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LISA D. NORDSTROM
Lead Counsel
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IDAHO PUBLIC
UTILITIES COMMISSION

February 18, 2011

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-10-25
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR ACCEPTANCE OF ITS 2011 RETIREMENT BENEFITS PACKAGE*

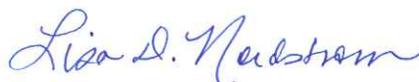
Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Retirement Benefits Risk Analysis report. The copies are redacted to remove portions of the risk analysis that contain either material, non-public information in accordance with the Security and Exchange Commission's Regulation FD (Fair Disclosure) or information exempt from public disclosure under Idaho Code § 9-340, *et seq.*, and § 48-801, *et seq.*

Idaho Power has also enclosed in a separate envelope an original and seven (7) copies of the unredacted Retirement Benefits Risk Analysis report. This unredacted version contains **confidential** information that should be handled in accordance with the Protective Agreement executed in this matter.

Idaho Power agreed to perform the enclosed Retirement Benefits Risk Analysis at the January 24, 2011, Commission-led workshop. Based upon the feedback concerning Idaho Power's analytical methodology received from the Commission Staff and the Industrial Customers of Idaho Power at a subsequent workshop held on February 10, 2011, the Company believes the enclosed Risk Analysis provides the information sought by the Commission and parties that has been articulated to date.

Very truly yours,



Lisa D. Nordstrom

LDN:csb
Enclosures

IDAHO POWER COMPANY

SUPPLEMENTAL REPORT: RETIREMENT BENEFITS RISK ANALYSIS

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Overview

On January 24, 2011, the Idaho Public Utilities Commission (“Commission”) held a workshop to discuss Idaho Power Company’s request for acceptance of its 2011 Retirement Benefits Package (Case No. IPC-E-10-25). All three Commissioners were in attendance along with representatives from the Commission Staff, Idaho Power Company (“Idaho Power” or “Company”), and the Industrial Customers of Idaho Power (“ICIP”). During the workshop, each party summarized its position with regard to the Company’s request. Finally, the Commissioners provided their views on the Company’s request and commented on their role as Commissioners. Commissioner Kempton expressed his concern that the Company had not provided some types of analyses that he had envisioned would be included with the filing. Specifically, Commissioner Kempton stated that he would like to see an analysis that would assess the level of risk associated with different retirement plan options by modeling each plan’s sensitivity to market fluctuations over time under a range of economic conditions. Further, Commissioner Kempton stated that the Commission would like an estimate of future annual impacts to the Company’s revenue requirement associated with different retirement plan options.

On February 10, 2011, the Company, ICIP and the Staff met again and agreed upon an analytical framework for providing the requested information. This document supplements the Company’s original filing by providing an assessment of risk resulting from market fluctuations and also an assessment of potential future funding obligations which become revenue requirements that impact customers.

Analytical Framework

The supplemental analysis consists of two parts:

- (1) A forward-looking assessment of the potential investment risk associated with a number of investment strategies, ranging from low risk to high risk, under a range of economic conditions; and
- (2) A nine-year projection of the incremental annual plan contributions or plan costs that would exist under a range of economic conditions for the Company’s pension plan and for hypothetical defined contribution plan alternatives.

The entire analysis utilizes the historical period of 1972 to 2009 to simulate a range of possible investment returns under various economic conditions. This 38-year period provides a broad range of economic conditions, including both good and bad investment markets. Moreover, available market data during this period is consistent and comparable. Before 1972, data regarding international stocks, real estate, hedge funds, emerging markets, and the like are not readily available.

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Historical investment performance data used to develop a forward looking assessment of potential investment risks and returns was adjusted downward to account for current interest rates, which are at very low levels compared to averages from 1972-2009. At current interest rate levels, the fixed-income portion of a portfolio will deliver a lower return than the historical average. The equity portion of a portfolio would likewise be expected to deliver a lower return because the equity risk premium would be generated from a lower baseline. For example, from 1972-2009 the compound annualized return on the Barclays Capital Aggregate Bond index was eight percent. Based on current interest rates,¹ projected returns for this same bond index are more likely to be in the range of five percent. Similarly, the return on a portfolio based on the Company's current asset allocation targets¹ from 1972-2009 would have been approximately 10.9 percent (annualized) if each asset class had matched the benchmark index return. However, based upon an adjustment to reflect current interest rates, the projected return for the current portfolio is in the eight percent range, almost three percent less than the historical return.

