



An IDACORP Company

IDAHO POWER COMPANY  
P.O. BOX 70  
BOISE, IDAHO 83707

Lisa D. Nordstrom  
Attorney

September 7, 2006

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P. O. Box 83720  
Boise, Idaho 83720-0074

RECEIVED  
2006 SEP - 7 PM 4:44  
IDAHO PUBLIC  
UTILITIES COMMISSION

Re: Case No. IPC-E-06-19  
Application

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Application in the Matter of the Application of Idaho Power Company for an Accounting Order Regarding American Falls Replacement Dam Refunding Bonds.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom

LDN:sh  
Enclosures

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LISA D. NORDSTROM ISB #5733  
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2006 SEP -7 PM 4:44  
IDAHO PUBLIC  
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Express Mail Address

1221 West Idaho Street  
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR AN	)	CASE NO. IPC-E-06- <u>19</u>
ACCOUNTING ORDER REGARDING	)	
AMERICAN FALLS REPLACEMENT DAM	)	APPLICATION
REFUNDING BONDS	)	
_____	)	

COMES NOW, Idaho Power Company ("Idaho Power" or the "Company"), and in accordance with the provisions of *Idaho Code* § 61-524, RP 052 and RP 201, *et. seq.*, hereby applies for an accounting order of the Idaho Public Utilities Commission ("the Commission") for authority to amortize the principal balance owed on American Falls Replacement Dam Refunding Bonds ("the Bonds") over the remaining term of the Bonds and operating license of the American Falls Dam. This Application is based on the following:

## I. BACKGROUND

In the 1970s Idaho Power guaranteed the financing required to reconstruct the American Falls Dam in Power County, Idaho, in exchange for certain water rights for its hydroelectric plant on the site.

Through April 2000, the guaranteed Bonds were structured in such a way that Idaho Power made principal and interest payments on behalf of American Falls Reservoir District that were recorded to Water for Power expense (FERC Account 536) and included in the Company's operating and maintenance (O&M) expenses recovered through general rates. As principal payments were made, both the liability (Account 224200) and associated deferred asset (Account 186727) accounts were decreased.

In April of 2000 the Company, in conjunction with the American Falls Reservoir District, refinanced the Bonds to a variable rate, interest-only mode. The principal amount is due in full February 2025 -- the same time that the Company's operating license expires at the American Falls Dam. The interest on the Bonds is currently being paid monthly and expensed to Water for Power (Account 536). The principal balance of \$19,885,000 is currently recorded as a liability (Account 224200) with a corresponding deferred debit (Account 186727) in the same amount.

Since refinancing the Bonds in 2000, Idaho Power has not amortized the principal amount, and has charged only the interest payments to Water for Power expense. Consequently, Idaho retail customers have only been paying the interest portion of the debt service since the 2003 general rate case (IPC-E-03-13). While this has resulted in lower overall rates in the near term, the remaining principal (along with

the carrying cost) will come due in the future and will have to be recovered in rates at that time.

## **II. PROPOSED AMORTIZATION**

In consultation with the Company's external auditors, Idaho Power decided in early 2006 that the deferred debit should be amortized over the remaining life of the Bonds and the license. This treatment is more consistent with the accounting methodology used for Milner Dam Bonds in the two most recent general rate cases. By amortizing the deferred asset over the remaining lives of the Bonds and license (i.e., 2025), current retail customers receiving the benefits of this facility would fund the recovery of the principal portion just as they are currently funding the interest portion.

The Company proposes amortizing the \$19,885,000 in equal monthly amounts beginning January 1, 2006 through January 31, 2025. This will result in an additional \$1,042,008.72 annual O&M expense for the years 2006 through 2024, and one month's amortization of \$86,834.06 in 2025 before the Bonds mature February 1, 2025. This annual expense would be included in the next general rate case test year.

## **III. REQUESTED ACCOUNTING**

The following is Idaho Power's proposed monthly accounting entry for the American Falls Bond Principal:

536000 Operating Power Production Hydro Power- Water for Power  
\$86,834.06

186727 Miscellaneous Deferred Debits – American Falls Water Rights  
\$86,834.06

If this accounting order is issued, one catch-up entry will be made for 2006 equaling the total monthly amounts from January 2006 through the month of the Commission's order. An entry will occur monthly after that through January 31, 2025. (\$19,885,000 Principal ÷ 229 Months = \$86,834.06 per month amortization).

#### **IV. MODIFIED PROCEDURE**

The Company requests that this Application be processed under RP 201, *et seq.*, allowing for consideration of issues to be processed under Modified Procedure, i.e., by written submissions rather than by an evidentiary hearing.

#### **V. SERVICE OF PLEADINGS**

Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

Barton L. Kline	John R. Gale
Lisa D. Nordstrom	Vice President, Regulatory Affairs
Idaho Power Company	Idaho Power Company
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<a href="mailto:lnordstrom@idahopower.com">lnordstrom@idahopower.com</a>	

#### **VI. CONCLUSION**

WHEREFORE, Applicant Idaho Power Company requests that the Idaho Public Utilities Commission issue its order:

1. Providing Idaho Power with authority to amortize amounts owed on American Falls Replacement Dam Refunding Bonds over the remaining term of the Bonds and operating license of the American Falls Dam; and

2. Authorizing Idaho Power to modify the manner in which the Company accounts for the Bonds as described in greater detail above.

Respectfully submitted this 7<sup>th</sup> day of September, 2006.

  
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Lisa D. Nordstrom  
Attorney for Idaho Power Company