

June 13, 2005

VIA EMAIL AND US MAIL

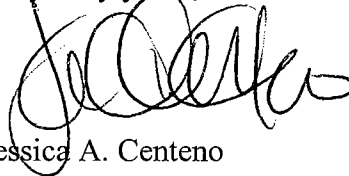
Filing Center
Oregon Public Utility Commission
550 Capitol Street NE #215
PO Box 2148
Salem, OR 97308-2148

Re: Idaho Power Company's Application for an Order Authorizing the Blanket Sale
of Air Emission Allowances and for an Accounting Order

Dear Sir or Madam:

Enclosed for filing are the original and five copies of Idaho Power Company's
Application for an Order Authorizing the Blanket Sale of Air Emission Allowances and for an
Accounting Order. Please contact me with any questions.

Very truly yours,



Jessica A. Centeno

Enclosures

cc: Bart Kline

1
2 **BEFORE THE PUBLIC UTILITY COMMISSION**
3 **OF OREGON**

4 **Docket No.** _____
5

6
7 IN THE MATTER OF THE APPLICATION)
8 OF IDAHO POWER COMPANY FOR AN) APPLICATION
9 ORDER AUTHORIZING THE BLANKET)
10 SALE OF AIR EMISSION ALLOWANCES)
11 AND FOR AN ACCOUNTING ORDER.)
12 _____)

11
12 Idaho Power Company (“Idaho Power” or “the Applicant) hereby applies for (1)
13 an order of the Public Utility Commission of Oregon (“the Commission”) providing Idaho Power
14 with blanket authority to sell surplus sulfur dioxide (“SO2”) allowances obtained by Idaho
15 Power under the provisions of the Federal Clean Air Act (“CAA” or “Act”) amendments of
16 1990; and (2) for an Accounting Order to provide for the recording of the proceeds from the
17 future sales of surplus SO2 emission allowances on the Company’s books pending issuance of
18 subsequent orders as to the final disposition of the proceeds from any such sales. This
19 Application is based on the following:
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1 Greg W. Panter Vice President – Public Affairs
2 Lori D. Smith Vice President – Finance and Chief Risk Officer

3 The address of all of the above officers is:

4 1221 West Idaho Street
5 P.O. Box 70
6 Boise, ID 83707-0070

7 The Applicant is an electric public utility engaged principally in the generation,
8 purchase, transmission, distribution and sale of electric energy in an approximately 24,000
9 square mile area over southern Idaho and in the counties of Baker, Malheur and Harney in
10 eastern Oregon. A map showing Applicant’s service territory in Oregon is on file with the
11 Commission as Exhibit H to Applicant’s application in Case No. UF-4063. Applicant is subject
12 to the jurisdiction of this Commission, the Idaho Public Utilities Commission, and the Federal
13 Energy Regulatory Commission (“FERC”). Applicant, in addition to supplying general retail
14 electric service to the public in southern Idaho and eastern Oregon, also provides wholesale
15 requirements services to FERC jurisdictional customers.

16 **2. SO2 Allowances Under Title IV of the Clean Air Act**

17 Under Title IV of the Clean Air Act (“CAA” or “Act”) Amendments of 1990,
18 thermal power plant owners are issued allowances for the plant’s sulfur dioxide (“SO2”)
19 emissions. 42 USCS §§ 7651, *et. seq.* Idaho Power has an ownership interest in five thermal
20 power plants in the western United States. Three of the power plants (1) Jim Bridger Units 1
21 through 4 (coal-fired) (1/3 interest); (2) North Valmy Units 1 and 2 (coal-fired) (1/2 interest);
22 and (3) Boardman (coal-fired) (1/10 interest) receive allocations of SO2 allowances from the
23 U.S. Environmental Protection Agency (“EPA”).

24 The Danskin Power Plant (gas-fired) (100% interest) and Bennett Mountain
25 Power Plant (gas-fired) (100% interest) were constructed after Congress enacted the 1990
26 amendments to the CAA. Accordingly, pursuant to Title IV, they receive no allocation of SO2
allowances from the EPA.

1 An SO2 allowance authorizes a utility generating unit to emit one ton of SO2
2 during a given year or any year thereafter if the SO2 allowance is not used during the given year.
3 At the end of each year, the utility generating unit must hold allowances at least equal to its
4 annual SO2 emissions as measured by its Continuous Emissions Monitoring System (“CEMS”)
5 and reported to EPA. A utility that holds a sufficient quantity of allowances over its annual
6 requirement is considered to have surplus SO2 allowances. Pursuant to the CAA, and underlying
7 regulations, SO2 allowances are fully marketable commodities. Utilities may sell SO2
8 allowances to other utilities on the open market or through EPA-sponsored auctions.

9 A centerpiece of the CAA amendments is the provision that SO2 allowances
10 under the CAA cannot be considered property. The salient provision of the CAA is as follows:

11 An allowance allocated under this subchapter is a limited authorization
12 to emit sulfur dioxide in accordance with the provisions of this
13 subchapter. Such allowance does not constitute a property right.
14 Nothing in this subchapter or in any other provision of law shall be
15 construed to limit the authority of the United States to terminate or
16 limit such authorization.

