

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: JULY 2, 2009

**SUBJECT: IDAHO POWER'S APPLICATION FOR AN ACCOUNTING ORDER
AUTHORIZING THE DEFERRAL OF COSTS RELATED TO
REORGANIZATION AND SEVERANCE, CASE NO. IPC-E-09-15**

On May 21, 2009, Idaho Power Company filed an Application for an accounting order authorizing the deferral of costs related to the Company's reorganization and severance payments. The Company requests that the case proceed by Modified Procedure.

THE APPLICATION

The Company asserts that, due to the economic downturn and slower customer growth, it is planning a reorganization of certain Delivery Business Unit and Corporate Services positions. As part of the reorganization, voluntary severance has been offered to all of the 200 employees within identified job families. 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 eight (8) weeks and a maximum of 40 weeks. Following the voluntary severance process the Company intends to reassess workforce needs in the affected job families. 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 as capital 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 5-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. 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 (5) years, beginning 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 customers' rates at this time. The Company proposes to address the ratemaking treatment and recovery of these costs in its next general rate case.

STAFF RECOMMENDATION

Staff has reviewed the Application and recommends that the case proceed by Modified Procedure.

COMMISSION DECISION

1. Does the Commission find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure?



Kristine A. Sasser
Deputy Attorney General

M:IPCE0915_ks