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Idaho Conservation League

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November 17, 2011

Interim Committee on Energy, Environment and Technology
Legislative Services Office
PO Box 83702
Boise, ID 83720-0054

Re: 2012 Idaho Energy Plan

Committee Members:

Thank you for the opportunity to comment on the draft 2012 Idaho Energy Plan. Since 1973, the Idaho Conservation League (ICL) has been Idaho's voice for clean water, clean air and wilderness—values that are the foundation for Idaho's extraordinary quality of life. As Idaho's largest state-based conservation organization, we represent over 20,000 supporters, many who are interested in promoting a clean, reliable and secure energy future for Idaho.

Energy touches every part of Idaho—from the forests of the north to the dams along the Snake River. It also touches all Idahoans, whether they are paying the utility bill at the kitchen table or trying to keep their company competitive and workers employed. Through a comprehensive energy plan and strategic actions, Idaho can maintain low-cost, abundant and reliable energy while also protecting important values for all Idahoans—clear air, clean water and beautiful places to hunt, fish and camp.

ICL participated in developing the 2007 Idaho Energy Plan, and we are participating in the Energy Efficiency and Conservation and the Transmission Task Forces of the Idaho Strategic Energy Alliance (ISEA). ICL is active on a full suite of energy issues that come before the Legislature, Public Utilities Commission, and public land agencies.

In 2007, the Idaho Legislature created a comprehensive energy plan that promoted a clean, reliable and secure energy future. Since then, the Legislature has taken some actions to implement the plan, as have many state agencies. Today as you consider updating this plan for 2012 and beyond, ICL encourages the Legislature to continue on the same road.

The draft 2012 Idaho Energy Plan developed by ISEA provides a good start with a review of energy-related facts for Idaho. However, along with the specific issues we discuss below, ICL believes that the Legislature should consider two overarching issues. First, the 2012 Idaho Energy Plan should contain strong policy goals and describe options available to implement these goals. Second, we are concerned about the narrow scope of the membership of the ISEA Board; specifically, the Board should be expanded to include, at a minimum, representatives with expertise in environmental impacts, renewable energy, transportation, residential consumers and

low-income consumers. To the extent that the ISEA Board provides policy guidance and energy education, the composition of the Board should better reflect the energy interests in Idaho.

We are hopeful that the issues we address below will improve the plan and most importantly stimulate economic growth while protecting Idaho's valuable resources. Our comments are in two parts: background information that should be added to the energy plan and policy recommendations that should be considered. We look forward to continuing to work with the Legislature and others to update the 2012 Idaho Energy Plan.

If you have any questions, contact either of us at 208.345.6933.

Sincerely,

/s/ Ben Otto
Benjamin Otto
Energy Associate

/s/ Courtney E. Washburn
Courtney E. Washburn
Community Conservation Director

BACKGROUND INFORMATION

Including the following information in the 2012 Idaho Energy Plan would enhance discussion of Idaho's energy picture.

Climate Change

The October 14 draft contains a brief discussion of environmental impacts and carbon regulation in section 3.7.3, pages 95–96. This expands on the material in the 2007 plan by including some facts about increasing carbon dioxide levels and further details on the likelihood of increased regulation by neighboring states and the federal government. Idaho imports roughly one-half of its electricity, largely from coal-fired power plants. Idaho also imports all of its transportation fuels. These two sectors, coal-fired electricity and petroleum-based transportation, will be the focus of any new carbon dioxide regulations from other states or the federal government. The current draft energy plan appropriately acknowledges the risk that Idaho faces from these possible regulations.

More importantly, the draft plan describes Idaho's opportunities to mitigate this risk, as follows:

> While federal regulations on carbon dioxide and greenhouse gases have potential for significant impact on energy costs in Idaho, such regulations also may provide potential opportunities. Idaho has an abundance of renewable resources and energy efficiency opportunities, which would reduce Idaho's exposure to CO_2 regulatory risk while fostering economic growth. Global growth in nuclear energy, in part driven by CO_2 concerns, would also provide opportunities for Idaho's workforce. Further, clean energy technology development including equipment design, software and control instrumentation, and manufacturing to serve the needs of state, regional, and global markets would further add to economic development.

In light of this discussion of risks and opportunities, ICL recommends that the Legislature identify in the 2012 Idaho Energy Plan policy options and actions that will address this situation, primarily by promoting energy efficiency in all sectors and developing instate renewable energy sources.

Environmental Impacts and Mitigation

The October 14 draft briefly mentions the other environmental impacts of energy generation in section 3.7.3, pages 95–96. These impacts include mercury, sulfur dioxide, nitrogen oxides, and other air pollutants from coal and natural gas. Nuclear power may not cause the same air pollution, but it does create a stream of radioactive waste that must be safely handled. Renewable energy has impacts as well, not least of which affect Idaho's valuable wildlife and public lands. As the draft states in a previous section, "there is simply no free lunch when it comes to energy, and renewable energy is no exception to this rule." However, some lunches are cheaper than others, largely because some impacts are easier to avoid and mitigate than others.

