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BARTON L. KLINE
Senior Attorney

IDAHO PUBLIC
UTILITIES COMMISSION
December 18, 2006

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-06-33
In the Matter of the Application of Idaho power Company for an
Accounting Order to Comply with SFAS 158 Regarding Treatment of
Pension and Postretirement Benefit Obligations

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Application for the above-referenced matter.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,

Barton L. Kline

BLK:sh
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. IPC-E-06- <u>33</u>
IDAHO POWER COMPANY FOR AN)	
ACCOUNTING ORDER TO COMPLY WITH)	APPLICATION
SFAS 158 REGARDING TREATMENT OF)	
PENSION AND POSTRETIREMENT)	
BENEFIT OBLIGATIONS.)	
_____)	

COMES NOW, Idaho Power Company ("Idaho Power" or "the Company") and in accordance with the provisions of Idaho Code § 61-524, and RP 052, hereby applies for an accounting order authorizing the Company to (1) record, as a regulatory asset or regulatory liability, the cumulative financial statement impact resulting from the Company's implementation of Statement of Financial Accounting Standards ("SFAS") 158; and (2)

record on an ongoing basis, as a regulatory asset or a regulatory liability, an amount equal to the changes in the SFAS 158 related balances. Such an order will not materially affect the current level of pension and postretirement costs or cost of capital calculations included in the Company's revenue requirement.

In support of this Application, Idaho Power states as follows:

1. Idaho Power is an electrical corporation and public utility in the state of Idaho and is subject to the jurisdiction of the Commission with regard to its rates, service, and accounting practices.

2. This application is filed pursuant to Idaho Code § 61-524, which authorizes the Commission to prescribe the accounting to be used by public utilities subject to its jurisdiction.

3. Communications regarding this Application should be addressed to:

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BACKGROUND

4. Idaho Power currently accounts for pension and postretirement benefits in accordance with SFAS Nos. 87, 88, 106, and 132(R).

5. In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 158, *Employer's Accounting for Defined Benefit Pension Plans and Other Postretirement Plans – an amendment of SFAS No. 87, 88, 106, and 132 (R)*. Under SFAS 158, an employer that is a business entity and sponsors one or more single-

employer defined benefit plans must (1) recognize the funded status of a benefit plan in its statement of financial position and (2) recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS No. 87, *“Employers’ Accounting for Pensions”* or No. 106, *“Employers’ Accounting for Postretirement Benefits Other Than Pensions.”*

6. Under SFAS 158, the benefit obligation of a pension plan is the projected benefit obligation and the benefit obligation of any other post-retirement benefit plan, such as a retiree health care plan, is the accumulated postretirement benefit obligation. In addition, amounts recognized in the accumulated Other Comprehensive Income, including the gains or losses, prior service costs or credits, and the transition asset or obligation remaining from the initial application of SFAS Nos. 87 and 106, are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those Statements.

7. Under SFAS 158, entities, including Idaho Power and other public utilities, are required to recognize and account for pension and other postretirement benefit plans differently than they have traditionally accounted for them. The SFAS 158 changes affect pension assets and liabilities and other comprehensive income, but do not affect the income statement. Other comprehensive income is a component of equity on the Company’s balance sheet and the balances in that account are used in general rate cases to determine Idaho Power’s revenue requirement. Unless the regulatory accounting changes described in this application are approved, the GAAP accounting changes

required by SFAS 158 will affect the calculation of revenue requirement in future rate case proceedings.

8. Idaho Power is required to implement SFAS 158 in order to comply with generally accepted accounting principles. In order to reflect the impact of SFAS 158, Idaho Power will record on its books the transition entry shown in Exhibit 1. The amounts shown in Exhibit 1 represent the effect based on January 1, 2006 actuarial valuations, however the actual entries recorded in December 2006 will use actuarial valuations as of December 31, 2006. Exhibit 2 illustrates future annual entries that will be required by SFAS 158 to record pension expense and postretirement benefit expense.

