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December 7, 2011

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: Docket No. UE 233 – In the Matter of IDAHO POWER COMPANY Request for General Rate Revision.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Opening Testimony.

/s/ Linda C. Martin

Linda C. Martin
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
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c: UE 233 Service List (parties)

CERTIFICATE OF SERVICE

UE 233

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 7th day of December, 2011 at Salem, Oregon

Linda C. Martin

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UE 233
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PUBLIC UTILITY COMMISSION OF OREGON

UE 233

STAFF OPENING TESTIMONY OF

Carla Bird
Linnea Wittekind
Brian Bahr
Nicholas (Nick) Cimmiyotti
Ming Peng
Irina Phillips
Jorge Ordonez
Steve Storm
George R. Compton

In the Matter of
IDAHO POWER COMPANY
Request for General Rate Revision.

<u>REDACTED</u>
December 7, 2011

CASE: UE 233
WITNESS: Carla Bird

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 100

Opening Testimony

December 7, 2011

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Carla Bird. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My Witness Qualification Statement is found in Exhibit Staff/101.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. As the Revenue Requirement Summary Witness for this proceeding I provide a Rate Case Summary explaining the differences between Idaho Power Company's (Idaho Power, IPCo or the Company) application for a general rate increase and Staff's recommendation. Staff believes this summary cuts to the core of the issues between Idaho Power's request and Staff's position and explains the disparity between the two positions.

Also, I explain the overall impact to Idaho Power's requested revenue requirement per Staff's recommendation for an increase of approximately $0.538 million in revenues or 1.35 percent. And finally, I introduce adjustments, sponsored by other Staff witnesses and testify to the adjustments I sponsor:

S-11 Wages and Salaries, Bonuses, Incentives and Officers;
S-12 UNICAP Update;
S-13 Relocation and Severance Adjustment;
S-14 AMI System Benefits;

Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?

A. Yes. I prepared Exhibit Staff/102, consisting of 44 pages and Staff Exhibit 103 consisting of 17 pages.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into four parts:

Part I of my testimony summarizes Idaho Power's application for a general rate increase and the revenue requirement impact proposed by Staff.

Part II explains Staff's revenue requirement model and all exhibits submitted in support of the model adjustments.

Part III introduces the adjustments proposed by Staff Witnesses.

Part IV is broken into four sections, each of which provides evidence to support the adjustments I propose in this proceeding.

Contents

PART I – RATE CASE SUMMARY

SALIENT ISSUES:

- Idaho Power has not provided persuasive evidence to support its request.
- Idaho Power states that the 2011 test period was developed with instructions to hold Operations and Maintenance costs at 2010 levels with the exception of specific categories known to be materially different.[1] However, Idaho Power/800, Tatum/3, lines 21-23 describe that 2010 actuals were adjusted to reflect typical ratemaking changes. This coincides with Staff's review of the O&M costs. Staff adjustments S-3 through S-8 align these O&M expenses with the Company's actual costs in 2011.
- Idaho Power's most recent rate proceeding in Oregon was implemented in March of 2010. The result was an increase in excess of 15 percent, which in turn resulted in a 9.98 Return on Equity (ROE)[2] at the end of first nine-months when new rates were in effect. The Company's regulatory financial reporting period lags behind the Company's actual earnings during the test period, and accordingly the Company's earnings can't be measured until the end of the first quarter of 2012; a full-three months beyond the test period.
- Idaho Power's changes to its tax accounting methodologies are contributing to its actual financial status, however, the Oregon

[1] Idaho Power/800, Tatum/3, Line 11.
[2] 2010 Results of Operations Report, Column 1

jurisdictional benefit of these tax changes are, to date, being retained by the Company. Therefore, the Company's actual earnings related to these tax benefits can't be measured in relation to what it is reporting in its Oregon jurisdiction.

Q. CAN YOU PLEASE PROVIDE A SUMMARY OF THE REVENUE REQUIREMENT PROPOSED BY STAFF?

A. Yes. On July 29, 2011, Idaho Power filed an application for a general rate increase pursuant to ORS 757.205 and ORS 757.220 to become effective June 1, 2012, docketed as UE 233. The application requests an increase to Idaho Power's revenues of $ 5.8 million on an annual basis for an overall increase of approximately 14.6 percent. On November 21, 2011 and November 22, 2011, Parties convened a Settlement Conference to discuss the adjustments proposed by Staff and other Parties to the proceeding. The Oregon Industrial Customers of Idaho Power, the Citizens' Utility Board of Oregon, the Oregon Irrigation Pumpers Association, Staff and the Company participated in the discussions. The Parties failed to agree to adopt any of the proposed adjustments. As a result, Staff's Direct Testimony proposes approximately 14 separate adjustments and recommends a rate increase to revenue requirement of approximately $0.538 million, or 1.35%.

EVIDENCE TO SUPPORT:

Q. WHAT DRIVERS DID IDAHO POWER IDENTIFY IN ITS ORIGINAL APPLICATION THAT IT RELIED UPON AS THE BASIS OF ITS REQUESTED INCREASE?

A. Idaho Power's Executive Summary states that the key drivers for a rate increase were the Company's plant investment since its last rate proceeding, anticipated new loads in the Oregon service area, the Company's recent investments in transmission, the completed deployment of Automated Meter Infrastructure (AMI) and the need for additional investment in its generating facilities[3].

