

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF IDAHO POWER COMPANY FOR AN )** **CASE NO. IPC-E-04-30**  
**ACCOUNTING ORDER REGARDING THE )**  
**TREATMENT OF THE SHOSHONE- )**  
**BANNOCK TRANSMISSION RIGHT-OF- )** **ORDER NO. 29718**  
**WAY EASEMENT GRANT )**  
**)**

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On December 27, 2004, Idaho Power Company filed an Application for an accounting Order authorizing the Company to amortize the cost of the Shoshone-Bannock Tribe (Tribe) Transmission Right-of-Way Easement Grant. The accounting order would allow the Company to amortize the cost of a newly negotiated easement across tribal property. The term of the easement extends through December 31, 2027, but also covers the period between 1996 to the present. The new Easement Grant results from negotiations that began in 1996 to renew four right-of-way easements for five transmission lines that cross the Fort Hall reservation near Pocatello, Idaho. The total amount of the Easement Grant payments is \$7,490,000, of which \$7,145,000 are the total cash payments and \$345,000 are college scholarship payments over the 23-year life of the easements. Idaho Power requests confirmation from the Commission that the net amount of the Easement Grant may be booked and amortized through 2027 with the expenses recoverable in future rates.

On January 19, 2005, the Commission issued a Notice of Application and Notice of Modified Procedure to process Idaho Power's Application, and which established a time period for the filing of written comments. Only the Commission Staff filed comments. Based on the record, the Commission approves Idaho Power's Application for an accounting order.

The Company is proposing to book the new easement expense to a unique sub account in FERC Plant Account No. 302 – Franchises and Consents. Transmission right-of-way costs are usually booked to FERC Plant Account No. 350 – Transmission Plant, Land & Land Rights. The Company maintains, however, that this Easement Grant is unique because the easement is for the contract time period and is not a permanent easement. The Company states there is a precedent for the requested type of accounting treatment—Idaho Power currently has another right-of-way agreement with the Tribe that is being accounted for in a similar fashion.

In its comments, Staff acknowledged that using the same accounting for similar easements is reasonable. Staff supported the proposed accounting treatment where the Company capitalizes the easement grant to a unique sub account in FERC Plant Account No. 302.

When negotiations for new easements began, the Tribe and the Company valued the easements in substantially different ways. The Company used an asset approach, considering the value of the real estate over which the easements run. The Company's standard approach is to value the easement at 50% of the land value. Idaho Power obtained an independent appraisal of the easements in preparation of its Application to account for the easements. The appraisal was based on standard land valuation principles, in this case the value of the dry grazing land. Using this methodology, the Company determined a current value appraisal for the four easements of \$448,030.

The Tribe used a market approach to value the easements. The Tribe based its valuation using an opportunity cost valuation of \$19 million. The opportunity cost is a calculation of the cost to the Company to re-route its transmission lines to circumvent the reservation. This approach by the Tribe is similar to the market approach used when evaluating other amounts paid for similar items.

Negotiations between Idaho Power and the Tribe began in April 2001 when the Company made an offer for \$4.2 million for a 25-year easement. The Company ultimately agreed to pay the Tribe a cash payment of \$7,145,000 and scholarship payments of \$15,000 per year totaling \$345,000 through the end of the agreement. Staff reviewed the compensation package and stated in its comments that the easement expense is reasonable. The Tribe accepted the negotiated offer in October 2004.

Staff is satisfied the Company made a reasonable effort to obtain the easements across the Shoshone-Bannock Reservation at the lowest cost and recommended that the Company be authorized to amortize the expenses associated with the Shoshone-Bannock Easement Grant as requested. No increase in rates is requested with this filing. In the next general rate case, the Company will propose to include the unamortized plant in the rate base and the annual amortization in expense when determining its revenue requirement.

Based on the record in this case, the Commission finds that the accounting treatment requested by Idaho Power is reasonable and appropriate to account for the expenses of the new Easement Grants over the Shoshone-Bannock property. Accordingly, we approve the

Application of Idaho Power. The Company may account for the easement expenses as proposed in its Application.

**ORDER**

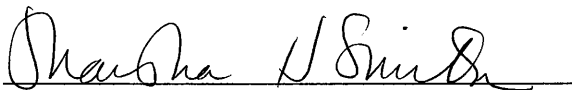
IT IS HEREBY ORDERED that the Application of Idaho Power Company for an accounting order authorizing the Company to book and amortize the cost of the Shoshone-Bannock Tribe Transmission Easement is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

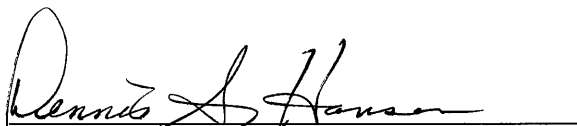
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28<sup>th</sup> day of February 2005.



PAUL KJELLANDER, PRESIDENT

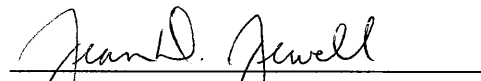


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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