

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: DONOVAN E. WALKER

DATE: JANUARY 6, 2006

SUBJECT: THE INVESTIGATION OF THE APPROPRIATE RATEMAKING
TREATMENT OF IDAHO POWER COMPANY'S SO2 ALLOWANCE
SALE PROCEEDS, CASE NO. IPC-E-05-26

On June 9, 2005, Idaho Power Company (Idaho Power, Company) filed an Application requesting: (1) blanket authority to sell surplus sulfur dioxide (SO₂) allowances; and (2) an accounting order to provide for recording any sale(s) of such allowances. Case No. IPC-E-05-20. The Company's Application also suggested that a determination of ratemaking treatment for the proceeds be made at a later date.

On August 22, 2005, the Idaho Public Utilities Commission (Commission) approved the Company's Application. Order No. 29852. The Commission, while reserving the review of the reasonableness of each sale, granted Idaho Power's request for blanket authority to sell SO₂ emission allowances and approved the accounting treatment proposed by the Company, on an interim basis, until such time as the Commission determines the appropriate ratemaking treatment of the proceeds from the sale of the SO₂ allowances. *Id.* The Company was ordered to file a report with the Commission within 60 days of the receipt of any SO₂ proceeds. *Id.* Additionally, the Commission ordered that a separate docket be opened for Staff to conduct workshops and make a recommendation to the Commission regarding the appropriate ratemaking treatment of SO₂ proceeds. *Id.*

The Commission noticed two workshops, which were held on November 7 and November 23, 2005, respectively. In addition to Commission Staff and the Company, a representative of the Industrial Customers of Idaho Power and a representative of the Northwest

Energy Coalition attended the two workshops. The parties were unable to reach agreement upon the ratemaking treatment of the proceeds.

On December 9, 2005, Idaho Power filed its Initial Report of Proceeds from the sale of SO2 allowances. The Company reported having received proceeds from the sale of 60,000 SO2 emission allowances, with total net proceeds of \$57,055,000.

STAFF RECOMMENDATION

Staff recommends that an intervention deadline of January 31, 2006 be established to determine who will be participating in this case as parties. Additionally, Staff recommends that a scheduling conference be set for February 23, 2006. After the Notice of Parties is issued the parties will meet informally to establish a recommended schedule for processing this case, and in any event will submit such schedule at or before the February 23, 2006 scheduling conference.

COMMISSION DECISION

Does the Commission wish to set an intervention deadline and a scheduling conference for this matter?

Does the Commission wish to employ any other procedure and/or schedule for considering this matter?

DONOVAN E. WALKER

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