Analysis of Investment Risk

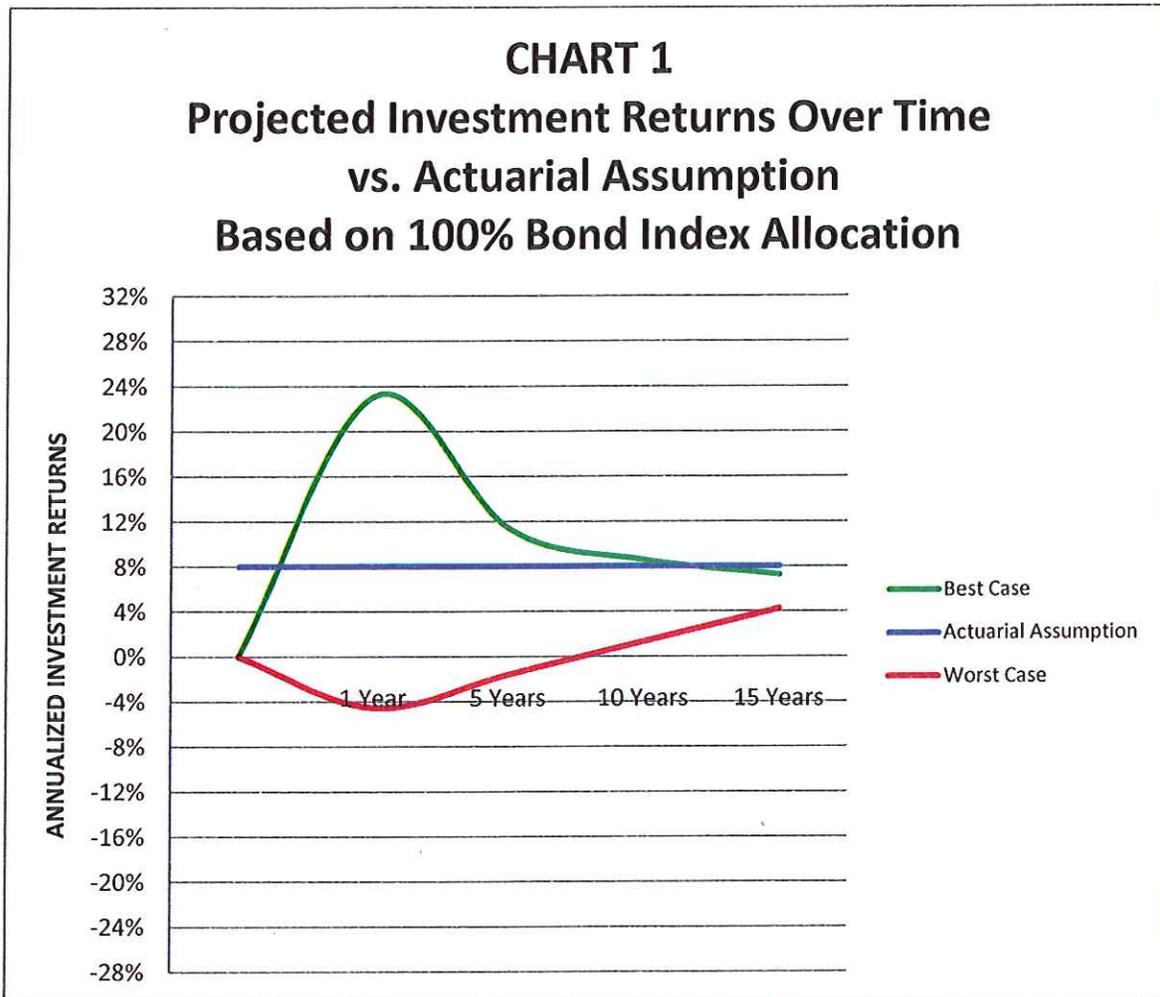
The Company analyzed investment risk associated with four different investment strategies:

- (1) A low risk strategy consisting of investments in bonds only;
- (2) A high risk strategy consisting of investments in stocks only;
- (3) A balanced portfolio strategy consisting of stocks (60 percent) and bonds (40 percent);
and
- (4) The current Idaho Power portfolio (see Attachment 1).

The projected annualized returns for each investment strategy were compared to the actuarially assumed return for the Company's portfolio of eight percent over a fifteen-year period. The eight percent actuarial return assumption was developed by the Company based upon capital market modeling projections. The actuarial return established by the Company is reviewed for reasonableness by both its consulting actuary and the external auditor for the retirement plan.

