

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: OCTOBER 27, 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. On October 5, 2006, the Commission issued Order No. 30142 requesting that interested persons file comments regarding the Application no later than October 25, 2006. Only the Commission Staff filed comments and it recommended that the Commission approve the Company's Application.

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

COMMISSION DECISION

Does the Commission wish to approve the Company's request for the proposed accounting order to modify the accounting treatment for the American Falls Replacement Dam Refunding Bonds and amortize the principal balance owed on the Bonds over the remaining term of the Bonds?


Donovan E. Walker

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