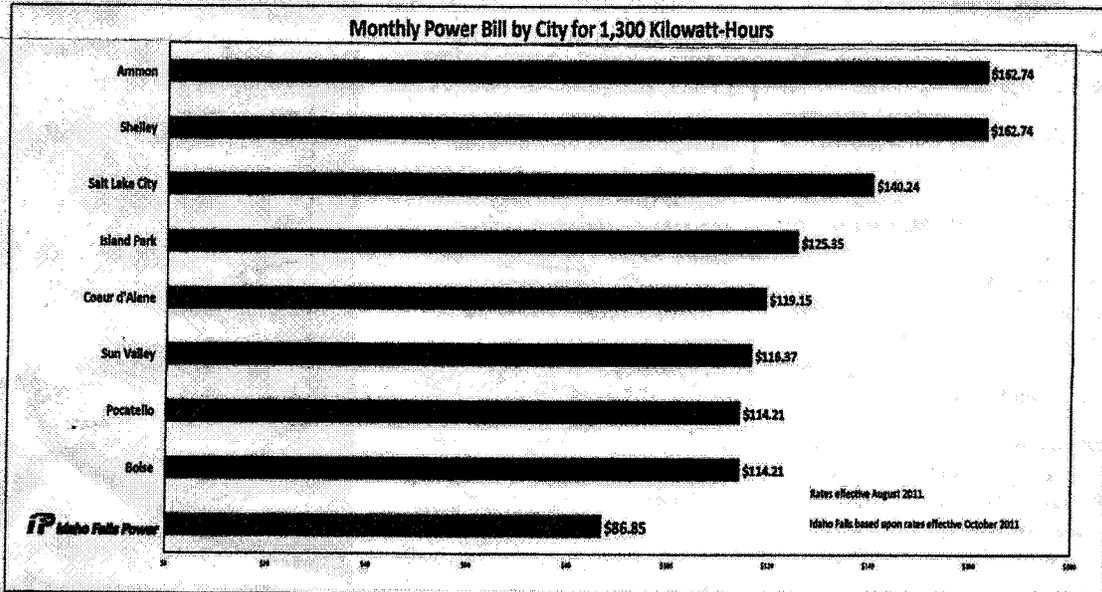
^{xviii} http://www.oregonlive.com/business/index.ssf/2011/12/pacificorp_plan_dismays_regula.html

Susan Ackerman, a more recent addition to the utility commission, suggested that PacifiCorp's system was "so diverse, so ungovernable" that it was getting too difficult to agree on a plan that made sense for Oregon ratepayers in isolation.

She told PacifiCorp managers that she wanted them to deliver a clear message to executives at their Iowa-based parent company, MidAmerican Energy Holdings Co.: "Des Moines, we really have a problem here."

Manager's Message

On July 26, Bonneville Power Administration adopted a 7.8% average increase in its wholesale power rates. Idaho Falls Power gets approximately 85% of its power from Bonneville Power Administration. As a result, this rate increase will have to be passed along to our customers. This will be the first rate increase since 2009. The rate increase will depend upon how much electricity you use. Across all customer classes, the average increase will be 3.76%. The typical residential customer (depending upon how much electricity you use) can expect to see a \$5.80 per month increase. We work hard to maintain affordable electricity rates. We thought you would like to see how our proposed rates compare to what customers in other Idaho cities pay.

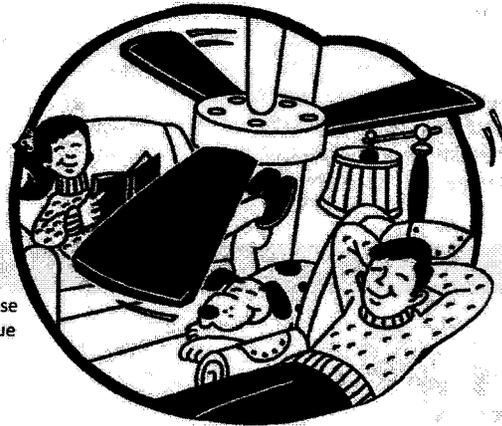


Do Touch that Dial!

