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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 877

In the Matter of the Application of Idaho Power Company for an Order Authorizing the Formation of a Holding Company and the Execution of a Share Exchange Agreement.)ORDER)

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On November 3, 1997, Idaho Power Company (IPC) filed an application for approval to form a holding company and to execute a Share Exchange Agreement. The proposed name of the holding company is Idaho Power Holding Company (IPHC), and after the stock exchange, it will own 100 percent of the outstanding common stock of IPC.

On January 9, 1998, IPC informed the Commission that it had formed new affiliated entities in order to be more efficient and better meet the challenges of emerging competition in the energy industry. These newly formed subsidiaries are: (1) Idaho Power Diversified Enterprises Company (Diversified Enterprises), wholly owned by IPC; and (2) Idaho Power Services Company (Services) and Idaho Power Retail Enterprises Company (Retail Enterprises), both wholly owned by Diversified Enterprises, an intermediate subsidiary of IPC. A diagram setting forth IPHC's corporate structure is included in the attached Staff Report.

Staff reviewed the application and discussed various aspects of the proposal with the company. Staff also sent copies of the application to all parties to IPC's last rate case (UE 92) and requested the parties to submit any comments or concerns by December 26, 1997. Staff received no reply from any party.

On January 27, 1998, Staff submitted a report recommending that the application be approved with conditions. Staff's report is attached as Appendix A. Staff agrees with IPC that forming a holding company at this time may allow the company to better serve its customers and shareholders in a changing electric utility industry and provide customers with continued high-quality, reliable service under the Commission's jurisdiction. Staff also concurs that the proposal may insulate the company, by corporate separation of regulated from non-regulated businesses, from higher risks and resulting higher costs of capital and unrelated financial losses. However, to ensure that customers indeed are not harmed and are in a position to benefit from the formation of the holding company, Staff proposed several ordering conditions.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its public meeting on February 3, 1998, the Commission adopted Staff's recommendation to approve the application with conditions.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility" as anyone that "owns, operates, manages or controls all or a part of any plant or equipment in this state for the production, transmission, delivery or furnishing of heat, light, water or power, directly or indirectly to or for the public[.]" Idaho Power Company is a public utility under ORS 757.005.

Applicable Law

ORS 757.511 provides, in part:

No party, directly or indirectly, shall acquire the power to exercise any substantial influence over the policies or actions of a public utility * * * without first securing from the commission, upon application, an order authorizing such acquisition if such person is, or by such acquisition would become, an affiliated interest with such public utility[.]

* * * * *

The commission promptly shall examine and investigate each application received pursuant to this section [.] If the commission determines that approval of the application will serve the public utility’s customers in the public interest, the commission shall issue an order granting the application.

CONCLUSIONS

Idaho Power Company is a public utility subject to the jurisdiction of the Oregon Public Utility Commission.

Idaho Power Holding Company would exercise influence over Idaho Power Company as the result of approval of this application.

The proposed exchange and restructuring is subject to ORS 757.511. An affiliated interest relationship will exist between Idaho Power Company and Idaho Power Holding Company, as the result of approval of this application.

This application will serve Idaho Power Company’s customers in the public interest, with the adoption of Staff’s proposed ordering conditions. The application should be granted.

ORDER

IT IS ORDERED that the application of Idaho Power Company for an order authorizing the formation of a holding company and the execution of a Share Exchange Agreement is granted, subject to conditions stated in Appendix A.

Made, entered, and effective _____.

Ron Eachus

Chairman

Roger Hamilton

Commissioner

Joan H. Smith

Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to ORS 756.580.