To better inform Idaho's energy future, ICL believes that the 2012 Idaho Energy Plan should include a comprehensive discussion of the various environmental impacts and mitigation opportunities for each type of energy resource. For example, while the draft plan mentions new discoveries of natural gas supplies in Idaho, it does not disclose the potential impacts from gas production to groundwater, surface water, wildlife, or local communities. ICL believes that these potential impacts can be avoided and mitigated, but the first step is to acknowledge that they

might occur. Likewise, the siting of wind facilities and transmission lines can impact wildlife and local values. The 2012 Idaho Energy Plan should discuss various options for avoiding, minimizing and mitigating these impacts for each energy resource.

In our policy recommendations below, ICL provides several examples of policies and actions that the state could take to address these environmental impacts.

Potential for Energy Efficiency

The 2007 Idaho Energy Plan made energy efficiency and conservation the highest priority, and the body of the draft 2012 Idaho Energy Plan repeatedly refers to energy efficiency and conservation as a high priority resource for Idaho. More specifically, the draft 2012 Idaho Energy Plan states in section 1.4.3, page 20:

> The Committee finds that energy conservation and energy efficiency measures provide the greatest economic and environmental benefits for Idaho (and enhanced economic competitiveness for our businesses) and should be one of Idaho's highest-priority energy resources and thus it is a major focus of the 2012 Idaho Energy Plan.

The reasons to focus on energy efficiency is to reduce Idaho's dependence on out-of-state energy sources to avoid both price volatility and potential carbon regulation, as well as to increase our own energy security. However, the draft plan does not indicate the amount of energy efficiency available in Idaho. The potential for new energy efficiency in Idaho is vast. By focusing state policy and action on this resource, the Legislature can unlock substantial investment and significantly improve Idaho's access to a secure, reliable and stable energy system.

The most effective role for state policy is enabling Idaho to acquire the full economic potential for energy efficiency. As stated in the draft 2012 Idaho Energy Plan in section 3.5, pages 81–82:

> When considering the size of the available EE&C [energy efficiency and conservation] supply, analysts investigate it at three levels: 1) The *technical potential* envisions every electrical use with the most efficient option currently available regardless of cost. 2) The *economic potential* is a subset of this supply where the benefits exceed the costs; meaning electrical demand is met through efficiency for less cost 3) The *achievable potential* is a smaller subset that factors in expected customer participation in programs and constraints on investments in EE&C.[1]

Further, the draft 2012 Idaho Energy Plan goes on to explain:

> State policy makers can play a significant role in closing the gap between the economic potential and the achievable potential. Because the economic potential is defined as providing greater benefits to citizens than costs, policy makers can be confident in taking on this role. Policies that can help close the gap include providing tax incentives for acquiring cost effective EE&C, reducing regulatory burdens such as conflicting building or zoning codes, and educating citizens about the benefits of using energy wisely. Such actions should be considered based on value propositions for specific projects.

[1] NAPEE, *National Action Plan for Energy Efficiency Vision for 2025: Developing a Framework for Change* (2007). www.epa.gov/eeactionplan. *See also* Avista *2011 Integrated Resource Plan* at 3-5 to 3-6; Idaho Power *2011 Integrated Resource Plan* at 39 (referring to the 2009 Demand Side Management potential study that uses the same breakdown).

What is missing from the draft 2012 Idaho Energy Plan is a discussion of the level of potential energy efficiency available. Each Idaho investor-owned utility (IOU) determines the available energy efficiency through both a "potential study" and its integrated resource plan (IRP). ICL believes that this information should be in the 2012 Idaho Energy Plan to demonstrate that state policies and actions designed to close the gap between achievable and economic potential can unlock a significant energy resource, leading to increased investment and reduced costs for Idahoans.

Idaho Power commissioned a demand side management potential study in 2009. The study figured that 100,000 megawatt hours (MWh) were achievable in 2010.[2] Beyond the achievable potential, the study calculated an overall economic potential of 945,000 MWh, or 7% of energy demand, available in 2010. The important point here is that Idaho Power's own studies reveal that substantially more energy efficiency is available than it plans to acquire. The Legislature can help close this gap through building codes, changes to the tax code, and policy directives to state agencies.

Avista's 2011 IRP figures that its economic potential in 2012 is 229,657 MWh, or 2.6% of total energy demand. By 2022, this economic potential grows to over 2 million MWh, or 25.5% of total demand. Meanwhile, the company forecasts that the achievable potential is 49,804 MWh, 0.6% of demand, growing to 940,578 MWh, or 9.0% of demand.[3] While total savings are for both Idaho and Washington, these forecasts provide an idea of the difference between what Avista believes is achievable and the far larger amount its own studies show is actually cost effective.