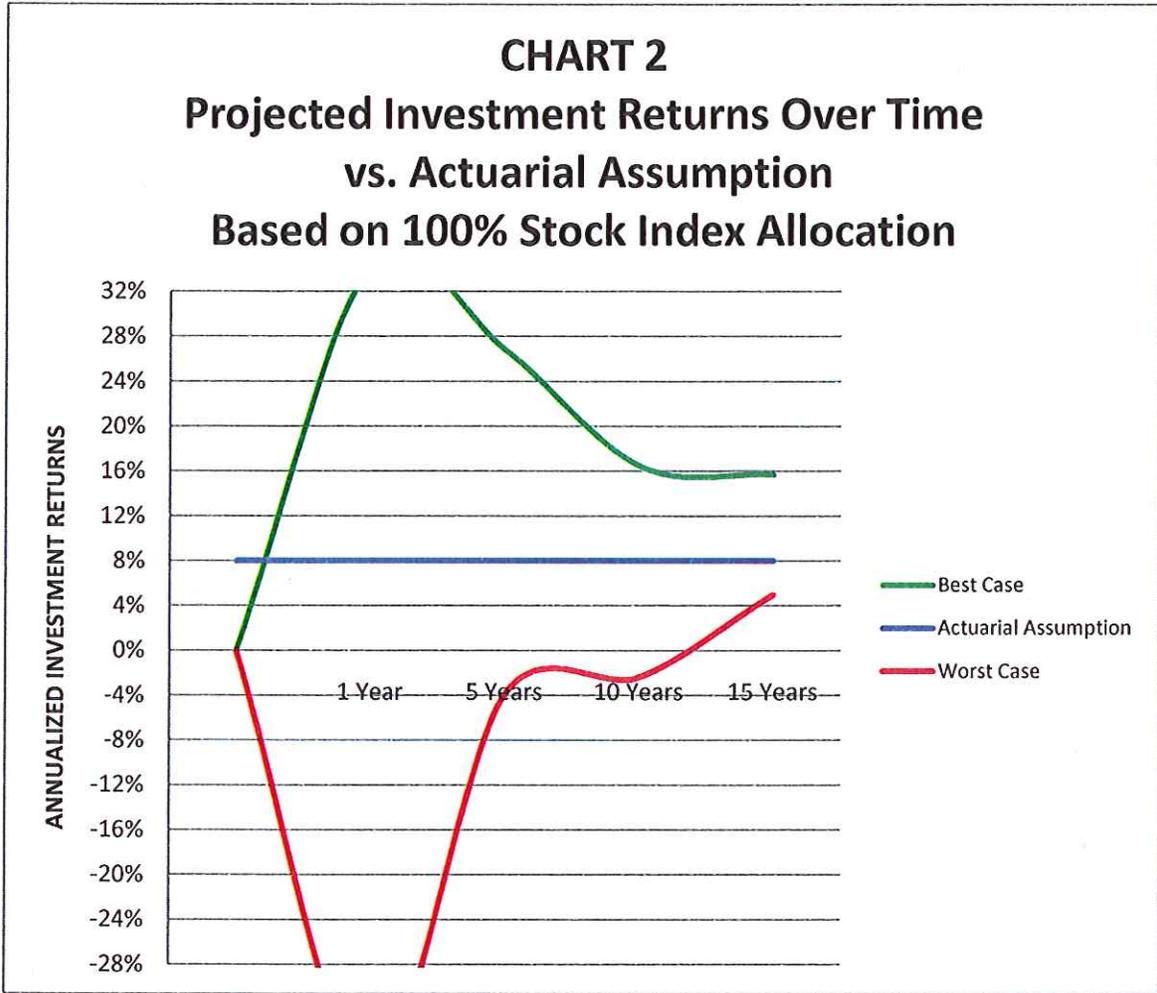
Charts 1-4 illustrate the results of each scenario. Each chart includes three curves: (1) a curve representing the projected "best case" average annualized returns; (2) a curve representing the actuarial assumption of eight percent average annualized returns (target); and (3) a curve representing the projected "worst case" average annualized returns. The best case and worst case curves on each chart represent the projected highest and lowest annualized returns over the fifteen-year period. For example, the point on the worst case curve that corresponds with the "1 Year" mark on the X axis represents the lowest one-year annualized return out of 38 observations. Further, the point on the worst case curve that corresponds with the "5 Year" mark on the X axis represents the lowest five-year average annualized return out of 34 observations. As can be seen on Charts 1-4, the average annualized returns associated with each investment strategy exhibit their greatest level of potential volatility in the short-term with substantially decreased volatility over a longer market cycle.

¹ The Company's return assumptions and asset allocation targets are set forth in Attachment 1 to this report.



