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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-05-14

IDAHO POWER COMPANY

EXHIBIT NO. 2

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-03-13
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS INTERIM) STIPULATION FOR ACCEPTANCE
AND BASE RATES AND CHARGES FOR) OF SETTLEMENT
ELECTRIC SERVICE.)
_____)

This Stipulation is entered into among Idaho Power Company ("Idaho Power"), the Staff of the Idaho Public Utilities Commission ("Staff"), and the other Parties in this proceeding as their signatures appear on the signature pages hereof (collectively referred to as "the Parties" and individually as "Party").

I.

Background

In this case, Idaho Power filed its test year income tax expense based on the current statutory income tax rates. Staff advocated use of an historic five-year average to calculate income tax expense. In Order No. 29505, the Commission adopted

the Commission Staff's position and ordered the Company to use a historic five-year average to calculate the Company's test year income tax expense in lieu of the statutory rates. This reduced the test year revenue requirement attributable to income tax expense by \$11,504,677. Idaho Power filed a timely Petition for Reconsideration and, in Order No. 29547, the Commission decided to reconsider that portion of Order No. 29505 relating to the Commission's determination of the Company's income tax expense for revenue requirement purposes.

II.

Terms of the Stipulation

The Parties stipulate and agree as follows:

A. Order No. 29505 should be modified to utilize statutory income tax rates to compute test year income tax expense. Applying the statutory rates results in a federal tax rate of 35% (net of state benefit, 32.795%) and a state tax rate of 6.3%. On a normalized basis, this change would increase Idaho Power's Idaho jurisdictional test year revenue requirement by \$11,504,677.

B. For the period June 1, 2004 through May 31, 2005, the Company will compute and record monthly in a regulatory asset account an amount equal to the additional revenue the Company would have received through its energy rates if its revenue requirement had been determined using the statutory income tax rates rather than the five-year historic average income tax rates. The energy rate to be used to compute the additional monthly revenue to be recorded in the regulatory asset account will be determined in accordance with the formula set out below:

$$\frac{a}{b} = c$$

Where:

a = \$11,504,667 (normalized increased revenue)

b = 12,476,747 MWh (normalized Idaho jurisdictional energy sales adjusted for load growth of 3.14% per year)

c = \$0.92209/MWh

The monthly entry in the regulatory asset account will be computed by multiplying actual MWh sales during the month by \$0.92209/MWh.

The total amount recovered will include interest on the regulatory asset from June 1, 2004 at the PCA carrying charge rate which is currently one percent (1%).

Exhibit 1 shows how the regulatory asset will be accrued assuming normalized Idaho jurisdictional sales levels would occur. To effectuate the deferral, the Parties propose the following accounting entries:

1. During the deferral period, the Company will record the deferred regulatory assets with the following monthly entry:

Record the regulatory asset:

DEBIT: Account 182.366 - Regulatory Assets

CREDIT: Account 407.466 - Regulatory Credits
and Account 421. - Interest Income

2. Beginning June 1, 2005, the Company will reverse the regulatory assets with the following monthly entry:

Record reversal of regulatory assets:

DEBIT: Account 407.366 - Regulatory Debits

CREDIT: Account 182.366 - Regulatory Assets

C. In addition to the recovery of the income tax expense for the June 1, 2004 through May 31, 2005 period described in paragraph B above, \$11,504,677 will be included in the Company's base rates for ongoing recovery after June 1, 2005.

D. The Company will not seek to recover in its revenue requirement any deficiency assessed by the Internal Revenue Service related to the one-time adjustment associated with the capitalized overhead cost tax method change for the years 1987 through 2000.

III.

The Parties have negotiated this Stipulation as an integrated settlement document. The Parties recommend that the Commission accept this Stipulation without material change or condition. This Stipulation will be entered into the record in this proceeding and no Party shall oppose its adoption or appeal any portion of this Stipulation if the Stipulation is subsequently approved by the Commission without material change. If the Commission requests testimony in support of the Stipulation, Idaho Power and Staff shall each make witnesses available to provide testimony in support of this Stipulation.

IV.

It is the intent of the Parties that this settlement will allow Idaho Power to continue its compliance with the normalization provisions of the Internal Revenue Code and associated Treasury Regulations and will allow Idaho Power to continue to obtain the

benefits of accelerated depreciation. If the Internal Revenue Service questions or challenges Idaho Power's compliance with income tax normalization requirements or its right to utilize accelerated depreciation, the Parties agree they will work cooperatively to obtain Commission orders that will bring Idaho Power into compliance.

V.

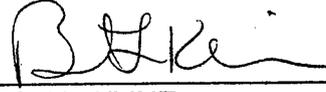
If the Commission rejects any or all of this Stipulation or imposes any material conditions on approval of this Stipulation, each Party reserves the right, upon written notice given to the Commission and the other Parties to this proceeding within seven (7) days of the Commission's order, to withdraw from this Stipulation. In such case, the withdrawing Party shall not be bound by the terms of this Stipulation and such withdrawing Party shall be entitled to pursue reconsideration as provided in Order No. 29547 and to undertake such other steps it deems appropriate.

VI.

The Parties agree that this Stipulation will be in the public interest and that all of its terms and conditions are fair, just and reasonable.

This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

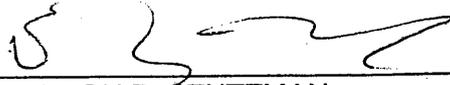
08-16-04
Date



BARTON L. KLINE
Attorney for Idaho Power Company

8-16-04

Date



WELDON B. STUTZMAN

Attorney for Idaho Public Utilities
Commission Staff

IDAHO POWER COMPANY

CASE NO. IPC-E-03-13

EXHIBIT 1

TO

SETTLEMENT STIPULATION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of August, 2004, I served a true and correct copy of the within and foregoing STIPULATION FOR ACCEPTANCE OF SETTLEMENT upon the following named parties by the method indicated below, and addressed to the following:

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