Rocky Mountain Power uses a slightly different approach. Its 2011 potential study determines the achievable technical potential before considering economic factors. Then Rocky Mountain uses its 2011 IRP to determine the economic potential for energy efficiency over the planning period. This process highlights the manner in which utility programs and state action can work together to achieve higher levels of energy efficiency in Idaho. As stated by Rocky Mountain, the achievable technical potential for better insulated homes "might be acquired through utility programs or through higher energy-efficiency codes and standards implemented through legislative action."[4]

Investing in Energy Efficiency Leads to Economic Growth and Creates Jobs

Also missing from the draft 2012 Idaho Energy Plan is information on the level of economic activity that investing in energy efficiency can stimulate for Idaho. Policies that promote energy efficiency and conservation stimulate economic activity, and the energy that Idaho saves can power new homes and businesses. The draft 2012 Idaho Energy Plan in section 3.2.7, pages 77–78, describes the price advantage that energy efficiency has over all energy generation resources. Idaho's electric utilities can acquire programs that save energy for less than $0.05 per kilowatt hour, while energy from the cheapest generation resource, natural gas plants, costs closer to $0.10. By investing in lower-cost resources like energy efficiency, Idaho families and businesses save money they can then invest in other things.

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[2] Nexant, *Idaho Power Demand Side Management Potential Study*. (2009) Available at: http://bit.ly/IdahoPowerDSMStudy

[3] Avista *2011 Integrated Resource Plan* at page 3-8. Available at: http://bit.ly/Avista2011IRP

[4] PacifiCorp *2011 Assessment of Long-Term System-Wide Potential for Demand-Side and Other Supplemental Resources* at ES-8 (March 31, 2011). Available at: http://bit.ly/PaCorpDSMStudy

Investing in energy efficiency will stimulate the Idaho economy. Vermont recently commissioned a study on the economic impacts of energy efficiency investments as part of the state's effort to revise its energy plan. This study, attached to these comments, found that every $1 million invested in energy efficiency created 43 full-time, instate jobs; increased state gross domestic product by $5.5 million; increased personal income by $2.2 million; and saved over $6.1 million in energy costs.[5]

Over the past several years, Idaho has made substantial gains in using our energy wisely. The Idaho Public Utilities Commission has consistently encouraged Idaho utilities to acquire all cost-effective energy efficiency. In response, Idaho utilities have steadily increased their programs to help customers use energy wisely. ICL urges the Legislature to identify specific policies and actions in the 2012 Idaho Energy Plan that can help close the gap between current achievement of energy efficiency and the full cost-effective potential. By closing this gap, Idaho can avoid the need for new power plants that can impact our beautiful landscape. These policies will ensure that Idaho uses our low-cost energy resources wisely, help family budgets, keep our businesses competitive, and free up resources to attract new industry.

RECOMMENDED POLICIES

ICL believes that a comprehensive state energy plan should include more than just information about energy options. Like the 2007 Idaho Energy Plan, the 2012 Idaho Energy Plan should identify specific policies and actions that Idaho can implement to meet the objectives.

Below ICL refers to several documents that have been submitted to the Interim Committee during this process: the September 28, 2012 draft, which consists of recommendations from the individual task forces, and the October 14 draft, which was further edited by the Board of the Idaho Strategic Energy Alliance (ISEA). Also, the Committee has a spreadsheet entitled "Consensus Discussion," which reflects the ISEA Board's review of the policy and action items in the draft plan. In our specific comments below, we refer to each of these documents and use the numbering scheme for policies and actions in the "Consensus Discussion" spreadsheet.

Energy Efficiency and Conservation

Policy #3

Establish cost effective conservation, efficiency, and demand response as the highest-priority energy resource for Idaho.

ICL recommends that the Legislature maintain the existing state policy that energy efficiency is the highest priority resource by adopting this policy statement. The 2007 Idaho Energy Plan established a resource priority for Idaho and Idaho utilities of "(1) Conservation, energy efficiency and demand response; and (2) Renewable resources; recognizing that these alone may not fulfill Idaho's growing energy requirements." The September 28 draft of the 2012 Idaho Energy Plan changed this policy statement to "Establish cost effective conservation, efficiency, and demand response as the highest-priority energy resource for Idaho." The October 14 draft changed this statement from "highest-priority" to a "high priority" resource. Unfortunately, the "Consensus Discussion" from the ISEA Board changes this statement further to merely "a priority." ICL

[5] See Optimal Energy, *Economic Impacts of Energy Efficiency Investments in Vermont* (August 17, 2011) (attached). The full Vermont Energy Plan is available at: http://www.vtenergyplan.vermont.gov/

believes that demoting the primacy of energy efficiency is not supported by information contained in the draft 2012 Idaho Energy Plan.

The draft plan repeatedly provides factual information for why energy efficiency should remain the highest priority resource, including promoting energy security and economic development. The October 14 draft plan states:

> The Committee finds that energy conservation and energy efficiency measures provide the greatest economic and environmental benefits for Idaho (and enhanced economic competitiveness for our businesses) and should be one of Idaho's highest-priority energy resources and thus it is a major focus of the 2012 Idaho Energy Plan.[6]

This prioritization also aligns with the stated policy of the Public Utilities Commission to pursue all cost-effective energy efficiency before supply side generation. Finally, it also aligns with the current planning practices of Idaho Power as described on page 3 of its 2011 IRP.

