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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** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30859 on July 10, 2009, in Case No. IPC-E-09-15, submits the following comments.

BACKGROUND

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. The Company requests that the case proceed by Modified Procedure.

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 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 (5) 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

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

time. The Company proposes to address the ratemaking treatment and recovery of these costs in its next general rate case.

STAFF ANALYSIS

Staff review included a review of employee notices, process followed, and an update of information and status of the voluntary severance plan. The original Idaho Power plan was to accept up to 40 employee requests for voluntary severance in specified job areas under the plan. After the plan announcement, additional information was obtained by Idaho Power reducing the identified excess positions to 37 from the proposed 40. As of July 31, 2009, only three "excess" positions remain and these employees are still being evaluated for other positions within the Company. The remaining employees either accepted voluntary severance or were redeployed to vacant positions within the Company.

The voluntary severance plan realigns employee resources to meet the ongoing needs of the Company with the least impact on employees. New business requests and customer connections are low in the current economy making some positions unnecessary. The reduction of workforce will reduce salaries and employee costs over time. The cost of the severance was anticipated to be no more than $2 million. To date these costs are slightly over $1 million. Under the Uniform System of Accounts, severance costs are expensed when incurred absent an Accounting Order authorizing deferral. The 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. Deferral of the severance costs will better match these benefits with the costs. Therefore, Staff recommends the deferral request be authorized in accordance with Statement of Financial Accounting Standards (FAS) No. 71 for severance costs incurred through December 2009 associated with the severance plan. An amortization period of five years is also reasonable and should be approved.

Idaho Power will experience reduced labor costs now and in the future associated with the severance plan. Since benefits will be seen currently by Idaho Power, the amortization of the deferred costs should begin January 1, 2010. The deferral of costs is reasonable to better match the costs with the benefits of the reduction in workforce. To delay the amortization would also create a mismatch by allowing the benefits to be received currently by the Company but with the costs amortized later. This mismatch however would be to the detriment of customers. To reduce the mismatch for the Company and customers, Staff recommends the five-year amortization begin January 1, 2010.

Idaho Power recommends the deferral be charged to Account 182.3, Other Regulatory Assets and the amortization charged to Account 930.2, Miscellaneous General Expense. These accounts are appropriate and Staff recommends the proposed accounting be approved.

Idaho Power also requests a carrying charge be allowed at the Company's most recent return on rate base. Absent the recommended Accounting Order for deferral, Idaho Power would not recover any of the severance costs or receive a return on these severance costs. Deferral of the costs to match the benefits is adequate recognition of diligent actions by the Company. To allow a return on the unamortized deferral is unnecessary and will simply provide additional revenues to the Company. Staff recommends no carrying charge on the deferral be authorized.

Idaho Power recommends that the appropriate ratemaking treatment and recovery be addressed in the next general rate case. Staff believes this is appropriate even with the differences in the Company's request and Staff's recommendations.

RECOMMENDATIONS

Staff recommends the following:

1. An accounting order authorizing deferral of costs associated with the employee severance plans through December 2009 should be approved.
2. An amortization period of five years should be approved.
3. The amortization should begin on January 1, 2010.
4. The proposed accounts should be utilized with the severance costs charged to Account 182.3, Other Regulatory Assets and the amortization charged to Account 930.2, Miscellaneous General Expense.
5. No carrying charge should be authorized.
6. The ratemaking treatment and recovery should be addressed in the next general rate case application.

Respectfully submitted this 31st day of July 2009.

Kristine A. Sasser

Kristine A. Sasser
Deputy Attorney General

Technical Staff: Terri Carlock
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 31ST DAY OF JULY 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-09-15, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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