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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY TO INCREASE) CASE NO. IPC-E-10-08
ITS RATES FOR ELECTRIC SERVICE)
TO RECOVER ITS 2010 CASH)
CONTRIBUTION TO DEFINED BENEFIT)
PENSION EXPENSE.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

JEANNETTE C. BOWMAN

1 Q. Please state your name and business address.

2 A. My name is Jeannette C. Bowman. My business
3 address is 1221 West Idaho Street, Boise, Idaho.

4 Q. By whom are you employed and in what
5 capacity?

6 A. I am employed by Idaho Power Company as a
7 Senior Pricing Analyst.

8 Q. Please describe your educational background
9 and work experience.

10 A. In 1973, I graduated from the College of
11 Idaho earning a Bachelor of Arts degree in Social Studies
12 and Mathematics. I have also done graduate work at Boise
13 State University. In addition, I have attended electric
14 utility ratemaking courses offered through New Mexico State
15 University's Center for Public Utilities as well as various
16 advanced rate courses presented by the Edison Electric
17 Institute. From 1973 to 1981, I taught secondary school
18 mathematics and social studies courses. In 1981, I joined
19 Accounting Systems in Boise where my duties primarily
20 involved implementing accounting software systems. In
21 August 1982, I accepted a position at Idaho Power Company
22 ("the Company") as a Rate Analyst. In July 1986, I was
23 promoted to Senior Rate Analyst, now designated as Senior
24 Pricing Analyst. My duties as a Senior Pricing Analyst

1 include gathering, analyzing, and coordinating data from
2 various departments throughout the Company required for
3 development of jurisdictional separation studies, class
4 cost-of-service studies, and rate design as well as other
5 analyses as may be required. In addition, I have assisted
6 in the development of the Company's tariffs.

7 Q. What is the scope of your testimony in this
8 proceeding?

9 A. I am sponsoring testimony in this proceeding
10 to present the Company's proposal for implementation of
11 defined benefit pension cost recovery that aligns with the
12 provisions approved by the Commission on February 17, 2010,
13 in Case No. IPC-E-09-29, Order No. 31003.

14 Q. Have you prepared exhibits for this
15 proceeding?

16 A. Yes. I am offering the following exhibits:

17 1. Exhibit No. 1, Minimum Required Cash
18 Pension Contributions for Plan Year Beginning January 1,
19 2009;

20 2. Exhibit No. 2, Actuarial Estimates of
21 Minimum Required Cash Pension Contributions for Plan Years
22 2010-2014;

23 3. Exhibit No. 3, Estimated Pension
24 Balancing Account; and

1 4. Exhibit No. 4, Proposed Recovery of
2 Defined Benefit Pension Plan Contributions by Retail Rate
3 Class.

4 Q. Upon what basis is the Company requesting
5 recovery of cash contributions to its defined benefit
6 pension expense during the moratorium and outside a general
7 rate case?

8 A. For a number of expense categories
9 delineated in the Stipulation filed in Case No. IPC-E-09-30
10 and approved in Commission Order No. 31003, the Company is
11 authorized to make filings with the Commission to adjust
12 its revenue requirement and change rates prior to January
13 1, 2012. Annual pension cost recovery is one of those
14 specified expense categories.

15 Q. Before the recent Order No. 31003, what was
16 the Commission's guidance for recovery of defined benefit
17 pension plan expenses?

18 A. In Order No. 30333 (Case No. IPC-E-07-07),
19 the Commission found it reasonable for the Company to defer
20 the expense associated with the pension plan cash
21 contributions and record them as a regulatory asset. It
22 also stated on page 4 of that Order, "When the Company's
23 actuaries notify the Company of ERISA minimum funding
24 requirements, the Company can evaluate the circumstances

1 for ratemaking purposes and make a filing requesting
2 ratemaking treatment, if needed."

3 Q. Does the Commission's most recent Order
4 continue to support recording the Company's pension plan
5 contributions as a regulatory asset?

