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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S INTERIM AND ) CASE NO. IPC-E-01-16  
PROSPECTIVE HEDGING, RESOURCE ) (PHASE II)  
PLANNING, TRANSACTION PRICING, )  
AND IDACORP ENERGY SOLUTIONS ) STATUS REPORT  
(IES) AGREEMENT. )  
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**History of the Proceeding**

This report is submitted to advise the Commission of the current status of the Parties' efforts to resolve the remaining issues in this case specifically relating to transactions between Idaho Power and IDACORP Energy LP ("IE") under the Agreement For Electricity Supply and Management Services between Idaho Power and IDACORP Energy Solutions LP ("Supply and Management Agreement").

In Order No. 28831 issued on August 24, 2001, the Commission identified a number of concerns associated with the Supply and Management Agreement including the issues of additional compensation to Idaho Power for transmission system and other system resource usage by IE, and whether the transfer prices for both day-ahead and real-time transactions between Idaho Power and IE approved in Commission Order No. 28552 should be modified on a prospective basis.

On June 21, 2002, IDACORP announced that it was exiting the energy trading business. Subsequently the Company advised the Commission that as a consequence of IE's exiting the energy trading business, Idaho Power intended to wind up all of its transactions with IE as of August 1, 2002, and after that date IE would no longer be providing most of the services it had previously provided under the Supply and Management Agreement. As a result, the scope of the resolution of the issues in this case will be limited to historic transactions, and it will not be necessary to address the ongoing relationship between Idaho Power and IE.

In Order No. 29102 issued on August 28, 2002, the Commission resolved the risk management and hedging issues portion of this case by adopting a stipulation presented by the parties. In Order No. 29102 the Commission also directed the parties to continue with their ongoing efforts to resolve the remaining issues relating to: (1) the pricing of transactions between Idaho Power and IDACORP Energy LLP (IE) under the Supply and Management Agreement, and (2) additional compensation that may be owing to Idaho Power by IE as a result of IE's use of Idaho Power's transmission system and other ancillary services provided by Idaho Power. Order No. 29102 directed the parties to present either the resolution to these issues or a status report on

the progress the parties were making toward resolving those issues, no later than December 20, 2002.

### **Resolution of FERC Issues**

During the process of winding up IE's energy trading business, it became apparent to Idaho Power that a number of wholesale transactions between Idaho Power and IE had been executed in a manner that was not consistent with the requirements of the Federal Energy Regulatory Commission (FERC). In addition, it was determined that a number of wholesale power transactions between the Company and IE had not received the required prior approval from the FERC. While in most instances IE has already paid for the wholesale services provided, the purchase prices under these transactions must be reviewed and approved by the FERC. To come into full compliance with the FERC requirements, Idaho Power and IDACORP Energy have been engaged in a substantial effort to review, allocate and price all transactions between the parties in a manner that is consistent with FERC requirements. Idaho Power has retained the services of Charles River Associates to assist in this separation and pricing process.

### **Plan For Resolution of -16 Case Issues**

To determine the proper pricing and allocation of costs relating to transactions between IDACORP Energy and Idaho Power, it will be necessary for the FERC to finally approve purchase prices for certain ancillary services sold to IE and to finally approve prices for real-time energy purchases between Idaho Power and IDACORP Energy. Idaho Power has presented these issues and a massive amount of data to the FERC and is currently awaiting a determination by the FERC as to what

additional information and filings they require. Idaho Power and IPUC Staff have discussed this situation informally and have jointly concluded that it would be advisable to allow the FERC to complete its review process before initiating additional settlement discussions among the participants in this case. Idaho Power and Staff believe that this procedure will avoid unneeded duplication of effort and allow for the most efficient allocation of resources by the parties.

Staff and Idaho Power anticipate that when the FERC has made its final determinations on the allocation and quantification of costs associated with the Idaho Power-IE transactions, Idaho Power and IE will enter into a settlement agreement which would establish an amount of additional monies owing to Idaho Power. Idaho Power would then present that settlement agreement and supporting documentation to the parties in this proceeding in a workshop or series of workshops in which the amount and derivation of the additional revenue could be discussed. Following the workshops, it would be Idaho Power's and Staff's expectation that the parties would attempt to negotiate and enter into a written stipulation which would resolve and settle all of the remaining issues in this case. This stipulation would integrate the FERC-approved transfer prices and allocations in developing the final negotiated settlement.

To ensure that this case maintains a reasonable schedule for final resolution, Idaho Power and Staff have agreed that on or before March 15, 2003, Idaho Power will file with the Commission either (1) the proposed resolution described above, or (2) another status report addressing the remaining unresolved issues and a plan for resolving the issues.

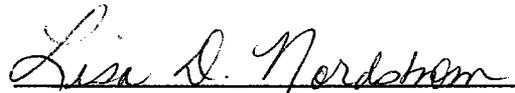
Idaho Power regrets that this case has become much more complicated than had been initially anticipated. However, the Company is also confident that the substantial effort undertaken by Idaho Power, IE and Charles River Associates will provide the participants in this case with a high level of confidence that the issues have been fully explored and that any additional compensation owing to Idaho Power is computed based on the best available data.

Respectfully submitted this 20th day of December, 2002.



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