

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: CECELIA A. GASSNER

DATE: JANUARY 12, 2007

**SUBJECT: IDAHO POWER COMPANY'S APPLICATION FOR AN ACCOUNTING
ORDER TO COMPLY WITH SFAS 158 REGARDING TREATMENT OF
PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS, CASE
NO. IPC-E-06-33**

On December 18, 2006, Idaho Power Company ("Idaho Power" or "Company") filed an Application for an order authorizing the Company to record certain pension and postretirement costs in accordance with certain recent changes implemented by the Financial Accounting Standards Board (FASB). This Commission has the jurisdiction over such request pursuant to *Idaho Code* § 61-524.

THE APPLICATION

Idaho Power seeks an order authorizing the Company to: (1) record, as a regulatory asset or regulatory liability, the cumulative financial 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. The Company states that this will not materially affect the current level of pension and postretirement costs or cost of capital calculations included in the Company's revenue requirement.

The Company currently accounts for pension and postretirement benefits in accordance with SFAS Nos. 87, 88, 106, and 132(R). SFAS 158 requires companies with at least one employer defined benefit plan to (1) recognize that 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. SFAS 158 thus requires companies to recognize and account for pension and other postretirement benefit plans differently than they have. These changes affect pension assets and liabilities and other comprehensive income, but do not affect the company's income statement. "Other comprehensive income" is a component of equity that is used in general rate case to determine Idaho Power's revenue requirement. Idaho Power states that unless the Application is approved, the changes demanded by SFAS 158 will affect the calculation of its revenue requirement in future rate cases.

The Company states that it is ready to comply with SFAS 158. It further states that this standard will affect capitalization ratios used by regulatory bodies, credit rating agencies, and covenants of debt financings. Thus, the Company seeks approval by this Commission to record the effect of the adoption of the standard, allowing other comprehensive income to be deferred as a regulatory asset or liability. The Company does not intend by this Application to request any approval regarding future ratemaking treatment or to change the current cost recovery of SFAS 87 or SFAS 106 expenses.

STAFF RECOMMENDATION

Staff recommends that the Company's Application be processed by Modified Procedure with a twenty-one (21) day comment period. This should allow sufficient time for interested parties to review the Company's Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

COMMISSION DECISION

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented in this case, and that this case is appropriate for Modified Procedure pursuant to Commission Rules of Procedure 201 through 204?

Does the Commission approve of the recommended comment period?



Cecelia A. Gassner

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