

2009 IRP Advisory Council Meeting Minutes

Date: Tuesday, February 3, 2009
Location: Idaho Power CHQ Auditorium

Introductions/Meeting Overview - Mark Stokes

Mark Stokes welcomed the participants to the meeting. He stated that he would be scheduling dates for future meetings and would follow up with the group via e-mail regarding proposed dates. Mr. Stokes explained that there were several new members of the public in attendance and stated that many of these individuals were attending primarily for the Boardman to Hemingway presentation scheduled for the afternoon. Mr. Stokes requested that comments during the presentations be limited to only members of the Integrated Resource Plan Advisory Council (IRPAC) in order to cover the agenda items. He stated that there would be time allotted at the end of the meeting for comments and additional questions from the public, and he thanked those in attendance for their cooperation and patience.

Mr. Stokes then reviewed the agenda and turned the meeting over to the facilitator, Brian Hedman. Mr. Hedman introduced Rich Pagoaga from Idaho Power's Planning Department.

Estimated Impacts of a Federal Renewable Portfolio Standard (RPS) – Rich Pagoaga

Rich Pagoaga reported that Jeff Malmen, Idaho Power's Vice President of Public Affairs, recently traveled to Washington D.C. and met with the Obama team, presenting the administration with a White Paper on the Federal RPS. From that exchange, Mr. Pagoaga highlighted some of the discussion points. The Obama administration would like to see a 25 percent RPS by 2025, and it appears that Congress has enough votes to pass a 15 percent RPS by 2020. With Energy Committee hearings slated to begin in March, there is the possibility that the President could sign a Federal RPS as early as spring or summer 2009. Mr. Pagoaga explained that a Federal RPS would be a minimum, with states having the ability to impose higher renewable standards. The basis for the legislation will be the RPS that came out of the 110th Congress.

Mr. Pagoaga then reviewed some of the specifics of the legislation. He explained that the standard would start at 3.75% in 2010, increase to 7.5% in 2013, 11.25 in 2017, and peak at 15% in 2020. Eligible resources would include wind, solar, biomass, landfill gas, ocean (current, wave, tidal, and ocean thermal), and incremental hydro. Existing hydro from hydroelectric and municipal waste facilities would not be eligible to meet the percentage standard, but could be excluded from the sales base used to calculate the RPS.

Mr. Pagoaga then reviewed two possible scenarios, one in which existing hydro is subtracted from the sales base, and the other where it is not subtracted. These two scenarios identified a RPS percentage requirement for 2010, 2013, 2017, and 2020. Specific incremental renewables and their associated capacity factors required to meet the RPS were identified for each scenario.

Mr. Pagoaga's presentation prompted discussion from the IRPAC on green tags and the market value associated with them. Additionally, questions regarding acquiring green tags from the Public Utility Regulatory Policy Act (PURPA) projects were raised along with how demand-side management (DSM) factors into the RPS.

Ken Miller asked how market purchases are treated with regards to acquiring green tags. Mr. Stokes responded that market purchases don't include green tags, but longer term power purchase agreements will often include green tags as part of the transaction.

Dave Angell inquired about the possibility of acquiring green tags from PURPA projects, to which Mr. Stokes replied that Idaho Power does not receive the green tags from the PURPA projects.

Mr. Miller questioned whether higher DSM projections would dampen the need for this RPS requirement. Mr. Stokes replied that this is just one of the details that won't be known until the legislation is passed.

Sid Erwin suggested that if the price paid to developers to include the green tags could be increased, he felt developers would definitely be interested in selling them to Idaho Power.

Betsy Bridge interjected that she also felt that Idaho Power should pursue acquiring green tags from the PURPA projects.

Rick Sterling stated that going to the market for green tags will simply drive the prices up, and the longer we wait on this issue, the greater the expense. He reiterated that green tags are not part of the PURPA contracts now, and stated that there is still uncertainty at the Commission on how to deal with green tags. Mr. Sterling stated that not all PURPA projects have green tags available, especially the older projects.

Resource Portfolio Discussion – Tom Noll

Tom Noll presented and described the four preliminary boundary portfolios (Blended, Thermal, Transmission, and Blended with Green Resources). Mr. Noll stated that these four portfolios all include full DSM, 250 MW of reserved capacity on Boardman to Hemingway, 150 MW of wind in 2011 to 2014, and 225 MW of advanced technology in 2025.

