

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR AN)	CASE NO. IPC-E-06-06
ACCOUNTING ORDER ADDRESSING THE)	
DEFERRAL OF COSTS RELATED TO THE)	
DEVELOPMENT OF GRID WEST)	ORDER NO. 30235
)	

This is an Order following reconsideration of the Commission's final Order No. 30157 issued in this case on October 24, 2006. In that order, the Commission authorized the deferral of loans Idaho Power Company had made toward development of a regional transmission organization (RTO) called Grid West. Idaho Power and other northwest electric utilities had attempted to develop an RTO pursuant to orders issued by the Federal Energy Regulatory Commission (FERC). After attempts to develop Grid West failed, Idaho Power filed an Application requesting authority to establish a deferral account for costs incurred in the RTO development effort. The Commission authorized deferral of the loan amounts the Company made to Grid West under a series of funding agreements, but the Commission did not approve a carrying charge on the amount allowed for deferral.

Idaho Power filed a Petition for Reconsideration on November 14, 2006, requesting reconsideration "only on that portion of the Order that prevents the Company from recovering carrying charges on the deferral balance during the period of amortization." Idaho Power Petition, p. 1. The Commission granted the Petition for Reconsideration "to allow further briefing or written comments on the sole issue of whether carrying costs should be allowed on the deferral balance." See Order No. 30192, p. 1. After considering the written briefs filed by Idaho Power and the Staff, we deny the Company's request to modify Order No. 30157 to authorize a carrying charge on the deferral account.

Idaho Power in its Brief on Reconsideration clarified the amount it loaned to Grid West and allocated to its Idaho jurisdiction. The Commission in Order No. 30157 identified the principal amount authorized for deferral as \$1,274,158. The Company stated in its brief that that amount included a carrying charge the Company accrued since April 1, 2006, as well as a small cash distribution made by Grid West in October 2006. After performing those adjustments, and using an allocation percentage of 86.62% for its Idaho jurisdiction, the Company advises that the

Idaho jurisdictional share of the amount loaned to Grid West is \$932,177. We therefore clarify Order No. 30157 and find that the principal amount of the loans authorized for deferral by the Commission is \$932,177.

Idaho Power asserted in its Petition for Reconsideration that the decision to disallow a carrying charge “is unreasonable, arbitrary, capricious, unlawful, erroneous, unduly discriminatory, and not in conformity with the facts of record and/or the applicable law, resulting in a revenue requirement and rates which are confiscatory.” Idaho Power Petition on Reconsideration, pp. 1-2. The Company did not provide authority for its allegation that the Commission’s denial of the Company’s request for a carrying charge is “unlawful” and “not in conformity with . . . the applicable law.” The Company cited one statute, *Idaho Code* § 61-502A, for the proposition that the Legislature “has recognized that allowing utilities to receive carrying charges or interest on deferred accounts is in the public interest.” Idaho Power Brief on Reconsideration, p. 4. The Company noted that Section 61-502A requires the Commission to include a carrying charge on a construction account for work in progress when the construction costs are not included in rate base.

Section 61-502A is not applicable to this case. Section 61-502A applies only to accounts accumulated for construction work in progress when, following a rate case, the partially completed project is excluded from rate base. The section prohibits the Commission from including incomplete projects in rate base, unless it is short-term construction work in progress, but requires an allowance for funds used on disallowed construction to be accumulated and computed. None of those factors are present in this case, and thus we are not persuaded by Idaho Power’s reference to that statute.

No law directs the Commission to allow a carrying charge on deferral accounts, other than in the situation identified in Section 61-502A. The Commission thus has used its discretionary authority in determining whether to approve a carrying charge on a deferral account. The Supreme Court affirmed this discretionary authority of the Commission in *Idaho Power Company v. Idaho State Tax Commission*, 141 Idaho 316, 109 P.3d 170 (2005). An issue in that case was the nature of a deferral account as a regulatory asset. The Supreme Court explained that “a regulatory asset is an accounting convention designed to enable Idaho Power to defer an otherwise current expense,” and that in order for such a regulatory asset to be created, it must be authorized by the Commission. *Idaho Power Company v. Idaho State Tax Commission*,

141 Idaho 323. The Court went on to state “the treatment of regulatory assets (i.e., whether or not rates of return or carrying charges are allowed on them) is subject to the discretion of the IPUC.” *Id.*

Idaho Power’s Brief on Reconsideration identifies previous cases where the Commission exercised its discretion to approve carrying charges on deferral accounts. The Commission commonly approves a carrying charge where a utility requests an order authorizing deferred accounting in advance of the expenditure, or the deferral account is related to implementation of a program the Commission has ordered. In those circumstances, the Commission has an opportunity to evaluate the necessity and anticipated benefit for customers before the expense is incurred by the company.

The Commission also exercises its discretion, on occasion, to disallow a carrying charge altogether, depending on the circumstances of the deferral account. For example, in Case No. AVU-G-00-1, Avista Corporation requested authority to defer cleanup costs on property no longer owned by the company. Prior to its acquisition by Avista in 1958, the Spokane, Washington property was used by a previous owner as a coal gasification plant. Avista requested authority to defer investigation and cleanup costs after being notified that it might be liable for removing hazardous materials. The Commission allowed deferral of the hazardous cleanup expenses, but found the company’s proposal for a carrying charge “to be unsupported and unacceptable.” Order No. 28512, p. 4.

The circumstances giving rise to Idaho Power’s request for a deferral order in this case justify the Commission’s decision to deny a carrying charge. Unlike the usual deferral order request, where the deferral authorization is sought in advance of the expenditure, Idaho Power did not request a deferral order prior to making the loans to Grid West. The Commission did not review the anticipated benefit of the loans prior to their being made because the Company made the Grid West loans at the behest of FERC, not the Commission. The Grid West transactions were made primarily for the benefit of a wholesale electricity market, rather than for the direct benefit of Idaho Power’s retail customers. Idaho Power’s loans, plus interest, would have been paid with surcharges collected from Grid West customers had the RTO been successfully developed.

In the unique circumstances of this case, the Commission exercised its discretion to allow deferral of the loans, but denied a carrying charge on the deferral account. We are not

persuaded by the Company's Brief on Reconsideration that our decision was in error. We therefore deny Idaho Power's request to modify Order No. 30157 to authorize a carrying charge on the deferral account authorized by the Commission.

ORDER

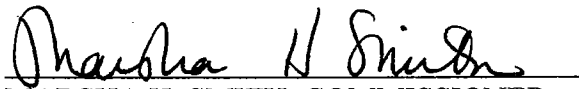
IT IS HEREBY ORDERED that Idaho Power's request to modify Order No. 30157 to authorize a carrying charge on the deferral account authorized by the Commission is denied. Order No. 30157 is clarified to reflect that the principal amount of the loans authorized for deferral by the Commission is \$932,177.

THIS IS A FINAL ORDER DENYING RECONSIDERATION. Any party aggrieved by this Order or other final or interlocutory Orders previously issued in this Case No. IPC-E-06-06 may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. See *Idaho Code* § 61-627.

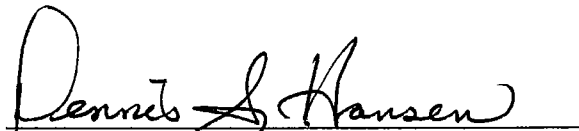
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 2nd day of February 2007.



PAUL KJELLANDER, PRESIDENT

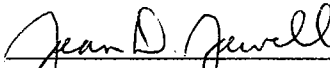


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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