

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPROPRIATE |) | |
| DISPOSITION OF PROCEEDS FROM THE |) | CASE NO. IPC-E-10-20 |
| SALE OF IDAHO POWER COMPANY'S SO2 |) | |
| EMISSION ALLOWANCES IN CALENDAR |) | NOTICE OF REPORT |
| YEAR 2010 |) | |
| |) | NOTICE OF |
| |) | MODIFIED PROCEDURE |
| |) | |
| |) | ORDER NO. 32129 |

On June 14, 2010, Idaho Power Company first reported that it has sold (or entered into contracts for the sale of) 10,000 surplus sulfur dioxide (SO₂) emission allowances. The Company reported that it anticipates net proceeds (after deducting brokerage fees of \$2,500) of \$427,000. On September 7, 2010, the Company filed a second report stating that it sold 4,000 additional credits for \$45,000 (after fees of \$1,250). On November 12, 2010, the Company filed a third report stating it sold 6,000 additional credits for \$71,000 (after fees of \$1,250).

In summary, Idaho Power sold 20,000 SO₂ credits in calendar year 2010 and received net proceeds of \$543,000 (after deducting fees of \$5,000). Third Report at 2. Consistent with the Commission's prior Orders, the Company proposes to "share" the proceeds 95% to customers and 5% to shareholders. The Company also proposes to use Idaho's current jurisdictional percentage of 94.8% and to use the accounting treatment approved in the Commission's prior Order No. 29852. Application at ¶ 6.

BACKGROUND***A. The SO₂ Program***

In Order No. 29852 issued August 22, 2005, the Commission granted Idaho Power blanket authority to sell its surplus SO₂ emission allowances. Title IV of the Clean Air Act Amendments of 1990 establishes 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" SO₂ emission program. Under the cap and trade program, the Environmental Protection Agency (EPA) sets a cap or ceiling on the total amount of SO₂ emissions allowed nationwide. Based on this cap, EPA allocates a certain number of SO₂ emission allowances to thermal power

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plant owners. Each allowance provides the authority to emit one ton of SO₂. Order No. 29852 at 1.

Each year a thermal power plant owner must hold sufficient allowances to cover actual SO₂ emissions. A thermal power plant owner holding insufficient 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 save the surplus allowances or sell them. SO₂ emission allowances are fully marketable commodities and can be traded on the open market or in special EPA-sponsored auctions. Idaho Power has an ownership interest in three thermal power plants in the western United States that receive SO₂ allowances from EPA. *Id.*

B. Prior Commission Orders

In October 2005, the Commission initiated a proceeding to determine the appropriate ratemaking treatment of the SO₂ proceeds. In March 2006, interested parties stipulated that proceeds from Idaho Power's sale of SO₂ allowances should be included in the Company's annual Power Cost Adjustment (PCA) "with 90% of the net proceeds to be passed onto customers, and 10% of the net proceeds to be retained as a shareholder benefit." In Order No. 30041, the Commission approved the stipulation. The Commission found that the PCA "is the logical mechanism to track and distribute proceeds from the sale of excess SO₂ allowances." Order No. 30041 at 4.

In Order No. 30715 issued January 9, 2009, the Commission adopted changes to Idaho Power's Power Cost Adjustment (PCA) mechanism. In that Order the Commission adopted a Stipulation executed by parties in Case No. IPC-E-08-19 that agreed to several modifications of the Company's PCA. In particular, the parties agreed and the Commission approved changing the sharing methodology that assigns power purchase costs or benefits to customers and shareholders. "Since inception of the PCA, annual deviations in normal power supply costs have been shared 90%/10% by customers and Company shareholders, respectively." Order No. 30715 at 2. The Commission adopted the parties' recommendation that the sharing percentage should be changed to a 95%/5% sharing percentage for customers and the Company, respectively. *Id.* at 5.

In the Commission's last SO₂ Order No. 30790 issued May 1, 2009, the Commission allocated all of the SO₂ proceeds to offset the PCA balance. In a previous case, the Commission

had used a portion of the SO2 proceeds to fund a two-year energy education proposal that began at the start of the 2009 school year. Order No. 30790 at 3. In Order No. 30790, the Commission found that “it is not appropriate to set aside additional SO2 proceeds for energy education [programs] until the two-year pilot project has been evaluated.” *Id.* The two-year pilot will be completed in June 2011.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing for determining the appropriate disposition of the SO2 proceeds 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 the SO2 Reports have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Reports are also available on the Commission’s web site at www.puc.idaho.gov by clicking on “File Room” and then “Electric Cases.”

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on the appropriate disposition of SO2 proceeds or any individual Report may file a written comment in support or opposition with the Commission **within 21 days from the date of this Order**. 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 any of the SO2 Reports 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 D. Nordstrom
Donovan E. Walker
Idaho Power Company
1221 West Idaho Street
PO Box 70
Boise, ID 83707-0070
E-Mail: lnordstrom@idahopower.com
dwalker@idahopower.com

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. 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.¹

YOU ARE FURTHER NOTIFIED that Idaho Power may file reply comments (if necessary) **no later than 28 days after the service date of this Order.**

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider the SO2 Reports and the appropriate disposition of the proceeds on their 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 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, 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.*

O R D E R

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons may file written comments within 21 days of the date of this Order.

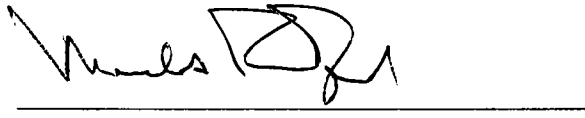
IT IS FURTHER ORDERED that Idaho Power may file reply comments (if necessary) no later than 28 days after the date of this Order.

¹ Following the filing of the Company's first SO2 Report, the Commission received five e-mail comments. These comments are part of the record in this case and do not need to be resubmitted.

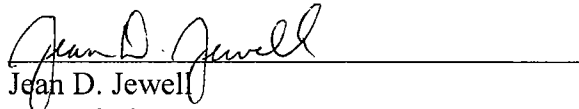
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st
day of December 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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