

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)	NOTICE OF APPLICATION
ITS DEFINED BENEFIT PENSION)	
EXPENSE)	NOTICE OF
)	INTERVENTION DEADLINE
)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	NOTICE OF
)	COMMENT/PROTEST DEADLINE
)	
)	ORDER NO. 30945

YOU ARE HEREBY NOTIFIED that on October 20, 2009, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval on or before February 12, 2010 of a mechanism to track and recover annually the Company’s defined benefit pension expenses. The Application does not seek current approval of future expenses associated with the Company’s qualified defined benefit pension plan, nor is it requesting that current rates be changed at this time.

BACKGROUND

Idaho Power’s defined benefit pension plan was established in 1943 and continues as part of the Company’s total compensation package for eligible employees. As of January 1, 2009, Idaho Power had 2,085 active employees in the plan and a total of 3,533 plan participants.

In 1986, the Company adopted Statement of Financial Accounting Standards (SFAS) 87. That Standard addresses pension funding issues from an accrual perspective in an attempt to better match the compensation cost of an employee’s pension benefits with the time period over which the employee earns those benefits and to provide for greater comparability between companies from year to year. Prior to the adoption of SFAS 87, pension expense was based on the amount a company chose to contribute to its plans during the year. Since the adoption of

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SFAS No. 87 in 1986, the Company has filed general rate cases in 1994 and 2003 that dealt with pension funding issues. With the Company's 1994 general rate case filing, the Company included in test year O&M expenses pension costs based upon the SFAS 87 accrual perspective rather than cash contributed to the plan. The amount approved was approximately \$2 million per year.

In its 2003 general rate case, Case No. IPC-E-03-13, Idaho Power again included in its test year defined benefit pension plan expense derived from the accrual methodology provided for in SFAS 87. The Commission Staff recommended that the Commission reject the accrued SFAS 87 amount to be included in the Company's revenue requirement because the Company did not have any actual cash contribution requirements during the test year. The Commission in Order No. 29505 denied any recovery of defined benefit pension expense.

In 2007, Idaho Power filed an application with the Commission (Case No. IPC-E-07-07) seeking clarification that the Company could expect to recover pension costs based on cash contributed to the plan and account for defined benefit pension expenses on a cash basis rather than the accrual basis that the Company had used from 1994 until 2003. In conjunction with the Company's request for clarification of its authority to utilize cash basis accounting for recovery of defined benefit pension expense, the Company also requested authority to defer future cash contributions it would make to its defined benefit pension plan and to record these future defined benefit pension plan cash contributions as regulatory assets.

On June 1, 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 SFAS 87 pension expense as a regulatory asset. As part of its Order, the Commission acknowledged that it is appropriate for the Company to seek recovery in the Company's revenue requirement of reasonable and prudently incurred defined benefit pension expense based on actual cash contributions. To date, the Company has made no cash contributions and therefore has not made a request for recovery. The Commission found it reasonable for Idaho Power to defer the expense associated with the pension plan cash contributions and record them as a regulatory asset. The Commission also stated "when the Company's actuaries notify the Company of Employee Retirement Income Security Act of 1974 (ERISA) minimum funding

requirements, the Company can evaluate the circumstances for ratemaking purposes and make a filing requesting ratemaking treatment, if needed.”

Idaho Power’s actuary has informed the Company that a contribution is required for the tax year beginning January 1, 2009. The required contribution will be \$5,418,662 if paid by October 15, 2009, but if not paid by October 15, 2009, interest will accrue until the extended due date for Idaho Power’s federal income tax return of September 15, 2010. The Company did not make an October 15, 2009, payment.

TRACKING MECHANISM

The requirement to make cash payments, Idaho Power contends, is expected to continue over the next several years, but may vary dramatically from year to year. Therefore, the Company requests authorization to implement a defined benefit pension expense tracking mechanism that has similar components to those of the Power Cost Adjustment (PCA) mechanism. That is, the proposed mechanism would include a forecast component and true-up component.

As reflected in its Application, the Company would recover through rates its forecasted annual cash payments toward defined benefit pension expense based upon an actuarial determination of those anticipated required contributions. Each year, the Company would compare the revenue collected through the tracking mechanism’s forecast component rate to the actual cash contributions to defined benefit pension expense during the year. Any difference would be either refunded or collected from customers over the subsequent 12-month period in the true-up component. The Company recommends that a carrying charge equal to the Commission-approved interest rate for deposits be applied each month based on the balance in the regulatory asset account.