9. In order to reflect the adoption of SFAS 158, Idaho Power will record on its books, as shown in Exhibit 1, two transition entries, one for the pension plan and one for the postretirement benefit plan. The third entry, shown on Exhibit 1, will create the regulatory asset. The net difference between these three entries is the cumulative impact of the implementation of SFAS 158. Idaho Power seeks Commission approval to record that cumulative impact as a regulatory asset or regulatory liability. In addition to these transition entries, SFAS 158 will require entries to record the annual pension expense, as shown in Exhibit 2. The net effect on the balances is detailed at the end of this exhibit.

10. This standard will affect capitalization ratios used by regulatory bodies, credit rating agencies, and covenants of debt financings. In order to reconcile the requirements of SFAS 158 with regulatory accounting practices, the Company seeks Commission approval to record the effect of the adoption of the standard, allowing other comprehensive income to be deferred as a regulatory asset or liability.

11. Nothing in this application is intended to request any approval regarding future ratemaking treatment; this request is not intended to change the current cost recovery of SFAS 87 or SFAS 106 expenses.

WHEREFORE, Applicant Idaho Power Company requests that the Idaho Public Utilities Commission issue its order:

1. Authorizing Idaho Power to record, as a regulatory asset or a regulatory liability, the cumulative financial statement impact resulting from the Company's implementation of SFAS 158; and

2. Authorizing Idaho Power to record on an ongoing basis, as a regulatory asset or regulatory liability, an amount equal to the changes in the SFAS 158 related balances.

3. Idaho Power recommends that the Commission process this Application under modified procedure pursuant to RP 201 *et seq.*, but the Company stands ready to present its testimony and support the program in a technical hearing if the Commission determines that such a hearing is required.

Respectfully submitted this 18th day of December, 2006.


BARTON L. KLINE
Attorney for Idaho Power Company

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-06-33

IDAHO POWER COMPANY

EXHIBIT NO. 1

APPLICATION

Exhibit 1

Entries to adopt FAS 158 - based on January 1, 2006 actuarial and general ledger balances

Pension Plan

Dr	219	Other comprehensive income	\$	28,814,919	
Dr	190	Deferred tax asset		18,500,219	
Cr	165	Prepaid expense			\$ 10,928,252
Cr	253	Other deferred credits			36,386,886

Postretirement Plan

Dr	219	Other comprehensive income		15,721,295	
Dr	190	Deferred tax asset		10,093,640	
Cr	228.3	Accumulated provision for pension and benefits			25,814,935

Proposed regulatory entry

Dr	182.3	Regulatory assets		73,130,073	
Cr	219	Other comprehensive income			44,536,214
Cr	190	Deferred tax asset			28,593,859

Net effect

Dr	182.3	Regulatory assets		73,130,073	
Cr	165	Prepaid expense			10,928,252
Cr	253	Other deferred credits			36,386,886
Cr	228.3	Accumulated provision for pension and benefits			25,814,935

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-06-33

IDAHO POWER COMPANY

EXHIBIT NO. 2

APPLICATION

Exhibit 2

Pension expense entries under FAS 158

Pension Plan

Dr	926	Provision for pension and benefits	\$ 6,792,485	
Cr	219	Other comprehensive income		\$ 482,946
Cr	253	Other deferred credits		5,999,471
Cr	190	Deferred tax asset		310,068

Postretirement Plan

Dr	926	Provision for pension and benefits	4,682,824	
Cr	219	Other comprehensive income		1,410,991
Cr	228.3	Accumulated provision for pension and benefits		2,365,925
Cr	190	Deferred tax asset		905,908

Proposed regulatory entry

Dr	219	Other comprehensive income	1,893,937	
Dr	190	Deferred tax asset	1,215,976	
Cr	182.3	Regulatory assets		3,109,913

Net effect

Dr	926	Provision for pension and benefits	11,475,309	
Cr	253	Other deferred credits		5,999,471
Cr	228.3	Accumulated provision for pension and benefits		2,365,925
Cr	182.3	Regulatory assets		3,109,913

Notes:

1) These entries are based on January 1, 2006 actuarial valuations. Actual amounts will be based on year-end valuations.

		Net effect on balance at end of year:	
182.3	Regulatory assets	70,020,160	
165	Prepaid expenses		10,928,252
253	Other deferred credits		42,386,357
228.3	Accumulated provision for pensions and benefits		28,180,860
926	Provision for pension and benefits	11,475,309	