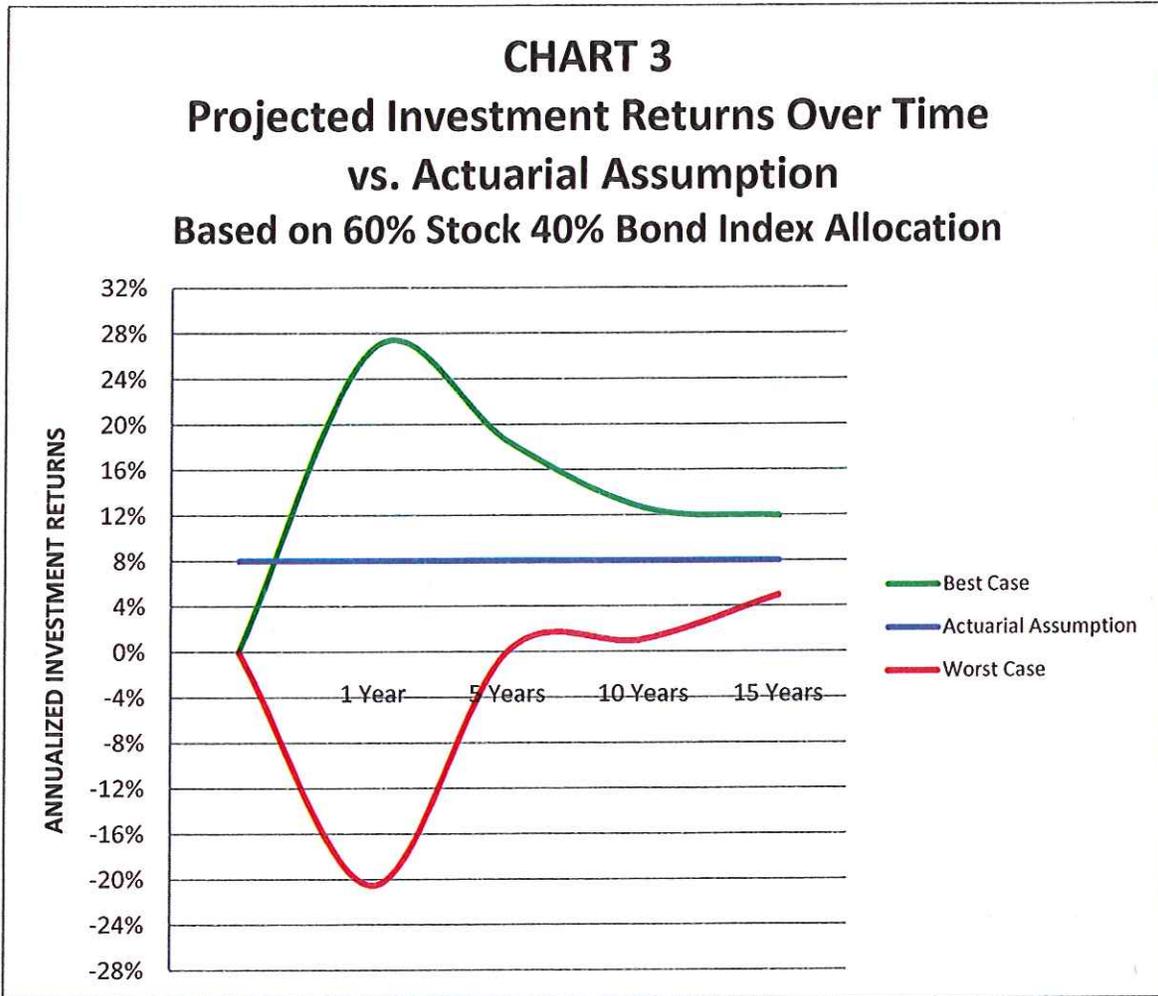
	1 Year	5 Years	10 Years	15 Years
Best Case	23.10%	11.3%	8.6%	7.2%
Actuarial Assumption	8.00%	8.00%	8.00%	8.00%
Worst Case	-4.54%	-1.6%	1.3%	4.3%

Chart 1 illustrates a low risk portfolio consisting of 100 percent bonds, as measured by Barclays Capital Aggregate Bonds Index. This portfolio might produce a one-year return as high as 23.1 percent, or a 4.5 percent decline in value. Over a five-year period, the highest expected average of annual returns is 11.3 percent, and the lowest expected average of annual returns is negative 1.6 percent. Looking fifteen years forward in time, the highest expected average of annual returns is 7.2 percent and the lowest expected average of annual returns is 4.3 percent. The entire range of expected returns at fifteen years is below the actuarial target of eight percent.



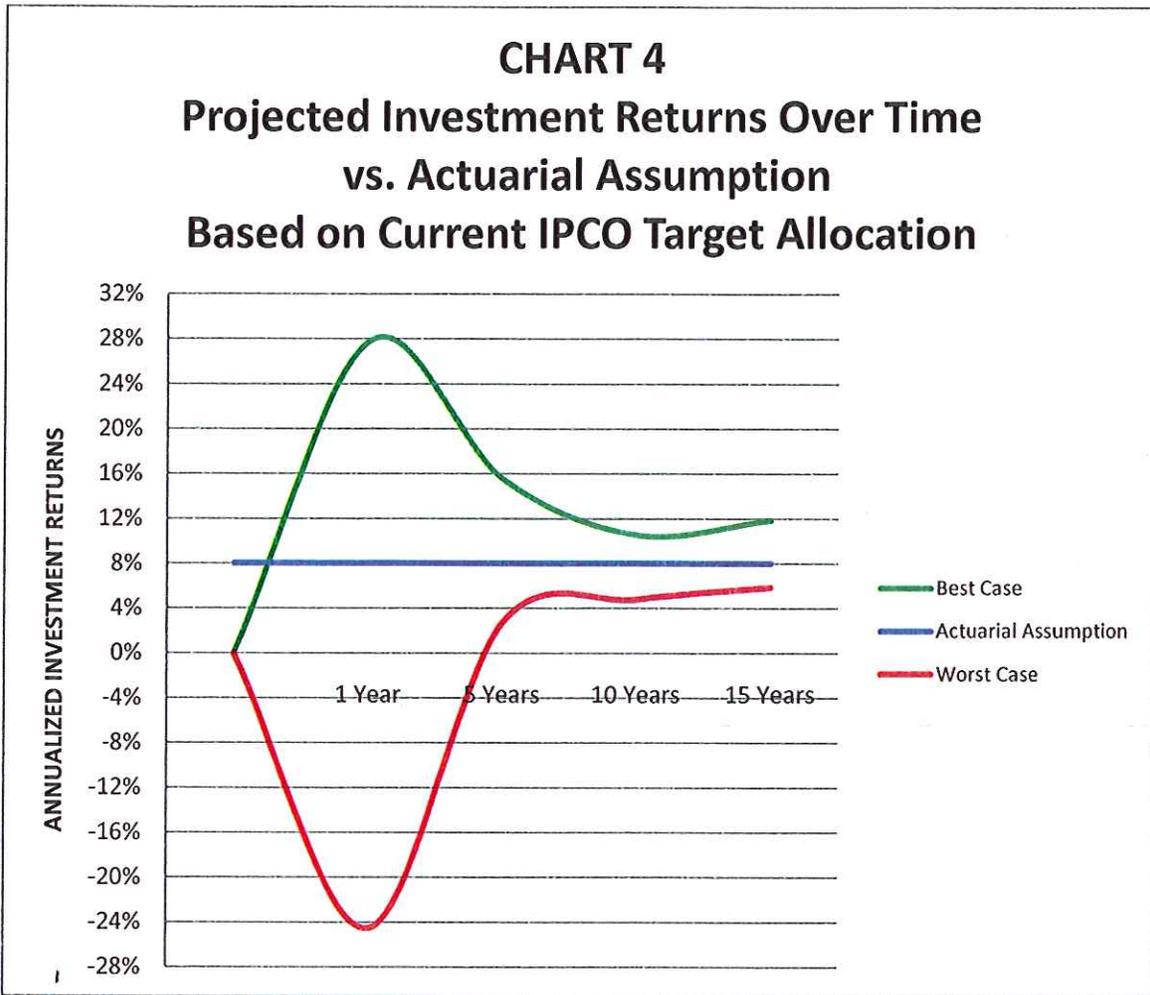
	1 Year	5 Years	10 Years	15 Years
Best Case	34.31%	26.7%	16.4%	15.7%
Actuarial Assumption	8.00%	8.00%	8.00%	8.00%
Worst Case	-37.41%	-3.9%	-2.4%	5.0%

