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June 21, 2013

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

**Re: UM 1633 – In the Matter of OREGON PUBLIC UTILITY COMMISSION, Investigation
into Treatment of Pension Costs in Utility Rates**

Attention Filing Center:

Enclosed for filing in docket UM 1633 are an original and five copies of Idaho Power's Reply Brief on Bifurcation Proposal. A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in blue ink that reads "Wendy McIndoo". The signature is fluid and cursive.

Wendy McIndoo
Office Manager

Enclosures

cc: Service List

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM 1633**

4 In the Matter of
5 PUBLIC UTILITY COMMISSION OF
6 OREGON,
7 Investigation into Treatment of Pension Costs
8 in Utility Rates.

**IDAHO POWER COMPANY'S
REPLY BRIEF ON
BIFURCATION PROPOSAL**

9 **I. INTRODUCTION**

10 Pursuant to Chief Administrative Law Judge (“ALJ”) Michael Grant’s Prehearing
11 Conference Memorandum dated April 9, 2013, Idaho Power Company (“Idaho Power” or
12 “Company”) files this Reply Brief on the Public Utility Commission of Oregon’s
13 (“Commission”) proposal to bifurcate this docket.

14 On March 27, 2013, ALJ Grant issued a Notice of Prehearing Conference proposing
15 that this docket be divided into two phases:

16 The first phase would address how the Commission should treat
17 pension costs when setting rates on a going-forward basis. The
18 second would address how the Commission should resolve
 requests by utilities to recover pension costs incurred in the past.¹

19 On April 5, 2013, NW Natural filed a letter recommending that the bifurcation
20 proposal not be adopted for both procedural and substantive reasons. The Commission
21 held a prehearing conference on April 8, 2013, to set a schedule in this docket and
22 address the bifurcation proposal. ALJ Grant set a schedule for the parties to brief whether
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24 _____
25 ¹ *Re. Pub. Util. Comm’n of Or. Investigation into Treatment of Pension Costs in Utility Rates,*
26 Docket UM 1633, Notice of Prehearing Conference (Mar. 27, 2013).

1 this docket should be divided into two phases. As set forth in the schedule, this Reply
2 Brief responds to the Answering Briefs filed by the Staff and intervenors.

3 **II. DISCUSSION**

4 **A. Pension Cost Recovery Should Be Changed Prospectively and**
5 **Evaluated Without Bifurcation.**

6 Because a prepaid pension asset represents future pension expense, Idaho Power
7 continues to believe regulatory treatment of pension expense recovery must be
8 considered at the same time as the regulatory treatment of the prepaid pension asset.
9 Although the Intervenors argue that bifurcation is required to address pension costs in
10 rates on a going-forward basis in Phase I and resolve requests by the utilities to recover
11 pension costs incurred in the past in Phase II, the Company believes that bifurcation would
12 not appropriately address the problem the other investor-owned utilities are experiencing.
13 As explained in greater detail in the Joint Utilities Reply Brief, bifurcation will needlessly
14 prolong and complicate consideration of the issues presented in this docket.

15 **B. Because Idaho Power Has No Prepaid Pension Asset, the Company**
16 **Should Be Excused from the Remainder of the Proceeding Unless the**
17 **Docket Is Broadened to Consider the Merits of Recovery Based on Cash**
Contributions Versus Financial Accounting Standard (“FAS”) 87.

18 As explained in Idaho Power’s Opening Brief on Bifurcation Proposal, Idaho Power
19 does not have a prepaid pension asset.² Contrary to the understanding of the Industrial
20 Customers of the Northwest Utilities,³ the lack of a prepaid pension asset does not mean
21 that Idaho Power does not have a pension liability—it means that the Company has not
22 had to contribute more on a cumulative basis than it has recorded in FAS 87 expense.

23 _____
24 ² Idaho Power’s Opening Brief on Bifurcation Proposal, pp. 2-3 (“Unlike the other utilities,
25 Idaho Power does not have a prepaid pension asset and therefore is not incurring any financing
26 costs to be recovered.”).

³ Answering Brief of the Industrial Customers of Northwest Utilities, p. 6.

1 Thus, unlike the other utilities, Idaho Power is not incurring any financing costs on a
2 prepaid pension asset that need to be recovered. As a result, Idaho Power does not
3 currently seek a change in recovery of its pension costs. The Company believes that the
4 docket has narrowed and now focuses on a solution to a ratemaking issue that does not
5 pertain to Idaho Power. To the extent that the solutions considered address the Joint
6 Utilities' stated problem that they have had to fund pensions significantly in advance of the
7 pension expense being recognized, and therefore eligible for recovery, those solutions do
8 not change FAS 87 recovery and do not pertain to Idaho Power. Based on this course of
9 the docket, Idaho Power again requests that it be excused from further participation in this
10 docket.

11 If the Commission believes, as the Staff suggests,⁴ the purpose of this docket is to
12 more broadly explore issues such as cash-based versus FAS 87 recovery, Idaho Power
13 Company is directly impacted by the discussion and will continue to participate.

14 III. CONCLUSION

15 While Idaho Power generally agrees with the positions of the Joint Utilities, it does not
16 have a direct stake in this docket because Idaho Power does not currently have a prepaid
17 pension asset and does not anticipate having a prepaid pension asset in the foreseeable
18 future. Given that the solutions sought in this docket will not address Idaho Power's
19 present circumstances unless the docket is broadened to encompass the merits

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25 ⁴ Staff's Opening Brief, pp. 1-2, footnote 1.

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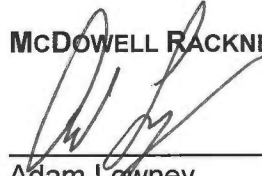
1 of pension recovery based on funding, Idaho Power continues to request that the
2 Commission excuse it from further participation in this docket.

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DATED: June 21, 2013.

Respectfully submitted,

MCDOWELL RACKNER & GIBSON PC



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CERTIFICATE OF SERVICE


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I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1633 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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4 DATED: June 21, 2013

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