

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4238

In the Matter of)	
)	
IDAHO POWER COMPANY)	ORDER
)	
Application for an Order Authorizing)	
Applicant to Make up to \$450,000,000)	
Aggregate Principal Amount at Any One)	
Time Outstanding of Short-Term)	
Borrowings)	

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

On March 19, 2007, Idaho Power Company (Idaho) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 and OAR 860-027-0030, for the authority to issue short-term debt up to \$450 million aggregate principal amount at any one time outstanding.

Idaho requests authority to make short-term borrowing for a seven-year period from April 1, 2007 through April 1, 2014, 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 represents that the purpose for the borrowings is to obtain temporary short-term capital 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 made for utility purposes, or the reimbursement of the Company's treasury for funds used for the foregoing purposes, all 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 10, 2007, 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 \$450 million in short-term borrowings, subject to the conditions and reporting requirements detailed in Appendix A, is approved.

Made, entered, and effective APR 16 2007.

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

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 10, 2007**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: April 3, 2007

TO: Public Utility Commission

FROM: Ming Peng *mp*

THROUGH: *li* Lee Sparling, *W* Marc Hellman, and *ASC* Bryan Conway

SUBJECT: IDAHO POWER COMPANY: (Docket No. UF 4238) Application for Authority to Issue up to \$450,000,000 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 7-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) The remaining financing authority granted under Order No. 05-173 will be withdrawn effective upon the date the Company's Credit Agreement goes into effect.
- 5) 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

UF 4238
April 3, 2007
Page 2

proceeding, the Company shall be required to show that its capital costs, including imbedded expenses, and structure are just and reasonable.

DISCUSSION:

On March 19, 2007, Idaho filed an application with the Commission, pursuant to Oregon Revised Statute (ORS) 757.415 and Oregon Administrative Rules (OAR) 860-027-0030, for the authority to issue short-term¹ debt up to \$450 million aggregate principal amount at any one time outstanding.

The Commission previously granted authorization to the Company for arrangements of this type in Order No. 05-173, UF 4214. Idaho's current maximum authorized amount outstanding is \$300 million under UF 4214, and this amount would increase to \$450 million under the authorization requested in the current case UF 4238. Idaho requests authority to make short-term borrowing for a seven (7) year period from April 1, 2007 through April 1, 2014, 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 short-term borrowings will consist of (1) loans issued by financial and other institutions and evidenced by unsecured notes or other evidence of indebtedness of the Company and (2) unsecured promissory notes and commercial paper of Applicant to be issued for public or private placement through one or more commercial paper dealers or agents, or directly by the Company.

The Company expects to enter into a new or amended credit agreement (the "Credit Agreement") in the spring of 2007. The Company believes that the Credit Agreement would reduce fees and expenses as compared with Idaho's current credit agreement. The Credit Agreement would also provide expanded short-term borrowing capacity for Idaho's increasing utility capital expenditure requirements, as well as a longer bank commitment period. The requested authority would replace the financing authority the Commission authorized in Order No. 05-173 in Docket No. 4214. The Company represents that it is not opposed to the Commission withdrawing the remaining authority

¹ ORS 757.415 (3) indicates that ORS 757.410 & 415 do not apply to the issuance or renewal of a note maturing not more than one year after date of such issue or renewal. However, based on the Commission's past practice, Commission authorization is required for such borrowings if they are made under an agreement (such as a Credit Agreement) which has a term of more than one year.

UF 4238
 April 3, 2007
 Page 3

granted under Order No. 05-173 when the Company's Credit Agreement goes into effect, which the Company expects to occur by May 15, 2007.

Use of Proceeds

The Company represents that the purpose for the borrowings are to obtain temporary short-term capital 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 made for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of the Company's treasury for funds used for the foregoing purposes, all as permitted under ORS 757.415(1). If the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally made in furtherance of the utility purposes above.

Interest Rate

Idaho represents that 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 LIBOR², 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 or its corporate credit rating. The proposed Pricing Grid is attached.

Expenses

Idaho's Credit Agreement would likely include the following fees for the lead agent(s) and participating agents:

Up front arrangement fee	\$225,000
Up front agent fee	\$87,500
Annual agent facility fees	\$210,000
Annual administrative fees	\$15,000
IPC legal fees	\$30,000
Agent legal fees	\$30,000
Miscellaneous expenses	\$5,000
Total Cost	\$602,500

The expected Credit Agreement fees represent a reduction in Idaho's current credit agreement fees. The fees are customary for the market and will offset the agents' costs, including personnel time, travel and administrative costs associated with

² 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.

UF 4238
April 3, 2007
Page 4

negotiating and administering the unsecured lines of credit. The proposed fees and expenses are reasonable.

PROPOSED COMMISSION MOTION:

Pursuant to ORS 757.415, and OAR 860-027-0030, the application of Idaho to issue up to \$450 million in short-term borrowings with the conditions and reporting requirements noted above, be approved.

Attachment

UF 4238

UF 4238
 April 3, 2007
 Page 5

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	0.05%	0.15%	0.20%	0.05%	0.25%
II	A-/A3	0.06%	0.19%	0.25%	0.05%	0.30%
III	BBB+/Baa1	0.07%	0.28%	0.35%	0.05%	0.40%
IV	BBB/Baa2	0.09%	0.36%	0.45%	0.05%	0.50%
V	BBB-/Baa3	0.125%	0.40%	0.525%	0.10%	0.625%
VI	BB+/Ba1 or below	0.175%	0.575%	0.75%	0.10%	0.85%