Mr. Noll explained that resource planning is revisited every two years, and from a resource planning perspective, it makes more sense to divide the resource planning period of 20 years into two planning horizons. The first ten years being the most critical and immediate, and the second 10 years as a placeholder for advanced technologies. He stated that viewing resource planning from this perspective allows the company to remain flexible and responsive to developing technologies while focusing on the critical need for providing energy in the short-term. Mr. Noll then reviewed and provided the

specifics on the resources and the ten year plan capital costs of each of the boundary portfolios as shown below:

Blended Portfolio

- 470 MW of Thermal Generation (170 MW SCCT in 2017 and 300 MW CCCT in 2022)
- 400 MW on Boardman to Hemingway
- Ten Year Plan Overnight Capital Cost - \$1 Billion or \$1020 per kW

Thermal Portfolio

- 940 MW of Thermal Generation (Three 170 MW SCCT peaking units in 2014, 2016, and 2023, and One 300 MW CCCT in 2019)
- Ten Year Plan Overnight Capital Cost of \$1.4 Billion or \$1030 per kW

Transmission Portfolio

- 1050 MW of Transmission (550 MW of Total Reservation on Boardman to Hemingway, and 500 MW total reservation on Gateway West in 2019)
- Ten Year Plan Overnight Capital Cost of \$1 Billion or \$1050 per kW

Blended with Green Resources

- Boardman to Hemingway 2014 (400 MW total reservation)
- Green Resources (450 MW Wind in 2016, 2018, and 2021, and 200 MW Solar Water in 2017 and 2019)
- Thermal (300 MW CCCT in 2022)
- Ten Year Plan Overnight Capital Cost of \$2.3 Billion or \$1700 per kW

Additionally, Mr. Noll reviewed the cost assumptions of both the plant and transmission costs associated with the various technologies. Mr. Noll stated that the Blended Portfolio has the lowest capital cost but contains risks associated with the RPS and fuel costs. The Blended with Green Resources Portfolio has the highest capital cost and carries the highest technology risk.

Rick Sterling questioned why all the portfolios didn't include wind and advanced technology, and suggested an all green boundary portfolio.

With regards to the Blended and Thermal Portfolios, Mr. Sterling questioned why Idaho Power is looking at both simple-cycle combustion turbines (SCCTs), and combined-cycle combustion turbines (CCCTs), and stated he hasn't seen many IRPs where SCCTs have been included. Kelcey Brown stated that we're not competing with the market on SCCTs during peak, but the Boardman to Hemingway line could change this. James Gall from Avista commented that they're using their CCCTs to sell into the market during peak hours. Mr. Noll responded that Idaho Power will need to look at both CCCTs as well as SCCTs to determine the better option.

Mr. Sterling asked whether an additional cost for green tags should be added to the Thermal Portfolio if this portfolio fails to meet the RPS. Mr. Noll replied that Idaho Power hasn't done an energy cost comparison, and is trying to meet capacity needs. He pointed out that there are not severe deficits. Mr. Noll explained that the cost of constructing resources would be factored into the company's analysis process. The results of the risk analysis will be presented along with the preferred portfolio.

Rick Sterling commented that he would like to see more variations on the Blended with Green Resources Portfolio. He suggested removing solar as well as creating a portfolio that doesn't contain thermal.

Kevin Kitz commented that when you build a large CCCT in a service territory with a relatively small annual growth rate, developers will continue to build and sell power. Mr. Kitz suggested modeling an additional 200 MW of wind in 2010, stating that green power should be more marketable than brown power, and could be sold to market at a premium price.

Mr. Noll responded by stating that the portfolios are focused on meeting the energy needs of the service area, and that if resources come in a distinct size, that is the size that is built. He stressed the goal is not to build the portfolios for surplus sales.

David Hawk interjected that any coal plant built would sell additional power. Mr. Hawk stated that any resource built after 2015 would require Idaho Power to work cooperatively with other utilities. Mr. Noll responded that Idaho Power recognizes the need to partner with other utilities and has been participating in other utilities' planning processes. Mark Stokes commented that Idaho Power received the same feedback from the Commission when the IRP was rescheduled from 2008 to 2009.

Rick Sterling asked about the risk analysis on the portfolios. Mr. Noll responded stating that Idaho Power would analyze the fuel price risk associated with natural gas pricing and market volatility and the carbon tax risk. He stated that these two items will drive the preference for one portfolio over the other. Mr. Noll stated that they also review interest rate risks, but that this is the same for all of the portfolios. Mr. Sterling commented that Idaho Power needs to review the various portfolios under different growth assumptions, to which Mr. Noll replied they would be analyzed for both high and low growth assumptions.

