

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR AN) CASE NO. IPC-E-06-33
ACCOUNTING ORDER TO COMPLY WITH)
SFAS 158 REGARDING TREATMENT OF)
PENSION AND POSTRETIREMENT) ORDER NO. 30256
BENEFIT OBLIGATIONS)

On December 18, 2006, Idaho Power Company ("Idaho Power" or "Company") filed an Application for an order authorizing the Company to record certain pension and postretirement costs in accordance with certain recent changes implemented by the Financial Accounting Standards Board (FASB). This Commission has the jurisdiction over such requests pursuant to *Idaho Code* § 61-524.

On January 18, 2007, the Commission issued a Notice of Application and Notice of Modified Procedure, and solicited comments from interested parties. Order No. 30223. The only comments received were submitted by Staff.

THE APPLICATION

Idaho Power sought an order authorizing the Company to: (1) record, as a regulatory asset or regulatory liability, the cumulative financial impact resulting from the Company's implementation of Statement of Financial Accounting Standards (SFAS) 158, and (2) record on an ongoing basis, as a regulatory asset or a regulatory liability, an amount equal to the changes in the SFAS 158 related balances. The Company stated that this will not materially affect the current level of pension and postretirement costs or cost of capital calculations included in the Company's revenue requirement.

The Company currently accounts for pension and postretirement benefits in accordance with SFAS Nos. 87, 88, 106, and 132(R). SFAS 158 requires companies with at least one employer defined benefit plan to (1) recognize that funded status of a benefit plan in its statement of financial position, and (2) recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS No. 87. SFAS 158 thus requires companies to recognize and account for pension and other postretirement benefit plans differently than they have been. These changes affect pension assets

and liabilities and other comprehensive income, but do not affect the company's income statement. "Other comprehensive income" is a component of equity that is used in general rate cases to determine Idaho Power's revenue requirement. Idaho Power stated that unless the Application is approved, the changes demanded by SFAS 158 will affect the calculation of its revenue requirement in future rate cases.

The Company stated that it is ready to comply with SFAS 158. It further stated that this standard will affect capitalization ratios used by regulatory bodies, credit rating agencies, and covenants of debt financings. Thus, the Company sought approval by this Commission to record the effect of the adoption of the standard, allowing other comprehensive income to be deferred as a regulatory asset or liability. The Company did not intend by this Application to request any approval regarding future ratemaking treatment or to change the current cost recovery of SFAS 87 or SFAS 106 expenses.

STAFF COMMENTS

Staff noted that SFAS No. 158 was put in place in an effort to improve upon the way publicly traded corporations report their pension assets and liabilities. Staff further noted that the actual effect that Statement 158 will have on the financial statements of Idaho Power has yet to be determined since the 2006 actuarial reports have not been completed. Using the 2005 actuarial reports as a surrogate, the cumulative effect of FAS 158 would have created a regulatory asset of approximately \$70 million, though this amount will undoubtedly change as economic factors during 2006 have yet to be reflected.

Included in the approximately \$70 million surrogate amount the Company is requesting authority to defer is \$10,928,252 of Prepaid Pension Expense. In Order No. 29505, the Commission removed Prepaid Pension Expense from rate base stating: "Because prepaid pension assets result from accounting procedures rather than funds actually contributed, they are not the type of asset providing electric service upon which Idaho Power and its shareholders are entitled to earn a return on investment." Staff continues to believe that prepaid pension expense is not an asset used in the generation, transmission or distribution of electricity and is created only by economic factors, many of which are beyond the Company's control and accounting procedures and therefore is not an asset that should be used in calculating the Company's revenue requirement.

Staff believes that it is reasonable to allow Idaho Power to create a regulatory asset in FERC Account 182.3 to account for the cumulative effect of SFAS 158 in its entirety. Staff recommended that the Company use a separate sub-account specifically for SFAS entries.

Staff also addressed Idaho Power's request for approval of ongoing entries required by SFAS 158 to record the Company's pension and postretirement benefits expense. Staff believes that after the Company's next general rate case filing, the Staff and the Commission will have additional information that would better allow them to determine the appropriateness of the ongoing recordkeeping entries for the statement, and the overall effect that this statement should have on determining the Company's annual revenue requirement.

Staff Recommendation

Staff recommended that the Commission approve Idaho Power's Application insofar as allowing the Company to create a regulatory asset or regulatory liability for cumulative impact of SFAS No. 158. Staff also believes that future entries to comply with SFAS 158 and their ratemaking effect should be a subject of the Company's next general rate filing, therefore Staff recommended that the Commission deny the Company's premature request to approve those entries at this time. Staff further recommended that Idaho Power not be permitted to earn a return on the regulatory asset created by the implementation of SFAS 158.

FINDINGS AND CONCLUSIONS OF LAW

The Commission has jurisdiction over Idaho Power Company as an electric utility and to hear this matter pursuant to *Idaho Code* §§ 61-119, 61-129 and 61-524 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

We find that the Company's request for an order to comply with SFAS 158 is reasonable. We further find that the Company should use separate sub-accounts to establish the regulatory accounts and reflect the ongoing changes to those accounts. This will facilitate Staff's ability to track the ongoing account activity.

We also find that any bookkeeping entries approved by the Commission in this case do not predetermine the regulatory expense levels to be included in rates. We encourage the Staff to evaluate the impact of the statement in the Company's next general rate case filing. At that time, Staff will be able to review current actuarial calculations as opposed to surrogate, outdated data and will have a better understanding of the effect of the statement. Idaho Power

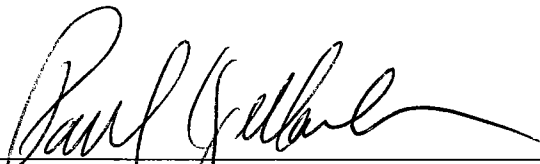
did not request a carrying charge on the resulting regulatory asset, and we find it is appropriate for the asset not to be included in rate base or accrue a carrying charge.

ORDER

IT IS HEREBY ORDERED that the Application of Idaho Power Company for an accounting order to comply with SFAS 158, Case No. IPC-E-06-33, is hereby approved. The Company is authorized to establish the regulatory accounts and reflect the ongoing activity in those accounts. Ratemaking treatment will be evaluated when the Company submits an appropriate filing.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

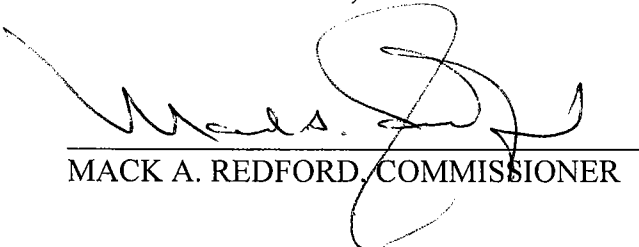
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of February 2007.



PAUL KJELLANDER, PRESIDENT

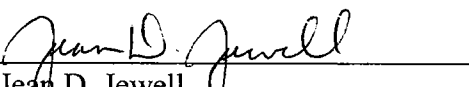


MARSHA H. SMITH, COMMISSIONER



MACK A. REDFORD, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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