

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR AN) CASE NO. IPC-E-06-19
ACCOUNTING ORDER REGARDING)
AMERICAN FALLS REPLACEMENT DAM) ORDER NO. 30171
REFUNDING BONDS)**

On September 7, 2006, Idaho Power Company filed an Application seeking an accounting order 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 the operating license of the American Falls Dam. On October 5, 2006, the Commission issued Order No. 30142 requesting interested persons file comments regarding the Application no later than October 25, 2006. Only the Commission Staff filed comments, and recommended the Commission approve the Company's Application. Based upon our review we grant the Company's Application as more fully set forth below.

THE APPLICATION

According to the Company's Application, in April 2000 the Company refinanced the Bonds to a variable rate, interest-only mode. The principal amount of \$19,885,000 is due in full in 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 is currently recorded as a liability (Account 224200) with a corresponding deferred debit (Account 186727) in the same account.

Idaho Power states that since refinancing the Bonds in 2000 it has not amortized the principal amount and has charged only the interest payments to the Water for Power expense. The Company states that as a result, Idaho customers have only been paying the interest portion of the debt since the 2003 general rate case (IPC-E-03-13). While this has resulted in lower overall rates in the short term, the principal balance and carrying charge will come due in the future, affecting rates.

The Company proposes that the deferred debit be amortized over the remaining life of the Bonds and the license. The Application states that 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. The annual expense would be included in the next general rate case test year.

STAFF COMMENTS

Staff reviewed the Company's Application as well as all applications and Orders regarding the Bonds dating back to 1976. Staff recommended that the proposed amortization of the Bonds, and the proposed transaction to record the principal amount of the Bonds and the current accounts and entries to record interest expenses is reasonable. Staff recommended that the Commission approve the Company's request.

FINDINGS

We have reviewed the record for this case, including the Application and comments. No protests to the Commission's use of Modified Procedure were filed. We continue to find that the public interest does not require a hearing to consider the issues presented in this case and that Modified Procedure is appropriate. IDAPA 31.01.01.204. The Commission has jurisdiction over Idaho Power, its Application seeking an accounting order, and the issues involved in this case by virtue of Title 61, Idaho Code, specifically *Idaho Code* §§ 61-129, 61-119, 61-501, 61-901, and 61-524, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

We find that the Company's request to amortize the principal balance owed on American Falls Replacement Dam Refunding Bonds over the remaining term of the Bonds and the operating license of the American Falls Dam is reasonable. Failing to do so would subject customers to the possible recovery of the entire principal amount in rates when it comes due in the future. The amortization allows the customers who are currently receiving the benefits of this facility to fund the recovery of the principal as well as the interest on this debt. The accounting entries proposed by the Company, and recommended by Staff are approved.


ORDER

IT IS HEREBY ORDERED that Idaho Power's Application is granted. The principal balance owed on American Falls Replacement Dam Refunding Bonds may be amortized over the remaining term of the Bonds and operating license of the American Falls

Dam. The accounting entries proposed by the Company and recommended by Staff are approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

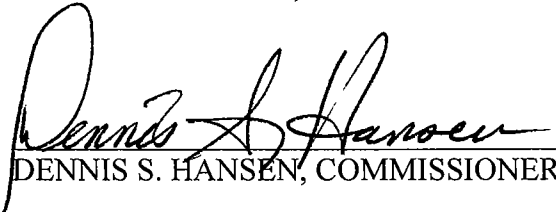
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of November 2006.



PAUL KJELLANDER, PRESIDENT

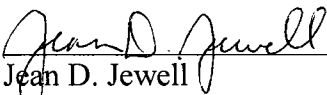


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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