6 A. Yes. In Order No. 31003, the Commission
7 adopted the Company's clarification provision which states,
8 "The regulatory asset account previously authorized for the
9 deferral of cash contributions will be considered a
10 balancing account for the purpose of tracking the
11 difference between cumulative cash contributions to the
12 pension plan and amounts recovered in rates."

13 Q. Does the Commission also continue to support
14 the earlier provision that the Company can make a filing
15 requesting ratemaking treatment when the Company's
16 actuaries notify the Company of ERISA minimum funding
17 requirements?

18 A. Yes. In Order No. 31003, the Commission
19 adopted the Staff's recommendation that "the Commission
20 reaffirm its commitment in Order No. 30333 that reasonable
21 and prudently incurred cash contributions based on the
22 ERISA minimum funding requirement may be properly included
23 in the Company's revenue requirement."

1 Q. Has the Company's actuary informed the
2 Company of a minimum required contribution?

3 A. Yes. The Company's actuary, Milliman, Inc.,
4 has informed the Company that a contribution is required
5 for the plan year beginning January 1, 2009.

6 Q. How much did the Company's actuary identify
7 as the 2009 minimum required contribution?

8 A. As of January 1, 2009, the required
9 contribution identified by the Company's actuary was
10 \$5,092,774. However, from that date, the contribution
11 increases at an annual effective rate of 8.15 percent until
12 payment. Therefore, additional required contributions will
13 accrue until the extended due date for the Company's
14 federal income tax return of September 15, 2010. On that
15 payment date, the minimum required contribution for plan
16 year 2009 is expected to be \$5,822,145. Details to the
17 required contribution for the plan year beginning January
18 1, 2009, are illustrated in Exhibit No. 1 to this
19 testimony.

20 The full actuarial report is included in my
21 workpapers and available upon request.

22 Q. How much of the minimum required
23 contribution for plan year 2009 is allocated to the Idaho
24 retail customers?

1 A. Within the required \$5,822,145 pension
2 contribution total, \$46,078 has been reimbursed from a
3 separate IDACORP subsidiary, IDACORP Financial Services
4 ("IFS"), thereby reducing the contribution amount to
5 \$5,776,067. The allocated portion of this reduced amount
6 to Idaho retail customers is \$5,416,796, or 93.78 percent.

7 Q. Is the Company seeking recovery of actual
8 2010 cash contributions to its defined benefit pension plan
9 for plan year 2009 as part of this proceeding?

10 A. Yes. At this time, the Company is seeking
11 the Commission's approval of \$5,416,796 in pension cost
12 recovery for the Idaho-allocated portion of the minimum
13 required contribution for plan year 2009 as a known and
14 measurable payment the Company will make in September 2010.

15 Q. What is the percentage increase in revenue
16 as measured from total amounts currently recovered from
17 customers?

18 A. Total revenue currently recovered from
19 customers includes the following components: base rates,
20 Fixed Cost Adjustment, Power Cost Adjustment, and Energy
21 Efficiency Rider. The current revenue from these
22 components for the affected classes is \$930,475,864. The
23 requested increase, including additional revenue from the
24 Energy Efficiency Rider, is \$5,673,553 or 0.61 percent.

1 Q. Has the Company's actuary made projections
2 for future required pension contributions?

3 A. Yes. As illustrated in Exhibit No. 2,
4 Milliman, Inc. has estimated the Company's minimum cash
5 contributions for defined pension expense for each plan
6 year through 2014. Beginning in 2011, the Company will be
7 required to begin making quarterly payments starting on
8 April 15. The total contributions required in 2011 are
9 estimated to be \$44.2 million.

10 These quarterly and annual pension contribution
11 amounts are estimates. Amounts for future years are
12 uncertain since they are dependent on future year ending
13 values such as market values of plan assets and discounts
14 rates.

