

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY'S REQUEST) CASE NO. IPC-E-04-24
FOR AN ACCOUNTING ORDER TO)
RECOVER CLOUD SEEDING PROGRAM)
EXPENSES FOR THE WINTER OF 2004-) ORDER NO. 29670
2005.)**

On October 21, 2004, Idaho Power Company filed an Application for an accounting order to authorize deferral and later recovery of costs of its cloud seeding program for the winter of 2004-2005. The Application states that the Company has operated a cloud seeding program for a number of years and that the Commission did not allow recovery of its expenses in the Company's recent rate case. Idaho Power filed with its Application additional information that it asserts demonstrates scientifically measured benefits of the Company's cloud seeding program during the winter of 2003-2004. Noting that the Company has funded two years of cloud seeding without any cost recovery, the Application states Idaho Power would like to be able to recover its costs for continuing its program during the winter of 2004-2005.

Idaho Power clarifies in its Application that it is not asking the Commission to defer expenditures associated with the cloud seeding program on a long-term basis, but is requesting only that the Commission authorize the Company to defer the expenses associated with the program during the upcoming winter. The Application states Idaho Power "is requesting that the Commission only authorize the Company to defer the expense associated with operating the cloud seeding program during the winter of 2004-2005 for subsequent recovery at the time the Company implements its 2005/2006 PCA [Power Cost Adjustment] rates." The Company estimates those costs to be approximately \$950,000, which the Company proposes to capture "on the same ninety percent-ten percent (90%/10%) ratio by which other power supply expenses are shared between customers and shareholders in the PCA." Idaho Power included with its Application prefiled direct testimony to provide information on the results of its cloud seeding program.

On November 3, 2004, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a period for filing written comments on Idaho Power's Application. Written comments were filed by the Commission Staff, which supported approval

of Idaho Power's Application. Written comments were also received from two members of the public, both recommending the Commission deny the Company's Application.

In its comments, Staff summarized the evidence Idaho Power provided in prefiled testimony on the effectiveness of the cloud seeding program. Two different methods are used to determine the effectiveness of the program—the target-control method and the trace-chemistry method. The target-control method is a way to evaluate whether precipitation in the cloud seeding area exceeds the amount that might be expected based on snowfall outside the seeded area. The trace-chemistry method identifies silver iodide and two other chemical agents that are used in cloud seeding in samples taken from snowfall. Using these methods, Idaho Power claims the cloud seeding program produced an estimated 110,000 acre feet of increased run-off during 2002-2003, which the Company valued at \$1.6 – \$1.8 million of additional generation. During the winter of 2003-2004, the Company seeded clouds between November 1, 2003 and April 21, 2004, producing approximately 68,000 acre feet of additional run-off valued at \$1.4 million. Staff concluded in both years the estimated benefits exceeded the program costs. Based on its review of the Company's program, Staff stated it believes the program is promising and recommended PCA treatment of the variable costs of the program for the winter of 2004-2005. The Company estimated those costs to be approximately \$950,000.

Based on the record in this case, the Commission has determined to approve Idaho Power's Application for an Order to authorize deferral of the 2004-2005 cloud seeding costs. Idaho Power presented sufficient evidence to establish that the cloud seeding program was cost-effective during the last two winters, and Staff agreed the benefits produced exceeded the program costs. While the Commission approves the limited accounting order requested by Idaho Power, we also reaffirm our interest in exploring demand side and energy efficiency programs. The Company, Staff and interested parties should continue to review and propose programs that may be cost-effective in reducing energy or peak load demands on Idaho Power's system. Demand side management programs to reduce customer energy use, thereby delaying the need to build energy production and transmission facilities, may be a better use of energy management funds provided by Idaho Power's customers.

The Commission approves Idaho Power Company's request for an accounting order authorizing the Company to defer its variable cloud seeding costs for the 2004-2005 winter. The accounting treatment proposed by the Company in its Application is appropriate, and Idaho

Power should establish sub-accounts specifically for cloud seeding expenses to ensure proper auditing of the expenses during the PCA review period. Subject to the normal PCA review process, the Company will be allowed to recover its reasonable cloud seeding costs for the 2004-2005 winter in the 2005-2006 PCA rates.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Application for an accounting order to allow deferral of the 2004-2005 cloud seeding costs is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of December 2004.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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