Action CE-1*: All Idaho utilities should fully incorporate cost-effective conservation, energy efficiency, and demand response as the highest priority resources in their Integrated Resource Plans.*

ICL recommends that the Legislature adopt this wording of this action item to align with the policy statement above. This is the same wording of action E-1 from the 2007 Idaho Energy Plan, but it differs from that of both drafts of the 2012 plan, which uses the term "the priority resource." Unfortunately, in the "Consensus Discussion," the ISEA Board changes the wording to "as priority resources" without any explanation. To maintain clarity in the plan, ICL recommends using the same terminology in the action item as in the policy statement: energy efficiency is the highest priority resource. Further, this action item provides a concrete means to implement Idaho policy and aligns with current PUC directives.

ICL also endorses the definition of "cost effective" contained in the 2007 Idaho Energy Plan and carried forward to both drafts of the 2012 Idaho Energy Plan: "Cost-effectiveness of a conservation measure means that the lifecycle energy, capacity, transmission, distribution, water and other quantifiable savings accruing to Idaho citizens and businesses exceed the direct costs of the measure to the utility and participant." The draft plan also mentions the "Total Resource Cost" perspective as the appropriate test for cost effectiveness. This is but one of several possible tests, but ICL endorses it as the appropriate overall test. ICL regularly participates in proceedings in front of the PUC that review the cost effectiveness of utility energy efficiency programs. At the direction of the PUC, these proceedings use several tests to review cost effectiveness from a variety of perspectives.

Action CE-2: *The Idaho PUC should encourage investor owned utilities (IOUs) to pursue all cost effective conservation in their service territories.*

ICL recommends that the Legislature adopt this wording of this action item, the same wording as used in the September 28 draft of the 2012 Idaho Energy Plan. The October 14 draft excluded the word "all" after the ISEA Board in "Consensus Discussion" argued that this change would allow the PUC to "manage these investments" and "define what is cost effective."

[6] Policy #2, page 8, 110; Action CE-1, page 11, 116 ("The Committee intends that Idaho utilities should make cost-effective conservation, energy efficiency and demand response the highest priority resources in their IRPs."); section 1.4.3, page 19 "high priority resource."

ICL submits that removing the word "all" actually runs against the stated policy of the PUC and does nothing to enhance this action item. The PUC has repeatedly directed Idaho utilities to pursue all cost-effective energy efficiency. The PUC, utilities and other stakeholders manage these investments through the notion of cost effectiveness, a term with a known definition and a variety of analytical tests already used by stakeholders. By reaffirming that Idaho policy is to acquire all cost-effective energy efficiency, the Legislature signals its continued support for current practices.

Further, it is good public policy to encourage utilities to pursue all cost-effective energy efficiency. If an energy efficiency investment is cost effective, it provides the same benefits of an energy supply resource for less cost. To not acquire cost-effective energy efficiency means that the utility would acquire more expensive resources, thereby raising prices for ratepayers.

This action item is a significant change from the 2007 Idaho Energy Plan. As noted in the "Consensus Discussion" sheet, the 2012 Idaho Energy Plan drops the recommendation from 2007 that the PUC establish annual energy efficiency targets. ICL submits that current policy, pursuing all cost-effective energy efficiency, avoids contested regulatory proceedings to set targets and leads toward greater energy savings for Idahoans.

Action CE-4: *The Idaho PUC should seek to eliminate disincentives that stand as barriers to implementing cost-effective conservation measures. The PUC should consider appropriate methods to avoid the disincentives associated with investor owned utility conservation efforts. Options may include, but are not limited to:*

> *i. Recovery of revenues lost due to reduced sales resulting from conservation investments;*
> *ii. Capitalization of conservation expenditures;*
> *iii. A share of the net societal benefits attributable to the utility's energy efficiency programs;*
> *iv. "Decoupling" of utility revenues from sales.*

ICL recommends that the Legislature include "decoupling" as a policy option that the PUC may consider. The 2007 Idaho Energy Plan included decoupling as a policy option, but neither draft of the 2012 Idaho Energy Plan includes it. By adopting the wording above, the Legislature provides the PUC a full suite of options to consider and maintain current practices.

Decoupling is a regulatory mechanism that separates utility revenues from sales so that a utility does not experience reduced revenue by investing in energy efficiency. Under traditional regulation, the price that a customer pays for a unit of energy provides revenue for the utility to recover its costs and some profit. The price for each unit is set by the PUC based on a forecast of the total cost to provide service to everyone divided by a forecast of individual sales. If actual sales are below the forecast, the utility revenue is less than expected. If actual sales are above the forecast, the utility earns more revenue than expected. Under the traditional scheme, the utility has an inherent incentive to only increase sales and a disincentive to encourage energy efficiency.

