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IDAHO PUBLIC
UTILITIES COMMISSION

JASON B. WILLIAMS
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April 27, 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-11-04
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
TO INCREASE ITS RATES FOR ELECTRIC SERVICE TO RECOVER ITS
2010 PENSION CASH CONTRIBUTION*

Dear Ms. Jewell:

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

Very truly yours,



Jason B. Williams

JBW:csb
Enclosures

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Attorneys for Idaho Power Company

Street Address for Express Mail:
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Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY TO)	CASE NO. IPC-E-11-04
INCREASE ITS RATES FOR ELECTRIC)	
SERVICE TO RECOVER ITS 2010)	IDAHO POWER COMPANY'S
PENSION CASH CONTRIBUTION.)	REPLY COMMENTS
)	

Idaho Power Company ("Idaho Power" or "Company"), by and through its attorney of record, Lisa D. Nordstrom, and in response to the Notice of Modified Procedure issued in Order No. 32215 and Comments filed on April 20, 2011, respectfully submits the following Reply Comments.

I. BACKGROUND

Idaho Power made a \$60 million contribution to its defined benefit pension plan in September 2010 to satisfy requirements of the Employee Retirement Income Security Act ("ERISA"). On March 15, 2011, Idaho Power filed an Application requesting an \$11.7 million increase in customer base rates to recover the Idaho-allocated share of the \$60 million contribution. The Company proposed to collect this amount over three years starting June 1, 2011.

On April 20, 2011, the Idaho Public Utilities Commission (“Commission”) Staff, and the Industrial Customers of Idaho Power (“ICIP”) filed comments on Idaho Power’s Application. In the paragraphs that follow, Idaho Power responds to several of their assertions.

II. POTENTIAL IMPACT OF THE REQUESTED INCREASE

The ICIP suggests on page 4 of its Comments that “this is but one of many upcoming pension fund cases which cumulatively will be equivalent to a one-time rate increase of approximately 20 percent” This statement is incorrect because it erroneously suggests that Idaho Power would request a one-year recovery of \$208 million in cumulative cash contributions associated with the 2010-2015 period. The ICIP has no basis upon which to presume that Idaho Power would seek recovery of six years of expenses in a single year. This approach is inconsistent with traditional ratemaking principles and, in fact, is counter to the Company’s current request in this proceeding where it requests recovery of a single year’s expense over a three-year period. The ICIP’s 20 percent increase assertion dramatically overstates the potential rate impact to customers and should be disregarded.

The ICIP further states incorrectly that “combined with the \$60 million contributed in 2010 at issue in this case, that means the Company’s contributions yet to be recovered in rates will be at least **\$208 million by 2015.**” (Emphasis in original.) As support for this assertion, ICIP cites the Company’s 2010 Form 10-K filed with the Securities and Exchange Commission and quotes as follows:

Unless IDACORP and Idaho Power elect an alternative amortization schedule under the new legislation . . . , **minimum** required contributions to the defined pension plan are estimated to be approximately \$3 million in 2011, \$46 million in 2012, \$36 million in 2013, \$32 million in 2014, and \$31 million in 2015.

Comments of ICIP at 4 (emphasis added).

ICIP misunderstands the use of the word "minimum" in this quotation. The term is not intended to refer to the low range of possible required contributions in a set of future scenarios. In fact, the cited numbers most closely correspond with the 50th percentile in Table 1 of the Company's Supplemental Report filed in Case No. IPC-E-10-25 and cited by Staff in its Comments in this case. The amounts ultimately required to be contributed in each year could be more or they could be less than the estimates disclosed in the Company's Form 10-K and cited by ICIP. With the use of the term "minimum," the statement was intended to express simply that when each year's required contribution is finally determined by Idaho Power's actuary, the Company will be required to contribute at least that amount by the contribution's due date.

III. LENGTH OF THE AMORTIZATION PERIOD

On page 8 of its Comments, the ICIP recommends a five-year amortization period rather than the three years proposed by the Company. According to the ICIP, this would lower the rate increase from the \$11.7 million annually over the next three years to \$4.9 million per year, or a 0.61 percent annual increase. ICIP Comments at 8.

Idaho Power agrees with the Commission Staff that a three-year period is more appropriate. Staff noted on page 5 of its Comments that "under every scenario, the amount requested by the Company to be recovered from customers will not be sufficient to pay down the balance in the regulatory asset balancing account until at least 2019." Therefore, extending the proposed amortization period beyond the 3 years only exacerbates the time frame of the pay down of the balancing account. The Staff correctly recognizes that extending the amortization period beyond the recommended three-year period could result in "larger increases in future years." Staff Comments at 5.

IV. PERCENTAGE OF EMPLOYEE COMPENSATION

Table 3 on page 6 of Staff's Comments titled "Pension Recovery Percentage of Employee Compensation" provides estimates of pension recovery as a percentage of employee compensation, including an estimate of "Avg % Comp 2010-2019." Although the estimates set forth in Table 3 may be illustrative of the near future, the data would be more complete if Staff had included an estimated average for the 2004-2019 period. Pension benefits accrue at a reasonably level rate from year-to-year, while actual cash contributions are more variable from year-to-year. As pension recovery is based on the amount of actual cash contributions, it is not realistic or appropriate to focus on a period when cash contributions come due, while ignoring an extended period like 2004 through 2010 when pension benefits were accruing but no contributions were necessary and no recovery was allowed. In those years when no contributions were necessary and no recovery allowed, the pension recovery as a percentage of employee compensation would have been zero percent.

V. CONCLUSION

As set forward in its previously filed Application and testimony, Idaho Power respectfully requests the Commission issue its Order increasing amounts currently included in rates for recovery of the Company's Idaho-allocated pension cash contribution from \$5.4 million to approximately \$17.1 million.

DATED at Boise, Idaho, this 27th day of April 2011.


LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 27th day of April 2011 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

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Deputy Attorney General
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Boise, Idaho 83720-0074

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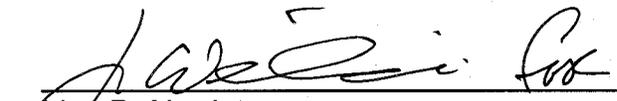
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