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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR AN) CASE NO. IPC-E-05-20
ORDER AUTHORIZING THE BLANKET)
SALE OF AIR EMISSION ALLOWANCES) APPLICATION
AND FOR AN ACCOUNTING ORDER.)
_____)

Idaho Power Company ("Idaho Power" or "the Applicant") hereby applies for (1) an order of the Idaho Public Utilities Commission ("the Commission") providing Idaho Power with blanket authority to sell surplus sulfur dioxide ("SO₂") allowances obtained by Idaho Power under the provisions of the Federal Clean Air Act ("CAA" or "Act") amendments of 1990; and (2) for an Accounting Order to provide for the recording of the proceeds from the future sales of surplus SO₂ emission allowances on the Applicant's books pending issuance of subsequent orders as to the final disposition of the proceeds from any such sales. This Application is based on the following:

1. The Applicant.

The exact name of Applicant and the address of its principal business office are: Idaho Power Company, 1221 West Idaho Street, P.O. Box 70, Boise, Idaho 83707-0070.

The Applicant is an electric public utility engaged principally in the generation, purchase, transmission, distribution and sale of electric energy in an approximately 24,000 square mile area over southern Idaho and in the counties of Baker, Malheur and Harney in eastern Oregon. Applicant is subject to the jurisdiction of this Commission, the Public Utility Commission of Oregon, and the Federal Energy Regulatory Commission ("FERC"). Applicant, in addition to supplying general retail electric service to the public in southern Idaho and eastern Oregon, also provides wholesale requirements services to FERC jurisdictional customers.

2. SO₂ Allowances Under Title IV of the Clean Air Act

Under Title IV of the Clean Air Act ("CAA" or "Act") Amendments of 1990, thermal power plant owners are issued allowances for the plant's sulfur dioxide ("SO₂") emissions. 42 USCS §§ 7651, *et. seq.* Idaho Power has an ownership interest in five thermal power plants in the western United States. Three of the power plants (1) Jim Bridger Units 1 through 4 (coal-fired) (1/3 interest); (2) North Valmy Units 1 and 2 (coal-fired) (1/2 interest); and (3) Boardman (coal-fired) (1/10 interest) receive allocations of SO₂ allowances from the U.S. Environmental Protection Agency ("EPA").

The Danskin Power Plant (gas-fired) (100% interest) and Bennett Mountain Power Plant (gas-fired) (100% interest) were constructed after Congress

enacted the 1990 amendments to the CAA. Accordingly, pursuant to Title IV, they receive no allocation of SO₂ allowances from the EPA.

An SO₂ allowance authorizes a utility generating unit to emit one ton of SO₂ during a given year or any year thereafter if the SO₂ allowance is not used during the given year. At the end of each year, the utility generating unit must hold allowances at least equal to its annual SO₂ emissions as measured by its Continuous Emissions Monitoring System ("CEMS") and reported to EPA. A utility that holds a sufficient quantity of allowances over its annual requirement is considered to have surplus SO₂ allowances. Pursuant to the CAA, and underlying regulations, SO₂ allowances are fully marketable commodities. Utilities may sell SO₂ allowances to other utilities on the open market or through EPA-sponsored auctions.

A centerpiece of the CAA amendments is the provision that SO₂ allowances under the CAA cannot be considered property. The salient provision of the CAA is as follows:

An allowance allocated under this subchapter is a limited authorization to emit sulfur dioxide in accordance with the provisions of this subchapter. Such allowance does not constitute a property right. Nothing in this subchapter or in any other provision of law shall be construed to limit the authority of the United States to terminate or limit such authorization.
42 USCS § 7651b(f)

Through an open and dynamic market, bi-lateral contracts for sales and purchases of allowances are common. Idaho Power believes that after retaining sufficient allowances, including a reasonable "cushion" for change and contingencies, it can make surplus SO₂ allowances available for sale. However, Idaho Power cannot

effectively participate in the allowance trading market unless it has regulatory approval prior to the sale of surplus SO2 allowances.

