

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: WELDON STUTZMAN

DATE: SEPTEMBER 29, 2006

SUBJECT: CASE NO. IPC-E-06-6
IDAHO POWER COMPANY'S REQUEST TO DEFER THE COSTS
RELATED GRID WEST, A REGIONAL TRANSMISSION
ORGANIZATION

On April 4, 2006, Idaho Power Company filed an Application requesting an accounting order from the Commission authorizing the deferral of costs the Company incurred relating to the development of a regional transmission organization (RTO). Idaho Power alleges it participated in efforts to develop an RTO, now called Grid West, pursuant to orders issued by the Federal Energy Regulatory Commission (FERC). The Application states that Pacific Northwest electric utilities have been involved in the RTO development process since 2000, and that the costs incurred by the utilities were to be repaid through surcharges on customers after the RTO became operational. It now appears the development of Grid West is unlikely, and Idaho Power requests authorization to defer the amounts it loaned to Grid West or expended, with interest, in the development process.

Idaho Power states its expenditures relating to the development of Grid West fall into two categories. The first category is costs incurred in the form of loans to Grid West under a series of funding agreements. The second category of Idaho Power's costs are internal incremental costs, which consist of the disbursement of cash and payment of costs in the development process. Idaho Power states it loaned a total of \$1,274,158 to Grid West and expended a total of \$2,594,318 in incremental internal costs. Idaho Power states the Idaho jurisdiction of the total amount loaned and expended is \$3,350,874.

On June 29, 2006, the Commission issued a Notice of Application and Notice of Modified Procedure to process Idaho Power's Application. During the comment period established by the Notice, written comments were filed by the Commission Staff and by the Industrial Customers of Idaho Power (ICIP). Both Staff and ICIP support an accounting order for deferral of the actual amount loaned by Idaho Power to Grid West. Staff and ICIP both object to the deferral of the incremental internal expenses incurred by Idaho Power. Staff also opposes deferral of the interest accrued or a carrying charge on the deferred balance. Staff recommended Idaho Power begin amortization of the deferred balance at the conclusion of its next general rate case or on January 1, 2010, whichever first occurs, with a five year amortization period. ICIP recommends the Commission require amortization of the costs to begin immediately over a three-year period. Idaho Power believes Staff's recommendation regarding amortization is reasonable.

On September 22, 2006, Idaho Power filed reply comments in response to the comments filed by Staff and ICIP. Idaho Power argues that it should be allowed deferral of interest on the loan amounts, a carrying charge on the deferred balance, and recovery of the incremental internal costs it identified in its Application.

COMMISSION DECISION

Should the Commission issue an Order authorizing deferral of the amount Idaho Power loaned to Grid West, as well as the amount the Company identified as internal expenses? If so, should the amount for deferral include interest for Idaho Power's Idaho jurisdictional services or a carrying charge?

Should the Order include a date for amortization to begin and the amortization period?



Weldon Stutzman

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