

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4214

In the Matter of)	
)	
IDAHO POWER COMPANY)	ORDER
)	
Application for Authority to Issue up to)	
\$300,000,000 in Short-Term Credit.)	

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS
AND REPORTING REQUIREMENTS**

On March 15, 2005, Idaho Power Company (Idaho) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 and OARs 860-027-0025 and 860-027-0030, for the authority to issue up to \$300 million aggregate principle amount at any one time outstanding of short-term debt.

Idaho requests a five-year authorization period from April 1, 2005, through March 31, 2010, conditioned that the authority will remain in place so long as Idaho's senior-secured bond ratings remain investment grade (BBB- or higher by Standard & Poor's Rating Service and Baa3 or higher by Moody's Investors' Services Inc.).

Idaho represents that the purposes for which the short-term borrowings are proposed to be incurred by Idaho are for the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations that were incurred for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of Idaho's treasury for funds used for the foregoing purposes, as permitted under ORS 757.415(1). The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on April 5, 2005, the Commission adopted Staff's recommendation and approved Idaho's current request.

ORDER

IT IS ORDERED that Idaho Power Company's application requesting authority to issue up to \$300 million in Short-Term Credit, for a five-year term, subject to the conditions and reporting requirements detailed in Appendix A, is approved.

Made, entered, and effective APR 12 2005.

BY THE COMMISSION:



Becky L. Beier
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 5, 2005

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ N/A

DATE: March 29, 2005

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: IDAHO POWER COMPANY: (Docket No. UF 4214) Application for Authority to Issue up to \$300,000,000 in Short-Term Credit.

STAFF RECOMMENDATION:

The Commission should approve Idaho Power's (Idaho or Company) application subject to the following conditions and reporting requirements:

- 1) The Company shall file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance. This report shall include the total amount, per unit price, total expenses and net proceeds of the issuance, as well as interest costs and credit ratings.
- 2) The Company shall demonstrate that the rate(s) it achieves on new securities is consistent with market rates or otherwise demonstrate that the rate(s) it achieves is competitive.
- 3) The authorization should remain in effect over the 5-year authorization period, as long as the Company maintains senior secured debt ratings of at least BBB- and Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively.
- 4) For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company shall be required to show that its capital costs, including imbedded expenses, and structure are just and reasonable.

DISCUSSION:

On March 15, 2005, Idaho filed an application with the Commission, pursuant to Oregon Revised Statute (ORS) 757.415, and Oregon Administrative Rules (OAR) 860-027-0025 and 860-027-0030, for the authority to issue up to \$300 million aggregate principal amount at any one time outstanding of short-term debt.

Idaho represents that the proposed borrowings will have varying maturities, with a maximum term of five years. Idaho requests a five-year authorization period from April 1, 2005 through March 31, 2010, conditioned that the authority will remain in place so long as the Company's senior-secured bond ratings remain investment grade (BBB- or higher by Standard & Poor's Rating Service and Baa3 or higher by Moody's Investors' Service Inc.).

Idaho states the securities will consist of loans issued by financial and other institutions and evidenced by unsecured notes or other evidence of indebtedness; and unsecured promissory notes to be issued for public or private placement by Idaho through one or more commercial paper dealers or agents, or directly by the Company. Each note will have a fixed maturity and will contain no provision for automatic "roll over."

The Company believes that this authorization would allow Idaho to secure an ongoing credit commitment from multiple banks under a 5-year Line of Credit agreement. Locking in a credit commitment for 5 years would be advantageous for the Company because it provides certainty for future short-term borrowing needs. The Company represents that the Line of Credit will serve primarily as a "backstop" for the Company's commercial paper program. The liquidity support provided by the Line of Credit is expected to result in more favorable terms for Idaho's commercial paper. Overall, Idaho's short-term borrowing/commercial paper program provides readily accessible funding for the Company's ongoing utility operations at reasonable rates.

Use of Proceeds

The Company represents that the purposes for which the short-term borrowings are proposed to be incurred by Idaho as provided herein are for the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations which were incurred for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of Idaho's treasury for funds used for the foregoing purposes, all as permitted under ORS 757.415(1).

Interest Rate

Idaho represents the interest rates of the borrowings may be fixed or variable during the

term of the loans, and that the rates will be based on LIBOR¹, the applicable prime rate, or other rate established in the borrowing arrangements, and may vary based upon the ratings of Idaho's first mortgage bonds. The proposed Pricing Grid is attached.

Expenses

Idaho's Line of Credit arrangements are expected to include one or more lead agents, and a number of additional banks as participating agents. On the maximum cost of the borrowing, the following information is taken from Idaho's application:

Up front arrangement fee	\$150,000
Up front agent fee	\$150,000
Annual agent facility fees	\$250,000
Annual administrative fees	\$15,000
IPC legal fees	\$10,000
Agent legal fees	\$10,000
Miscellaneous expenses	\$10,000
<u>Total Cost</u>	<u>\$595,000</u>

This amount represents both the up-front fees and the annual fees of \$250,000/year agent facility fees and \$15,000/year administrative fees. With respect to commercial paper issuances, it is expected that the commercial paper dealers or agents will sell such notes at a profit to them not to exceed 1/8 of 1 percent of the principal amount of each note. The proposed fees and expenses appear reasonable.

PROPOSED COMMISSION MOTION:

Pursuant to Oregon Revised Statute (ORS) 757.415, and Oregon Administrative Rules (OAR) 860-027-0025 and 860-027-0030, the application of Idaho to issue up to \$300 million in Short-Term Credit, for a five-year term with the investment grade rating and reporting requirements, be approved.

¹ LIBOR stands for the London Interbank Offered Rate. LIBOR is the most widely used benchmark or reference rate for short-term interest rates. Many variable interest rates in the U.S. are based on spreads off LIBOR.

Table: Pricing Grid

Level	S&P/Moody's Rating	Facility Fee	LIBOR Margin	First Drawn	Utilization Fee Usage > 50%	All-in Drawn
I	A/A2 or above	0.08%	0.27%	0.35%	0.10%	0.45%
II	A-/A3	0.10%	0.30%	0.40%	0.10%	0.50%
III	BBB+/Baa1	0.13%	0.35%	0.48%	0.13%	0.60%
IV	BBB/Baa2	0.15%	0.43%	0.58%	0.13%	0.70%
V	BBB-/Baa3	0.18%	0.58%	0.75%	0.13%	0.88%
VI	BB+/Ba1 or below	0.25%	0.88%	1.13%	0.13%	1.25%

Data Source: The data from the grid is based on Idaho's negotiations with the Line of Credit banks and will be incorporated in the Line of Credit.

At the Borrower's option, loans under the Facility shall bear interest at (i) the Administrative Agent's Base Rate ("Base Rate") from time to time in effect or (ii) the applicable LIBOR plus the applicable LIBOR Margin in effect at such time as determined in accordance with the pricing grid. Right now, Idaho is at level III.