

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UF 4227

In the Matter of	)	
	)	
IDAHO POWER COMPANY	)	ORDER
	)	
Application for authority to issue and sell	)	
\$116.3 million of Pollution Control Bonds.	)	

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

On April 28, 2006, Idaho Power Company (Idaho Power or Company) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410, ORS 757.415, and OAR 860-027-0030 for authority to refund \$116.3 million of its Bonds. The refunded bonds consist of three series of Wyoming Pollution Control Revenue Refunding Bonds originally issued in 1996 by Sweetwater County, Wyoming. The Company will enter into a loan agreement and other arrangements with Sweetwater County to provide for repayment of the Bonds. The basis for the current request is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

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 June 27, 2006, the Commission adopted Staff's recommendation and approved Idaho Power's current request.

**ORDER**

IT IS ORDERED that the application of Idaho Power Company for the authority to refund \$116.3 million of its Bonds is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective JUL 05 2006.



BY THE COMMISSION:

  
\_\_\_\_\_  
**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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA14

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 27, 2006

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A

DATE: June 6, 2006

TO: Public Utility Commission

FROM: Thomas D. Morgan *DM*

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway *MS*

SUBJECT: IDAHO POWER: (Docket No. UF 4227) Application for authority to issue and sell \$116.3 million of Pollution Control Bonds.

**STAFF RECOMMENDATION:**

The Commission should approve Idaho Power's (Company) application to issue \$116.3 million of Bonds, subject to the following conditions and reporting requirements:

- 1) The Company shall file the usual Report of Securities Issued and Disposition of Net Proceeds statement as soon as possible after any issuance. Upon each issuance of Securities, the Company shall file documentation with the Commission providing a specific description of the terms and conditions of each issuance of the Securities.
- 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. The demonstrations should be filed as soon as possible after each issuance and sale and will include a demonstration that fees for partial issuances are reasonable.
- 3) The Company shall demonstrate that any early refunding or the exercise of any call provision or required sinking fund placed on the issuance is cost-effective.
- 4) The authorization shall remain in effect as long as the Company maintains debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively on any debt security type it intends to market, on the date the security is initially issued. If the bonds are re-marketed on a periodic basis, no further Commission approvals would be required.

UF 4227 – Idaho Power Bond Issuance  
June 6, 2006  
Page 2

- 5) If any agents or underwriters are involved in the sale of the Bonds, the names of such, the initial price to the public, any applicable commissions or discounts and the net proceeds to the Company shall be filed with the Commission. If the Debt is sold to an agent or agents as principal, the agent name(s), the price paid by the agents, net proceeds, and any applicable commission or discount paid by the Company to the agent(s) shall be included.
- 6) For ratemaking purposes, the Commission will reserve judgment on the reasonableness of the Company's capitalization structure and all expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capitalization structure and capital costs, including imbedded expenses, are just and reasonable.

#### **DISCUSSION:**

On April 28, 2006, Idaho Power filed an application pursuant to Oregon Revised Statutes (ORS) 757.410 & 757.415, and Oregon Admin. Rule (OAR) 860-027-0030 for authority to refund \$116.3 million of its Bonds. The refunded bonds consist of three series of Wyoming Pollution Control Revenue Refunding Bonds originally issued in 1996 by Sweetwater County, Wyoming. The Company will enter into a loan agreement and other arrangements with Sweetwater County to provide for repayment of the Bonds.

The existing bonds were issued to replace debt incurred in the 1970s and 1980s to install air and water pollution control facilities at the Jim Bridger coal-fired generating plant, located near Rock Springs, Wyoming.

The Company indicates that the refunding transaction is intended to secure a lower average interest rate for the Refunding Bonds than the rate currently outstanding.

#### **Secured Bonds:**

The Company indicates that it is interested in obtaining the lowest interest cost possible. In order to achieve favorable credit ratings, which would reduce the interest rate, the Bonds may be secured by the Company's First Mortgage Bonds, which would have the effect of using the Company's fixed assets as collateral. Alternatively, the Company may use other substitute collateral, or it may enter into guarantees, pledges or other security agreements or arrangements that would ensure timely payments on the Bonds. The Company may also enter into letters of credit, insurance or other arrangements with third parties to gain credit support for the Bonds.

UF 4227 – Idaho Power Bond Issuance  
June 6, 2006  
Page 3

The Bonds are expected to be issued prior to July 15, 2006, which is the maturing date for the outstanding bonds. The Bonds may be issued with redemption provisions.

**Underwriting:**

The Bonds will be sold in a negotiated public offering by Sweetwater County to underwriters selected for the transaction. The underwriters will be: JP Morgan Securities Inc.; Wachovia Capital Markets, LLC; Banc of America Securities LLC; and KeyBanc Capital Markets.

**Bond Ratings:**

Idaho Power's corporate credit is rated Baa1 by Moody's and BBB+ by Standard & Poor's. The Company expects to apply for and receive a rating on any Bonds issued.

**Interest Rates:**

The interest rate on the Bonds may be fixed or variable and may be converted to fixed or variable rate(s) during the maturity term(s) of the Bonds. To the extent that the refunding bonds are initially issued at fixed interest rates, the coupon rate will not exceed 7.00 percent, and the total all-in cost will not exceed 7.05 percent. In any case, the Company expects the interest rates to be equal to or lower than the current average interest rate for the Bonds. The rates will be determined at the time the Bonds are issued.

**Expenses:**

The underwriters will receive a fee not to exceed 0.45 percent of the aggregate principal amount of the Bonds sold. For tax purposes, the issuance costs for the Bonds will be paid separately by the company. The total expenses are identified in Table 1. Except for normal accounting and legal fees, no other fees or commissions, other than the underwriter's spread, will be paid by the Company in connection with the transaction. Table 2 reflects the summary of legal and other fees. The interest rates, fees, and expenses appear reasonable. The Company intends to amortize the applicable redemptions costs over the life of the new Bonds.

**Use of Proceeds**

As described above, Idaho Power will use the proceeds of the issuance under this authority for the refunding of obligations which were incurred for utility purposes permitted under ORS 757.415 (1).

UF 4227 – Idaho Power Bond Issuance  
June 6, 2006  
Page 4

Prior to finalizing the Staff memo, the proposed Conditions were shared with the Company and the Company is agreeable to them.

**PROPOSED COMMISSION MOTION:**

Idaho Power's application, UF 4227, be approved subject to Staff's conditions and reporting requirements.

UF 4227 – Idaho Power \$116.3 Million Pollution Control Bond Refunding

UF 4227 – Idaho Power Bond Issuance  
 June 6, 2006  
 Page 5

**Table 1**  
**Estimated Gross Proceeds, Total Expenses and Net Proceeds**

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds	\$116,300,000	\$100.0000
Expenses:		
Underwriter's Commission (0.45%)	\$523,350	0.4500
Other Issuance Expenses (See Table 2)	\$900,000	0.7738
Redemption Premium	\$1,362,000	1.1710
<b>Total Costs</b>	<b>\$2,785,000</b>	<b>2.3948</b>

**Table 2**  
**Issuance Expenses**

Trustee Fees	\$12,000
Regulatory Agency Fees	3,500
Counsel Fees	700,000
Accounting Fees	20,000
Printing and Engraving Fees	20,000
Rating Agency Fees	120,000
Miscellaneous Costs	24,500
<b>Total</b>	<b>\$900,000</b>