Instead, if utility revenue is separated from sales, the utility becomes indifferent to whether actual sales are above or below forecast sales. There are essentially two major policy options to break the link between revenue and sales: recovery of lost revenues and decoupling. The 2007 Idaho Energy Plan included both options. Both drafts of the 2012 energy plan mention only the first option. The Legislature should provide the PUC with all possible options to consider.

The PUC has a strong track record of using regulatory mechanisms that promote energy efficiency investments by our utilities. By adopting new regulatory mechanisms, the Idaho PUC can promote energy efficiency while maintaining a healthy business climate for our utilities. Choosing

among these options and crafting the precise details comprise a highly complex and fact-specific task—a task that the PUC is uniquely suited for. For the past several years, the PUC and Idaho Power have worked to craft a decoupling mechanism. This process will continue over the coming months as the PUC, Idaho Power and other stakeholders work to craft a permanent decoupling mechanism.

Action CE-8: *Idaho should consider tax incentives that encourage investment in energy efficient technologies by Idaho business and households.*

ICL recommends that the Legislature adopt this wording instead of the wording in either draft of the 2012 Idaho Energy Plan. The wording of this action item in the October 14 draft of the 2012 energy plan—"Idaho should encourage investments in energy efficient technologies to the extent practical"—is a policy direction, not an action item. The notion of tax incentives includes a broad array of options such as credits, rebates, deductions and exemptions. By adopting the action item above, the Legislature signals that it will consider a broad array of options to determine an appropriate targeted incentive to encourage energy efficiency investments.

The 2007 Idaho Energy Plan recommended two action items: an income tax incentive for investments in energy efficiency technologies by Idaho business and households and a sales and use tax exemption on the purchase of energy efficient technologies. ICL's suggested wording captures both of these ideas, but it provides a broader set of consideration for the Legislature.

The tax code is among the most powerful tools available to the Idaho Legislature to encourage or discourage specific policy goals. As Idaho recently experienced with wind energy, a subtle change in tax policy can unleash substantial amounts of economic activity. A recent study from Vermont found that every $1 million in energy efficiency investment created 43 full-time, instate jobs; increased state gross domestic product by $5.5 million; increased personal income by $2.2 million; and saved over $6.1 million in energy costs.[7]

Using the tax code to encourage energy upgrades in Idaho homes and businesses can unleash substantial investments in Idaho, generate job growth, and help maintain Idaho's low-cost and reliable energy supply. The ISEA Energy Efficiency and Conservation Task Force 2009 and 2010 reports both recommended that the Legislature implement these actions by updating the existing residential income tax code section 63-322B, which by rule only applies to homes built before 1976.

ICL recommends extending this tax deduction to all homes built before 2004, the year in which Idaho adopted a building code with strong energy efficiency measures. Extending the tax incentive to this date captures many homes built since 1976. Alternatively, a simpler change is to remove the date requirement all together thereby reducing the administrative burden on the state while encouraging greater investment in Idaho homes and businesses.

Action CE-9: *Idaho should continue to review the international building codes on a three-year cycle as a minimum for building energy efficiency standards and should provide technical and financial assistance to local jurisdictions for implementation and enforcement.*

ICL recommends that the Legislature retain this action item in the 2012 Idaho Energy Plan. Building codes allow the Legislature to establish a minimum level of energy efficiency for all Idaho

[7] See Optimal Energy, *Economic Impacts of Energy Efficiency Investments in Vermont* (August 17, 2011) (attached).

homes and businesses. This ability ensures that Idaho does not miss out on the opportunity to build things wisely in the first instance. By doing so, buildings will use less energy and building owners and users will have lower energy bills.

Action E-10 in the 2007 Idaho Energy Plan recommended adopting, implementing and enforcing building codes on a three-year cycle. The Legislature did adopt the 2009 International Building Code in 2011 just as it adopted the 2003 code in 2004 and the 2006 code in 2007. The Energy Efficiency and Conservation Task Force report dated October 2010 recommended that Idaho should continue to have a policy of adopting new building codes as they are improved. The September 28 draft of the 2012 Idaho Energy Plan included this action item. Unfortunately, the October 14 draft dropped this action item. According to the "Consensus Discussion" spreadsheet the ISEA Board dropped this action item "due to ongoing challenges with informational and education efforts regarding the adoption of the 2009 international building code." Recognizing these challenges, the Energy Efficiency and Conservation Task Force and Department of Building Safety endorse keeping this action item but changing the term "adopt" to "review."[8]

In addition to standard building codes, ICL encourages the Legislature to consider incentives for going above and beyond the baseline requirements in the code. One example of this activity is building LEED-certified buildings. Another example is the Energy Star Homes program where individual homes are 15% more efficient than standard homes. These "stretch goals" can increase investment and reduce energy costs for Idaho. Some specific means to encourage these activities are through reduced building permit fees or streamlined review processes. Another option is for the Legislature to direct state agencies to exceed building code standards when renovating or building state buildings. Public entities can use Idaho's existing performance contracting law to finance these projects. By encouraging these stretch goals, the Legislature can provide leadership and reduce operating costs long into the future.

