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**JASON B. WILLIAMS**  
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September 19, 2011

**VIA HAND DELIVERY**

**NEW CASE**

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-11-17  
*IN THE MATTER OF THE APPROPRIATE DISPOSITION OF PROCEEDS  
FOR THE SALE OF IDAHO POWER COMPANY'S SO<sub>2</sub> EMISSION  
ALLOWANCES IN CALENDAR YEAR 2011*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Report of Proceeds from Sales of So<sub>2</sub> Emission Allowances in 2011 in the above matter.

Very truly yours,



Jason B. Williams

JBW:csb  
Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPROPRIATE )  
DISPOSITION OF PROCEEDS FOR THE ) CASE NO. IPC-E-11-17  
SALE OF IDAHO POWER COMPANY'S )  
SO<sub>2</sub> EMISSION ALLOWANCES IN ) IDAHO POWER COMPANY'S  
CALENDAR YEAR 2011. ) REPORT OF PROCEEDS FROM  
SALES OF SO<sub>2</sub> EMISSION  
ALLOWANCES IN 2011  
)

1. In 2005, in Order No. 29852 issued in Case No. IPC-E-05-20, the Idaho Public Utilities Commission ("Commission") granted Idaho Power Company ("Idaho Power" or "Company") blanket authority to sell surplus sulfur dioxide ("SO<sub>2</sub>") 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 SO<sub>2</sub> 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 days of the receipt of any proceeds from the sale of surplus SO<sub>2</sub> emission allowances.

4. Idaho Power has been able to sell SO<sub>2</sub> emission allowances in 2011. Thus far in 2011, the Company has either sold and received payment for, or entered into contracts for, the sale of a total of 6,216 surplus SO<sub>2</sub> emission allowances. The total anticipated net proceeds from the sale of these allowances, after deducting brokerage fees of \$1,554, is \$21,756.

5. In Order No. 30041 issued in Case No. IPC-E-05-26, the Commission directed the Company to include SO<sub>2</sub> allowance sales proceeds in the Power Cost Adjustment ("PCA") as an off-set to reduce the level of PCA rates. Like the then-approved PCA sharing arrangement, 90 percent of the net proceeds were passed onto customers, and 10 percent of the net proceeds were retained as a shareholder benefit. In Order No. 32162 issued in Case No. IPC-E-10-20, the Commission modified the sharing arrangement such that 95 percent of Idaho's jurisdictional share of the net sale proceeds, including tax effects, was allocated to customers and the remaining 5 percent share was allocated to Idaho Power's shareholders.

6. In Order No. 30041, the Commission approved a stipulation whereby Idaho Power would record proceeds net of income taxes and transaction fees from future SO<sub>2</sub> allowances sales in the PCA for purposes of calculating interest. To date, Idaho Power has recorded sales in this manner. However, the Company is constantly working through complex tax issues with the Internal Revenue Service and advisors as appropriate, including issues related to the timing of recognition of income and deductions. Through application of existing tax law and policy, the Company has determined it is more appropriate to record the gross benefits (less transaction costs) of the sale of excess SO<sub>2</sub> allowances. To the extent there are SO<sub>2</sub> allowances sales in a given year and to the extent the sharing mechanisms of the PCA are triggered,

customers will benefit from this application of existing tax law and policy in that customers will earn interest on the gross amount of the income generated by the SO<sub>2</sub> allowances as opposed to the net amount.

7. In this pleading, Idaho Power provides the Commission notice of (1) the amounts of proceeds to be received so far and (2) that the Company intends to use the same interim accounting for proceeds that the Commission approved in 2005.

8. In accordance with the accounting approved in the Commission's Order No. 29852, the Company is utilizing the following accounting entries to record the sales of surplus SO<sub>2</sub> emission allowances made thus far in 2011 as follows:

(1)

To record the sale of emission allowances and establish a reserve for the Idaho and Oregon portions in Account 254 with the Federal Energy Regulatory Commission portion recognized immediately in Account 411.8.

143 Other Accounts Receivable 699 X00001 999 143900	\$XXX.XX
254 Other Regulatory Liabilities 699 X00001 999 254409	\$XXX.XX
411.8 Gains from Disposition of Allowances 699 X00001 999 411804	\$XXX.XX

(2)

To record the receipt of cash from the sale of emission allowances.

131 Cash	\$XXX.XX
143 Other Accounts Receivable 699 X00001 999 143900	\$XXX.XX

(3)

To record Idaho Power's percentage share of the net proceeds from the sale of emission allowances.

254 Other Regulatory Liabilities 699 X0001 999 254409	\$XXX.XX
411800 Gains from Disposition of Allowance 699 X0001 999 411804	\$XXX.XX

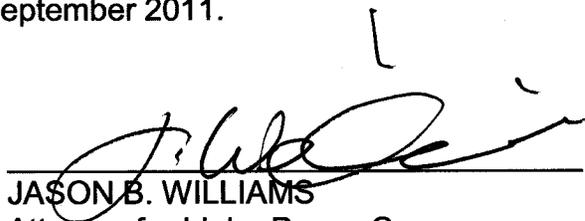
(4)

To transfer and separate Idaho and Oregon's jurisdictional percentage share of the net proceeds from the sale of emission allowances.

254 Other Regulatory Liabilities 699 X0001 999 254409	\$XXX.XX
254 Other Regulatory Liabilities - Idaho 699 X0001 999 182323	\$XXX.XX
254 Other Regulatory Liabilities - Oregon 699 X0001 999 254411	\$XXX.XX

9. This report covers surplus SO<sub>2</sub> emission allowance sales during 2011 as of the date of this filing. Contracts for sale of surplus SO<sub>2</sub> emission allowances entered into after the date of this filing will be included in a subsequent report.

Respectfully submitted this 19<sup>th</sup> day of September 2011.

  
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JASON B. WILLIAMS  
Attorney for Idaho Power Company