15 As previously stated, the full actuarial report is
16 included in my workpapers and available upon request.

17 Q. Because there is an actuarial estimate
18 indicating additional pension contributions will be
19 required in 2011, is the Company also requesting pension
20 cost recovery in this filing for those contributions as
21 well?

22 A. No. Additional requests to recover defined
23 benefit pension expenses based on minimum required cash

1 contributions for plan years 2010 and beyond will be
2 included in the future rate case proceedings.

3 **PENSION COST BALANCING ACCOUNT**

4 Q. Please describe the "balancing account" the
5 Company will be including as part of its pension accounting
6 provisions.

7 A. As provided in the Commission's Order No.
8 31003, the regulatory asset account previously authorized
9 for the deferral of cash contributions will be considered a
10 balancing account for the purpose of tracking the
11 difference between cumulative cash contributions to the
12 pension plan and amounts recovered in rates.

13 Q. How will the Company be using the previously
14 authorized pension cost balancing account if the Commission
15 approves this filing?

16 A. The recovery of defined benefit pension
17 expenses through the balancing account will allow the
18 Company to comply with the Commission's Order No. 31003 and
19 Generally Accepted Accounting Principles ("GAAP")
20 requirements for cash basis accounting of defined benefit
21 pension expense. In September 2010, the Company will be
22 required to make a cash contribution to its defined benefit
23 pension plan for the plan year beginning January 1, 2009.
24 The balancing account will be charged for the Idaho-

1 allocated portion of the cash contributions. The recovery
2 of defined benefit pension costs from Idaho customers will
3 be recorded each month throughout the amortization period.
4 Details of the Company's proposed accounting entries are
5 included as Attachment No. 2 to the Company's Application
6 in this filing.

7 Q. What is the Company proposing as a pension
8 cost recovery amortization period in this filing?

9 A. The Company is proposing a one-year
10 amortization period of June 1, 2010, through May 31, 2011,
11 with tariff rate adjustments becoming effective on June 1,
12 2010. This timing will allow the Company to minimize the
13 number of rate adjustments Idaho customers will experience
14 in calendar year 2010.

15 Q. How will Idaho customers' monthly
16 contributions to pension cost recovery be computed and
17 included in the balancing account?

18 A. The regulatory asset account previously
19 authorized for the deferral of cash contributions is a
20 balancing account that tracks the difference between
21 cumulative cash contributions to the pension plan and
22 amounts recovered in rates. Exhibit No. 3 illustrates the
23 monthly recovery of pension costs from Idaho customers over
24 the amortization period. The monthly amounts are based on

1 the Company's forecast June 2010 through May 2011 base
2 revenues. Upon Commission approval, the computed amount of
3 pension cost recovery from retail rates will begin creating
4 a negative balance in the Company's balancing account
5 starting on the requested effective date of June 1, 2010,
6 and will continue until the Company makes its minimum
7 required pension contribution on September 15, 2010. Upon
8 that contribution, the balancing account will reverse to a
9 net debit balance. By the end of the amortization period
10 (May 31, 2011), the pension balancing account for the
11 September 2010 payment will approach zero.

12 Q. Will the Company apply a carrying charge to
13 the monthly balances in the pension balancing account?

14 A. Yes, as approved in the Commission's Order
15 No. 31003, the Company will be applying a carrying charge
16 equal to the Commission's approved rate for customer
17 deposits each month based on the balance in the regulatory
18 asset account. In a given month during the amortization
19 period, the carrying charge could be a benefit or a cost,
20 depending on whether the Company's cash paid to date is
21 less than or exceeds the computed Idaho customers' pension
22 cost recovery contributions to date.

23 Q. Is the recovery of carrying charges included
24 in the Company's request in this filing?

1 A. No. All carrying charges, either positive
2 or negative, will be accumulated and requested as part of
3 the Company's revenue requirement in future rate case
4 proceedings.

5 Q. Is the Company proposing that it continue to
6 recover amounts from Idaho customers after the end of the
7 amortization period on May 31, 2011?

