



**MEMO**

SUBJECT: Grounds for a YES vote on IDACORP shareholder resolution requesting the company to adopt greenhouse gas reduction goals.

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CONTACT: Michael Passoff, As You Sow 415-391-3212 x32, michael@asyousow.org

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**IDACORP Shareholder Proposal #3:**

**RESOLVED:**

“shareholders request that the Board of Directors adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company’s products and operations; and that the Company report to shareholders by September 30, 2009, on its plans to achieve these goals. Such a report will omit proprietary information and be prepared at reasonable cost.”

**Management’s Opposition Statement and primary arguments against this proposal:**

*IDACORP believes it is better to wait for federal reduction mandates before setting quantitative goals*

*IDACORP believes it provides shareholders adequate information and transparency particularly through its participation in the Integrated Resource Planning (IRP).*

**Our Rebuttal and Rationale for a YES vote:**

1. IDACORP’S reactive ‘wait and see’ strategy leaves it unprepared for the regulatory, competitive, and market risks arising from climate change, including the very real threat of impending carbon dioxide (CO2) emissions regulation. These risks pose significant financial risk to the company and to its investors.
2. IDACORP lags behind its peers on climate risk preparedness: many utilities have articulated clear awareness of the same risks, and leaders in the industry already have quantitative reduction goals for carbon dioxide emissions.
3. IDACORP’S public information on this issue is insufficient. Its suggestion that the IRP process evaluates future resource needs by accounting for forecast load growth, energy efficiency and demand response program performance is dubious at best. Furthermore, the opposition statement fails to mention that the IRP process is on hold.

**1. IDACORP IS UNPREPARED**

The scientific evidence is now “overwhelming” that climate change presents a serious global economic threat; in 2007 the Nobel prize-winning Intergovernmental Panel on Climate Change released its Fourth Assessment Report, which found “unequivocal” evidence that the climate has already warmed drastically and indicated a high likelihood of further “abrupt or irreversible” impacts. These climactic changes pose direct physical risks to IDACORP and its operations; furthermore, as policymakers move to confront the

threat of climate change and businesses adapt to a carbon-constrained economy, the company faces increasing regulatory and competitive risks as well.

Regulatory and competitive risks result in significant financial risk to the company, financial risk that is borne by its shareholders. IDACORP's investors need to know that the company is prepared for these risks.

#### Regulatory Risk

The electricity industry, as a significant source of greenhouse gas emissions, is facing increasing regulatory pressure to reduce those emissions. Due to Idaho's reliance on coal-fired electric plants, Idaho and Idahoans will be hit hard by fees incurred in such regulations. Numerous regulations exist or have been proposed to reduce GHG emissions – regulations that will have clear and direct impacts on the electricity industry. For example:

- The Obama Administration has singled its intent to develop a cap-and-trade program for reducing GHG emissions, suggesting that 100% of the emission allowance should be auctioned.
- The U.S. Environmental Protection Agency (EPA) issued a proposed rule March 10, 2009 that will require companies with significant GHG emissions to monitor and record emissions beginning in 2010 and to start filing annual reports in the first quarter of 2011. The EPA is also expected to finalize and issue a report in April 2009 finding that GHG emissions endanger public health *and* welfare, setting the stage for EPA to regulate such emissions.
- Several bills to establish federal climate legislation have been introduced in Congress, with the most important being the American Clean Energy and Security (ACES) bill, which addresses both energy and climate change. Rep. Henry Waxman (D-CA), the Chairman of the House Energy and Commerce Committee, and Rep. Edward Markey (D-MA), Chairman of the House Energy and Commerce Subcommittee on Energy and the Environment, released a discussion draft of the ACES bill on March 31, 2009, aiming to move a bill out of the Committee by Memorial Day. Their bill would establish a cap-and-trade system to achieve aggressive emissions reductions: 3% below 2005 emission levels by 2012, 20% by 2020, 42% by 2030, and 83% by 2050. Other proposals have also been put forth, including a carbon tax and a cap-and-dividend system.

