

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR APPROVAL OF) CASE NO. IPC-E-01-08
A PROPOSED STATEMENT OF POLICY AND)
CODE OF CONDUCT COVERING)
TRANSACTIONS BETWEEN IDAHO POWER) ORDER NO. 30530
AND SUBSIDIARIES OF IDACORP, INC.)

In January 2001, Idaho Power Company filed an Application seeking approval of a proposed "Statement of Policy and Code of Conduct" covering transactions between Idaho Power Company, other subsidiaries of IDACORP, and IDACORP Energy Solutions (IES).¹ The Commission subsequently bifurcated the proceeding. Order No. 28649. In Case No. IPC-E-01-02, the Commission intended to consider the conduct between Idaho Power and IES. In Case No. IPC-E-01-08, the Commission intended to consider the conduct between Idaho Power (the regulated entity) and other IDACORP affiliates engaged in non-power transactions with Idaho Power. In July 2004, the Commission dismissed the 01-2 case because IDACORP decided to withdraw from the wholesale power business and began closing the trading subsidiary in the summer of 2002. This 01-08 case remained open "to address any affiliate transaction issues that remain with other Idaho Power affiliates." Order No. 29549.

On February 19, 2008, the remaining active parties (ICIP, Idaho Power, and the Staff) filed a Motion for the Commission to approve the parties' recent settlement. In their Settlement Stipulation, the parties agreed on a set of 21 "Commitments" which will govern the conduct among Idaho Power, its parent corporation (IDACORP), and other affiliates. On March 27, 2008, the parties revised the wording of five commitments based upon comments by the Commission at its March 13, 2008 decision meeting. Having reviewed the parties' Revised Code of Conduct, we approve the Revised Code of Conduct and its 21 Commitments.

¹ At the time, IES (and subsequently IDACORP Energy [IE]) was IDACORP's wholly owned subsidiary engaged in the marketing of electricity and natural gas on the wholesale level. IES also made sales to retail customers in states where retail access was permitted.

THE SETTLEMENT STIPULATION

A. The Terms

The parties mutually agreed to a Revised Code of Conduct regarding transactions between Idaho Power and other affiliates. The list of “Commitments” are designed to prescribe the conduct between Idaho Power and an affiliate, avoid issues of self-dealing, and provide a framework to determine if cost recovery for affiliate transitions should be included in rates. *Id.* at ¶ 6 *citing* Order No. 29549 at 3. More specifically, Idaho Power and IDACORP agree to several safeguards including:

- IDACORP and Idaho Power will provide the Commission access to all books of accounts as well as all documents, data, and records of their affiliated interests, which affect the business of Idaho Power Company. Commitment No. 2.
- IDACORP, Idaho Power, and all affiliates will make their employees, officers, directors, and agents available to testify before the Commission. Commitment No. 3.
- IDACORP and Idaho Power agree that at least one director on each Board of Directors will have prior experience with respect to the operation, financial analysis, or regulation of a regulated gas or electric utility. Commitment No. 4.
- IDACORP and Idaho Power will provide the Commission reasonable access to corporate minutes and all committee minutes. Commitment No. 14.

The complete list of the agreed-upon revised Commitments are attached to this Order and appear as Replacement Attachment A to the Settlement Stipulation dated March 27, 2008.

The parties noted that Power Development Associates and Astaris were previously granted intervention in this matter. Astaris no longer exists and counsel for Power Development indicated that it does not wish to participate in the proceeding. Counsel for both Astaris and Power Development were served copies of the Stipulation. ¶ 4.

The parties asserted that the Stipulation represents a fair, just and reasonable resolution of the issues raised in the proceeding. Motion at ¶ 2. The parties further maintained that the Stipulation is in the public interest. The parties requested that the Commission approve the Stipulation and accompanying Code of Conduct agreed to by the parties pursuant to Rule 274, IDAPA 31.01.01.274.

B. The Revisions

As indicated, the Settlement Stipulation and its 21 Commitments were reviewed by the Commission at its March 13, 2008 decision meeting. At that meeting, the Commission requested that the parties consider several modifications to the Commitments. In particular, the Commission asked the parties to consider removing the word “reasonable” from paragraph Nos. 2 and 14 (“reasonable” access). In addition, the Commission asked the parties to consider removing the words “upon request” from paragraph No. 13 and 19. The parties consented to the Commission’s recommendations and submitted a Revised Code of Conduct on March 27, 2008.