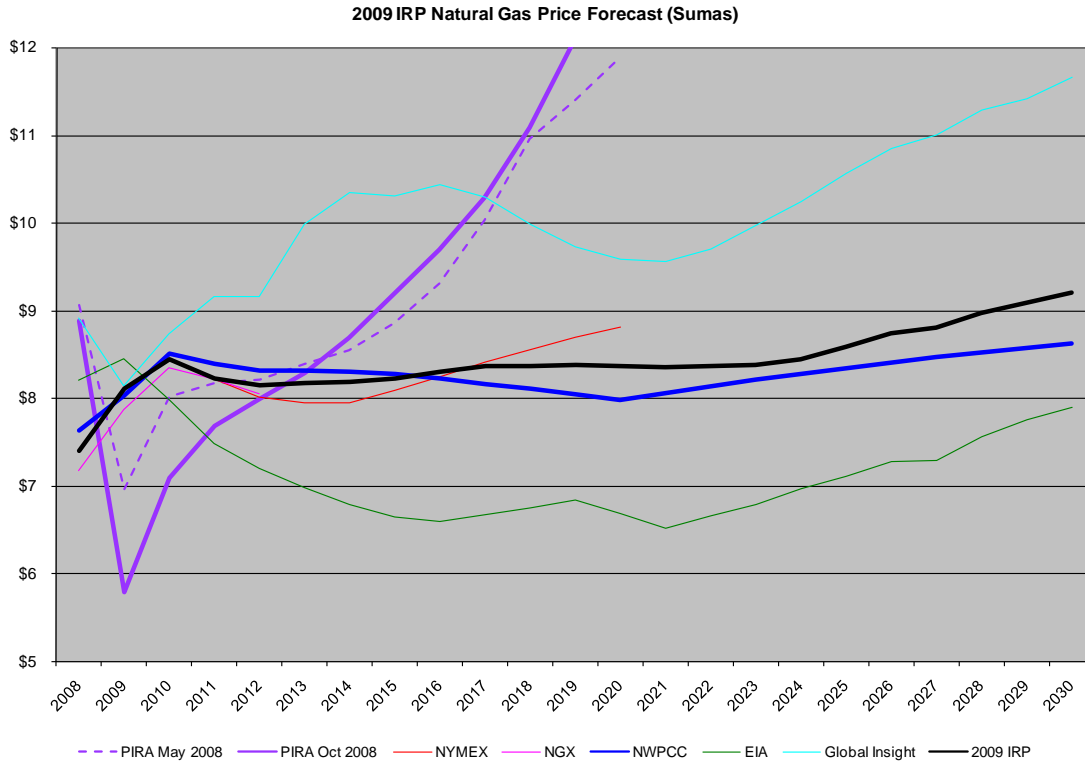
Several IRPAC members discussed the possible impact of future carbon tax on the portfolios as well as the possible elimination of the Production Tax Credit.

In conclusion, Mr. Noll requested input from the IRPAC on suggestions for the Preferred Portfolio and suggested that IRPAC members contact him to further discuss the specifics regarding portfolio development. Mr. Noll stated that there is still time to make changes to the portfolios and thanked the IRPAC for their input.

PIRA Updated Forecast – Mark Stokes

In response to a question from a previous IRPAC meeting regarding PIRA's updated forecast, Mark Stokes presented a graph of the 2009 Natural Gas Price forecast depicting PIRA's latest forecast in comparison with their forecast from early last summer. Additionally, the graph included NYMEX,

NGX, NWPCC, EIA, Global Insight, and the 2009 IRP forecast information. Mr. Stokes stated that as the graph indicates, PIRA did not change their estimates in a significant amount. (Refer to graph for additional detail.)



Rick Sterling asked whether the prices shown were real or nominal prices to which Mr. Stokes replied that they are all nominal.

David Hawk stated that for SUMAS, an additional price for transport would need to be included. Mr. Stokes stated that to get SUMAS, you have to account for the difference in transport in order to be on the same playing field.

Mr. Sterling questioned how the PIRA forecast factored into the 2009 IRP forecast. Mr. Stokes replied that because the PIRA numbers were some of the oldest available, Idaho Power chose not to use these numbers and they were not factored into the composite forecast being used for the 2009 IRP.

Mr. Hawk commented that he felt that the 2009 IRP forecast numbers were legitimate based on how much things have changed, noting the dramatic turndown in the last six months and the significant cuts in exploration and development budgets.

Mr. Sterling expressed his concern over the range of forecast prices for risk analysis. He stated that the range is probably as important as the base case.