Regulatory action is also still underway at the state and regional level in the United States, with regional markets starting or being planned in the West, Northeast, and Midwest, and with individual states setting GHG reduction targets.

#### Competitive Risk

IDACORP has the lowest conservation achievement of the ten major Pacific North West utilities at 4%, while its competitor, Eugene WEB has 18%.

Avista's planned Idaho conservation acquisitions of 33aMW are in line with its Power Council target. IDACORP's planned conservation acquisitions of 110aMW are below its Power Council Target of 126aMW while its competitor, Avista's acquisitions are in line with its target.

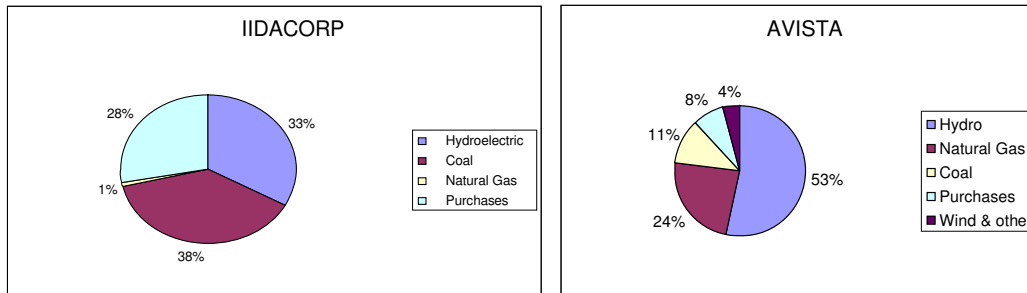
The company lags behind regional utilities in the commitments it has made and will not provide any firm targets for GHG reduction. Absolute GHG reduction targets indicate to investors that the company is prepared for these risks; without quantitative, absolute (not intensity-based) GHG reduction goals, it will be difficult for investors to accurately assess the company's preparedness for a carbon-constrained world.

#### Market Risk

IDACORP's 10 year resource plan acknowledges that it has not kept up with building the power plants needed in order to meet load growth. IDACORP's reliance on regional markets is not a financially strong or sustainable position.

The current portfolio mix is vulnerable to price pressures from: volatility in the wholesale electric power market, limitations in the hydropower system, price variability in natural gas, emissions costs related to coal-fired plants, instability in petroleum supply sources and pipeline vulnerabilities. As noted in the 2009 IRP, “adequate power is not always available in the company’s timelines” and continued reliance on the current portfolio only puts customers at greater risk.

Idaho is attractive to businesses in part due to it having the lowest cost for electricity of the 50 states. Yet that privileged position is tenuous due to IDACORP’s energy allocation. IDACORP’s owned resources are 53% coal, 46% large hydroelectric and 1% natural gas. In addition, 28% of the energy supplied to customers is purchased on the open market. This leaves customers open to price fluctuations that will have an impact on their utility bills.



Renewable Portfolio

Reducing coal in the energy portfolio allocation not only has significant environmental and health benefits, but also reduces financial risk to IDACORP shareholders and customers.

The company cites its hydroelectric generating capacity in order to evade further commitments to renewable energy. But the company’s 10-year resource plan acknowledges that it can not meet load growth.

In addition, the company’s annual report notes that climate change will have an impact on the “amount and timing of hydroelectric generation.”

Studies have identified that Idaho has significant untapped resources for renewable energies. Wind resources alone have been estimated from 5594 aMW to 18,000 aMW – almost two to six times the state’s total expected load in 2015 of 3,242 aMW. Biomass could contribute over 300 million gallons of fuel, Geothermal has the potential for 860 MW, and there are approximately 2100 aMW of potential hydroelectric power untapped in the state.