Chart 2 illustrates a high risk portfolio consisting of 100 percent stocks, as measured by the S&P 500 Stocks Index. This portfolio might produce a one-year return as high as 34.3 percent, or a 37.4 percent decline in value. Over a five-year period of time, the highest expected average of annual returns is 26.7 percent, and the lowest expected average of annual returns is negative 3.9 percent. Looking fifteen years forward in time, the highest expected average of annual returns is 15.7 percent and the lowest average of annual returns is 5.0 percent. This portfolio provides an opportunity to meet the actuarial target of eight percent, but has much greater volatility than the low risk, 100 percent bond portfolio. Further, this portfolio can maintain negative cumulative returns over a ten-year investment period.



	1 Year	5 Years	10 Years	15 Years
Best Case	26.73%	18.4%	12.6%	11.9%
Actuarial Assumption	8.00%	8.00%	8.00%	8.00%
Worst Case	-20.54%	0.1%	1.1%	5.0%

Chart 3 illustrates a balanced risk portfolio consisting of 60 percent stocks (S&P 500) and 40 percent bonds (Barclays Aggregate). This portfolio attempts to capture higher return opportunities that arise from investing in stocks, while reducing some of the volatility on returns by including some lower risk bonds. This portfolio might produce a one-year return as high as 26.7 percent, or as much as a 20.5 percent decline in value. Over a five-year period of time, the highest expected average of annual returns is 18.4 percent, and the lowest expected average of annual returns is 0 percent. Looking fifteen years forward in time, the highest expected average of annual returns is 11.9 percent, while the lowest is 5.0 percent. This portfolio also provides an opportunity to meet the actuarial target of eight percent, but has volatility between that of the high risk and low risk portfolios.



	1 Year	5 Years	10 Years	15 Years
Best Case	27.77%	15.5%	10.5%	11.8%
Actuarial Assumption	8.00%	8.00%	8.00%	8.00%
Worst Case	-24.52%	2.7%	4.8%	5.9%

Chart 4 illustrates Idaho Power’s current targeted allocation of investments. This portfolio is most similar to the balanced risk portfolio. Like the balanced risk portfolio, Idaho Power’s risk portfolio attempts to capture higher return opportunities that arise from investing in stocks, while reducing volatility on returns by including some lower risk bonds, and further improving the overall investment profile with modest diversification into real estate, commodities, and absolute-return fund strategies. Idaho Power’s risk portfolio might produce a one-year return as high as 27.8 percent, or as much as a 24.5 percent decline in value. Over a five-year period of time, the highest expected average of annual returns is 15.5 percent, and the lowest expected average of annual returns is 2.7 percent. Looking fifteen years forward in time, the highest expected average of annual returns is 11.8 percent, and the lowest expected average of annual returns is 5.9 percent. This portfolio also provides an opportunity to meet the actuarial target of eight percent, but narrows the range of volatility in average annual returns around the eight percent target.

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Analysis of Annual Revenue Requirement Impact

The analysis of annual revenue requirement impact presents a nine-year projection of the incremental annual plan contributions or plan costs that would exist under a range of economic conditions for the Company's pension plan as well as hypothetical defined contribution plan alternatives.

