ORDER NO. 08-105

ENTERED 01/28/08

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4244

In the Matter of	)	
	)	
IDAHO POWER COMPANY	)	ORDER
	)	
Application for Order Authorizing the Issuance and Sale of Up to $350,000,000 of First Mortgage Bonds and Debt Securities.	)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On December 13, 2007, Idaho Power Company (Idaho Power or Company) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415, ORS 757.480 and OARs 860-027-0025 and 860-027-0030, for the authority to issue and sell up to $350 million, in aggregate, of two types of securities: First Mortgage Bonds, which may be classified as Medium-Term Notes, and Unsecured Debt Securities.

Idaho Power represents that the purposes for which securities are proposed to be issued are 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 Company 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 January 22, 2008, the Commission adopted Staff's recommendation and approved Idaho Power's current request.

ORDER

IT IS ORDERED that Idaho Power Company's application requesting authority to issue and sell up to $350 million in first mortgage bonds and debt securities and enter into interest rate hedging arrangements, subject to the conditions and reporting requirements detailed in Appendix A, is approved.

Made, entered, and effective JAN 28 2008.

BY THE COMMISSION:

PUBLIC UTILITY COMMISSION OF OREGON

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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 22, 2008

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

DATE: January 15, 2008

TO: Public Utility Commission

FROM: Steve Storm SS

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: IDAHO POWER COMPANY: (Docket No. UF 4244) Application for authority to issue and sell up to $350,000,000 of first mortgage bonds and debt securities and enter into interest rate hedging arrangements.

STAFF RECOMMENDATION:

Idaho Power Company's (Idaho Power or Company) application for authority to issue and sell up to $350,000,000 of First Mortgage Bonds (FMBs) and Debt Securities and enter into interest rate hedging arrangements should be approved subject to the following conditions and reporting requirements:

1) The total of securities issued under this authority shall not exceed a total of $350,000,000 or, if the securities are issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than $350,000,000.

2) Any remaining financing authority granted under Order No. 04-672 is withdrawn.

3) The Company shall demonstrate that it achieves a competitive rate on any issuances it makes under this authorization.

4) The interest rate(s) shall be consistent with the parameters specified in the Company's application and in Attachment A.

5) Should the Company issue First Mortgage Bonds or Debt Securities having an interest rate exceeding the relevant maximum spread over Treasuries (as in Table 2 of Attachment A), but falling below the relevant all-in coupon rate (as in Table 3 of Attachment A), the Company shall provide a post-issuance report to the Commission within ten business days. This report shall describe the

prevailing market conditions for the Company's debt, explain the reasons for the high level of spreads over Treasuries relative to the all-in coupon rate, and detail any steps taken by the Company to minimize the overall cost of the issuance.

6) The Company shall demonstrate the cost-effectiveness of any early refunding of existing securities and that any call provision or required sinking fund placed on new issuances is cost-effective.

7) The Company may not issue debt to its parent (IDACORP, Inc.[1]) or to its affiliates without separate, prior authorization, as required under Oregon's affiliated interest statutes and regulations.

8) The authorization is to remain in effect as long as the Company maintains senior secured debt ratings no lower than BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors Service, Inc., respectively.

9) The Company shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each issuance and sale. This report is to include, in U.S. Dollars, the total value of the issuance; per unit price(s); total expenses and net proceeds of the issuance; and interest costs and credit ratings. Upon issuance of any securities under this authorization in the form of Medium-Term Notes, the Company shall file a Pricing Supplement with the Commission providing a description of the terms and conditions of each issuance.

10) The Commission will reserve judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and the commissions and expenses incurred for security issuances. The Company will be required in its next rate proceeding to show that its capital costs, including embedded expenses, and capital structure are just and reasonable.

DISCUSSION:

The Commission previously granted authorization to Idaho Power for similar arrangements of this type in Order No. 04-672. The Company represents that all of the $300 million in securities authorized in Order No. 04-672 have been issued prior to the date of this application. All securities issued under Order No. 04-672 were in the form of First Mortgage Bonds designated as secured Medium-Term Notes.

[1] Idaho Power Company is a wholly-owned subsidiary of IDACORP, Inc.