DISCUSSION

Based upon our review of the revised Commitments, we find the Commitments contained in the Revised Code of Conduct to be appropriate and reasonable. Pursuant to our authority under Rule 274, the Commission accepts the Settlement Stipulation and approves the Revised Code of Conduct and its application to Idaho Power, its parent (IDACORP), and its affiliates.

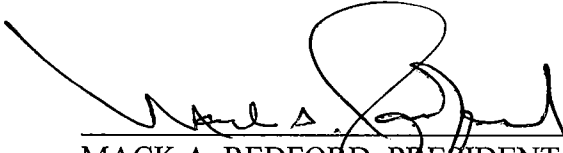
Taken as a whole, we find the Commitments are in the public interest. In particular, the Commitments will ensure continued access to books and records, and implement important ring-fencing protections. These ring-fencing provisions isolate the credit risks of Idaho Power from the credit risks of IDACORP and other affiliates.

ORDER

IT IS HEREBY ORDERED that the parties’ Motion for Approval of the Stipulation and the Revised Code of Conduct is approved. Pursuant to our Rule 274, the Commission accepts and approves the Stipulation and the Revised Code of Conduct including the 21 Commitments.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-01-08 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

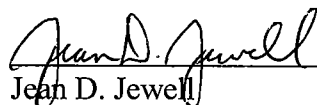
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st
day of April 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:IPC-E-01-08_dh

REVISED CODE OF CONDUCT

IDAHO POWER COMPANY IDACORP COMMISSION STAFF

Idaho Power Company will Comply with the following Code of Conduct:

- 1.) Idaho Power Company will maintain its own books and records, separate from IDACORP's books and records. Idaho Power Company's financial books and records and state and federal utility regulatory filings and documents will continue to be available to the Commission, upon request.
- 2.) Subject to appropriate confidentiality agreements IDACORP and Idaho Power Company will provide the Commission access to all books of account as well as all documents, data, and records of their affiliated interests, which pertain to transactions between Idaho Power Company and its affiliated interests or transactions which could have an adverse affect on the business of Idaho Power Company.
- 3.) IDACORP, Idaho Power Company and all affiliates will make their employees, officers, directors and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission.
- 4.) IDACORP and Idaho Power Company agree that one of its independent directors on each Board of Directors will have had prior experience with respect to the operation, financial analysis or regulation of the regulated gas or electric utility industry.
- 5.) Upon request, Idaho Power Company will provide the Commission with a copy of any affiliated interest report filed in other jurisdictions.
- 6.) IDACORP and Idaho Power Company will comply with all applicable statutes and any regulations promulgated pursuant to the statutes regarding affiliated interest transactions, including timely filing of applications and reports.
- 7.) Idaho Power Company will not subsidize any affiliated interest and shall comply with the Commission's applicable orders and rules with respect to such matters.
- 8.) Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law, rule or order to be submitted to the Commission for approval, will comply with the following principles:

- a. For services rendered to Idaho Power Company or each cost category subject to allocation to Idaho Power Company by IDACORP or any of Idaho Power's affiliates, Idaho Power must be able to demonstrate that such service or cost category is necessary to Idaho Power Company for the performance of its regulated operations, is not duplicative of services already being performed within Idaho Power Company, and is reasonable and prudent. [Affiliates and IDACORP do not charge to Idaho Power]
- b. Cost allocations to Idaho Power Company from IDACORP will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to specific subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors. [See above note]
- c. IDACORP and its subsidiaries will have in place accounting systems adequate to support the allocation and assignment of costs of IDACORP executives and other relevant personnel to Idaho Power Company. [See above note]
- d. An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
- e. Costs which would have been denied recovery in rates had they been directly incurred by Idaho Power Company regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the IDACORP group to Idaho Power Company. [see above note]
- f. For services provided by Idaho Power to IDACORP or any affiliated interest, Idaho Power's current Service Level Agreements (SLA's) provide a reasonable method of allocating costs for rate-setting. Any changes to the SLA methodology will be submitted to the Commission upon request.
- g. IDACORP and Idaho Power Company commit to use asymmetrical pricing (i.e., lower of cost or market for transactions to Idaho Power Company and higher of cost or market for transactions from Idaho Power Company) for affiliate charges or costs not covered by the provisions of any cost sharing agreement or Service Level Agreements (SLA), if a readily identifiable market for the goods, services or assets exists, and if the transaction involves a cost of more than \$100,000. [See above note]

