

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPROPRIATE )**  
**DISPOSITION OF PROCEEDS FOR THE )** **CASE NO. IPC-E-07-18**  
**SALE OF IDAHO POWER COMPANY'S SO2 )**  
**EMISSION ALLOWANCES IN CY 2007 )** **NOTICE OF**  
**)** **MODIFIED PROCEDURE**  
**)**  
**)** **ORDER NO. 30495**

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On November 9, 2007, Idaho Power Company filed a report disclosing that the Company sold 35,000 sulfur dioxide (SO<sub>2</sub>) emission allowances in calendar year 2007 for a total amount (less brokerage fees) of \$19,642,250. Report/Motion at 2. The after-tax amount of proceeds allocated to Idaho for SO<sub>2</sub> emissions is \$10,131,560. *Id.* at ¶ 5. Rather than utilizing the proceeds from the SO<sub>2</sub> sales to offset purchased power costs in this year's Power Cost Adjustment (PCA) case, Idaho Power recommended the Commission explore other possible uses for the SO<sub>2</sub> proceeds. The Company requested that the Commission convene a public workshop for the purpose of allowing interested persons to discuss other possible alternatives. On December 20, 2007, the Commission issued Order No. 30478 granting the Company's request to convene a public workshop. Because the participants at the workshop were unable to reach consensus regarding the disposition of the SO<sub>2</sub> proceeds, the Commission issues this Notice seeking public comment as set out in greater detail below.

**BACKGROUND**

***A. SO<sub>2</sub> Allowances***

Title IV of the Clean Air Act Amendments of 1990 established a national program for the reduction of acid rain. 42 U.S.C. §§ 7651 *et seq.* The centerpiece of the acid rain program is the incentive- or market-based "cap and trade" SO<sub>2</sub> program. Under the cap and trade program, the Environmental Protection Agency (EPA) sets a cap or ceiling on the total amount of SO<sub>2</sub> emissions allowed nationwide. Based upon this cap, EPA allocates a certain number of SO<sub>2</sub> emission allowances to thermal power plant owners. Each allowance provides the authority to emit one ton of SO<sub>2</sub>. *See* Order No. 29852 at 1.

Each year a thermal power plant owner must hold sufficient allowances to cover actual SO<sub>2</sub> emissions. A power plant that does not possess sufficient allowances to cover its

annual emissions must purchase additional allowances or it is automatically fined and must surrender future year allowances to cover the shortfall. A thermal power plant holding surplus SO2 allowances in a given year may retain the allowances or sell them. SO2 allowances are fully marketable commodities and can be traded on the open market or in special EPA-sponsored auctions. *Id.* Idaho Power has an ownership interest in three thermal power plants in the west: Jim Bridger, North Valmy, and Boardman.

### ***B. The Public Workshop***

The public workshop to discuss the SO2 proceeds was held January 15, 2008. The following persons or entities attended the workshop: Idaho Power, the U.S. Department of Energy, the Idaho Energy Education Project, Ridgeline Energy, the Snake River Alliance, Windland, Avista Utilities, the Idaho Conservation League, the Commission Staff, Micron, Dean J. Miller, and the Industrial Customers of Idaho Power (ICIP).

### **THE WORKSHOP ALTERNATIVES**

The participants generally discussed four possible uses for the SO2 proceeds. First, as was the case last year, SO2 proceeds could be included in the annual PCA case this year. If included in the PCA, the amount of the SO2 revenue would be grossed up to approximately \$16 million. This amount would offset the PCA deferral account and mitigate any pending increase in the PCA rates this summer. Staff disclosed at the workshop that the current PCA deferral balance was about \$90 million. Staff, Micron and ICIP favored this alternative.

Second, Idaho Power suggested that SO2 proceeds could be used to purchase multi-year streams of “renewable energy certificates (‘green tags’) from the owners of renewable generation facilities” that have entered into PURPA contracts with Idaho Power. Order No. 30478 at 3 *citing* Idaho Power’s Report/Motion at ¶ 8. Idaho Power suggested that if Congress enacts a renewable portfolio standard (RPS)<sup>1</sup> for electric utilities, Idaho Power will be required to purchase green tags at prices expected to be higher than those existing today. *Id.*

Third, Idaho Power next suggested that the SO2 proceeds could be used to purchase a wind project’s developmental rights. Under such an approach, Idaho Power would enter into negotiations or issue a request for proposal (RFP) to purchase a permitted wind generation project. In essence, the Company would be purchasing the wind project with capital contributed

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<sup>1</sup> A RPS typically requires that a certain percentage of an electric utility’s generating resources be renewable resources (such as wind, solar, biomass, etc.) by a certain year.

by customers. This would result in a reduction in the Company's rate base. *See* Order No. 30478 at 4. The wind developers supported the third option and Idaho Power supported either the second or third options.

Fourth, the Idaho Energy Education Project suggested that approximately \$500,000 could be used to develop and implement classroom education programs about energy efficiency. The remaining balance of the proceeds could be directed to energy efficiency operations or other beneficial uses.

Because the workshop participants were unable to reach consensus regarding the appropriate use of the SO<sub>2</sub> proceeds, they recommended the Commission process the case under Modified Procedure. This would allow interested persons and the public to comment on the appropriate disposition of the SO<sub>2</sub> proceeds. Consequently, the participants recommended that the Commission process this case under Modified Procedure with a 21-day comment period.

#### **NOTICE OF MODIFIED PROCEDURE**

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on the four discussed alternatives or other uses of the SO<sub>2</sub> proceeds may file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Lisa Nordstrom, Attorney II  
John R. Gale, Vice President Regulatory Affairs  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-Mail: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
E-Mail: [rgale@idahopower.com](mailto:rgale@idahopower.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Commission specifically invites the workshop participants to address the four alternative uses of the SO2 proceeds that were discussed at the public workshop. The Commission further invites public comment regarding the four alternatives discussed above or other possible uses of the proceeds. Persons submitting comments should also indicate how their recommendations conform to the 2007 Idaho Energy Plan. The Idaho Energy Plan may be found at: [http://www.legislature.idaho.gov/sessioninfo/2007/energy\\_plan\\_0126.pdf](http://www.legislature.idaho.gov/sessioninfo/2007/energy_plan_0126.pdf).

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that to facilitate the exchange of comments, the participants at the public workshop shall serve their comments on the other participants via electronic mail. Staff counsel has disseminated the e-mail addresses of the workshop attendees to the participants.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-316, 61-502, 61-503, 61-523, and 61-524. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

**ORDER**

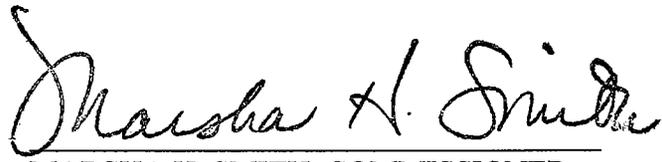
IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Persons interested in submitting written comments regarding the use of the SO2 proceeds or protesting the use of Modified Procedure must do so no later than twenty-one (21) days from the service date of this Order.

IT IS FURTHER ORDERED that service among the workshop participants be accomplished by electronic mail pursuant to Rule 63, IDAPA 31.01.01.063.

IT IS FURTHER ORDERED that an original and four copies of comments be filed with the Commission Secretary pursuant to Rule 61.03, IDAPA 31.01.061.03.

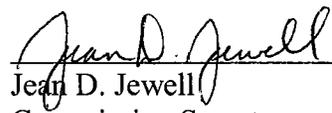
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4<sup>th</sup>  
day of February 2008.

  
MACK A. REDFORD, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
JIM KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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