2. IDACORP LAGS BEHIND ITS PEERS

IDACORP lags behind other utilities that have set quantitative emissions reduction targets. Leaders such as Entergy and AEP have set targets established in the first half of this decade. Utilities such as PG&E, Duke, NRG, Exelon, and FPL are members of the United States Climate Action Partnership asking for the government to mandate GHG emissions reductions and many have taken actions to avoid emissions and committed to company-specific reduction targets. For instance:

- The Western Climate Initiative is composed of Arizona, California, Montana, New Mexico, Oregon, Utah, and Washington, as well as the Canadian provinces of British Columbia and Manitoba; it has a regional, economy-wide goal of 15% reduction in GHG emissions below 2005 levels by 2020;

- Ten Northeastern and Mid-Atlantic states are members of the Regional Greenhouse Gas Initiative (RGGI), a cap-and-trade program to stabilize electric industry GHG emissions at current levels from 2009 through 2015, with a 10% reduction by 2019;
- The Midwestern Regional Greenhouse Gas Reduction Accord, agreed to in November 2007 by Illinois, Iowa, Kansas, Michigan, Minnesota and Wisconsin, will set up a cap-and-trade mechanism in the Midwest, and all Midwestern states (including Nebraska and North Dakota) adopted a plan to advance energy efficiency and renewable energy.
- California—one of the largest global economies—passed into law the nation’s first economy-wide cap on greenhouse gas emissions to reduce emissions to 1990 levels by 2020, with an enforceable statewide trading cap starting in 2012.
- IDACORP operates in Oregon which has a mandated GHG reduction target.

Unlike many utilities in other states that have reduction commitments – IDACORP wants to wait “until [they] have a better sense of where the administration is going on this issue.” The company wants to wait on the administration for both long-term planning and setting goals as per reduction targets. Yet taking steps now towards setting targets for GHG reduction goals may relieve IDACORP from future costs if the company is not prepared.

### 3. IDACORP’s PUBLIC INFORMATION IS INSUFFICIENT

IDACORP’s Opposition Statement says:

**Paragraph 2:** *“We believe that is premature for us to establish quantitative goals to reduce these emissions.”*

Shareholders say:

- The longer Idaho Power delays establishing goals, the greater the risk to shareholders and ratepayers. If Idaho Power believes greenhouse reductions are likely, delaying actions to begin reducing greenhouse gas emissions is imprudent.

**Paragraph 3:** *“We are not the operators of any coal-fired generating plants. ... Our carbon dioxide emissions fluctuate with the amount of our hydroelectric generation...”*

- While IDACORP does not operate the coal plants in Wyoming, Nevada and Oregon, it is nonetheless responsible for its proportionate share of the emissions from those plants.
- A diligent implementation of new renewable energy resources and accelerated deployment of additional energy efficiency would, combined, lead to a lower reliance on the coal-fired generation and in turn a reduction of IDACORP’s greenhouse gas emissions.

**Paragraph 4 –** *“The (CERES) report also indicated that our carbon dioxide emission rates per megawatt-hour of electricity produced was better than 75 of the 100 largest electrical power producers.”*

- IDACORP’S CO2 levels are offset by its hydroelectricity production – which as IDACORP’S 10-K admits - is subject to fluctuations and impact from climate change. Nowhere does IDACORP state that the emissions from its fossil fuel plants alone would rank it among the dirtier providers of fossil fuel energy:

IDACORP Fossil Fuel Plant Emissions	Rank (1 being worst, 100 being best)
<b>NOx</b>	<b>18</b>
<b>CO2</b>	<b>26</b>
<b>SO2</b>	<b>60</b>

**Paragraph 5** - *“Our Annual Report on Form 10-K for the year ended December 31, 2008 (“2008 Form 10-K”) which has been filed with the SEC and is available at our website, contains an extensive discussion of environmental issues affecting our company.....”*

- This ‘extensive discussion’ takes up approximately two pages of a 150 page document, and discusses these issues in the most general of terms. IDACORP does not prioritize risks or detail actions to address them. Nor does it provide scenarios, goals, benchmarks, or quantitative data related to greenhouse gas emission reduction.
- In fact, most statements in the 10-K actually support the shareholder resolution call for GHG emission goals.