Just as you flip a switch on your thermostat every fall so it controls the heat instead of the air conditioning, you can switch which direction your ceiling fan blades spin to suit the season.

When fan blades rotate one way, the blades force air down into the room, creating a cool breeze that makes your skin feel cooler and more comfortable. When they spin in the other direction, the blades create a subtle updraft, which sends warm air—which rises—from the ceiling via the walls, so you feel warmer without feeling a draft.

The more comfortable you feel, the less likely you are to crank up the thermostat. Most manufacturers advise homeowners to set their fan blades to spin counterclockwise in the summer and clockwise in the winter, but it's not true for all brands.



Jean Jewell

From: Les Hendrickson [henfam1@hotmail.com]
Sent: Monday, December 19, 2011 11:26 PM
To: Jean Jewell; Randy Lobb; Beverly Barker
Subject: Rate Increase

"Dear IPUC.

My current power rates are already high enough (among the highest in the state and particularly in our area). In an economic depression it makes no sense for the IPUC to approve any rate increase for Rocky Mountain Power and further guarantee them an additional increase next year. RMP will already receive a rate increase based on the federal ECAM in April, we don't need to approve any others. With the price of coal and natural gas at an all-time low, we don't see any reason for RMP's rates to be at an all-time high. Please disapprove the current RMP rate increase proposal.

Sincerely,

Les Hendrickson

3693 E. 800 N.

Menan, Idaho 83434

Jean Jewell

From: Roger Raymond [sledtech@gmail.com]
Sent: Monday, December 19, 2011 8:33 PM
To: Gene Fadness; Jean Jewell; Anga Velasquez; Joe Leckie; David Hattaway; Wayne Hart; Lou Ann Westerfield; Randy Lobb; Stacey Donohue; Nikki Karpavich; Jo Nelson; Glenda Koch; Beverly Barker; Chris Hecht; Marilyn Parker; Curtis Thaden; Nancy Hylton; Daniel Klein; governor@gov.state.id.us; brad@bradlittleforidaho.com; brent@hillfamily.net
Subject: Stop Rocky Mountain Power Rate Hike

To whom it may concern:

The United States was built on a Capitalistic economy. It is the only way for a country to flourish. The only thing that can ruin capitalism is a MONOPOLY. In order to prevent monopolies from developing, we build laws that ensure healthy competition exists in the market. Due to the nature of power distribution, and other similar utilities, it is generally not possible to have competing electric companies in a specific area. The purpose for the Utility Trades Commission (UTC) and the Public Utilities Commission (PUC) is to ensure that companies (like Rocky Mountain Power) distributing the power do not take unfair advantage of the people since they have no alternative options.

The current staff and management at the IPUC is failing in their responsibility to protect the people. Never before has the ratio of power production and distribution cost to consumer cost been so out of line. The lack of action is so blatant that one would immediately suspect collusion. Law suits have been filed to challenge this neglect, but since local individuals have such limited resource in comparison to the monopoly, justice has not been achieved. The fact that Mr. Buffet purchased Rocky Mountain Power should be evidence enough that ridiculous amounts of surplus revenue exist as he would never invest in a company that was just getting by. I am familiar enough with the policies of Rocky Mountain Power to know that they are unnecessarily gouging the consumer so they do not have to be frugal in their business practices.

In a time where the economy is forcing almost every family to eliminate all but the most critical necessities, we cannot afford to have the PUC fail us as you currently are. The proposed increases must be replaced with reductions of equal or greater amounts. It is not constitutional to have laws that ensure financial growth to a monopoly. The IPUC will correct this problem or we will hold the Governor accountable for his appointed commissioners.

Roger Raymond
3268 East 100 North
Rigby, Idaho
83442