ORDER NO. 01-817

ENTERED SEP 19 2001

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4181

In the Matter of the Application of IDAHO POWER COMPANY for an Order Authorizing the Issuance and Sale of up to $200,000,000 of First Mortgage Bonds and Debt Securities.	))))	ORDER

DISPOSITION: APPLICATION APPROVED; WITH REPORTING REQUIREMENTS

On August 7, 2001, Idaho Power Company (Idaho) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 and 757.480, requesting authority to issue up to $200,000,000 of first mortgage bonds (FMBs) or unsecured debt in the form of medium-term notes (MTNs) with maturities ranging from nine months to thirty years.

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 September 11, 2001, the Commission adopted Staff's recommendation and approved Idaho's current request.

ORDER

IT IS ORDERED THAT the application of Idaho Power Company for authorization to issue and sell up to $200,000,000 of first mortgage bonds and debt securities, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective ____________________________________.

BY THE COMMISSION:

____

Vikie Bailey-Goggins

Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ORDER NO. 01-817

ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 11, 2001

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** ____________________________

DATE: September 4, 2001

TO: Phil Nyegaard through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: UF 4181—Idaho Power Company's Application for Authority to Issue $200,000,000 of First Mortgage Bonds and/or Unsecured Debt

SUMMARY RECOMMENDATION:

I recommend approving the application with reporting requirements.

DISCUSSION:

On August 7, 2001, Idaho Power Company (Idaho) filed an application under Oregon Revised Statutes (ORS) 757.415 and 757.480 to issue up to $200,000,000 total of first mortgage bonds (FMBs) or unsecured debt (Unsecured Debt) in the form of medium-term notes (MTNs) with maturities ranging from nine months to thirty years.

Idaho proposes issuing FMBs or Unsecured Debt without further Commission approval as long as the all-in spreads and the fees do not exceed those shown in Tables 1 and 2, respectively. The all-in spreads are divided into spreads applicable when the 30-year term yield on the US Treasury security (Treasury) is less than or equal to 6.5 percent, and spreads applicable when the bond yield is greater than 6.5 percent.

The FMBs might be sold by public sale or private placement, directly by Idaho or through agents designated from time to time or through underwriters or dealers. If the FMBs are sold directly to agents as principals, then the notes will be sold at 100 percent of the principal amount of the notes less a percentage not exceeding the equivalent fee for a security of similar maturity (see Table 2).

The proposed interest rate spreads and fees are consistent with previous Commission authorizations and they continue to be appropriate absent other information. Idaho proposes that such authorization remain in effect as long as the company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively.

Expenses
Underwriter commissions and agent fees are expected to be $1,500,000 assuming a twenty-year maturity for the securities issued (see Table 2). Expenses are expected to be $460,000. The proposed fees and expenses appear reasonable.

Use of Proceeds
The net proceeds to be received by Idaho from the sale of the FMBs and/or Unsecured Debt will be used 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, all as permitted under ORS 757.415(1).

Idaho states that if the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of the utility purposes described by ORS 757.415 (1)(a), (b) or (e).

STAFF RECOMMENDATIONS:

I recommend the Commission approve Idaho's application subject to the following reporting requirements: Idaho should report two MTN postings for each debt security issued to demonstrate that the rates it achieves on the new securities are consistent with market rates, or otherwise demonstrate that the rates it achieves are competitive. The postings or other demonstrations should be filed as soon as possible after each issuance and sale. Idaho should demonstrate that any early-refunding is cost-effective. I also recommend that the company be required to file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each sale.

For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company’s capital costs and capital structure. In its next rate proceeding, Idaho will be required to show that its capital costs and structure are just and reasonable.

Table 1. Maximum Spreads

Maturity		Maximum Spread Over Benchmark Treasury Yield[1]	
Equal to or Greater Than	Less Than	If 30-Yr UST Yield is 6.5% or Lower	If 30-Yr UST Yield Exceeds 6.5%
9 months	2 years	+170 basis points[2]	+85 basis points
2 years	3 years	+180 basis points	+95 basis points
3 years	4 years	+190 basis points	+100 basis points
4 years	6 years	+200 basis points	+105 basis points
6 years	9 years	+205 basis points	+110 basis points
9 years	10 years	+215 basis points	+110 basis points
10 years	11 years	+220 basis points	+115 basis points
11 years	15 years	+230 basis points	+120 basis points
15 years	20 years	+240 basis points	+125 basis points
20 years	30 years	+265 basis points	+130 basis points

Table 2. Maximum Agent Commission Fees

Range of Maturities	Commission (Percentage of Aggregate Principal Amount of Notes Sold)
From 9 months to less than 1 year	.125%
From 1 year to less than 18 months	.150%
From 18 months to less than 2 years	.200%
From 2 years to less than 3 years	.250%
From 3 years to less than 4 years	.350%
From 4 years to less than 5 years	.450%
From 5 years to less than 6 years	.500%
From 6 years to less than 7 years	.550%
From 7 years to less than 10 years	.600%
From 10 years to less than 15 years	.625%
From 15 years to less than 20 years	.675%
20 years and more	.750%

[1] The Benchmark Treasury Yield with respect to any medium-term note maturity range means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such note maturity rate, is generally considered by dealers in such obligations to be the standard for such obligations, whether federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any medium-term note, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such note is received by Idaho Power and the agents.

[2] Basis point is defined as one-one-hundredth of a percentage point; i.e., 100 basis points equals 1.00 percent.