

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

FROM: TERRI CARLOCK

DATE: DECEMBER 19, 2003

RE: IDAHO POWER COMPANY'S REQUEST TO ISSUE AND SELL UP TO \$40 MILLION OF COMMON STOCK – CASE NO. IPC-E-03-18.

On December 4, 2003, Idaho Power Company filed an Application requesting authority to issue and sell up to \$40,000,000 of authorized but unissued Common Stock, \$2.50 par value. The Idaho Power stock will be issued to its parent and sole stockholder, IDACORP, Inc. Because the Idaho Power shares are not public traded, but held by IDACORP, Morgan Stanley will complete an independent evaluation to determine the number of shares and price per share. These shares will be entitled to one vote per share and dividends as declared by the Board of Directors.

Idaho Power expects these shares, if authorized, to be issued yet in 2003 or the first quarter of 2004. The shares will be directly issued so will not incur underwriting or selling agent fees. Technical fees for attorneys, accountants and share evaluation expenses should be the only fees incurred. Idaho Power represents that a registration statement with the Securities and Exchange Commission is not required. The required PUC fees have been paid.

Proceeds from the sale of Common Stock will be used for the acquisition of property; the construction, completion, extension or improvement of its facilities; the improvement or maintenance of its service; the discharge or lawful refunding of its obligations; and for general corporate purposes. To the extent that the proceeds from the sale of Common Stock are not immediately so used, they will be temporarily invested in short-term discounted or interest-bearing obligations. Idaho Power claims the equity funding will promote a more balanced Idaho

Power capital structure and support Idaho Power's credit quality. This will likely be an issue in the current rate case filed.

The capital structure for Idaho Power Company as of September 30, 2003 was 51.8% debt, 3.1% preferred stock and 45.1% common equity. With the full \$40 million Common Stock issued, the pro-forma capital structure would be 50.6% debt, 3% preferred stock and 46.4% common equity.

STAFF RECOMMENDATION

Staff recommends approval of the \$40 million common stock issuance. Capital structure and cost of capital are rate case issues so any potential rate impact does not need to be evaluated in this case.

Idaho Power is required to file all final and completed issuance documents with the Commission. Staff recommends that Idaho Power also be required to file documents reflecting the complete evaluation of the share price and number of shares completed by Idaho Power, Morgan Stanley and any others.

COMMISSION DECISION

Does the Commission approve the \$40 million common stock issuance?

Should Idaho Power be required to file the price and number of shares documentation?



Terri Carlock

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