Idaho Power's Current Defined Benefit Plan. The analysis of revenue requirement impact was performed with the assistance of the Company's consulting actuary, Milliman, Inc. The Milliman analysis² provides the projected distribution of minimum annual funding requirements for The Retirement Plan of Idaho Power Company ("Plan") from 2011 through 2019 that would exist under a range of economic conditions.

To develop these projections, the Company generated 116 different nine-year investment return scenarios based on the Company's current asset allocation targets. These 116 scenarios consisted of 29 nine-year projections calculated from: a 5.5 percent baseline AA corporate bond rate, a 6.0 percent baseline AA corporate bond rate, a 6.5 percent baseline AA corporate bond rate, and a 7.0 percent baseline AA corporate bond rate.

Milliman then applied these investment return scenarios to determine the minimum Plan funding requirements based on four different interest rate scenarios:

- (1) The long-term bond rate stays at 5.5 percent from now until 2019;
- (2) The long-term bond rate stays at 6.0 percent from now until 2019;
- (3) The long-term bond rate goes to 6.0 percent in 2012 and then 6.5 percent from 2013-2019; and
- (4) The long-term bond rates go to 6.0 percent in 2012, 6.5 percent in 2013, and 7.0 percent from 2014-2019.

As the named actuary to the Plan, Milliman develops models particular to the Plan that are designed to prepare an annual actuarial valuation that complies with, among other things, current regulations regarding minimum Plan funding requirements and Plan expense calculations. The projections generated for this report are based on the same data, methods, plan provisions, and assumptions used in Milliman's January 1, 2010, valuation report, with the following adjustments:

- Actual 2010 asset return of approximately 13.4 percent.
- Pension Protection Act funding interest rates based on 24-month average segment rates with a zero month look back.
- Active employee population is assumed to grow 3 percent per year with new entrants assumed to have a similar profile to recent years' new entrants.
- Benefit formula changed to 1.20 percent for employees hired after January 1, 2011.
- No other actuarial liability gains or losses.

² These data are derived from calculations furnished to the Company by Milliman, Inc. Data has been summarized and presented by the Company in a format that is illustrative; the data presentation may differ from any final product produced by Milliman.

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The effect of this modeling is to test how funding requirements may vary based on changes in discount rates which, along with changes in investment returns, affect plan liabilities.

Chart 5 presents plan contributions associated with new entrants to the Plan beginning in 2011. New entrants to the Plan beginning in 2011 accrue benefits at 1.2 percent of Final Average Pay per year of service, instead of the 1.5 percent of Final Average Pay per year of service earned by Plan participants joining the Company prior to 2011. Chart 6 presents the combined plan contributions associated with all plan participants, new and existing.

CHART 5 Retirement Plan of Idaho Power Company NEW ENTRANTS ONLY

Chart shows the contribution by year toward the cumulative contribution in millions of dollars

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
100 th Percentile	\$0	\$1.0	\$1.2	\$1.7	\$1.9	\$2.5	\$2.7	\$16.4	\$7.6	\$3.9
75 th Percentile	\$0	\$1.0	\$0.9	\$1.2	\$1.6	\$2.0	\$2.0	\$3.1	\$2.8	\$1.6
50 th Percentile	\$0	\$0.7	\$1.1	\$1.0	\$1.4	\$1.4	\$1.7	\$1.4	\$2.2	\$1.2
25 th Percentile	\$0	\$0.7	\$0.8	\$1.2	\$0.7	\$0.2	\$1.0	\$0.5	\$1.0	\$0.7
0 th Percentile	\$0	\$0.7	\$0.7	\$0.4	\$0.0	\$0	\$0	\$0	\$0	\$0.2

In Chart 5, the "100th Percentile" (worst case) results correspond to a scenario where interest (liability discount) rates remain at current low levels and, simultaneously, Idaho Power experiences its lowest expected average of annual returns over the next nine years. In that event, the average annual funding contributions associated with new entrants would be \$3.9 million per year. The "0 Percentile" (best case) results correspond to a scenario where interest (liability discount) rates move upward and, simultaneously, Idaho Power experiences its highest expected average of annual returns over the next nine years. In that event, the average annual funding contributions associated with new entrants would be \$0.2 million per year. The "50th Percentile" (expected case) would anticipate average annual funding obligations of \$1.2 million per year over the next nine years.

In Chart 6, the "100th Percentile" (worst case) results again correspond to a scenario where interest (liability discount) rates remain at current low levels and, simultaneously, Idaho Power experiences its lowest expected average of annual returns over the next nine years. In that event, the average annual funding contributions associated with all participants in the Company's retirement plans would be \$[REDACTED] million per year. The "0 Percentile" (best case) results again correspond to a scenario where interest (liability discount) rates move upward and, simultaneously, Idaho Power experiences its highest expected average of annual returns over the next nine years. In that event, the average annual funding contributions associated with new entrants would be \$[REDACTED] million per year. The "50th Percentile" (expected case) would anticipate average annual funding obligations of \$[REDACTED] million per year over the next nine years.

