

## DECISION MEMORANDUM

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

**FROM:** WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL

**DATE:** OCTOBER 5, 2010

**SUBJECT:** IDAHO POWER COMPANY'S REQUEST FOR ACCEPTANCE OF ITS  
2011 RETIREMENT BENEFITS PACKAGE, CASE NO. IPC-E-10-25

On October 1, 2010, Idaho Power Company filed an Application with the Commission requesting the Commission accept the Company's 2011 retirement benefits package. The Company does not request recovery of additional pension plan contributions in this Application.

Earlier this year the Company requested authorization to recover in customer rates its 2010 cash contributions to its defined benefits plan. The Commission approved the request in Order No. 31091, but directed the Company to review appropriate changes to its pension plan. Specifically, noting that Company pension payments may total nearly \$157 million during 2014-2018, the Commission stated that "it is unreasonable for Idaho Power's customers to be solely responsible for large contributions to the Company's defined benefit pension plan." Order No. 31091, p. 3. The Commission directed the Company to "consider changes to its retirement plan and address shareholder and employee liabilities in assignment of pension plan investment risk." *Id.* Finally, the Commission stated that it "will not approve recovery of additional pension plan contributions from customers without evidence that Idaho Power has carefully reviewed alternatives to reduce the burden placed on customers." *Id.*

The Company's Application states that its filing "is intended to provide the Commission with evidence that the Company has evaluated the costs of its retirement benefits package, has considered and implemented changes, and has a prudent retirement benefits package with a reasonable cost burden for Idaho Power customers." Application, p. 2. The

Company's retirement benefits package includes three components: (1) a defined contribution or 401(k) benefit plan, (2) a defined benefit pension plan, and (3) a retiree medical benefit plan. The 401(k) benefit plan and retiree medical benefits components place all market and inflationary risk on retirees. The defined benefit portion of the package does place market risk on the Company, although the Company removed inflationary risk by not including a cost of living adjustment feature in the defined benefit portion. Application, p. 4.

The Application states that the Company's board of directors voted to reduce the cost of the retirement benefits package for new employees hired after January 1, 2011, from approximately 9.1% of a new salaried employee's base pay to approximately 7.9%. As the result, approximately 38% of new costs will be associated with the defined contribution 401(k) benefit plan, approximately 59% will be associated with the defined benefit plan, and the remaining 3% will be associated with the retiree medical benefit plan. Application, p. 5. Because the changes to the retirement benefits package applies only to new employees, the cost savings associated with the modification will be minimal initially but will grow over time as a larger proportion of the Company's workforce is included in the new benefits calculation. The Company expects the changes to result in approximately \$1.97 million annual savings once the Company's workforce is fully transitioned to the modified benefit plan.

The Company requests that its Application be processed by Modified Procedure. Staff recommends that the Company's Application be processed by Modified Procedure with a 60-day period for written comments, followed by a 14-day period for the filing of reply comments.

#### **COMMISSION DECISION**

Should Idaho Power's Application for acceptance of its 2011 retirement benefits package be processed by Modified Procedure with a 60-day comment period and 14-day reply comment period?



Weldon B. Stutzman  
Deputy Attorney General