

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
 COMMISSIONER SMITH
 COMMISSIONER KEMPTON
 COMMISSION SECRETARY
 COMMISSION STAFF**

**FROM: DON HOWELL
 DEPUTY ATTORNEY GENERAL**

DATE: JANUARY 24, 2008

**SUBJECT: IDAHO POWER'S RECOMMENDATIONS REGARDING THE USE OF
 THE PROCEEDS FROM THE SALE OF SO2 ALLOWANCES,
 CASE NO. IPC-E-07-18**

On November 9, 2007, Idaho Power filed a report disclosing that the Company sold 35,000 sulfur dioxide (SO₂) allowances in calendar year 2007 for a total (less brokerage fees) of \$19.642 million. The after-tax amount of the proceeds allocated to Idaho were reported to be \$10,131,560. Rather than utilizing the proceeds from the SO₂ sales to offset this year's Power Cost Adjustment (PCA) mechanism, Idaho Power recommended that the Commission explore other possible uses for the SO₂ proceeds. The Company requested that the Commission convene a public workshop for the purpose of allowing interested persons to discuss other possible alternatives.

PROCEDURAL HISTORY

On December 20, 2007, the Commission issued Order No. 30478 granting the Company's request to convene a public workshop. As part of the Order, the Commission issued a Notice of Workshop inviting interested persons to discuss the appropriate disposition of SO₂ revenues. The Commission scheduled the workshop for January 15, 2008. The following parties 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 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 mechanism 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. 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)¹ 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 also 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 project. In essence, the Company would be purchasing the wind project with capital contributed by customers. This would result in a reduction in the Company’s rate base. *See* Order No. 30478 at 4. Fourth, the Idaho Energy Education Project suggested that approximately \$500,000 could be used to develop and implement classroom education programs about energy efficiencies. 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 SO2 proceeds, the participants recommend that the Commission issue a Notice of Modified Procedure. This would allow interested persons and the public to comment on the appropriate disposition of the SO2 proceeds. Consequently, the participants recommended that the Commission process this case under Modified Procedure with a 21-day comment period.

¹ 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.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Modified Procedure setting a 21-day comment period in this matter?



Don Howell
Deputy Attorney General

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