17 42 USCS § 7651b(f)

18 Through an open and dynamic market, bilateral contracts for sales and purchases
19 of allowances are common. Idaho Power believes that after retaining sufficient allowances,
20 including a reasonable “cushion” for change and contingencies, it can make surplus SO2
21 allowances available for sale. However, Idaho Power cannot effectively participate in the
22 allowance trading market unless it has regulatory approval prior to the sale of surplus SO2
23 allowances.

24 **3. SO2 Allowances For Revenue Requirement Purposes**

25 Idaho Power’s financial statements carry no value for SO2 emission allowances.
26 As such, the emission allowances values are not accounted for in Idaho Power’s rate base. In
addition, the value of the allowances are not contained in Idaho Power’s income statement as an
expense item. As a result, the allowances values have no ratemaking impact upon Idaho Power.

1 In effect, the allowances have zero value for rate base and a zero value for expenses in
2 computing Idaho Power's revenue requirement.

3 **4. Application For An Order Providing Idaho Power With Blanket**
4 **Authority To Sell SO2 Allowances**

5 Idaho Power is cognizant of the provisions of ORS 757.480 and the
6 Commission's implementing regulations contained in OAR 860-27-025 which address
7 Commission approval needed prior to disposal of public utility property. Idaho Power submits
8 that as provided in 42 USCS § 7651b(f), SO2 allowances are not property. In addition, Idaho
9 Power submits that surplus SO2 allowances are not necessary or useful in the performance of
10 Idaho Power's utility service obligations. Accordingly, Idaho Power does not believe that ORS
11 757.480 is applicable to the sale of surplus SO2 emission allowances. Nonetheless, in exploring
12 the advisability of selling any surplus emission allowances, Idaho Power must be able to advise
13 prospective purchasers that it has the requisite regulatory authority to sell its surplus emission
14 allowances and that there is no "cloud" over the sale.

15 Idaho Power, in reviewing OAR 860-027-0025 in preparation for the filing of this
16 application, has determined that the filing requirements under that regulation are not appropriate,
17 and Idaho Power requests, if necessary, a waiver of those requirements.

18 In summary, Idaho Power believes that it is not selling property and that the
19 surplus SO2 allowances it may sell are not necessary or useful in providing utility service.
20 However, to avoid any potential cloud on the marketability of the surplus allowances, Idaho
21 Power requests an order from the Commission providing Idaho Power with blanket authority to
22 sell surplus SO2 allowances and that to the extent applicable, the Commission waive the filing
23 requirements of OAR 860-27-025, as the information required under that regulation is not
24 pertinent to the Commission's deliberations in providing Idaho Power with authority to dispose
25 of surplus SO2 allowances. Idaho Power recognizes that the Commission has jurisdiction over
26 Oregon's allocable share of the proceeds from the sale of surplus emission allowances.

1 **5. Application For An Accounting Order**

2 Idaho Power recognizes, as set forth above, that the Commission has jurisdiction
3 over Oregon’s allocable share of the proceeds from the sale of surplus SO2 emission allowances.
4 Idaho Power acknowledges that receipt of blanket authority to sell SO2 emission allowances and
5 the Commission’s initial accounting treatment are not a determination of the appropriate
6 ratemaking treatment of the proceeds from the sale for revenue requirement purposes. Idaho
7 Power will file a report with the Commission within sixty (60) days after receipt of any proceeds
8 from the sale of any SO2 emission allowances. A determination of ratemaking treatment for
9 those proceeds can be made at a later date.

10 **6. Requested Accounting Treatment.**

11 Idaho Power submits that the initial proposed accounting is established per Code
12 of Federal Regulations No. 18, in accordance with paragraph H of General Instructions No. 21.
13 That regulation states that if there is uncertainty as to the regulatory treatment, the gain shall be
14 deferred in Account 254, Other Regulatory Liabilities, pending resolution of the uncertainty.
15 The following is the proposed accounting for the initial transactions:

16	131	Cash	\$XXX.XX
17	236	Taxes Accrued	\$XXX.XX
	254	Other Regulatory Liabilities	\$XXX.XX

18 To record the Oregon allocable share of the proceeds from the sale of surplus SO2 emission
19 allowances (net of income taxes) pending a resolution as to the disposition of the proceeds.

20 **Prayer**

21 WHEREFORE, Applicant, Idaho Power Company, requests that the Oregon
22 Public Utility Commission issue its order:

- 23 1. Providing Idaho Power with blanket authority to sell surplus sulfur dioxide
24 allowances obtained by Idaho Power under the provisions of the Federal Clean Air Act
25 amendments of 1990; and
26

1 2. Waiving the requirements of OAR 860-027-0025 if the Commission
2 determines that this administrative regulation is applicable; and

3 3. Authorizing Idaho Power to record the proceeds from the future sales of
4 surplus SO2 emission allowances in Account 254, Other Regulatory Liabilities, (net of income
5 taxes) pending the issuance of subsequent orders as to the final disposition of the proceeds from
6 any sales of surplus SO2 emission allowances.

7 Respectfully submitted this 13th day of June, 2005.

8 ATER WYNNE, LLP

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10 By: 

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