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Attorney for the Commission Staff

BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION)

OF IDAHO POWER COMPANY FOR)CASE  NO.  IPC-E-97-11

AN ORDER AUTHORIZING THE FORMATION)

OF A HOLDING COMPANY AND THE)

EXECUTION OF A SHARE EXCHANGE)COMMENTS OF THE

AGREEMENT)COMMISSION STAFF

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad Purdy, Deputy Attorney General, and in response to the Notice of Scheduling and Notice of Modified Procedure issued on October 31, 1997, submits the following comments.

APPLICATION

Idaho Power Company (Idaho Power) filed an Application on August 8, 1997, requesting authority to form a holding company structure and to reorganize.  Idaho Power claims that the holding company structure will allow it to better respond to the changing business environment of the electric utility industry.  Idaho Power states that this plan does not transfer any utility assets and does not change the Commission’s existing jurisdiction over Idaho Power.

Under the Reorganization, a holding company would be formed as the parent corporation of Idaho Power (the Parent Company).  The Parent Company would also hold Ida-West Energy Company, one of the six subsidiaries currently wholly owned by Idaho Power.  The other five subsidiaries will continue to be held by Idaho Power.  These five subsidiaries are Idacorp, Inc. (Idacorp), Idaho Energy Resources Co. (IERCo), Idaho Power Resources Corporation (IPRC), Idaho Utility Products Company (IUPCo), and Stellar Dynamics, Inc. (Stellar Dynamics).

The Share Exchange Agreement will be executed between Idaho Power and the Parent Company.  The Parent Company will be referred to as Idaho Power Holding Company.  It is anticipated that a new name will be developed before the holding company begins business operations.  Idaho Power Holding Corporation will be incorporated on or after August 1, 1997.  After Idaho Power Holding Corporation is incorporated, it will issue common stock in the same number of shares as outstanding common stock of Idaho Power.  Each share of Idaho Power common stock will be exchanged for one share of common stock in Idaho Power Holding Corporation.  After the share exchange is completed, the Idaho Power Holding Corporation will own all the common stock of Idaho Power and the former holders of Idaho Power common stock will hold all the common stock of Idaho Power Holding Corporation.  The preferred stock and the outstanding first mortgage bonds and pollution control revenue bonds of Idaho Power will continue to be held by Idaho Power and will not be altered as a result of the common stock exchange.  The Idaho Power Articles of Incorporation will not be changed as a result of the exchange.

STAFF ANALYSIS

Staff supports the formation of the Idaho Power Holding Company subject to the understanding that Idaho Power will provide access to the books, records, officials and Staff of affiliated companies.  The moving of non-utility subsidiaries and operations to the holding company from the utility will reduce the risk for the utility operations.  This in turn could improve or at least maintain credit ratings for the utility to assure continued access to the capital markets at favorable rates.

Staff recognizes that Idaho Power proposes to transfer only the Ida-West subsidiary at this time.  Staff agrees with Idaho Power that a filing should be made with the Commission requesting approval to transfer any other subsidiaries and non-utility operations to Idaho Power Holding Corporation.  Staff believes it is appropriate to transfer other subsidiaries and non-utility operations to Idaho Power Holding Corporation and suggests that Idaho Power and Staff begin informal discussions to complete the following:

1)Evaluate the operations, including the business plans, of each subsidiary and non-electric operation at Idaho Power to determine guidelines and the possible timing of transfers to the holding company;

2)Determine the start-up costs for each operation and verify the booking of these costs (i.e., capitalized and reflected in the equity investment in subsidiaries);

3)Verify the time card process and the charging of labor to non-utility operations;

4)Verify the process to charge expenses to non-utility operations.  Audit the amount of expenses charged, directly and through labor loading, to non-utility operations.  Verify the costs of this case and determine how much should be charged directly to non-utility operations;

5)Evaluate the lease contracts with subsidiaries and determine the appropriateness of the lease rates; and

6)Determine if transfer payments are required from the non-utility operation to the utility to assure the transfer does not harm ratepayers.  Any transfer payments should evaluate at least the treatment of the start-up costs, expenses, gains or losses, good-will and other intangible benefits that may have been received by the subsidiary or non-utility operation.

CONDITIONS

Staff agrees with the following areas where Idaho Power has proposed conditions related to the reorganization.  Staff believes these conditions are required to protect the interests of the customers.

Access to Books, Records and Personnel

Upon request, Idaho Power will provide the Commission and Staff access to the books, records, officials and staff of affiliated companies that provides goods or services to or receives goods or services from Idaho Power.  Idaho Power does not waive its right to raise traditional discovery objections to any requests under this provision including, but not limited to, relevance

and privilege.  Furthermore, before responding to any requests under this provision, Idaho Power may require whatever protection it deems necessary to prohibit disclosure of proprietary or confidential information.

Staff believes it is entitled to examine the books and records of the affiliated companies under its audit authority to assure the reasonableness of all transactions with the utility operation.  The above condition reaffirms this access.  Staff may be willing to sign confidentiality agreements when necessary to protect proprietary information.

Financial Statements and Reports

Idaho Power will provide to the Commission for each affiliated company that provides goods or services to or receives goods or services from Idaho Power:

1)Quarterly and annual financial statements (except that no quarterly financial statements shall be required with respect to the fourth quarter because fourth quarter financials are consolidated into the annual report);

2)Annual statements of intercompany transactions; and

3)All financial reports filed with the Securities and Exchange Commission.

Idaho Power will request confidential treatment of information it deems necessary to prohibit disclosure of proprietary, confidential or non-public information.  Staff may be willing to sign confidentiality agreements when necessary to protect of proprietary information.

Transactions Between Idaho Power and its Affiliates

Idaho Power will set up accounting controls and other procedures for allocation of overhead and other costs of jointly-used assets or personnel.  Such controls and procedures will be designed to assure that Idaho Power will not bear any costs associated with the diversified business activities of its affiliated companies.  Following approval of this Reorganization application, Idaho Power will submit these controls and procedures to the Commission for comment.

Idaho Power will develop an organization and staffing plan that provides for adequate, efficient staffing of the utility business.  Idaho Power will report transfers of Idaho Power staff to any of its affiliated companies annually to the Commission.

Staff envisions these accounting controls, other procedures, staffing and transfers will also be discussed in the informal process Staff has recommended.  These initial filings could be made as part of those discussions.

Continued Commission Jurisdiction Over Idaho Power

The Commission’s approval of Idaho Power’s application for the Reorganization does not affect Idaho Power’s existing obligation to comply with all provisions of the Idaho Public Utilities Law, and the Commission’s Rules and Regulations adopted thereunder.

DATED  at Boise, Idaho, this            day of November 1997.

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Brad Purdy

Deputy Attorney General

Technical Staff:Terri Carlock

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