Office of the Secretary
Service Date
October 8, 2009

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AN ACCOUNTING ORDER AUTHORIZING THE DEFERRAL OF COSTS RELATED TO REORGANIZATION AND SEVERANCE.	)	CASE NO. IPC-E-09-15 ORDER NO. 30914

On May 21, 2009, Idaho Power Company filed an Application for an accounting order authorizing the deferral of costs related to the Company's plan to reorganize parts of its operations and institute a severance program. On July 10, 2009, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 30859. The deadline for written comments was July 31, 2009. The only comments received were filed by Commission Staff. Based upon our review of the record, we grant Idaho Power's request for deferral as described in greater detail below.

THE APPLICATION

The Company asserts that, due to the economic downturn and slower customer growth, it is planning a reorganization of certain Delivery Business and Corporate Services positions. As part of the reorganization, voluntary severance has been offered to all of the 200 employees within identified positions. However, the Company maintains that it does not plan to accept more than 40 requests for voluntary severance.

Idaho Power states that the voluntary severance payment would be equal to one week of pay per year of service with a minimum of 8 weeks and a maximum of 40 weeks. Following the voluntary severance process, the Company intends to reassess workforce needs in the affected job positions. If necessary, involuntary severance will be offered to any remaining employees holding "excess positions."[1] The Company expects its involuntary severance packages to be less than its voluntary severance payments.

The Company anticipates that the cost of the severance associated with the elimination of 40 positions will not exceed $2 million. Payments for severance would require the Company to expense 100% of severance costs in the period that they are incurred. Because

[1] Excess positions are those that are no longer needed due to a decline in new business.

there would also be a reduction in salary costs, the Company claims that a sustained reduction in its workforce will ultimately benefit its customers when labor costs are reduced.

Idaho Power requests authorization to capitalize the severance costs associated with the Delivery Business reorganization, and any subsequent 2009 reorganizations, in accordance with paragraph 9 of Statement of Financial Accounting Standards (SFAS) No. 71. The costs of the severance package would then be amortized on a straight-line basis over a five-year period. The Company believes that such an amortization is appropriate because reorganization activities will occur during 2009 but the associated benefits will be realized over time. Recovering all reorganization costs in the period that they are incurred would unfairly burden existing customers or shareholders for a benefit that future customers would also experience. For this reason, the Company contends that the matching principle supports capitalizing reorganization costs and amortizing them over a reasonable period during which the benefits of the reorganization will be realized. Therefore, the Company seeks an accounting order authorizing the deferral of costs associated with the severances through December 2009 and amortization of these costs over a period of five years, beginning upon their inclusion in rates.

The Company proposes to account for the severance costs by charging them to Account 182.3 (Other Regulatory Assets) and amortizing these amounts to Account 930.2 (Miscellaneous General Expense) upon their inclusion in rates. Prior to their inclusion in rates, Idaho Power proposes to accrue a carrying charge using the Company's most recent return on rate base.

Idaho Power does not request a determination of ratemaking treatment of the severance costs in this Application and emphasizes that nothing in this Application will impact customer rates at this time. The Company proposes to address the ratemaking treatment and recovery of these costs in its next general rate case.

STAFF COMMENTS

Commission Staff explained that a reduction in salaries and related employee costs due to the reduced labor force is a current and ongoing benefit seen on Company financial statements and a benefit that will be reflected in future rates charged to customers. Staff believed that deferral of severance costs would better match the benefits with the costs. Therefore, Staff supported the Company's request to defer severance costs incurred through December 2009 associated with the severance plan in accordance with Statement of Financial

Accounting Standards (FAS) No. 71. Staff noted that acceptance of voluntary severance or reassignment into other available positions has been completed for 37 of the 40 positions to be eliminated. The remaining three employees are being evaluated for other open positions. Staff further noted that because the benefits of the reduction in workforce will be realized by the Company immediately and continue over time an amortization period of five years, beginning on January 1, 2010, is reasonable. Staff found it appropriate that the deferral be charged to Account 182.3, Other Regulatory Assets and the amortization charged to Account 930.2, Miscellaneous Expense.

Staff opposed Idaho Power's request for a carrying charge at the Company's most recent return on rate base. Staff noted that, absent the requested accounting order for deferral, the Company would not recover or receive a return on any of the severance costs. Staff argued that a return on the unamortized deferral was unnecessary and would serve only to provide additional revenues to the Company.

Staff concurred with Idaho Power that the appropriate ratemaking treatment and recovery be addressed in the next general rate case.

COMMISSION FINDINGS

Based on our review of the Company's Application and Staff comments, we find it reasonable to grant Idaho Power's request for an accounting order authorizing deferral of costs associated with the employee severance plans through December 2009. The reduction of workforce will reduce salaries and employee costs over time which, in turn, will be reflected in future rates charged to customers. Because the benefits of a reduction in workforce will be seen immediately and continue over time, the Commission finds a five-year amortization, to begin January 1, 2010, reasonable and appropriate.

The Commission declines to authorize a carrying charge on the deferral. Deferral of the costs to match the benefits is adequate recognition by the Commission of the Company's diligent action. The Commission directs Idaho Power to address the appropriate ratemaking treatment and recovery of this deferral in the Company's next general rate case.

ORDER

IT IS HEREBY ORDERED that Idaho Power is authorized to defer costs associated with its employee severance plans through December 2009. Idaho Power is authorized to amortize the deferral over a five-year period, beginning January 1, 2010.

IT IS FURTHER ORDERED that the Company's severance deferral be charged to Account 182.3, Other Regulatory Assets and the amortization charged to Account 930.2, Miscellaneous Expense.

IT IS FURTHER ORDERED that ratemaking treatment and recovery of this deferral be addressed in the Company's next general rate case.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th day of October 2009.

JIM D. KEMPTON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

MACK A. REDFORD, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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