

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPROPRIATE)	
DISPOSITION OF PROCEEDS FROM THE)	CASE NO. IPC-E-11-17
SALE OF IDAHO POWER COMPANY'S SO2)	
EMISSION ALLOWANCES IN CALENDAR)	NOTICE OF REPORT
YEAR 2011)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32385

On September 19, 2011, Idaho Power Company filed a report about the Company's sale of sulfur dioxide (SO₂) emission allowances in 2011. In this Order, the Commission seeks public comments regarding the appropriate disposition and ratemaking treatment of revenues derived from the sale of Idaho Power's SO₂ allowances.

BACKGROUND***A. The SO₂ Program***

Title IV of the Clean Air Act Amendments of 1990 establishes a national plan to reduce acid rain. 42 U.S.C. §§ 7651, *et seq.* The acid rain plan's centerpiece is the incentive- or market-based "cap and trade" SO₂ emission program. Under the cap and trade program, the Environmental Protection Agency (EPA) caps the total amount of SO₂ emissions allowed nationwide. Based on this cap, EPA allocates a certain number of SO₂ emission allowances to thermal power plant owners. Each allowance provides a plant owner with authority to emit one ton of SO₂. Order No. 29852 at 1.

Each year a plant owner must hold sufficient allowances to cover actual SO₂ emissions. If a plant owner has insufficient allowances to cover its annual emissions, it must purchase additional allowances or it is automatically fined and must surrender future year allowances to cover the shortfall. A plant owner with surplus SO₂ allowances in a given year either 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

The Commission previously has issued Orders related to the sale of Idaho Power's surplus SO₂ emission allowances. In 2005, the Commission first authorized Idaho Power to sell the Company's surplus SO₂ emission allowances. *See* Order No. 29852. The Commission said Idaho Power could account for the proceeds by booking them into Account 131 (Cash) flowing to Account 236 (Taxes Accrued) and Account 254 (Other Regulatory Liabilities). *See* Order No. 29852 at 2, 4. The Commission also required Idaho Power to report the SO₂ sale proceeds within 60 days of receipt. *Id.*

In 2006, the Commission directed the Company to include SO₂ allowance sales proceeds in the Company's annual Power Cost Adjustment ("PCA") as an off-set to reduce the level of PCA rates. Order No. 30041. The Commission decided that, like the then-approved PCA sharing arrangement, "90% of the net proceeds [were] to be passed onto customers, and 10% [were] . . . to be retained as a shareholder benefit." *Id.*

In 2009, the Commission directed that a portion of the SO₂ proceeds be used to supplement the Company's "Solar 4R Schools" program. Order No. 30760. The Commission also modified Idaho Power's PCA mechanism by changing how customers and shareholders were to share power purchase costs and benefits. Order No. 30715. The Commission changed the 90%/10% customer/shareholder allocation to 95%/5%. *Id.*

In 2011, the Commission applied this change in PCA allocation to the net proceeds from the Company's sale of SO₂ emission allowances during the 2010 calendar year. Thus, 95% of Idaho's jurisdictional share of the net sale proceeds, including tax effects, was allocated to customers, and the remaining 5% was allocated to shareholders. *See* Order No. 32162.

NOTICE OF REPORT

YOU ARE HEREBY NOTIFIED that the Company reports it has sold or contracted to sell 6,216 surplus SO₂ emission allowances in 2011. The Company states it expects to receive \$21,756 in net proceeds from the sale (after deducting brokerage fees of \$1,554). The Company says it will account for the proceeds using the same interim accounting method that the Commission approved in Order No. 29852 (briefly described in § B, below). Report at ¶¶ 4, 7 and 8.

YOU ARE FURTHER NOTIFIED that the Company asserts the Commission previously authorized it to record proceeds *net* of income taxes and transaction fees from future

SO2 allowances sales in the PCA for purposes of calculating interest. However, Idaho Power's review of tax law and policy has led the Company to determine that it is more appropriate to record the *gross* benefits (less transaction costs) of the sale of excess SO2 allowances. The Company says that if SO2 allowances sales exist and the PCA's sharing mechanisms are triggered, customers will benefit by earning interest on the gross amount of the income from the SO2 allowances instead of the net amount. Report at ¶ 6.

YOU ARE FURTHER NOTIFIED that the Company states it will file a subsequent report that includes contracts for the sale of surplus SO2 emission allowances entered into after the instant report was filed. *Id.* at ¶ 9.

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 report has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The report also is 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 the SO2 report 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

Jason Williams
Lisa D. Nordstrom
Idaho Power Company
1221 West Idaho Street
PO Box 70
Boise, ID 83707-0070
E-Mail: lnordstrom@idahopower.com
jwilliams@idahopower.com

Comments should contain the case caption and case number shown on the first page of this Order. 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.

YOU ARE FURTHER NOTIFIED that Idaho Power may file reply comments (if necessary) **no later than 28 days from 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 report 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.

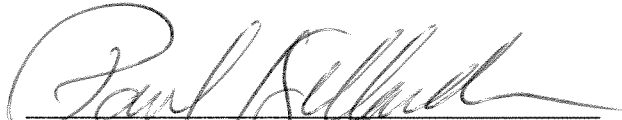
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

ORDER

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 from the date of this Order.

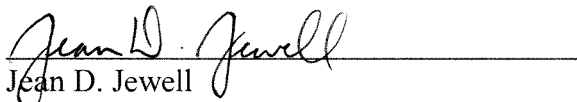
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of October 2011.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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