

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR AN)	CASE NO. IPC-E-06-20
ACCOUNTING ORDER FOR TREATMENT)	
OF THE DEMAND SIDE MANAGEMENT)	ORDER NO. 30189
PROGRAMS)	

Application

On September 11, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an accounting order authorizing the Company to track its transactions for Demand Side Management (DSM) programs by implementing supplemental accounting treatment for its DSM Energy Efficiency Tariff Rider (Rider).

As reflected in the Company's Application, since the 2002 approval of the Energy Efficiency Tariff Rider by the Commission in Order No. 29026, DSM programs have been an integral part of the Company's operations. On May 13, 2005, in Order No. 29784, the Commission approved an increase in the funding and program expenditures associated with the Rider by authorizing the collection of 1.5% of customers' base revenues.

According to Generally Accepted Accounting Principles (GAAP), Statement of Financial Accounting Concept (SFAC) No. 6, ¶¶ 70, 78-81, 215, money collected and expended as part of a utility's standard business needs to be reflected on the utility's income statement.

Presently Idaho Power utilizes the following accounting entries to Energy Efficiency Rider funds:

1. As funding is received from customers, the following transaction is made to record cash received and set up the obligation to spend the money in the future on specific programs funded through the Energy Efficiency Rider:

Dr. Account 131000 – Cash
Cr. Account 254201 – Regulatory Liability

2. As DSM program expenditures are made, the following transaction is made to record cash paid and reduce the liability account:

Dr. Account 254201 – Regulatory Liability
Cr. Account 131000 – Cash

These accounting entries, the Company contends, accurately track DSM-related regulatory liabilities by recording all transaction activity exclusively through the Company's balance sheet accounts.

The Company in this Application, however, in addition to continuing the above mentioned balance sheet accounting entries, to be consistent with GAAP standards, proposes to create an automatic "monthly voucher" to parallel the balance sheet activity in the Company's income statement. At the end of each month, the Company would make a set of accounting entries to recognize the expenditures made in serving the regulatory obligation along with an equal, offsetting entry to recognize the proceeds from Energy Efficiency Rider funds. To accomplish this objective, the proposed accounting entries are:

Dr. Account 908.xxx – Customer Service Operating Expense

Cr. Account 456.xxx – Other Operating Revenue

Because the incoming and outgoing dollars recognized in the income statement subaccounts will be of equal amounts, the net result to the Company's net income will be zero. Idaho Power contends that there are no current economic tax liability changes or any other net financial effects from the inclusion of these income statement accounting entries. For external reporting purposes, the Company contends that the accounting trail of specific DSM related funding and expenditures will be much easier to track through income statement detail rather than relying solely on cumulative balance sheet activity.

Comments

On September 28, 2006, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-06-20. The deadline for filing comments was November 1, 2006. The Commission Staff was the only party to file comments. Staff recommends approval of the Application and proposed accounting changes.

Staff reports that it conducted an audit of the Company's current accounting treatment of DSM to determine how the Company accounts for DSM expenditures now and how the proposed accounting treatment will be used to track expenditures in the future. Staff believes that the Company-proposed subaccounts and adjustment methodology for rate cases will provide the ability to ensure that any expenses associated with the DSM Rider programs or funding will not be commingled or receive double recovery for ratemaking purposes. Staff agrees that the proposed DSM expenditure bookkeeping and accounting changes requested by Idaho Power will

provide the Company with the ability to be consistent with GAAP accounting requirements and will also allow parties to accurately track DSM rider revenues, expenditures and related regulatory liabilities. The proposed changes in accounting treatment, Staff agrees, will have no impact on the Company's net income and will make it easier to track the DSM detail in its income statement.

Commission Findings

The Commission has reviewed the filings of record in Case No. IPC-E-06-20 including the comments and recommendations of Commission Staff. We continue to find it reasonable to process this matter pursuant to Modified Procedure. Reference IDAPA 31.01.01.204.

Idaho Power in Case No. IPC-E-06-20 has requested an order authorizing proposed accounting treatment of DSM programs. The Company, we find, is not proposing to change its current balance sheet accounting procedures regarding DSM Energy Efficiency Rider funding. The Company instead seeks only to make parallel accounting entries to the income statement in an attempt to more closely comply with GAAP standards and auditing efficiencies. The Company represents and we find that the proposed accounting entries will have no effect on the Company's net income. We find that the proposed changes will make it easier to accurately track DSM Rider revenues, expenditures and related regulatory liabilities. We accordingly find good reason to approve the Company's Application.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility and the issues raised in Case No. IPC-E-06-20 pursuant to authority granted in Title 61, Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*


ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the Company's Application in Case No. IPC-E-06-20 to implement a supplemental accounting method for funding and program expenditures associated with its DSM Energy Efficiency Tariff Rider.

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. 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 22nd 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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