**IDACORP’S 10-K says:** (highlights are IDACORP’s)

***“Idaho Power Company’s reliance on coal and natural gas to fuel its power generation facilities exposes it to risk of increased costs and reduced earnings.***

***“Climate change could affect customer demand and hydroelectric generation and disrupt transmission and distribution systems, reducing earnings and cash flows. “***

***“The cost of complying with environmental laws and regulations will increase capital expenditures and operating costs and may reduce Idaho Power Company’s earnings and cash flows and ability to meet the electricity needs of its customers. .... These expenditures could become even more significant in the future if legislation, regulations and enforcement policies change. For instance, considerable attention has been focused on emissions from coal-fired generating plants, including carbon dioxide, and their potential role in contributing to global warming. Proposals by Congress and the Environmental Protection Agency could lead to the adoption of a mandatory federal program to reduce carbon dioxide emissions. Such a program would raise uncertainty about the future viability of fossil fuels, specifically coal, as an economical energy source for new and existing electric generation facilities because technologies for reducing carbon dioxide emissions from coal, including carbon capture and storage, are not yet proven. The effects of mercury and other pollutant emissions from coal-fired plants are also subject to extensive regulation. The adoption of new statutes, rules and regulations to implement carbon dioxide, mercury or other emission controls will result in increased capital expenditures and could increase the cost of operating coal-fired generating plants or make them uneconomical to operate and result in reduced earnings and cash flows.”***

***The costs of complying with state or federal renewable energy portfolio standards could increase capital expenditures and operating costs and reduce earnings and cash flows. Idaho Power Company’s operations in Oregon will be required to comply with a ten percent renewable energy portfolio standard beginning in 2025. The new federal administration has called on Congress to adopt a federal renewable energy portfolio standard and it is possible that Idaho and other states in which Idaho Power Company operates or sells power could adopt renewable energy portfolio standards in the future. New state or federal renewable energy portfolio standards could increase capital expenditures and operating costs and reduce earnings and cash flows. “***

Furthermore, while the Opposition Statement provides a list of topics discussed in the 10-K, it fails to provide crucial details on those efforts. For instance the Opposition Statement says:

**Paragraph 6** - *“We discussed our planning process for a proposed new base load service scheduled to come on-line in 2012 or 2013 and our decision that this resource should be a combined cycle natural gas plant rather than coal-fired, in part because of environmental concerns.”*

- While the company intends to bring its proposed 330MW Langley Gulch gas plant online in late 2013, the Public Utilities Commission has yet to approve the company’s certificate of convenience and necessity. This is an open docket that will not be resolved until September 2009. The case will

address the company's proposed ratemaking treatment for the \$427 million plant, the necessity for the plant, and whether it can be delayed until such time that its need is firmly established.

- While the plant may slow down IDACORP's total GHG emissions it will not reduce them, consequently the gas plant will put the company at further risk if regulations constraining carbon are passed.
- IDACORP has so far declined to update its load growth forecasts to reflect the recession-caused decline in load growth, and many believe that new figures will show the plant will be necessary in 2014 – leaving it open to public and NGO opposition. PacifiCorp / Rocky Mountain Power – another Idaho regulated electric utility - did update its figures and it pulled its proposed gas plant and asked the Idaho PUC for a delay in filing its IRP because of it.

**Paragraph 6** - *“We discussed our ongoing efforts to expand our wind and geothermal generation and our efforts to implement energy efficiency programs.”*

- Unfortunately, IDACORP relies on non-hydro renewable energy for a very small fraction of its energy portfolio. It is purchasing power from three wind projects and one geothermal project, and the pace at which it is acquiring renewables continues to fall behind those of other utilities in the region.
- Idaho Power should be encouraged to expand wind, geothermal AND solar generation. However, efforts to expand geothermal resources via a recent RFP process were unsuccessful, leaving Idaho Power with an estimated 13MW of geothermal. The company claims it has more than 300MW of wind under contract, yet it is purchasing wind from three PURPA projects. Most of the wind identified by Idaho Power as under contract will likely not be built. The company must re-evaluate its wind acquisition strategies in order to have a credible wind program.