There was discussion between David Hawk and Rick Sterling regarding the various natural gas providers (Henry Hub, Sumas, and Rockies) and the associated expected pricing. Mr. Sterling questioned whether there was a basis differential for Rockies gas, to which Mr. Hawk responded that he believes the basis differential will narrow as prices decline. He stated that many developers are shutting down because they can't make money. He conjectured that as the economy improves there will be gas, but it will be a "just in time" commodity. Mr. Hawk stated that we need to lock in gas for 2012 based on the NYMEX forecast. Mr. Hawk commented that excess Rockies capacity doesn't exist; therefore Idaho Power cannot enjoy their pricing, and should therefore go with SUMAS pricing.

Boardman to Hemingway – Dave Angell

Dave Angell from Idaho Power's Delivery Business Unit presented information on the proposed Boardman to Hemingway 500 kV transmission line that will run between the existing substation at the Boardman generating plant and the Hemingway substation, which is currently under construction south and west of Boise, Idaho.

Mr. Angell stated that this will be a 300 mile long single circuit AC project. He explained the preferred routing of this line also has synergies with other utilities and will provide greater Northwest interconnection. The line is needed to allow the company to maintain reliable service to its Oregon and Idaho customers and will provide needed transmission infrastructure and system reliability to the Northwest.

David Hawk asked whether potential wind sites would be able to connect to this line. Mr. Angell replied that due to the expense of connecting to a 500 kV line, it would take multiple wind projects to come together in order to capitalize this expense. Mr. Angell did note that the Boardman to Hemingway line would make additional capacity available on the existing lower voltage line that would be more economical for wind projects to interconnect.

Mr. Angell reviewed the existing transmission system map which shows all transmission paths to other utilities constrained. He then explained the genesis of the line, explaining that it was referred to in the 2006 Integrated Resource Plan preferred portfolio as the 225 MW McNary to Boise transmission upgrade. Mr. Angell explained that during the 2007 Northern Tier Transmission Group's public review process, it was determined that a 230 kV project would not meet Idaho Power's overall resource planning requirements. He stated that as additional projects continue to develop, capacity rating increases to the Boardman to Hemingway project may occur.

Rick Sterling questioned whether assumptions regarding the development of future Wyoming and Montana coal plants played a role in the Gateway West project. He expressed concern over building transmission lines to nowhere and questioned the ownership interest in the Gateway West project. Mr. Angell replied that coming years would see this flex with Idaho Power's interest in Gateway West being dependent on resource development in Wyoming. Mr. Hawk interjected that this line will open up wind to Wyoming.

Mr. Angell briefly explained the two separate environmental analysis processes required to evaluate the Boardman to Hemingway project. The first, The National Environmental Policy Act (NEPA) Process, of which the BLM is the lead agency, determines the specific terms and conditions of the Right-of-Way Grant and Special Use Permit. The second analysis is the Oregon Energy Facility Siting

Council (EFSC) process. The actual siting of an Oregon energy project is determined by the EFSC who regulates all energy facilities added in Oregon.

Mr. Hawk asked if Idaho Power has received the 7c certificate yet from FERC. Mr. Angell replied that this project needs to proceed with the environmental processes first before a certification request is submitted.

Mr. Angell reported that in January 2009, the Oregon Department of Energy issued the Project Order outlining the information to be included in the application for a site certificate. Mr. Angell stated that planning work is anticipated to be complete in 2011, with the entire project completed and operational by mid-year 2013.

Public Comment on Boardman to Hemingway – Brian Hedman

At the conclusion of Mr. Angell's presentation, Brian Hedman facilitated a public discussion regarding the Boardman to Hemingway Project.

Parma's mayor, Margaret Watson, expressed concern regarding the impact of the Boardman to Hemingway corridor to Parma. She explained that Parma was not notified regarding the proposed line until December 2008. Mayor Watson stated that other communities were notified of the line prior to the closing of the public comment period, but the city of Parma did not receive any public scoping notification. Mayor Watson expressed concern that the process for commenting ended in November 2008, and the city did not receive an opportunity to provide input. Mayor Watson expressed concern that the Boardman to Hemingway line would dissect the city of Parma. She stated that the Boardman to Hemingway line is slated to be built on property where the city plans to construct a new high school in 20 years. She explained that while the city of Parma is sympathetic regarding the need for additional power and transmission lines, she feels the process is broken, and that the need for additional power cannot be at the expense of a community.

Brian Hedman asked other Idaho Power representatives in attendance to further expand on the siting process in Idaho.