On December 13, 2007, Idaho Power filed an application with the Public Utility Commission of Oregon (Commission), pursuant to Oregon Revised Statutes (ORS) 757.415, ORS 757.480, and Oregon Administrative Rules (OAR) 860-027-0025 and 860-027-0030, for the authority to issue and sell up to $350 million, in aggregate, of two types of securities:

1) First Mortgage Bonds (FMBs), which may be designated as secured Medium-Term Notes (MTNs); and

2) Unsecured Debt Securities, which may have fixed- or floating-rate interest and may be issued domestically or globally.

Use of Proceeds

Idaho Power represents that the purposes for which securities are proposed to be issued are 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; or the reimbursement of Company treasury for funds used for the foregoing purposes. The Company represents that these purposes are compatible with the public interest; necessary and appropriate for and consistent with the proper performance by the Company of service as a public utility; will not impair the Company's ability to perform that service; and are reasonably necessary or appropriate for such purposes.

These purposes are consistent with statutory requirements and are permitted under ORS 757.415(1).

Types of Debt Securities

The Company requests authority to issue several types of debt securities, potentially including those described below.

First Mortgage Bonds (FMBs)
FMBs have been the traditional source of debt capital for U.S. utilities. FMBs have the first mortgage and senior claim on an asset or group of assets.

Medium-Term Notes (MTNs)
Medium-Term Notes are FMBs of the Company that may be continuously offered to investors over a period of time by an agent of the issuer. MTNs may be offered either domestically or through global programs. Investors can typically select from a variety of

maturity bands; e.g., 9 months to 1 year, more than 1 year to 18 months, more than 18 months to 2 years, etc., up to 30 years.

Floating-Rate Debt
Floating-rate debt is typically unsecured debt with interest rates that periodically reset, with the reset period ranging from daily to annually. The most common indices used for pricing floating-rate debt are based on the London Interbank Offered Rate (LIBOR),[2] commercial paper, or Treasury bill rates.

Eurobonds (Eurodollar Bonds; Eurodollar Financing)
Eurobonds are bonds (1) underwritten by an international syndicate, (2) issued simultaneously to investors in a number of countries, and (3) issued outside the jurisdiction of any single country.

Eurodollar Bonds are Eurobonds denominated in U.S. dollars. The interest rate charged on the debt is usually a spread over U.S. Treasury obligations having a similar maturity. Eurodollar bonds are generally unsecured obligations.

Eurodollar Financing is analogous to Eurodollar Bonds, but involves the issuance of debt securities that are specifically unsecured.

Subordinated Debt
Subordinated debt is debt ranking after other debts should a company fall into receivership or be closed. This means these loans (or debt securities) are repayable after other debts have been paid and are therefore more risky for the lender or holder of subordinated debt securities. Subordinated debt is unsecured and has lesser priority than that of an additional debt claim on the same asset. Such debt is referred to as subordinate, because the debt providers have subordinate status in relationship to the normal debt.

Interest Rate Hedging
Hedging arrangements potentially include Treasury interest rate locks, Treasury interest rate caps, and/or Treasury interest rate collars. One method to lock-in low current interest rates is to utilize a **rate lock**. A rate lock allows a bond issuer to lock-in rates based on an index of U.S. Treasuries or another long-term index. A rate lock is initially priced as a yield and terminated with a cash payment. There is no payment made or received at inception. The yield quoted will normally be slightly higher than the current rate for the given index. On the date the rate lock is

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[2] LIBOR is a 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.

terminated the bond issuer will make a payment if the index is lower than the locked-in rate; they will receive a payment if the index is higher than the locked-in rate.

Interest rate caps are purchased in advance of the issue date to provide the issuer with protection from interest rates exceeding a predetermined level. The purchaser of an **interest rate floor** seeks to establish a minimum rate its portfolio of securities would earn during a declining interest rate period. An **interest rate collar** is a combination of an interest rate cap and interest rate floor. The buyer of the collar purchases the cap option to limit the maximum interest rate he will pay, and sells the floor option to obtain a premium to pay the cap.