Action—New*: Idaho should consider options to increase homeowner and business access to financing for energy efficiency investments.*

One of the primary hurdles to investing in greater energy efficiency is accessing the upfront cost of the project. Efficiency investments can save Idahoans money through reduced energy bills, but this situation does not address the upfront cost of the project. One analogy is buying a car. The auto industry discovered long ago that, by providing financing, they could attract vastly more customers for their product. Energy efficiency investments are similar except that they actually save money and increase the value of a home or business. Providing access to capital is a primary means that the Legislature can employ to create jobs and generate economic growth while helping Idaho achieve all cost-effective energy efficiency.

The Legislature can consider a variety of schemes to improve access to capital. The Office of Energy Resources has a low-interest loan program.[9] Extending the payback period beyond the current five years can reduce the monthly payment and make this program more attractive. Another option is to use state funds to invest in energy efficiency projects. Pennsylvania has the Keystone Help loan program funded by state treasury dollars.[10] Because these loan programs reduce

[8] See comment from Kevin Van Den Wymelenberg on behalf of the Task Force submitted November 1, 2011, and Ron Whitney on behalf of the Department of Building Safety, submitted November 2, 2011.
[9] OER Loan program information available at: http://www.energy.idaho.gov/financialassistance/energyloans.htm
[10] Pennsylvania loan program information available at: http://www.keystonehelp.com/index.php

monthly energy bills, they have very low default rates and prove to be solid investments for states.[11] To implement this action, ICL recommends that the Legislature ask the Office of Energy Resource to review options and report back.

Action—New: *Idaho should consider the options for a Consumer Advocate to represent residential customers before the Public Utilities Commission.*

Idaho is one of few states around the country—and the only western state—without a dedicated consumer advocate representing residential customers before the PUC. Currently, the staff of the Idaho PUC perform this role, but their duty is to balance the interests of all customer classes with the interests of the utility. A consumer advocate office plays a different role by representing the interests of residential customers only.

Other customer groups recognize that having a dedicated representative for their interests is important. Large industrial customers, irrigators, individual large customers and low-income advocates typically intervene in regulatory proceedings to represent their specific interests. ICL also intervenes on behalf of our members to advocate for energy efficiency. Because utility regulation is a complex process, having a dedicated professional advocate for residential interests could lead to better decisions overall.

There are two basic options for a consumer advocate. The Legislature could ask the Attorney General's office to perform this function through the current Consumer Protection Division. The other option is called a citizen utilities board (CUB), which is an independent nonprofit entity. With either model, the Legislature could provide specific direction on the duties and structure of the consumer advocate through statute. While the Legislature considers options for creating a consumer advocate, we are supportive of increasing the intervening funding as a good first step.

Distributed Generation

Policy—New

It is Idaho policy to encourage the development of customer-owned and community-owned renewable energy and combined heat and power.

ICL recommends that the Legislature maintain this policy statement, which was Policy #7 in the 2007 Idaho Energy Plan and Policy #4 in the September 28 draft of the 2012 Idaho Energy Plan. Unfortunately, this statement did not appear in the October 14 draft, and the "Consensus Discussion" spreadsheet from the ISEA Board declared it "unnecessary." ICL disagrees. Encouraging customer- and community-owned renewable energy—commonly known as distributed generation—can promote economic development and reduce Idaho's dependence on imported energy sources. The Solar American Communities program from the Department of Energy provides a wealth of information on this topic.[12]

Today, distributed generation is most commonly solar photovoltaic (PV) panels on rooftops. Solar PV is a good resource option for Idaho since our energy demands peak during summer afternoons, the same time as output from the panels.[13] This matching of output and demand helps mitigate

[11] ACEEE nationwide study of efficiency loan programs available at: http://bit.ly/ACEEEstudy
[12] DOE provides several reports on solar energy and economic development at: http://bit.ly/DOESolar
[13] *See* Idaho Power *2011 Integrated Resource Plan* at page 10 (discussing their plans for a Solar Demonstration Pilot Project). Available at: http://bit.ly/IdahoPowerIRP

issues with integrating solar into our current electric grid. Idaho has an abundant solar resource with clear summer skies and long hours of sunlight. Rooftop-mounted solar uses existing buildings, thereby avoiding impacts to wildlife and visual resources. Finally, customer-owned renewable energy creates local jobs for electricians, roofers and other installers while allowing owners to be more energy independent.