3. SO2 Allowances For Revenue Requirement Purposes

Idaho Power financial statements carry no value for SO2 emission allowances. As such, the emission allowances values are not accounted for in Idaho Power's rate base. In addition, the value of the allowances are not contained in Idaho Power's income statement as an expense item. As a result, the allowances value have no ratemaking impact upon Idaho Power. In effect, the allowances have zero value for rate base and a zero value for expenses in computing Idaho Power's revenue requirement.

4. Application For An Order Providing Idaho Power With Blanket Authority To Sell SO2 Allowances.

Idaho Power is cognizant of the provisions of Idaho Code § 61-328 which addresses Commission approval needed prior to disposal of public utility property. Idaho Power submits that as provided in 42 USCS § 7651b(f), SO2 allowances are not property. In addition, Idaho Power submits that surplus SO2 allowances are not used in the performance of Idaho Power's utility service obligations. Accordingly, Idaho Power does not believe that Idaho Code § 61-328 is applicable to the sale of surplus SO2 emission allowances. Nonetheless, in exploring the advisability of selling any surplus emission allowances, Idaho Power must be able to advise prospective purchasers that it has the requisite regulatory authority to sell its surplus emission allowances and that there is no regulatory "cloud" over the sale.

In summary, Idaho Power believes that it is not selling property and that the surplus SO2 allowances it may sell are not necessary or useful in providing utility service. However, to avoid any potential cloud on the marketability of the SO2 allowances, Idaho Power requests an order from the Commission providing Idaho Power with blanket authority to sell surplus SO2 allowances. Idaho Power recognizes that the Commission has jurisdiction over Idaho's allocable share of the proceeds from the sale of surplus emission allowances.

5. Application For An Accounting Order.

Idaho Power recognizes, as set forth above, that the Commission has jurisdiction over Idaho's allocable share of the proceeds from the sale of surplus SO2 emission allowances. Idaho Power acknowledges that receipt of blanket authority to sell SO2 emission allowances and the Commission's initial accounting treatment are not a determination of the appropriate ratemaking treatment of the proceeds from the sale for revenue requirement purposes. Idaho Power will file a report with the Commission within sixty (60) days after receipt of any proceeds from the sale of any SO2 emission allowances. A determination of ratemaking treatment for the proceeds can be made at a later date.

6. Requested Accounting.

Idaho Power submits that the initial proposed accounting is established per Code of Federal Regulations No. 18, in accordance with paragraph H of General Instructions No. 21. That regulation states that if there is uncertainty as to the regulatory treatment, the gain shall be deferred in Account 254, Other Regulatory

Liabilities, pending resolution of the uncertainty. The following is the proposed accounting for the initial transactions:

131	Cash	\$XXX.XX	
236	Taxes Accrued		\$XXX.XX
254	Other Regulatory Liabilities		\$XXX.XX

To record the Idaho allocable share of the proceeds from the sale of surplus SO2 emission allowances (net of income taxes) pending a resolution as to the disposition of the proceeds.

7. Modified Procedure.

The Company requests that this Application be processed under RP 201, *et seq.*, allowing for consideration of issues to be processed under Modified Procedure, i.e., by written submissions rather than by an evidentiary hearing, and that this application be processed on an expedited basis.

8. Service of Pleadings.

Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

Barton L. Kline	John R. Gale
Larry D. Ripley	Vice President, Regulatory Affairs
Idaho Power Company	Idaho Power Company
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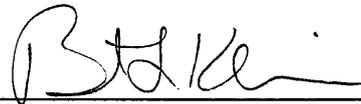
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WHEREFORE, Applicant Idaho Power Company requests that the Idaho Public Utilities Commission issue its order:

1. Providing Idaho Power with blanket authority to sell surplus sulfur dioxide allowances obtained by Idaho Power under the provisions of the Federal Clean Air Act amendments of 1990; and

2. Authorizing Idaho Power to record the proceeds from the potential sale of surplus SO₂ emission allowances in Account 254, Other Regulatory Liabilities, (net of income taxes) pending the issuance of subsequent orders as to the final disposition of the proceeds from any sales of surplus SO₂ emission allowances.

Respectfully submitted this 9th day of June, 2005.



Barton L. Kline
Larry D. Ripley
Attorneys for Idaho Power Company