

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: MARCH 22, 2011

**SUBJECT: IDAHO POWER'S APPLICATION TO INCREASE RATES TO
RECOVER ITS 2010 PENSION BENEFIT CONTRIBUTION, CASE NO.
IPC-E-11-04**

On March 15, 2011, Idaho Power Company filed an Application requesting an increase in customer base rates to recover a \$60 million contribution the Company made in 2010 to its Defined Benefit Pension Plan. The Company's actuary, Milliman, Inc., determined that the Company needed to make a contribution in 2010 to satisfy requirements of the Employee Retirement Income Security Act (ERISA). Milliman determined that the minimum funding required by ERISA was approximately \$5.8 million. The Company determined, however, that if it contributed only the minimum amount, its funding level at December 31, 2010, would be below 80%. Funding below 80% triggers certain plan restrictions, notice requirements to participants, and limitations on future funding alternatives. Accordingly, the Company determined that making a \$60 million contribution would maintain an 80% funding level, avoiding the plan restrictions, and approximating the required minimum funding through 2011. Application, pp. 3-4.

Idaho Power and Milliman estimated that over a 10-year period, the total amount required for contribution to the plan would be approximately \$11 million less by contributing \$60 million in 2010 rather than the minimum required \$5.8 million. In addition, the Company asserts that the larger contribution in 2010 will result in savings relating to the variable portion of Pension Benefit Guarantee Corporation premiums of nearly \$1 million for the years 2010-2012. Milliman determined that the \$60 million contributed in 2010 is less than adequate to cover the

full minimum funding needs through 2011. The Application states that a contribution for the 2011 plan year of \$3 million is due by October 15, 2011, and that an additional \$5.7 million is due by January 15, 2012. The Company does not request recovery of these anticipated 2011 contributions in this case.

Pursuant to the Commission's Order No. 31091, the Company is currently collecting in rates \$5,416,796 each year to recover pension plan contributions. To collect the amount the Company contributed in 2010, Idaho Power proposes to increase the amount it currently collects in rates to \$17,153,713 per year, an increase of \$11,736,917 over the amount currently collected. The Company proposes to collect this amount over the next three years starting June 1, 2011.

Idaho Power's Application states that an increase of \$11.7 million in customer rates amounts to a 1.39% increase for all customer classes. However, the Company requests that the increase it proposes in this case take effect at the same time that rate adjustments relating to fixed costs and power costs take effect. The Company asserts that the combination will result in a net decrease in customer rates effective June 1, 2011.

The Company requested that its Application to recover its 2010 contribution to its Defined Pension Benefit Plan be processed by Modified Procedure. Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure, establishing a 21-day comment period and 7-day reply comment period.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure establishing a 21-day comment period and 7-day reply comment period to process Idaho Power's Application?



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Deputy Attorney General

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