8 A. Yes. Even though the recovery of the Idaho-
9 allocated pension amount for plan year 2009 will have
10 concluded by the end of the amortization period on May 31,
11 2011, the Company is proposing to continue to recover from
12 customers in the same manner as during the amortization
13 period. The Company will continue to track the difference
14 between its contributions to the defined benefit pension
15 plan and amounts recovered in rates until the Commission
16 determines a new authorized amount and amortization period
17 for recovery of the Idaho portion of the Company's post-
18 2010 cash contributions to the defined benefit pension
19 plan. The computed amounts of post-May 31, 2011, pension
20 cost recovery from Idaho customers' accumulated in the
21 pension cost balancing account will reduce the amount
22 placed into customers' rates for the ensuing authorized
23 amortization period.

1 Q. What type of rate design does the Company
2 plan to apply to recover the pension costs under the
3 proposed balancing account mechanism?

4 A. As illustrated in Exhibit No. 4, the Company
5 proposes to recover its defined benefit pension expense as
6 an equal percentage rate of 0.77 percent applied to all
7 rate classes' forecast base revenues. In turn, the Company
8 is proposing the same 0.77 percent uniform percentage
9 increase be applied as equally as technically possible
10 among the billing components within the rate classes'
11 schedules, with exceptions for Service Charges in
12 Residential Service (Schedules 1, 3, 4, and 5), Small
13 General Service (Schedule 7). Attachment No. 1 to the
14 Application in this filing includes the Company's
15 Calculation of Revenue Impact documents illustrating the
16 impact of pension cost recovery on each billing component
17 within each retail rate schedule.

18 Q. Why are there pension cost recovery
19 exemptions for the Service Charge billing component within
20 the Company's Residential Service and Small General Service
21 rate schedules?

22 A. In Case No. IPC-E-09-30, the Company and the
23 other settlement parties signed a Stipulation that was

1 later approved in Commission Order No. 30978. In paragraph
2 7.2.1.1 of the Stipulation it states:

3 The Company's share of the PCA rate
4 reduction will be applied to increase
5 permanent base rates on a uniform percentage
6 basis to all customer classes and special
7 contract customers. Schedule 1 and Schedule
8 7 customer classes will have any increase
9 placed on their respective energy rates.
10 This increase in base rates will remain in
11 effect until new base rates, which are
12 ordered in a future Idaho Power Company
13 general rate case, become effective.
14

15 The Company is proposing similar treatment for
16 pension cost recovery and applying additional charges to
17 only the respective Residential and Small General Service
18 rate schedules' energy billing component. This will
19 necessitate an increase in excess of 0.77 percent to each
20 affected rate class's energy component to recover the total
21 pension costs allocated to that rate class.

22 Q. Why didn't the Company propose to recoup all
23 pension recovery costs by just assessing a uniform energy-
24 only charge to all classes, similar to the Company's PCA?

25 A. Either a uniform energy-only charge (¢ per
26 kWh) or equal percentage charge assessed only to the
27 customers' energy billing component would
28 disproportionately assign pension cost recovery to high
29 load-factor customers. Until all cost issues can be more
30 fully addressed in a general rate case, the Company

1 contends spreading cost recovery over all billing
2 components is a more equitable way to recover defined
3 benefit pension costs.

4 Q. Will the recovery of defined benefit pension
5 costs appear as a separate line item on customers' bills?

6 A. No. Because the Company is proposing an
7 increased percentage rate be applied to all base rate
8 billing components, pension expense recovery will be
9 integrated within those component rates and not listed as a
10 separate item on customers' bills.

