

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: FEBRUARY 27, 2006

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

BACKGROUND

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 emissions 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.*

This docket, IPC-E-05-26, was opened and two workshops were held on November 7 and November 23, 2005, respectively. During the workshops the parties were unable to reach agreement upon the ratemaking treatment of the proceeds. On January 12, 2006, the

Commission issued Order No. 29953 establishing an intervention deadline of January 31, 2006, and setting an informal case scheduling conference for February 23, 2006. The only party to petition for intervention was the Industrial Customers of Idaho Power. Their petition was granted. Order No. 29978.

The Company has thus far reported to the Commission that they have sold a total of 73,500 SO2 allowances and received total net pre-tax proceeds of \$76,932,625 from those sales.

THE SCHEDULING CONFERENCE

All parties met at the February 23, 2006, scheduling conference and agreed that no party desired a formal hearing. The following schedule was also agreed to:

Comment Deadline	March 31, 2006
Company's Brief and Company's Reply Comments	April 14, 2006
Staff and Intervenor Briefs	April 28, 2006
Company's Reply Brief	May 12, 2006

Staff recommends that the Commission authorize the use of Modified Procedure for this matter and that the above schedule be adopted.

COMMISSION DECISION

Does the Commission find that the public interest may not require a hearing to consider the issues presented in this case, and that issues raised by the Company's filing may be processed under Modified Procedure pursuant to IDAPA 31.01.01.201-204?


DONOVAN E. WALKER