

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: SEPTEMBER 29, 2006

**SUBJECT: IDAHO POWER'S APPLICATION FOR AN ACCOUNTING ORDER
REGARDING AMERICAN FALLS REPLACEMENT DAM REFUNDING
BONDS, CASE NO. IPC-E-06-19**

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 operating license of the American Falls Dam. The Company requests that its Application be processed by Modified Procedure.

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, effecting 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 RECOMMENDATION

Staff recommends processing the Company's Application by Modified Procedure, with a comment deadline of October 25, 2006.

COMMISSION DECISION

Does the Commission wish to process this case by Modified Procedure with comments due on October 25, 2006?



Donovan E. Walker