The Company proposes a March 1 through February 28 (February 29 in leap years) annual test period with rate adjustments becoming effective each June 1. The Company proposes to make an annual filing under the tracking mechanism on or before April 7 of each year with the associated rate adjustment effective June 1.

Idaho Power requests that it be allowed to recover its defined benefit pension expense as a percentage rate applied to all base revenue in a manner similar to the Energy Efficiency

Rider, Schedule 91. Attachment 1 to the Application contains the Company's proposed Schedule 53 detailing the purpose and applicability of the proposed tracking mechanism.

ACCOUNTING TREATMENT

In order to qualify for deferral, SFAS 71 requires that a utility be able to demonstrate that "future revenues will be provided to permit recovery of the previously incurred cost." In order to meet the conditions for deferring pension costs under SFAS 71, some form of a mechanism must be in place that assesses whether the actual costs during the recovery period exceeded the amount in rates, tracks any shortfall or excess, and adjusts rates accordingly.

Idaho Power believes that the proposed tracking mechanism would meet that requirement. Absent such a tracking mechanism, inclusion of pension contributions as test year expenses in a general rate case will most likely cause pension expense to become ineligible for deferral under SFAS 71. Derecognition of its deferred pension expense regulatory asset would result in serious negative consequences to Idaho Power. At a minimum, the Company contends it would be forced to write off the \$33 million balance of deferred pension expense (as of September 30, 2009). Idaho Power's equity would also likely decrease by \$92 million in addition to the retained earnings impact of derecognizing the regulatory asset for deferred pension expense. Both of these accounting changes could have negative impacts on customers.

YOU ARE FURTHER NOTIFIED that the Company's Application together with the supporting testimony of Company witnesses Timothy E. Tatum, Manager of Cost of Service in the Pricing and Regulatory Services Department, and Ken W. Peterson, Corporate Controller, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices, 472 W. Washington Street, Boise, Idaho, and at the general business office of Idaho Power Company, 1221 W. Idaho Street, Boise, Idaho. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov under "File Room" and then "Electric Cases."

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in Case No. IPC-E-09-29 for the purpose of becoming a party, i.e., to present evidence, to acquire rights of cross-examination, to participate in settlement or negotiation conferences, and to make and argue motions **must file a Petition to Intervene** with the Commission pursuant to Rules of Procedure

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72 and 73 of the Commission's Rules of Procedure, IDAPA 31.01.01.072 and .073. Persons desiring to acquire intervenor rights of participation must file a Petition to Intervene **on or before Friday, November 27, 2009**. Persons desiring intervenor status shall also provide the Commission Secretary with their electronic mail addresses to facilitate future communications in this matter.

YOU ARE FURTHER NOTIFIED that persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that discovery is available pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-.234.

YOU ARE FURTHER NOTIFIED that all proceedings in Case No. IPC-E-09-29 will be conducted pursuant to the Rules of Procedure adopted by the Idaho Public Utilities Commission. IDAPA 31.01.01.000 *et seq.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. IPC-E-09-29. The Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to Idaho Power's Application and the use of Modified Procedure in Case No. IPC-E-09-29 is **Thursday, January 14, 2010**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

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YOU ARE FURTHER NOTIFIED that written comments concerning Case No. IPC-E-09-29 should be mailed to the Commission and the Company at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Lisa D. Nordstrom
Barton L. Kline
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-mail: lnordstrom@idahopower.com
bkline@idahopower.com

Timothy Tatum
Gregory Said
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-mail: ttatum@idahopower.com
gsaid@idahopower.com

Street Address for Express Mail:

1221 W. Idaho Street
Boise, ID 83702

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

ORDER

As more particularly described above, IT IS HEREBY ORDERED and the Commission hereby issues the foregoing Notices of Application, Intervention Deadline and Modified Procedure in Case No. IPC-E-09-29.

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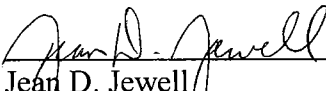
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th
day of November 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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