

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 5, 2002**

REGULAR ___ **CONSENT** **X** **EFFECTIVE DATE** _____

DATE: October 23, 2002

TO: John Savage through Marc Hellman, Bryan Conway and Rebecca Hathhorn

FROM: Michael Dougherty and Thomas D. Morgan

SUBJECT: IDAHO POWER COMPANY: (Docket No. UI 208) Application for approval of a Revolving Line of Credit Agreement with IDACORP, Inc.

STAFF RECOMMENDATION:

The Commission should approve Idaho Power Company's (Idaho) application to enter into a Revolving Line of Credit Agreement (Agreement) with IDACORP, Inc. (IDACORP), an affiliated interest, and include the following conditions:

1. Idaho shall provide the Commission access to all books of account, as well as documents, data, and records of Idaho and IDACORP's affiliated interests that pertain to this transaction.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
3. Idaho shall notify the Commission in advance of any substantive changes to the Agreement, including any material change in terms and conditions. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

Idaho filed this application on October 22, 2002 pursuant to ORS 757.495 and OAR 860-027-0040. Idaho requests authority to borrow not more than \$100 million from IDACORP as a revolving line of credit. IDACORP owns all shares of Idaho's common stock, representing over 90% of all voting stock of Idaho and therefore Idaho and IDACORP are affiliated interests under ORS 757.015.

The terms of the Agreement include an interest rate of 2.35% per annum, which was determined by the 3-month LIBOR¹ of 1.80% plus 55 basis points² set on September 3, 2002. This interest rate is reasonable and is represented to be 24 basis points lower than IDACORP's actual all-in cost of borrowing.

Idaho's borrowing under the Agreement was necessary for the repayment of \$100 million in short-term floating rate notes, which came due on September 3, 2002. Idaho will pay off IDACORP when new short-term floating notes or medium-term notes are issued. Idaho and IDACORP entered into the Agreement on August 30, 2002. Per the Agreement, the termination date may be extended upon mutual agreement of Idaho and IDACORP, but shall not be extended beyond August 29, 2002 (364 days).

Based on our review, Staff concludes the following:

- 1) The Agreement has no unusual or restrictive terms that would harm customers;
- 2) Idaho has met the requirements of the Commission's transfer pricing policy for affiliate transactions; and,
- 3) Customers are likely not harmed by this transaction, because the interest rate is fair and reasonable.

Staff concludes that the application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of the proposed ordering conditions.

PROPOSED COMMISSION MOTION:

Idaho Power Company's application to enter into an affiliated transaction with IDACORP, including the three recommended conditions, be approved.

UI 208 Idaho Power Credit Agreement.doc

¹ LIBOR is the acronym for London Interbank Offered Rate and is the interest rate offered among a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

² A basis point is defined as one-one-hundredth of a percentage point, i.e., 100 basis points is 1.00 percent.