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IDAHO PUBLIC  
UTILITIES COMMISSION

LISA D. NORDSTROM  
Senior Counsel  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

January 29, 2010

**VIA HAND DELIVERY**

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-09-29  
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY  
FOR AUTHORITY TO IMPLEMENT A TRACKING MECHANISM TO  
RECOVER ITS DEFINED BENEFIT PENSION EXPENSE*

Dear Ms. Jewell:

Enclosed please find for filing an original and seven (7) copies of the Reply Comments of Idaho Power Company in the above matter.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom

LDN:csb  
Enclosures

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Attorneys for Idaho Power Company

Street Address for Express Mail:  
1221 West Idaho Street  
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-09-29  
AUTHORITY TO IMPLEMENT A )  
TRACKING MECHANISM TO RECOVER ) REPLY COMMENTS OF IDAHO  
ITS DEFINED BENEFIT PENSION ) POWER COMPANY  
EXPENSE. )  
\_\_\_\_\_ )

COMES NOW, Idaho Power Company ("Idaho Power" or the "Company") and hereby responds to the Comments of the Staff of the Idaho Public Utilities Commission ("Staff") filed on January 14, 2010.

In 2007, the Commission issued Order No. 30333 authorizing the Company to account for its defined benefit pension expense on a cash basis and to defer and account for accrued Statement of Financial Accounting Standards ("SFAS") 87 pension expense as a regulatory asset. The Commission stated, "When the Company's actuaries notify the Company of ERISA minimum funding requirements, the Company

can evaluate the circumstances for ratemaking purposes and make a filing requesting ratemaking treatment, if needed.” Order No. 30333 at 4. In the present case, Idaho Power filed its Application requesting a tracking mechanism to receive clarity on the method and timing of recovery of prudently incurred defined benefit pension expenses and to allow the Company to evaluate the method to ensure that it satisfies the requirements for continued deferral of pension costs under SFAS 71.

### **I. STAFF COMMENTS**

On January 14, 2010, Staff filed its Comments regarding the Company’s Application recommending that the Commission deny the Company’s request for its proposed pension tracking mechanism. As part of its recommendation, the Staff encouraged the Commission to reaffirm its commitment detailed in Order No. 30333, which states that reasonable and prudently incurred cash contributions based on the ERISA minimum funding requirements may be properly included in the Company’s revenue requirement. The Staff also recommended that the Company be allowed to recover in a future rate case a reasonable amortization of the deferred balance associated with the cash contributions of its defined benefit pension plan after the costs are actually incurred and deferred.

The Staff argued that “[r]ecovery of pension expense continues to be appropriately dealt with during the course of a rate case.” The Staff also stated that it would, “support a reasonable amortization of actual deferred cash contributions. This recovery method will meet the requirements of SFAS 71 to recover the deferral balance in future rates. The amortization can change as needed to recover the remaining deferral balance of actual cash contributions.” Staff Comments at 5.

## **II. CLARIFICATION OF THE STAFF'S POSITION**

On January 21, 2010, Company representatives met with the Staff to seek clarification on a number of issues raised by the Staff in its Comments. Specifically, the Company sought to confirm its understanding of the Staff's recommendations with regard to the Company's future recovery of pension expenses and to explore how the Staff's recommendations would be implemented.

As a result of the January 21, 2010, discussion, the Company believes that the Staff would support the following treatment of deferred pension expense:

1. The Company will establish a balancing account that would track, on a cumulative basis, the difference between cash amounts contributed to the pension plan and amounts included in rates.

2. An appropriate amortization period for deferred cash contributions will be evaluated during a revenue requirement proceeding and will begin simultaneously with the approved period for recovery.

3. There may be circumstances where the Company could choose to contribute in excess of the minimum amount required by ERISA or prior to the final due date of the minimum payment; such contributions, while potentially subject to longer amortization, will not be disallowed solely because they are made sooner than legally required.

4. The Company will not be expected to expense its prudently incurred cash contributions prior to the Commission's review during a revenue requirement proceeding and inclusion in rates.

5. As part of a revenue requirement proceeding, the Company may request the inclusion of imminent, but as yet unpaid, contributions that have been finally determined by the Company's actuary as "known-and-measurable" expenses to be incurred.

6. The Company should earn a carrying charge on the unamortized balance of deferred cash contributions at the Commission approved interest rate for deposit.

### **III. THE COMPANY'S POSITION**

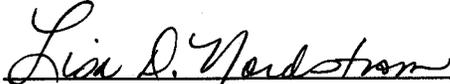
The Company has evaluated Staff's recommendation as stated in its Comments and as clarified at the meeting on January 21, 2010, and is satisfied that the recommendation meets both of the requirements for continued deferral under SFAS 71. SFAS 71 provides that a previously incurred cost may be deferred if: (1) it is "probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes" and (2) "future revenues will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs . . . ." The use of a balancing account that tracks the difference between cumulative cash contributions and amounts collected in rates will provide adequate evidence for the Company to conclude that it expects future revenue equal to the amount capitalized. Recovery that is derived from amortization of the deferred cash contributions provides recovery of previously incurred costs and satisfies the second requirement.

#### **IV. CONCLUSION**

While the Company continues to believe that its proposed tracking mechanism would better match the recovery of pension costs with the Company's cash outlays to fund the pension, the Company is not opposed to the recommendations included in Staff's Comments as clarified in Section II. Further, the Company is satisfied that Staff's proposed methodology would meet the deferral requirements of SFAS 71. Should the Commission choose to adopt Staff's recommendations, the Company requests that the Commission provide the following clarifications:

1. The regulatory asset account previously authorized for the deferral of cash contributions will be considered a balancing account for the purpose of tracking the difference between cumulative cash contributions to the pension plan and amounts recovered in rates; and
2. The timing of the amortization of the deferred cash contributions as well as the amounts will be matched to the collection of those costs in rates; and
3. The amounts contributed in excess of the ERISA minimum, while potentially subject to longer amortization, will not be disallowed solely because they are made sooner than they are legally required to be paid; and
4. The unamortized balance of deferred cash contributions will earn a carrying charge at the Commission approved interest rate for deposit..

Respectfully submitted this 29<sup>th</sup> day of January 2010.

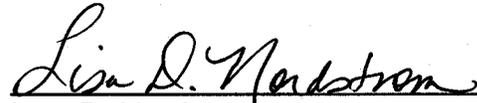
  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 29<sup>th</sup> day of January 2010 I served a true and correct copy of REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**  
Scott Woodbury  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email Scott.Woodbury@puc.idaho.gov

  
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Lisa D. Nordstrom