Mike Barrie from Idaho Power reviewed the route identification and corridor evaluation process and explained how Idaho Power works with governmental agencies and public groups to select the project route. As part of the permitting process, Idaho Power was required to submit an application to the Oregon Energy Facility Siting Council (EFSC) a branch of the Oregon Department of Energy, and the Bureau of Land Management (BLM), lead agency for the NEPA process, to identify and evaluate the potential corridors. Idaho Power began by reviewing maps of the area to identify significant constraints. When asked to explain 'constraints,' he listed a wide array of natural and man-made features such as structures, irrigation systems, airports, urban areas, the Oregon Trail, sage grouse leks, areas of critical environmental concern, and National Wildlife Refuges. Mr. Barrie explained that Idaho Power has also explored the possibility of using existing transportation corridors such as railroads and Interstate 84. From this process, different routes were identified with the goal of using existing corridors, where possible, with minimal crossing of areas with higher-level constraints. The route evaluation, which is still in the early stages, resulted in Idaho Power's proposed and alternate corridors that were submitted to EFSC and BLM in the original Notice of Intent (NOI). Mr. Barrie

stressed that Idaho Power will continue to gather public input and that the proposed corridor will be further refined.

Mr. Barrie then briefly reviewed the project schedule with the audience and reinforced that there will be additional opportunities for public involvement throughout the regulatory processes associated with the project. He also directed people to the website www.boardmantohemingway for a listing of upcoming opportunities for public involvement.

Mayor Watson replied that the BLM notified some of the communities of the scoping process, but the city of Parma was not notified. She stated the Boardman to Hemingway line should be on public rather than private property, and if increased transmission access is for the good of America, it should therefore be located on public property. She felt that Idaho Power Company had “messed up” the process, and that they need to start over.

Mr. Barrie replied that there is still time for comment, and Idaho Power will continue to look at proposed alternative routes.

Mayor Watson stated that on the map there is only one “red” route through Payette County.

Mr. Barrie referred attendees back to the website) www.boardmantohemingway for an explanation of the routing process.

An audience member from Owyhee County reported that Owyhee County was not notified of the meetings either, and many of those impacted by the project did not receive any notification. It was noted that the maps on the website are not the current maps and do not depict accurate ownership of the parcels. Another audience member mentioned that the map in the Boardman to Hemingway presentation did not show Parma, and that Parma should be added to the map. The question was raised as to how the public could get involved if notification was not received.

Mr. Barrie explained that the consultant, Tetra Tech was working for the BLM and OEFSC to collect names for the mailing lists and Idaho Power didn't go through and check each one. Mr. Barrie explained that the notification letters were actually sent out by the BLM not Idaho Power.

A member of the audience requested that future meetings be planned around the needs and schedules of those affected, and reported that past meetings had been held at the worst possible time for agricultural communities.

In response, Mr. Barrie explained that these scoping meetings are conducted separate from Idaho Power's Community outreach process, and therefore Idaho Power cannot control the notification or meeting organization associated with those public outreach efforts. He stated that future meetings organized by Idaho Power will be conducted at times and in locations more convenient to the general public.

Roger Findley, representative of “Stop Idaho Power” explained the goal of the group is to relocate the Boardman to Hemingway line that goes through Malheur County. Mr. Findley stated this group will not cooperate with Idaho Power in obtaining voluntary easements. Mr. Findley distributed a copy of a

letter addressed to Idaho Power regarding this issue to members of the IRPAC, and proceeded to read the letter to those in attendance. Mr. Findley mentioned that to date he has not received a response from Idaho Power.

Farrell Larson, a representative of “Stop Idaho Power” suggested that Idaho Power reconvene the Treasure Valley Electric Plan (TVEP) group to include representatives from every area including agricultural representatives. Mr. Larson stated he doesn’t want to fight with Idaho Power, but the original plan didn’t include everyone affected in the process. Mr. Larson requested that Idaho Power look at the Boardman to Hemingway line from the ground instead of from the air. He stated that crop dusters cannot fly under the lines, and the Boardman to Hemingway line could destroy crops. He suggested that an alternative route exists which would cost more, but would be more agreeable. He commented that 90% of the land in Malheur County belongs to the BLM, which in essence should belong to the people. He expressed his desire to work together with Idaho Power to find an agreeable solution.

Meeting Wrap-Up and Summary – Mark Stokes

Mr. Stokes thanked everyone for their comments. He stated that while this probably wasn’t the correct forum for discussion related to transmission line routing, those in attendance definitely got their point across. Mr. Stokes stated that Idaho Power values the public input process and that is part of the reason for the existence of the IRP Advisory Council. Idaho Power takes the input received from this group and factors it into the planning process. Mr. Stokes stated that there will be future public meetings on the Boardman to Hemingway line, and that those in attendance will have additional opportunities to express their views.