11 Q. Does this conclude your testimony?

12 A. Yes, it does.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-08

IDAHO POWER COMPANY

BOWMAN, DI
TESTIMONY

EXHIBIT NO. 1

Minimum Required Contribution at Various Dates

The plan's Minimum Required Contribution is determined at the beginning of the plan year. The Minimum Required Contribution must be increased with the effective interest rate of 8.15% if payment is not made at the beginning of the year. The Minimum Required Contribution for the plan year beginning January 1, 2009 at various potential payment dates (the respective quarterly dates) is shown below.

| | |
|---|-------------|
| 1. Minimum Required Contribution as of January 1, 2009 | \$5,092,774 |
| 2. Minimum Required Contribution as of April 15, 2009 | 5,210,493 |
| 3. Minimum Required Contribution as of July 15, 2009 | 5,313,558 |
| 4. Minimum Required Contribution as of October 15, 2009 | 5,418,662 |
| 5. Minimum Required Contribution as of January 15, 2010 | 5,525,845 |
| 6. Minimum Required Contribution as of September 15, 2010 | \$5,822,145 |

Exhibit No. 1
Case No. IPC-E-10-08
J. Bowman, IPCO
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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-08

IDAHO POWER COMPANY

BOWMAN, DI
TESTIMONY

EXHIBIT NO. 2

**Idaho Power Company
Estimated Cash Contributions (in \$ millions)**

| Calendar Year: 2010 | | Calendar Year: 2011 | | Calendar Year: 2012 | | Calendar Year: 2013 | | Calendar Year: 2014 | |
|---------------------|--------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| Due Date | Contribution | Due Date | Contribution | Due Date | Contribution | Due Date | Contribution | Due Date | Contribution |
| 1/15/2010 | \$0.0 | 1/15/2011 | \$0.0 | 1/15/2012 | \$5.9 | 1/15/2013 | \$8.4 | 1/15/2014 | \$8.5 |
| 4/15/2010 | \$0.0 | 4/15/2011 | \$5.9 | 4/15/2012 | \$8.4 | 4/15/2013 | \$8.5 | 4/15/2014 | \$8.7 |
| 7/15/2010 | \$0.0 | 7/15/2011 | \$5.9 | 7/15/2012 | \$8.4 | 7/15/2013 | \$8.5 | 7/15/2014 | \$8.7 |
| 9/15/2010 | \$5.8 | 9/15/2011 | \$26.5 | 9/15/2012 | \$16.3 | 9/15/2013 | \$5.5 | 9/15/2014 | \$5.6 |
| 10/15/2010 | \$0.0 | 10/15/2011 | \$5.9 | 10/15/2012 | \$8.4 | 10/15/2013 | \$8.5 | 10/15/2014 | \$8.7 |
| Total | \$5.8 | Total | \$44.2 | Total | \$47.4 | Total | \$39.4 | Total | \$40.2 |

Assumptions: 8.0% asset return for all years.
 PPA funding interest rates based on 24-month average segment rates with a one month look back.
 Long term corporate bond rates assumed to 6.00% for all years.
 No change in 1/1/2009 active employee count for future years.
 No other actuarial gains or losses.

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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-08

IDAHO POWER COMPANY

BOWMAN, DI
TESTIMONY

EXHIBIT NO. 3

Estimated Pension Balancing Account
Contribution Required for Plan Year Beginning January 1, 2009
Assumed Cash Payment on September 15, 2010

| | <u>Company</u> <u>Contribution (1)</u> | <u>Idaho</u> <u>Allocation (2)</u> | <u>Estimated</u> <u>Customer</u> <u>Repayment</u> | <u>Rev % (3)</u> | <u>Balance</u> |
|--------------|---|---------------------------------------|---|------------------|----------------|
| 2010 | | | | | |
| June | 0 | 0 | (464,549) | 8.6% | (464,549) |
| July | 0 | 0 | (553,118) | 10.2% | (1,017,667) |
| August | 0 | 0 | (595,622) | 11.0% | (1,613,289) |
| September | 5,776,067 | 5,416,796 | (536,427) | 9.9% | 3,267,080 |
| October | 0 | 0 | (399,784) | 7.4% | 2,867,297 |
| November | 0 | 0 | (367,757) | 6.8% | 2,499,540 |
| December | 0 | 0 | (427,298) | 7.9% | 2,072,242 |
| 2011 | | | | | |
| January | 0 | 0 | (477,846) | 8.8% | 1,594,396 |
| February | 0 | 0 | (444,437) | 8.2% | 1,149,959 |
| March | 0 | 0 | (404,857) | 7.5% | 745,103 |
| April | 0 | 0 | (374,953) | 6.9% | 370,150 |
| May | 0 | 0 | (370,150) | 6.8% | 0 |
| Total | 5,776,067 | 5,416,796 | (5,416,796) | 100.0% | 0 |

