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IDAHO PUBLIC  
UTILITIES COMMISSION

LISA D. NORDSTROM  
Attorney II

November 9, 2007

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P. O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-05-20  
Application of Idaho Power Company for an Order Authorizing the  
Blanket Sale of Air Emission Allowances and for an Accounting  
Order.

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power's  
Second Report of Proceeds from Sale of SO2 Allowances in 2007 and Motion for  
Workshop Schedule.

I would appreciate it if you would return a stamped copy of this transmittal letter  
for our files in the enclosed self-addressed stamped envelope.

Very truly yours,

  
Lisa D. Nordstrom

LDN:sh  
Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION ) CASE NO. IPC-E-05-20  
OF IDAHO POWER COMPANY FOR AN )  
ORDER AUTHORIZING THE BLANKET ) IDAHO POWER'S SECOND REPORT  
SALE OF AIR EMISSION ALLOWANCES ) OF PROCEEDS FROM SALE OF SO2  
AND FOR AN ACCOUNTING ORDER. ) ALLOWANCES IN 2007 AND MOTION  
\_\_\_\_\_ ) FOR WORKSHOP SCHEDULE

1. In 2005, in Order No. 29852 issued in Case No. IPC-E-05-20, the Commission granted Idaho Power Company ("Idaho Power" or "the Company") blanket authority to sell surplus sulfur dioxide emission allowances.

2. In Order No. 29852, the Commission also approved the accounting treatment to be used by the Company to record the sales of surplus sulfur dioxide emission allowances from the time proceeds are received until the Commission determined the appropriate ratemaking treatment of the proceeds.

3. In Order No. 29852, the Company was also directed to file a report with the Commission within sixty (60) days of the receipt of any proceeds from the sale of surplus sulfur dioxide emission allowances.

4. During 2007, conditions in the emission allowances market were such that Idaho Power sold surplus sulfur dioxide emission allowances. In its *Initial Report of*

*Proceeds from Sales of Surplus Sulfur Dioxide Emission Allowances in 2007* ("Initial 2007 Report") filed on August 27, 2007, Idaho Power reported net proceeds of \$11,266,500 from the sale of 20,000 surplus sulfur dioxide emission allowances as of that date. Subsequent to that filing, the Company sold an additional 15,000 surplus sulfur dioxide emission allowances. The total net proceeds received since the filing of the Initial 2007 Report is \$8,375,750. Net proceeds are total amounts received less broker's fees of \$3,750. This Second Report covers all surplus sulfur dioxide emission allowance sales during 2007 to date. Idaho Power does not expect to sell additional sulfur dioxide emission allowances in 2007.

5. The *after-tax* amount of proceeds received and allocated to the state of Idaho is \$4,320,249.08 from these 15,000 sulfur dioxide emission allowances. The *after-tax* amount of proceeds received and allocated to the state of Idaho for all allowances sold in 2007 (which include those reported in the Initial 2007 Report and this filing) is \$10,131,559.86. This assumes an income tax rate of 39.095%, and a jurisdictional allocation to the state of Idaho of 94.10%.

6. In Order No. 30041, issued in Case No. IPC-E-05-26, the Commission approved a sharing arrangement in which 90% of the state of Idaho's 94% jurisdictional share of the net sale proceeds, including tax effects, were allocated to customers and the remaining 10% share was allocated to Idaho Power's shareowners. In Order No. 30041, the Commission directed the Company to include the sulfur dioxide allowance sales proceeds in the Power Cost Adjustment ("PCA") to reduce the level of PCA rates.

7. Idaho Power proposes that the same 90%/10% sharing of benefits be utilized to allocate the proceeds from sales of surplus sulfur dioxide emission

allowances made in 2007. Customers benefited from the proceeds received from sales of surplus allowances in 2005 and 2006 through a PCA rate reduction. Although the proceeds from the 2007 sales could be used to similarly offset the PCA, the Company believes that other opportunities presently exist with the potential to provide greater long-term value to customers.

8. One opportunity Idaho Power would like to investigate is the possibility of using the customers' share of the proceeds to purchase multi-year streams of Renewable Energy Certificates ("green tags") from the owners of renewable generation facilities that have entered into Public Utility Regulatory Policies Act ("PURPA") contracts with Idaho Power. If a federal renewable portfolio standard ("RPS") is enacted, Idaho Power will be required to purchase green tags at prices expected to be higher than those existing today. This would result in increased costs to Idaho Power's customers. If Idaho Power purchased green tags prior to the enactment of a federal RPS or in excess thereof, the Company would sell the green tags on a short-term basis and flow the proceeds from the sales to customers through the PCA.

9. A second option Idaho Power would like to consider is using the customers' share of the proceeds to buy down a portion of the rate base associated with the purchase of wind project development rights. If this approach was viewed favorably by the Commission, Idaho Power would enter into negotiations or issue a Request for Proposal ("RFP") to purchase a permitted wind project. By developing and owning the wind project rather than purchasing equivalent energy elsewhere, Idaho Power's customers would have additional access to renewable energy at competitive prices and retain the value of the green tags associated with the wind project.

## MOTION FOR WORKSHOP SCHEDULE

10. If the Commission agrees that Idaho Power should investigate potential uses of the customers' share of the proceeds other than offsetting the PCA, Idaho Power respectfully requests the Commission schedule a workshop for the purpose of receiving feedback from interested parties concerning possible alternatives to benefit customers. Idaho Power would then report the results of the workshop to the Commission for its approval.

Respectfully submitted this 9<sup>th</sup> day of November 2007.

  
LISA D. NORDSTROM  
Attorney for Idaho Power Company