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CHART 6

Retirement Plan of Idaho Power Company All Participants Including New Entrants

Chart shows the contribution by year toward the cumulative contribution in millions of dollars

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
100 th Percentile	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█
75 th Percentile	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█
50 th Percentile	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█
25 th Percentile	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█
0 th Percentile	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█	\$█

Hypothetical Defined Contribution Plan. As part of written comments in Case No. IPC-E-10-25, and in statements made in the January 24 workshop, the Staff and ICIP suggested that the Company should consider a defined contribution plan as an alternative to its current pension plan with the goal of reducing the level of investment risk borne by customers. Chart 7 presents the projected annual cost associated with a hypothetical defined contribution plan that would provide the same level of benefit at retirement as the current pension plan, assuming an eight percent annualized return.

CHART 7

Hypothetical Defined Contribution Plan New Entrants Only *Assumes 8 Percent Annualized Returns*

Chart shows the projected annual plan cost in millions of dollars

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
100 th Percentile	\$0.6	\$1.3	\$1.9	\$2.7	\$3.4	\$4.3	\$5.2	\$6.2	\$7.2	\$3.6
75 th Percentile	\$0.6	\$1.3	\$1.9	\$2.7	\$3.4	\$4.3	\$5.2	\$6.2	\$7.2	\$3.6
50 th Percentile	\$0.6	\$1.3	\$1.9	\$2.7	\$3.4	\$4.3	\$5.2	\$6.2	\$7.2	\$3.6
25 th Percentile	\$0.6	\$1.3	\$1.9	\$2.7	\$3.4	\$4.3	\$5.2	\$6.2	\$7.2	\$3.6
0 th Percentile	\$0.6	\$1.3	\$1.9	\$2.7	\$3.4	\$4.3	\$5.2	\$6.2	\$7.2	\$3.6

As noted on Chart 7, the cost for new entrants under all scenarios is the same, indicating that the level of investment risk borne by customers has been removed. However, when compared to Chart 5 (the Company's pension plan available to new entrants), the hypothetical defined contribution plan is projected to have higher average annual costs in all but the "worst case" (100th percentile). Adoption of this plan design would suggest that customers would accept higher costs over 75 percent of the modeled economic conditions in exchange for the removal of investment risk.

The information presented on Chart 7 is based on a return assumption of eight percent over the nine-year period, the same return targeted by the Company's professionally managed portfolio. However, based upon studies provided by viable, professional sources, defined contribution plan investments

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typically generate a return of at least 100 basis points less than the professionally managed assets under a defined benefit plan. For example, a 2006 study issued by the Center for Retirement Research at Boston College that reviewed historical investment returns from defined benefit plans compared to the returns of 401(k) plans concluded that “over the period 1988-2004 defined benefit plans outperformed 401(k) plans by one percentage point.”³ Towers Watson reached the same conclusion as reported in its December 2009 report, *Defined Benefit vs. 401(k) Investment Returns: The 2006-2008 Update*.⁴ In its report, Towers Watson made the following statement: “In our last analysis, we found that between 1995 and 2006, DB plans outperformed DC plans by an average of 1 percentage point per year. Earlier studies also found that, over time, DB plans attained higher returns than 401(k) plans. In this year’s analysis, the results remain in line with past analyses; DB plans outperform DC plans by roughly an average of 1 percentage point a year.” Further, an August 2008 report issued by the National Institute on Retirement Security also reached a similar conclusion regarding defined contribution plans and provided the following explanations: “Part of the reason DB plans tend to achieve higher investment returns as compared with DC plans is that they are long-lived” and “Another important reason why DB plans achieve higher investment returns than DC plans is that assets are pooled and professionally managed.”⁵

In recognition of the lower return potential of a defined contribution plan suggested by these reputable sources, the Company modeled a second hypothetical defined contribution plan. Chart 8 presents the projected annual cost associated with a hypothetical defined contribution plan that would provide the same level of benefit at retirement as the current pension plan, assuming a seven percent annualized return.

CHART 8
Hypothetical Defined Contribution Plan
New Entrants Only
Assumes 7 Percent Annualized Returns

Chart shows the projected annual plan cost in millions of dollars

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
100 th Percentile	\$0.7	\$1.5	\$2.3	\$3.1	\$4.0	\$5.0	\$6.0	\$7.2	\$8.4	\$4.2
75th Percentile	\$0.7	\$1.5	\$2.3	\$3.1	\$4.0	\$5.0	\$6.0	\$7.2	\$8.4	\$4.2
50 th Percentile	\$0.7	\$1.5	\$2.3	\$3.1	\$4.0	\$5.0	\$6.0	\$7.2	\$8.4	\$4.2
25th Percentile	\$0.7	\$1.5	\$2.3	\$3.1	\$4.0	\$5.0	\$6.0	\$7.2	\$8.4	\$4.2
0 th Percentile	\$0.7	\$1.5	\$2.3	\$3.1	\$4.0	\$5.0	\$6.0	\$7.2	\$8.4	\$4.2

³ Alicia H. Munnell, Mauricio Soto, Jerilyn Libby, and John Prinzivalli, *Investment Returns: Defined Benefit vs. 401(k) Plans*, Center for Retirement, September 2006, Number 52.