- (1) Company Pension Contribution less IFS Pension Reimbursement (\$5,822,145 - \$46,078)
(2) Idaho Labor Allocator - 93.78% (2008 FERC Form 1)
(3) Based on Company's 2010-2011 Revenue Forecast

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-08

IDAHO POWER COMPANY

BOWMAN, DI
TESTIMONY

EXHIBIT NO. 4

PROPOSED RECOVERY OF DEFINED BENEFIT PENSION PLAN CONTRIBUTIONS
Required for Plan Year Beginning January 1, 2009
Assumed Cash Payment on September 15, 2010

| <u>Schedule</u> | <u>Description</u> | <u>Idaho Base Revenues (*)</u> | <u>%</u> | <u>Pension Recovery</u> | <u>% Increase</u> |
|--------------------|--------------------------------------|--------------------------------|---------------|-------------------------|-------------------|
| 1 | Residential Service | 329,209,922 | 46.7% | 2,528,043 | 0.77% |
| 3 | Master Metered Mobile Home Park | 306,335 | 0.0% | 2,352 | 0.77% |
| 4 | Residential Service Energy Watch | 52,976 | 0.0% | 407 | 0.77% |
| 5 | Residential Service Time-of-Day | 77,725 | 0.0% | 597 | 0.77% |
| 7 | Small General Service | 13,724,201 | 1.9% | 105,390 | 0.77% |
| 9S | Large General Service - Secondary | 148,787,256 | 21.1% | 1,142,555 | 0.77% |
| 9P | Large General Service - Primary | 15,882,876 | 2.3% | 121,967 | 0.77% |
| 9T | Large General Service - Transmission | 98,107 | 0.0% | 753 | 0.77% |
| 15 | Dusk to Dawn Lighting | 987,934 | 0.1% | 7,586 | 0.77% |
| 19S | Large Power - Secondary | 315,381 | 0.0% | 2,422 | 0.77% |
| 19P | Large Power - Primary | 69,233,827 | 9.8% | 531,655 | 0.77% |
| 19T | Large Power - Transmission | 2,214,588 | 0.3% | 17,006 | 0.77% |
| 24 | Agricultural Irrigation | 87,559,067 | 12.4% | 672,377 | 0.77% |
| 40 | Unmetered | 953,455 | 0.1% | 7,322 | 0.77% |
| 41 | Street Lighting | 2,404,977 | 0.3% | 18,468 | 0.77% |
| 42 | Traffic Control | 160,167 | 0.0% | 1,230 | 0.77% |
| Subtotal | | 671,968,795 | 95.3% | 5,160,130 | 0.77% |
| 26 | Micron | 15,503,250 | 2.2% | 119,051 | 0.77% |
| 29 | Simplot | 5,582,524 | 0.8% | 42,869 | 0.77% |
| 30 | DOE /INL | 7,146,974 | 1.0% | 54,882 | 0.77% |
| 32 | HOKU | 5,191,187 | 0.7% | 39,864 | 0.77% |
| Subtotal | | 33,423,936 | 4.7% | 256,666 | 0.77% |
| Grand Total | | 705,392,731 | 100.0% | 5,416,796 | 0.77% |

(*) Company's 2010-2011 Revenue Forecast