Pricing

The pricing of First Mortgage Bonds or Debt Securities will fall within either a maximum spread over Treasuries (as listed in Table 2 of Attachment A) or maximum all-in coupon rates (as listed in Table 3 of Attachment A). In the event the Company issues FMBs or Debt Securities exceeding the relevant maximum spread over Treasuries, but falling below the relevant all-in rate, a post-issuance report describing the prevailing market conditions and explaining the reasons for the high level of spreads over Treasuries relative to the all-in coupon rate will be provided to the Commission.

This appears reasonable given the conditions and requirements contained in this memorandum and the Company's representations regarding the volatility of corporate spreads in today's market.

Idaho Power Company's Credit Ratings

The Company represents that its outstanding senior unsecured debt, as of the December 13, 2007, application date, is rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services.

Fees and Expenses

The First Mortgage Bonds may be sold by public sale or private placement, directly by Idaho Power or through agents designated from time to time or through underwriters or dealers. If any agents of the Company or any underwriters are involved in the sale of the FMBs, the names of such agents or underwriters, the initial price to the public, any applicable commissions or discounts and the net proceeds to the Company will be filed with the Commission. If the FMBs are designated as medium-term notes and sold to an agent or agents as principal, the name of the agents, the price paid by the agents, any applicable commission or discount paid by the Company to the agents and the net proceeds to Idaho Power will be filed with the Commission.

The only fees payable by the Company other than those for technical services will be commissions and fees paid to underwriters and agents.

Technical services fees and expenses associated with Debt issuance are estimated by Idaho Power to total $2,195,000.[3]

PROPOSED COMMISSION MOTION:

The application of Idaho Power Company to issue and sell up to $350 million of first mortgage bonds and debt securities and enter into interest rate hedging arrangements be approved with Staff's conditions and reporting requirements.

Attachment

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[3] Technical services fees and expenses associated with debt issuance may include regulatory agency fees, SEC fees, company counsel fees, accounting fees, printing and engraving fees, rating agency fees, and miscellaneous costs.

Attachment A

The maximum commission to be paid by the Company to an agent(s) for issuance of either First Mortgage Bonds as medium-term notes or Debt Securities in a given maturity range is listed below:

Table 1

Maximum Commissions

Range of Maturities	Commission (Percentage of Aggregate Principal Amount of Notes Sold)
From 9 months to less than 1 year	0.125%
From 1 year to less than 18 months	0.150%
From 18 months to less than 2 years	0.200%
From 2 years to less than 3 years	0.250%
From 3 years to less than 4 years	0.350%
From 4 years to less than 5 years	0.450%
From 5 years to less than 6 years	0.500%
From 6 years to less than 7 years	0.550%
From 7 years to less than 10 years	0.600%
From 10 years to less than 15 years	0.625%
From 15 years to less than 20 years	0.675%
20 years and more	0.750%

If securities are issued as medium-term notes and sold directly to agents as principals, the MTNs will be sold at 100% of their principal amount(s) less a percentage not exceed the equivalent agent's fee for a security of similar maturity (as in Table 1).

Interest rates on Medium-Term Notes:

Interest rate(s) will be determined at the time(s) of issuance. Idaho Power expects the costs of issuance to fall within the spread over the respective U.S. Treasury bond or note as indicated in Table 2 below, where Company's cost is calculated as the cost to maturity reflecting the coupon and the appropriate commission.

Table 2

Maximum Spread over Treasuries

Term Greater Than or Equal To	And Less Than	Maximum Spread Over Benchmark Treasury Yield
9 months	2 years	+ 115 basis points
2 years	3 years	+ 125 basis points
3 years	4 years	+ 140 basis points
4 years	6 years	+ 145 basis points
6 years	9 years	+ 150 basis points
9 years	10 years	+ 155 basis points
10 years	11 years	+ 160 basis points
11 years	15 years	+ 163 basis points
15 years	20 years	+ 165 basis points
20 years	30 years	+ 180 basis points

Should spreads over Treasuries exceed the maximum spreads in Table 2, the all-in coupon rates will not exceed those in Table 3.

Table 3

All-in Coupon Rates

Maturity	Maximum All-in Coupon Rate
Less than 5 years	6.00%
5 years to less than 10 years	6.50%
10 years to less than 20 years	7.00%
20 years to 30 years	7.50%