BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )

OF IDAHO POWER COMPANY FOR AN )CASE NO. IPC-E-95-11

ACCOUNTING ORDER TO DEFER AND )

AMORTIZE EXTRAORDINARY COSTS  OF)NOTICE OF APPLICATION

CORPORATE REORGANIZATION AND )

APPROVAL TO MODIFY AMORTIZATION )

METHODS FOR ACCUMULATED DEFERRED)

INVESTMENT TAX CREDITS)

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YOU ARE HEREBY NOTIFIED that on August 3, 1995, the Idaho Power Company (Idaho Power; Company) filed an Application for an accounting order from the Commission authorizing the deferral and amortization of costs related to the reorganization of the Company and for an order approving the modification of amortization methods for accumulated deferred investment tax credits.

The Company states that it has commenced a transformation process in which it intends to identify, develop and implement business processes consistent with technology and the changing business environment.  Primarily, the Company intends to reduce and reorganize its work force.  The Company contends that it is experiencing low earnings and a deteriorating financial condition.  Due to the transformation process, Idaho Power submits, it will be difficult to determine the Company’s revenue requirement by utilizing a test year premised upon the years 1995, 1996 or 1997.  The Company argues that 1998 would be the first year that data representative of normal cost levels will be available.  As a result, Idaho Power has filed the current Application for an accounting order to defer and amortize extraordinary costs of reorganization and for approval to modify the Company’s amortization methods for accumulated deferred investment tax credits.  According to Idaho Power, its Application in this proceeding does not affect its pending Application for inclusion of the Twin Falls/additional Swan Falls investment in revenue requirement (Case No. IPC-E-95-5).

Idaho Power proposes the following accounting and ratemaking treatment for costs of reorganization.  The Company proposes to defer in Account 182.3, Regulatory Assets, the reorganization costs incurred in 1995, 1996 and 1997.  Costs incurred by the Company for payments to consultants assisting the Company in developing the reorganization plan, consultants for employee counseling, lump sum compensation payments for voluntary or involuntary separation, costs incurred by the Company for benefit payments and other charges related to employee separations, will be deferred.  The Company proposes to defer only out-of-pocket expenses, consultant’s fees, and severance costs; not those costs of Idaho Power employees who are administering the program.

Idaho Power proposes to amortize the reorganization costs over a period not to exceed 10 years and three months commencing October 1, 1995 as follows:

Costs incurred in 1995 will be amortized over the period October 1, 1995 through December 31, 2005.

Costs incurred in 1996 will be amortized over the period January 1, 1997 through December 31, 2005.

Costs incurred in 1997 will be amortized over the period January 1, 1998 through December 31, 2005.

The Company also requests an order from the Commission that, for the years 1995 through 1998, whenever Idaho Power’s actual total system earned return on year-end common equity falls below 11.5%, the Company would be permitted to modify its amortization methods (i.e., accelerate the amortization) for state and federal accumulated deferred investment tax credits (ADITC) by debiting Account 255 (ADITC) and crediting Account 411.5, Investment Tax Credits Adjustments, non-utility operations, in an amount that would result in the Company earning on an actual basis an 11.5% return on equity.  The Company states that in computing its actual system earnings, it would include FERC jurisdictional revenues and expenses.

In the event the Company’s return on equity for any year during the period 1995 through 1998 rises above 11.5%, Idaho Power proposes, the Company would not utilize any accelerated amortization of state or federal ADITC.  The Company would continue to amortize ADITC to operating income as it has in the past.

Idaho Power states that it is its “intention” that if the Commission authorizes the utilization of accelerated amortization of ADITC as proposed, then Idaho Power would not file a general rate application prior to January 1, 1999, recognizing that the Commission normally utilizes six months after the filing the before granting any general rate relief.  Idaho Power’s intention would, by necessity, exclude any new charges imposed by state or federal legislation such as municipal franchise fees, tax rate changes or other new significant costs imposed upon the Company which are outside its control.  The Company would also propose to provide an exception for any applications it might file concerning pre-funding measures such as demand side management programs.  Additionally, the Company would propose to continue the annual rate adjustments associated with its power cost adjustment mechanism.

Finally, Idaho Power proposes that if its return on year-end common equity exceeds 12.5% on an actual basis, the Company would be willing to share equally any profits in excess of 12.5% return on equity by providing for an annual refund to its customers.

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in this matter for the purpose of presenting evidence or cross-examining witnesses at hearing must file a Petition to Intervene with the Commission pursuant to this Commission’s Rules of Procedure 72 and 73, IDAPA 31.01.01072 and -073.  Persons intending to participate at the hearing must file a Petition to Intervene on or before August 29, 1995.  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 the Commission Staff intends to conduct an informal meeting to discuss Idaho Power’s Application and all matters related thereto immediately following the conclusion of the hearing currently schedule in Case No. IPC-E-95-5 on August 14, 1995.  All interested persons, regardless of whether they have petitioned to intervene in this proceeding, are invited to attend.  Any person desiring to participate by telephone may do so by submitting a written request to the Commission Secretary, Idaho Public Utilities Commission, PO Box 83720, Boise, Idaho 83720-0074 no later than two working days prior to the scheduled meeting.

YOU ARE FURTHER NOTIFIED that all hearings will be conducted pursuant to the Rules of Procedure adopted by the Idaho Public Utilities Commission.  IDAPA 31.01.01000 et seq.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission’s jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that it is the Commission’s intention to schedule a hearing in this matter in either the latter part of September or early October of this year.

DATED at Boise, Idaho this              day of August 1995.

Myrna J. Walters

Commission Secretary

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