

DECISION MEMORANDUM

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

FROM: WELDON STUTZMAN

DATE: DECEMBER 15, 2005

**SUBJECT: APPLICATION BY IDAHO POWER COMPANY FOR AN ORDER
REGARDING CLOUD SEEDING EXPENSES; CASE NO. IPC-E-05-36**

On October 28, 2005, Idaho Power Company filed an Application requesting an Order regarding recovery of its cloud seeding program expenses. The Company requested that the Commission authorize the Company to defer its 2005-2006 cloud seeding costs for recovery in the 2006 PCA, and that the Commission authorize the Company to include future cloud seeding program expenses as part of its PCA rates on an ongoing basis, beginning with the 2006-2007 PCA period. On November 22, 2005, the Commission issued a Notice of Application and Notice of Modified Procedure to process the Company's Application. In response to the Commission's Notice, written comments were filed by the Commission Staff and no one else.

Idaho Power has operated a cloud seeding program for several years, and in December 2004 the Commission approved the Company's request for an Order authorizing it to defer the 2004-2005 cloud seeding expenses for recovery in the current PCA. See Order No. 29670. The Company's first request in its Application in this case is the same as the request the Commission approved last year. In written comments, Staff stated it supports Idaho Power's request for authorization to defer the 2005-2006 cloud seeding expenses for recovery in next year's PCA rates.

The Company's second request in its Application is "that the Commission authorize Idaho Power to include future cloud seeding program expenses in the PCA on an ongoing basis," beginning with the 2006-2007 PCA period. Idaho Power Application p. 4. It is clear from the Application and Staff's comments, however, that any determinations regarding recovery of

future cloud seeding expenses, and the appropriate amount for recovery in PCA rates, will need to be made in the Company's recently filed rate case, Case No. IPC-E-05-28. The Company's Application in this case states that it "will not include its capital investment in the cloud seeding program until that investment is presented for approval by the Commission in the Company's next general revenue requirement case," which is filed now as Case No. IPC-E-05-28. In its comments in this case, Staff identified specific dollar amounts for program normalized costs, and stated support for the Company's proposal to include normalized expenses in base rates and recovery of variable costs in future PCA rates. Nonetheless, the determinations of those amounts will be made by the Commission in the Company's rate case, and the Commission can also determine then whether variable rates will be included in future PCA rates. Accordingly, Staff recommends the Commission in this case only state generally whether it is appropriate to include the variable costs of the cloud seeding program, after determination of the program base costs, in future PCA rates.

Staff makes the following specific recommendations regarding Idaho Power's Application: that the Commission issue an Order (1) authorizing the Company to defer the 2005-2006 cloud seeding program expenses for recovery in the 2006 PCA, and (2) indicating support for recovery of future variable cloud seeding expenses in the Company's PCA after determination of the base program costs in the Company's rate case.

COMMISSION DECISION

Should the Application of Idaho Power Company for an Order regarding its cloud seeding expenses be approved as recommended by Staff?



Weldon Stutzman

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