⁴ *Defined Benefit vs. 401(k) Investment Returns: The 2006-2008 Update*, Towers Watson, <http://www.towerswatson.com/research/845#>, Updated December 2009, Accessed February 17, 2011.

⁵ Beth Almeida and William B. Fornia, FSA, *A Better Bang for the Buck - The Economic Efficiencies of Defined Benefit Pension Plans*, National Institute on Retirement Security, August 2008.

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As noted on Chart 8, the cost for new entrants under all scenarios is still the same. However, when compared to Chart 5 (the Company's pension plan available to new entrants), this second hypothetical defined contribution plan is projected to have high annual costs in the near-term, and higher average annual costs in the long-term, under all of the economic conditions modeled.

Conclusion

In its originally filed case (Case No. IPC-E-10-25), Idaho Power demonstrated that the costs of its Retirement Benefit Package were well below the comparable costs incurred by a peer group of companies and were also below the comparable costs for all industries.

In this supplemental report, the Company has demonstrated that its current targeted allocation of investments that support the pension portion of retirement benefits provides an opportunity to meet the actuarial target of eight percent, while reasonably managing the range of volatility in average annual returns around the eight percent target.

The Company, with its 2011 Retirement Benefit Plan, reduced pension related retirement benefits for new employees by 20 percent. The expected average annual funding obligation for new employees over the next nine years is \$1.2 million per year. The expected average annual funding obligation for new employees over the next nine years that would occur if the Company moved to a defined contribution plan would be \$4.2 million based upon an actuarial expectation of a seven percent annual return on investments. If a defined contribution plan could earn returns equal to a defined benefit plan, the expected average annual funding obligation could be \$3.6 million per year, \$2.4 million per year greater than expected under the Company's current plan.

The Company's investment portfolio associated with its defined benefit plan appropriately balances risk and returns at a lower cost than the modeled defined contribution plan alternatives. The analyses presented in this report demonstrate that the level of risk borne by Idaho Power's customers related to defined benefit plan is reasonable and is likely to result in lower costs over time as compared to other alternatives.⁶ Based on the information provided in the Company's original filing and the information presented in this report, Idaho Power believes that it has acted reasonably and prudently to develop a market competitive retirement benefits package that will meet the Company's operational and financial objectives and will serve in the best interests of its customers.

⁶ Public Employee Retirement Systems of Idaho, Outline of DB/DC Study Findings, January 2011. (Finding that "DC Plans generally have a higher cost of investment fees and administrative fees" and "switching to a DC plan does not necessarily save the State money.")

ATTACHMENT 1

Idaho Power Company Return Assumptions and Asset Allocation

Return Assumptions:

Bond returns have been adjusted for the current interest rate environment, based on the asset class risk premium as compared to the Moody's AA Corporate Bond Index. The basic formula for the adjustment is: historical return, minus historical AA bond yield, plus current AA bond yield, equals projected return. The historical return for a common bond market index from 1972 through 2009 is eight percent. The projected return is in the five percent range.

Idaho Power used investment performance data from Ibbotson and other reputable sources from 1972 through 2009. Expected return for private equity was assumed to be zero. Conservative estimates were used to derive data for short periods of time when actual data were not available for absolute return strategies.

Idaho Power Asset Allocation:

The current broad asset allocation targets for the Idaho Power's Retirement Plan are:

- 54% Traditional Equity Securities
- 14% Alternative Equity Securities
- 6% Real Estate Funds
- 24% Fixed Income Securities
- 2% Cash and Cash Equivalents

The specific asset allocation targets for the Company's Retirement Plan are:

- 6% Large-Cap Domestic Growth Stocks
- 6% Large-Cap Domestic Value Stocks
- 4% Mid-Cap Domestic Growth Stocks
- 4% Mid-Cap Domestic Value Stocks
- 4% Small-Cap Domestic Growth Stocks
- 4% Small-Cap Domestic Value Stocks
- 4% Domestic Micro-Cap Stocks
- 6% International Value Stocks
- 6% International Growth Stocks
- 5% International Small-Cap Stocks
- 5% Emerging Markets Stocks
- 10% Intermediate-Term Bonds
- 10% Short-Duration Bonds
- 4% Long-Term Bonds
- 6% Real Estate
- 6% Absolute Return Strategies
- 6% Commodities
- 2% Private Equity
- 2% Cash and Cash Equivalents

CERTIFICATE OF SERVICE

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I HEREBY CERTIFY that on this 18th day of February 2011 I served a true and correct copy of IDAHO POWER COMPANY'S RETIREMENT BENEFITS RISK ANALYSIS REPORT upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Weldon B. Stutzman
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 Weldon.Stutzman@puc.idaho.gov

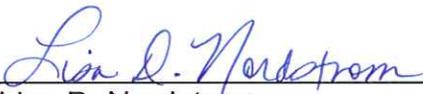
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Lisa D. Nordstrom