**Paragraph 8:** *“We believe the ongoing 2009 integrated resource planning process, which includes involvement by and input from government, public and non-governmental organization stakeholders is the proper forum to address these issues. The integrated resource planning process evaluate future resource needs by accounting for forecast load growth, energy efficiency, and demand response program performance, and the uncertainty associated with proposed regulatory requirements such as the regulation of greenhouse gas emissions and the adoption or state or federal renewable portfolio standards. The integrated resource planning process is the best way for us to balance goals to reduce greenhouse gas emissions with reliability, cost and government-mandated obligations.”*

- Shareholders strongly disagree that the IRP “is the proper forum to address these issues.” We believe it is the company's responsibility to know its own GHG footprint and to develop current models, cost scenarios, establish actual conservation and efficiency targets, firm plans to integrate more renewable energy resources, and other measures that will lead to reduced emissions.
- Idaho Power's integrated resource plans to not establish a basis for actual greenhouse gas reductions. At best, they provide a basis for a slower growth in greenhouse gas emissions.
- IDACORP's Opposition Statement fails to mention that the 2009 IRP process has been put on hold due to concerns in Oregon with the Boardman-Hemingway 500kv transmission line.
- Efforts by some members of the IRP Advisory Committee to address the issue of greenhouse gas emissions have not been acted upon by IDACORP. Environmental representatives to the IRPAC have asked explicitly for IDACORP to run model portfolios for analyses that would lead to a net reduction of greenhouse gas emissions – as opposed to a slowing of the current growth in those emissions. To date, those requests have not been addressed by the company.
- IDACORP has also declined to address concerns among IRPAC members that the company's load-growth forecasts were based on outdated data, i.e., pre-recession forecasts that are no longer valid. Basing the IRP on excessive load growth projections creates a situation that promotes acquisition of new resources, such as the 330MW combined cycle natural gas plant that Idaho Power considers a committed resource for purposes of the 2009 IRP.

**Paragraph 9:** *“Because we expect that federal legislation and/or regulations requiring the reduction of greenhouse gas emissions will be adopted, we believe that it is premature for us to voluntarily adopt quantitative goals to reduce these emissions. There is no guarantee that such reductions will be given credit under such legislation and/or regulations and result in a quantifiable benefit to our customers and shareholders.... We believe that preparing additional reports on our efforts to reduce greenhouse gas emissions will not provide any meaningful benefits to our shareholders.”*

- Under almost any conceivable federal greenhouse gas reduction scenario, utilities that have already taken measures to reduce greenhouse gas emissions will be given credit for those reductions as “early adopters.” Such is the case with The Climate Registry and other greenhouse gas reduction and inventory regimes.
- Advising Idaho Power’s shareholders and customers of the company’s existing greenhouse gas emissions – including not only from generating facilities but also from vehicle fleets and other sources – is responsible environmental policy. In addition, it will allow shareholders and customers to evaluate the company’s progress in reducing those emissions.
- Idaho Power could make significant and welcome headway by complying with the recommendation in Idaho’s 2007 Energy Plan, which calls for regulated utilities to provide fuel mix disclosure to their customers in the form of bill inserts. Such a disclosure would logically include both the energy resources in the company’s portfolio on a percentage basis, as well as its annual greenhouse gas emissions from its energy resources.

#### SUMMARY:

Quantitative GHG reduction targets would provide IDACORP’s investors with a clear signal that the company is considering the impacts of climate constraints and will not get left behind as its more prepared competitors move ahead.

Reducing reliance on coal and fossil fuels and increasing renewable resources will protect Idahoans and shareholders against likely emissions charges, fluctuations for energy in the open market, and significantly and positively raise IDACORP’s environmental profile, enhancing its reputation and competitive position.

IDACORP’s annual report, 10-K, and other public documents provide insufficient information for shareholders to assess how the company is addressing the issue of climate and regulatory risk.

The IRP process, while commendable in allowing for stakeholder input on resource decisions, is wholly inadequate in driving IDACORP’s protection obligations. The company is the final arbiter of what is in the IRP, and when acknowledged by the Public Utilities Commission the IRP is not a binding resource roadmap but only an advisory one.

IDACORP’s investors need to know that the company is concerned about the regulatory and competitive risks arising from climate change and need to understand the actions the company is taking to prepare for operating in a changing climate.