The October 14 draft of the 2012 Idaho Energy Plan uses outdated and incomplete information when discussing distributed generation in section 3.6.4, pages 83–84. The October 14 draft states that "the prospects for widespread adoption of distributed generation technologies are not at all certain." The draft then cites a study from 2003. Since this time, the distributed generation sector, particularly solar, has seen explosive growth. Germany has installed the most solar PV in the world, 80% of which comprises small-scale systems on residential rooftops. Closer to home, Salt Lake City is undertaking a comprehensive program to increase small-scale solar through the Solar Salt Lake Project.[14]

Encouraging consumer- and community-owned renewable generation can lead to significant job creation and economic growth. In 2009, the National Renewable Energy Laboratory released a study on the economic impacts of community-owned wind. This study concluded that community-owned wind produced more construction-related and operations-related jobs than wind projects owned by absentee owners.[15] The U.S. Department of Energy released a report describing the opportunities for local governments to tap into the booming solar industry. The report states that nationwide the solar industry could create 764,000 jobs by 2025 in both manufacturing and installing projects.[16]

Action E-6: *Idaho should encourage cost-effective investment in renewable generation and combined heat and power facilities through the tax code, reducing regulatory burdens, and by providing policy guidance to the PUC.*

ICL recommends that the Legislature adopt this wording of this action item. We agree with the ISEA Board "Consensus Discussion" spreadsheet that this action item should offer a broader array of options to stimulate investment in clean and secure energy sources that can stimulate Idaho's economy. This action has several options to consider on how to best encourage cost-effective investment, including the tax code, reduced regulatory burdens, and policy statements regarding the Public Utility Regulatory Policies Act (PURPA).

This action item is included in the 2007 plan and each draft of the 2012 plan. This action was Policy #7 in the 2007 Idaho Energy Plan and included as Action E-6 in the September 28 draft of the 2012 Idaho Energy Plan. The October 14 draft renamed this action E-4, while the "Consensus Discussion" spreadsheet relabeled it as action E-6. As the draft 2012 Idaho Energy Plan explains, Idaho does not have instate conventional energy sources, but it does have a large potential for renewable energy sources. Encouraging cost-effective investment in these homegrown resources will ensure a secure, reliable and stable energy system.

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[14] Learn more about the partnership between Salt Lake City, Salt Lake County, and other stakeholders to facilitate 10MW of new solar panel projects by 2015 at: http://bit.ly/SolarSaltLake

[15] NREL, *Economic Development Impacts of Community Wind Projects: Review and Empirical Evaluation, NREL/CP-500-45555* (April 2009). Available at: http://bit.ly/NRELwindstudy

[16] U.S. Department of Energy, *Solar Photovoltaic Economic Development: Building and Growing a Local PV Industry* (August 2011). Available at: http://bit.ly/USDOEsolarstudy

Some more specific action items that the Legislature could consider include tax incentives to attract renewable energy manufacturers and encourage consumer investment in these systems. Also, the Legislature can encourage local communities to streamline permitting and other approvals to reduce burdens for investors. Finally, the Legislature could provide policy guidance to the PUC on implementing PURPA or other regulatory mechanisms including feed-in tariffs.

Action E-10: *The Idaho PUC, utilities, municipalities, and cooperatives should ensure non-discriminatory policies for interconnection and net metering of customer-owned generation.*

ICL endorses this action item and encourages the Legislature to include it in the 2012 Idaho Energy Plan. Interconnection policies describe the technical and permitting requirements for connecting rejects to the electric grid. Net metering policies govern the rate that a utility will pay an owner for the power produced by the project.

This was action E-17 in the 2007 Idaho Energy Plan, E-10 in the September 28 draft of the 2012 Idaho Energy Plan, and E-8 in the October 14 draft. Unfortunately, the ISEA Board "Consensus Discussion" spreadsheet recommends removing this action item "as it is more of a philosophy than an action." ICL disagrees. The Legislature can and should take action to ensure that individual homes and businesses have a fair chance of safely and economically contributing to Idaho's energy independence.

The rules and regulations covering the ability of individuals to connect their distributed generation projects into the grid can present a difficult regulatory burden. Right now, each utility in Idaho has slightly different rules for interconnection and different rates for net metering. While not included in this action item, another problem is inconsistent rules contained in local building codes and permitting processes. This multitude of rules creates uncertainty for investors and individual Idahoans. In Utah, the Solar Salt Lake Project included a statewide review and streamlining of these policies.[17] ICL encourages the Legislature to consider adopting a similar approach where the Legislature sets forth overarching rules and the PUC formulates specific details.

Action E-9: *In accordance with federal law, the Idaho PUC should continue to administer its responsibilities under the Public Utility Regulatory Policy Act (PURPA) in a way that encourages the cost-effective development of customer-owned renewable generation and combined heat and power facilities.*

ICL recommends that the Legislature include this action item in the 2012 Idaho Energy Plan. The wording above was action E-9 in the September 28 draft of the 2012 Idaho Energy Plan and E-17 in the 2007 Idaho Energy Plan. The October 14 draft, action E-7, stated only that the Idaho PUC should continue to administer PURPA. Because PURPA is federal law, the PUC has no choice but to administer it. However, the specifics of this implementation can encourage or discourage many different things, and ICL recommends that the Legislature provide the PUC with some policy direction to support small, locally owned power producers. As explained throughout the 2007 and 2012 Idaho Energy Plans, investing in instate renewable energy can foster economic growth and increase Idaho's energy independence and security.