- 9.) Idaho Power Company will maintain separate debt and, if outstanding, preferred stock ratings. Idaho Power Company will maintain its own corporate credit rating, as well as ratings for each long-term debt and preferred stock (if any) issuance.
- 10.) Neither Idaho Power Company nor its subsidiaries will, on a prospective basis, without prior notification to the Commission, make loans or transfer funds (other than dividends and payments for inter-company services provided as part of the normal course of business) to IDACORP or its affiliates, or assume any obligation or liability as guarantor, endorser, surety or otherwise for IDACORP or its affiliates; provided that this condition will not prevent Idaho Power Company from assuming any obligation or liability on behalf of a subsidiary of Idaho Power Company. Any changes to current arrangements will require Commission approval. IDACORP will not pledge any of the assets of the business of Idaho Power Company as backing for any securities which IDACORP or its affiliates (but excluding Idaho Power Company and its subsidiaries) may issue.
- 11.) Nothing in these commitments shall be interpreted as a waiver of Idaho Power Company's or IDACORP's rights to request confidential treatment for information that is the subject of any commitments.
- 12.) Idaho Power Company commits that it will not make any dividends to IDACORP that will reduce Idaho Power Company's common equity capital below 35% of its Total Adjusted Capital without Commission approval. This percentage will be adjusted, as necessary, to account for any changes to Generally Accepted Accounting Principles (GAAP) after approval of this transaction. For purposes of calculating the numerator of the percentage, common equity will include equity-like securities a.k.a. hybrid securities but will not include any portion of Idaho Power Company preferred stock issued and outstanding. Idaho Power Company's Total Adjusted Capital is defined as common equity, equity-like securities, preferred equity, capitalized lease obligations and long-term debt.
- 13.) Idaho Power Company will provide to the Commission a report covering the preceding calendar year, in which it describes its compliance with the provision of item 12, concerning the equity levels and payment of dividends.
- 14.) Upon request, and subject to appropriate confidentiality agreements, IDACORP and Idaho Power Company will provide the Commission access to corporate minutes including Board of Director's minutes and all committee minutes, along with any related source documents that are relevant to the business and risk analysis of Idaho Power Company. Idaho Power Company and the Commission Staff currently have established a reasonable and mutually acceptable procedure to review these confidential documents.

- 15.) Upon request, and subject to appropriate confidentiality agreements, IDACORP and Idaho Power Company will provide the Commission reasonable access to operational, internal and risk audit reports and documentation. Idaho Power Company and the Commission Staff currently have established a reasonable and mutually acceptable procedure to review these confidential documents.
- 16.) Idaho Power Company will provide the Commission and Staff with notification of all publicly announced proposals for divestiture, spin-off, or sale of any integral Idaho Power Company function. Idaho Power Company will also file for Commission approval of divestiture, spin-off, or sale of any integral Idaho Power Company function which is subject to IPUC jurisdiction. This condition does not limit any jurisdiction the Commission may have.
- 17.) Subject to appropriate confidentiality agreements, Idaho Power Company will notify the Commission prior to implementation of plans by Idaho Power Company or IDACORP: (1) to form an affiliate for the purpose of transacting business with Idaho Power Company's regulated operations; (2) to commence new business transactions between an existing affiliate and Idaho Power Company; or (3) to dissolve an affiliate which has transacted substantial business with Idaho Power Company.
- 18.) Idaho Power Company will notify the Commission as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of IDACORP; or (2) the change in effective control or acquisition of any material part or all of Idaho Power Company by any other firm, whether by merger, combination, transfer of stock or assets.
- 19.) Idaho Power Company will provide to the Commission, on an informational basis, credit rating agency news releases and final reports regarding Idaho Power Company when such reports are known to Idaho Power Company and are available to the public.
- 20.) Idaho Power Company commits that in the event that Idaho Power Company obtains a loan from its parent company or any affiliated company, Idaho Power Company will in any subsequent rate proceeding demonstrate that the debt obligation interest, terms, and conditions are comparable to or less than what Idaho Power Company could have obtained in the market at the time the debt was obtained by Idaho Power Company, that the loan is on reasonable terms and without markup to the holding company's cost of funds, and that the debt procurement will not interfere with any mechanisms that secure the utility.

- 21.) IDACORP and Idaho Power Company commit that no amendments, revisions or modifications will be made to the agreements and commitments set out in their settlement stipulation without prior Commission approval.