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Idaho Public Utilities Commission  
Office of the Secretary  
RECEIVED

AUG 22 2005

Boise, Idaho

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF )	CASE NO. IPC-E-05-21
IDAHO POWER COMPANY FOR AN )	
ACCOUNTING ORDER MODIFYING )	IDAHO POWER COMPANY'S
THE ACCOUNTING FOR PRELIMINARY, )	RESPONSE TO STAFF'S
SURVEY AND INVESTIGATION CHARGES. )	COMMENTS
_____ )	

Idaho Power Company (Idaho Power/Company) submits the following response to the comments of the Commission Staff.

Since this proceeding was initiated to obtain an accounting order, Idaho Power's response is a request to clarify accounting requirements to ensure that the order issued by the Commission will precisely state required ongoing financial reporting procedures. Idaho Power proposes clarification of two technical accounting procedures referred to in Staff's comments, responds to Staff's comments concerning the booking

of AFUDC, and suggests a date for the submission of any reports to be filed with the Commission.

## 1. Minor Clarification Points

- (a) At Page 3, Paragraph 1, of Staff's Comments, Staff states:

*Once licenses or certificates are obtained, the Company would then transfer those costs to Account 182.3 (CWIP), and AFUDC will begin to accumulate.*

Technically, Idaho Power Company would transfer the costs to Account 107 (CWIP). With this correction, Staff's comments would state:

*Once licenses or certificates are obtained, the Company would then transfer those costs to Account 107 (CWIP), and AFUDC will begin to accumulate.*

- (b) At Page 5, Paragraph 2, under Staff's recommendation No. 1, Staff recommends the filing of yearly reports:

*... until such time as the charges are transferred to the proper in service account, or to Account 182.3."*

Again, technically, the charges would be transferred to Account 107 (CWIP), with subsequent transfer to the proper plant in service account upon project completion, or to Account 182.3. With this correction, Staff's comments would state:

*... until such time as the charges are transferred to Account 107 (CWIP) ), with subsequent transfer to the proper plant in service account upon project completion, or to Account 182.3.*

## 2. The Booking of AFUDC

Staff, at Page 5 of its comments, appears to contend that even though, through no fault of the Company, a project has been delayed, the Commission should retain the discretion to disallow AFUDC (Allowance for Funds Used During Construction) which has been previously booked but not included in rates. If this is the

Staff's position, the Company does not concur with Staff's recommendation. The Company submits that there are two points which the Commission should consider in reviewing any recommendation concerning the disallowance of previously booked AFUDC:

1. When AFUDC is calculated, there is an income statement effect, which increases earnings for the Company during that period. At a future date during a rate case proceeding, if the previously booked AFUDC is disallowed, the carrying amount of the asset is reduced by that amount and a negative effect upon income occurs which reduces earnings. These actions result in the Company increasing earnings in one period only to reduce them in a future period. Financial accounting standards for regulated industries address this issue by denying inclusion of income unless the Company can demonstrate that it has been substantially assured by regulators that the Company will be allowed recovery of the AFUDC amount at the time it is originally booked.

2. Idaho Code, § 61-502A prohibits the inclusion of construction work in progress in rate base except under extraordinary conditions. The statute in prohibiting the inclusion of such property provides, however:

When construction work in progress is excluded from the rate base, the commission must allow a just, fair and reasonable allowance for funds used during construction or similar account to be accumulated, computed in accordance with generally accepted accounting principles. (Emphasis added)

The legislature has provided that although construction work in progress cannot be included in ratebase, the Commission must allow AFUDC. Clearly, this requirement is not discretionary on the part of the Commission.

The Company recognizes that the requirement for allowing AFUDC is not without reasonable limitation. If the Company has willfully, without justification, intentionally or negligently delayed a project, the Company would concede it would be reasonable for the Commission in such an instance to consider disallowing a portion of the AFUDC. The Company would emphasize, however, that any disallowance of AFUDC would be unreasonable, under the requirements set forth above, if the delay in the project was caused through no fault of the Company and due to a cause external to the Company.

### **3. Date For Submission of Reports**

Staff has recommended the filing of certain PS&I reports. If it is the desire of the Commission to require such reports, the Company would recommend that the reports be due for the annual period ended December 31 by July 1 of the succeeding year. This would permit the Company to have available its annual report information which is filed on or before March 15th for the succeeding year before filing any PS&I report with the Commission.

#### **Summary**

In summary, the Company requests that the accounting modifications submitted in Paragraph IV of its original Petition, including the accounting for the Shoshone Falls PS&I expenditures, be approved by the Commission, and that any PS&I reports that the Commission believes should be filed in the future, be filed annually by July 1 of the succeeding year.

Dated at Boise, Idaho, this 22nd day of August, 2005.

A handwritten signature in black ink, appearing to read 'B. Kline', written over a horizontal line.

Barton L. Kline  
Monica B. Moen  
Attorneys for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 22nd day of August, 2005, I served a true and correct copy of IDAHO POWER COMPANY'S RESPONSE TO STAFF COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Donald L. Howell, II  
Deputy Attorney General  
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Hand Delivered  
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