[17] *See* Solar Salt Lake Project, *Local Codes and Net Metering* (October 25, 2010) (attached).

Energy Facility Siting

Policy #10

The Committee reiterates the recommendation from the 2007 Plan that Idaho state agencies play a role in providing technical assistance to support local energy facility siting decisions and that local jurisdictions make a reasonable effort to hear testimony about the impact of proposed energy facilities from citizens and businesses in neighboring jurisdictions.

ICL encourages the Legislature to include this policy item and adopt supporting action items to help implement it. This is Policy #9 in the October 14 draft of the 2012 Idaho Energy Plan and Policy #10 in the September 28 draft. This statement differs from Policy #17 in the 2007 Idaho Energy Plan in recognition of Idaho's Energy Facilities Site Advisory Act. While this act is a good start, ICL believes that the 2012 Idaho Energy Plan should include additional items to help Idaho further address the issue.

Locating energy facilities of all types, both generation and transmission, continues to be an issue across Idaho and other states. These facilities are unique to other land-use decisions since they can have a significant impact both locally and statewide. The location of a wind facility can affect local values such as scenic views or wildlife areas. This same facility can affect statewide issues when it becomes part of our interconnected electricity system. Transmission lines likewise can cross a farmer's field in order to access low-cost generation resources in far-flung places. The Idaho Legislature can help all Idahoans address these issues by improving the energy facility siting process statewide.

Action S-1: *The Office of Energy Resources should ensure local officials are aware of the Energy Facility Site Advisory Act ("the Act") and the opportunity to establish Energy Facility Site Advisory Teams to provide technical assistance when requested by local jurisdictions.*

The Energy Facilities Site Advisory Act is a good start to energy facility siting because it maintains local authority while providing state agency assistance if requested. However, despite approving many different energy projects since its passage, no city or county has used the process. ICL offers the following suggestions to improve the act. First, ICL suggests reducing the current size threshold from 50 megawatts (MW) to 10 MW. Many independent power projects recently built in Idaho are individual wind developments that are 10 average MW in size. Second, the act should include a provision for the city, county or state agency to collect a fee from the project proponent. Third, the current act only applies to energy generation facilities, not transmission projects. Because transmission is far more complicated and creates a much larger footprint than individual energy projects, ICL encourages the Legislature to amend the act to include transmission.

Beyond providing advice and assistance, ICL encourages the Legislature to consider some substantive requirements in the siting act. First, the act should establish some baseline requirements for the scope and timing of notification to neighboring cities and counties about proposed energy facilities. Second, ICL encourages the Legislature to consider adopting some baseline siting suggestions for setbacks, impact studies, noise levels and other issues so that siting decisions are more consistent. With these changes, the siting act will provide local communities and project developers a more consistent set of guidelines to achieve the policy statement above.

Action S-2: *Sponsors of new transmission line projects in Idaho should consider adopting best practices from the siting of other transmission lines in the Western Interconnection.*

Transmission line siting continues to be a long and often contentious process. Increasing the capacity of the transmission system can improve Idaho's energy system by providing a means to import low-cost and clean power as well as export for sale excess Idaho-generated power. Regional transmission projects can reduce the need for expensive new power plants by using existing resources more effectively. But Idaho should be mindful of protecting our other important values—vibrant wildlife and open public lands—when considering transmission lines. To accomplish this balance, ICL recommends that the Legislature consider encouraging best practices.

Examples of best practices include some actions already in the 2012 Idaho Energy Plan such as actions E-4 and E-15, which encourage ongoing participation in regional transmission planning efforts to coordinate with surrounding states. Another best practice is to create broad-based frameworks for evaluating proposals and mitigating potential impacts.

Transportation Fuel Conservation

ICL believes that the 2012 Idaho Energy Plan should include policy statements regarding transportation fuel conservation and support, retaining the following action items from the 2007 Idaho Energy Plan.

Action T-7: *Idaho should work with other states to promote an increase in Federal CAFE standards.*

There have been recent increases in the federal Corporate Average Fuel Economy (CAFE) standards, but ICL encourages the Legislature to update this action instead of eliminating it. Our suggested language is "Idaho should work to promote increasing fuel mileage standards that improve fuel economy and reduce environmental impacts."

Action T-8: *Idaho should permit local authorization of transit option taxes to support the use and expansion of public transportation.*

This action should not be deleted from the 2012 Idaho Energy Plan. Idaho is one of four states that does not provide state funding or allow for the use of local option taxes for public transportation. Improving public transportation in Idaho is key to conserving fuel. Idaho should permit local authorization of transit option taxes to support the use and expansion of public transportation.

Action T-10: *Idaho should encourage regional land use planning and policies that minimize vehicle miles traveled.*

ICL supports this action and sees no reason why it should be removed. Idaho should encourage regional land-use planning and policies that minimize vehicle miles traveled.