DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

STEPHANIE MILLER

DAVID SCHUNKE

DONALD HOWELL

SUSAN HAMLIN

BEVERLY BARKER

GARY RICHARDSON

TONYA CLARK

WORKING FILE

FROM:TERRI CARLOCK

DATE:JULY 11, 1996

RE:IDAHO POWER COMPANY'S REQUEST FOR AUTHORITY TO REFUND UP TO $116,300,000 OF SWEETWATER COUNTY WYOMING POLLUTION CONTROL REVENUE BONDS, CASE NO. IPC-E-96-11.

RECOMMEND:APPROVAL

Idaho Power Company requests authority to refund one or more series of pollution control revenue bonds issued by Sweetwater County, Wyoming in an amount not more than

$116,300,000.  The refunding bonds will be issued to lower the overall annual interest expense by securing a lower average interest rate and/or extending the average maturity.

The interest rate or rates may be fixed or variable for the initial issuance(s) and may be converted to fixed or variable rates during the term of the bond(s).  The current interest rate for tax-exempt bonds is approximately 6.5%.  The terms of the bonds related to the date of maturity, call or redemption privileges, sinking fund or other provisions have not yet been determined.  These terms impact the overall cost of the refunding bonds and will impact how many of the existing bonds will be cost effective to refund.  Idaho Power has calculated the break-even point for cost effective refunding to be at a rate of 7.046% for the 5.9%, 1973 Issue and a rate of 6.855% for the 6%, 1977 Issue.  The break-even analyses are still being reviewed with Idaho Power.  The result may impact the final dollar amount to be refunded but not the reasonableness of going forward with the negotiations to refund the bonds.

Idaho Power will notify Staff of the terms of the refunding bonds as soon as possible.  Statements of borrowing will also be filed with the Commission.

The Underwriter fees will not exceed 1 percent of the principal amount of refunding bonds.  Other issuance expenses are estimated to be $225,000 as shown in the following table:

Other Issuance Expenses

Trustee Fees$   5,000

Regulatory Agency Fees     3,500

Idaho Power and Other Counsel Fees 150,000

Accounting Fees   15,500

Printing and Engraving Fees   20,000

Miscellaneous Costs   31,000

    TOTAL$225,000

STAFF RECOMMENDATION

Staff recommends granting Idaho Power authority to refund the Pollution Control Revenue Bonds up to $116,300,000.  Since many terms of the refunding bonds are unknown, Staff will work with Idaho Power to verify that the refundings are cost effective prior to including them in the overall rate of return in the next rate proceeding.

COMMISSION DECISION

Should authority to refund up to $116,300,000 of Sweetwater County, Wyoming Revenue Bonds be approved?

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Terri Carlock

TC:ipc\ipce9611.dm