

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: TERRI CARLOCK

DATE: APRIL 15, 2005

RE: IDAHO POWER COMPANY'S REQUEST FOR CLARIFICATION
OF ORDER NO. 29736 ON SHORT-TERM BORROWINGS OF
\$300 MILLION – CASE NO. IPC-E-05-4.

On April 14, 2005, Idaho Power Company (Idaho Power) filed a Request for Clarification of Order No. 29736 related to its authority to incur up to \$300,000,000 aggregate principal amount at any one time of short-term debt. Idaho Power's authority is for a five-year authorization period from April 1, 2005 through March 31, 2010. Since the requested five-year authorization period is longer than the two-year period granted with prior authorities, the Commission adopted Idaho Power's proposed condition (in response to Staff's concern) that the five-year authority remains in place so long as bond ratings remain investment grade (BBB- or higher by Standard & Poor's Rating Service and Baa3 or higher by Moody's Investors' Service).

Bond counsel and underwriters have looked at the condition and are concerned that the order, as written, could require immediate termination of the bond authority and immediate repayment of debt if bond ratings fall below investment grade. This potential for immediate termination and repayment could increase the risk analysis and require issuance restrictions or limitations. The requested clarification allows for a continuation for 364 days thus allowing debt series to be reissued, mature or be refunded no later than the 364 days after the downgrade. Commission notification and further proceedings would be part of the process. The proposed change and addition to the order for clarification is as follows:

Applicant desires to clarify that if its first mortgage bond ratings fall below the investment grade levels referenced in said ordering paragraph (the "Downgrade"), Applicant's authority to incur short-term borrowings and issue commercial paper as provided in the Order will *not* terminate,

but instead such authority will continue for a period of 364 days from the date of the Downgrade (the "Continued Authorization Period"). Applicant requests such authority under the following conditions:

(1) Applicant will promptly notify the Commission in writing of the Downgrade.

(2) Applicant will file a supplemental application with the Commission within 7 days after the Downgrade, requesting a supplemental order (the "Supplemental Order") authorizing Applicant to continue to incur short-term borrowings and issue commercial paper as provided in the Order, notwithstanding the Downgrade. Until Applicant receives the Supplemental Order, any short-term borrowings incurred or commercial paper issued by Applicant during the Continued Authorization Period will become due or mature no later than the final date of the Continued Authorization Period.

STAFF RECOMMENDATION

Staff discussed the underwriting concerns with Idaho Power. The above clarification includes a process for the Commission to determine continuing authority that addresses Staff's concerns. Therefore Staff recommends granting the Request for Clarification and approving the recommended clarification language associated with the condition to maintain investment grade ratings.

COMMISSION DECISION

Should the Request for Clarification be granted?

Should the above clarification language be accepted?



Terri Carlock

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