Q. DOES STAFF AGREE THAT THESE KEY DRIVERS WARRANT A GENERAL RATE INCREASE?

A. These drivers do not warrant an increase as large as the one Idaho Power has requested.

Plant Additions: The Company reports gross plant additions in excess of $315 million from the time of its last rate case. However, Staff points out that the Company is allowed to recover depreciation expense to offset these investments. Idaho Power's prior general rate proceeding (UE 213) was based upon a 2009 test period. The 2009 annual average gross plant balance was approximately $4.1 million. The current proceeding filed by Idaho Power is based upon a 2011 test period. Idaho Power has, or will record approximately $100 million per year[4] of depreciation expense (system-wide) for its gross plant. Counting from the mid-point of 2009 through the end of 2011 represents approximately 30 months worth of depreciation expense. This means that since mid-2009 through the end of 2011, the Company has been able to collect approximately the same amount in depreciation expense ($300 million) as it

[3] Idaho Power Company's Executive Summary, Page 4-5.
[4] See UE 213, UE 233 and the 2010 results of operations report.

invested in gross plant ($315 million). This is not untypical of how depreciation expense is intended to work. The cash flow created by depreciation expense incents the Company to continue to invest its capital.

Customer Growth in Oregon: The Company's responses to Staff's data requests indicate that it has not yet secured any new large-load customers in the Oregon service territory[5] and therefore, general business revenues have been set at the same level the Company included in its power cost filings it filed in October 2010. If Idaho Power is experiencing new customer growth, it is not included in the modeling of revenues or expenses in this proceeding.

AMI: The Company's request did include new rate base additions related to AMI. Staff addresses Idaho Power's inclusion of AMI rate base in Staff Adjustment No. S-14 and discusses in more detail Staff's recommendation of prudence for this investment.

Generation plant investment: The Company's forecast of expense associated with generation plant investment is significantly greater than its actual expense in 2010. Further, its actual expenditures in 2011 are different than the forecast Idaho Power included in its filing. Adjusting the Company's generation plant investment for 2011 so that it more closely matches actual expense in 2011 decreases the amount of investment that must be recovered in rates. (See Staff/400.)

[5] See Staff/103, Bird/1, Data Response No. 213.

Transmission investment: Some of the investments the Company has characterized as "transmission" investment, are more properly characterized as investment in distribution facilities and as such, properly allocated situs. Further, some of the investment is for facilities that will not be in service at the time rates are scheduled to become effective and thus, are not eligible for recovery in those rates. (See Staff/700)

In summary, Idaho Power does not present persuasive evidence to support the amount of increases it requests in this filing.

Q. COMPARED TO IDAHO POWER'S RATE REQUEST OF APPROXIMATELY 14.6 PERCENT, STAFF'S RECOMMENDATION OF ONLY 1.35 PERCENT SEEMS RELATIVELY SMALL. ARE THERE REASONS, OTHER THAN THOSE NOTED ABOVE, THAT EXPLAIN THE DIFFERENCE BETWEEN IDAHO POWER'S REQUEST AND STAFF'S RECOMMENDATION?

A. Yes. Idaho Power received a general rate increase in Oregon on March 1, 2010 of $5.0 million, or 15.4 percent. Although Idaho Power states that it has "*not earned its authorized rate of return in any of the last five years and does not expect to earn its authorized rate of return in 2011,*"[6] its Oregon 2010 Results of Operations report reflects that Idaho Power earned 7.77 percent overall rate of return and 9.98 percent ROE prior to any type of regulatory adjustments to remove the impact of weather and hydro. This is only 9 basis points below its authorized rate of return of 7.86 percent and 12 basis points

[6] See Idaho Power/100, Said/4, Lines 19-23.

below its authorized return on equity of 10.1 percent. Significantly, these earnings represent only 9 months of new rates from its last general rate increase that were effective March 1, 2010.

Idaho Power/200, Anderson/20, states:

> "Idaho Power's system total annual ROE was 9.62 percent for 2009 and 10.01 percent for 2010. However, it is important to note that there was a tax benefit related to repairs allowance that occurred in 2010. If not for that tax benefit, the Company's system total ROE would have been 7.9 percent."

Further evidence of Idaho Power's current financial status can be found in the Company's regulatory filings in its Idaho jurisdiction. In January of 2010, the Idaho Public Utilities Commission (IPUC) adopted a Stipulation approving a mechanism permitting the Company to use Accumulated Deferred Income Tax Credits (ADITC) in the years 2009, 2010 and 2011 in order to achieve its authorized rate of return in Idaho for those corresponding years[7] . These credits are generated from two separate tax accounting methodology changes described in Idaho Power's Exhibit 500/Keen/13-15.

The Stipulation allowed the Company to amortize additional amounts of ADITC up to a maximum of $45 million over the 2009-2011 period to achieve an actual return on equity (ROE) of 9.5 percent. If Idaho Power's annual ROE exceeded 10.5 percent, amounts in excess of the 10.5 percent were to be shared equally between the Company and its Idaho customers[8]. In 2009, Idaho Power was allowed to amortize a maximum level of $15 million in ADITC, resulting in an Idaho jurisdictional ROE between 9.5 percent and 10.5

[7] See Staff/103, Bird/2-Case no. IPC-E-11-22, page 1
[8] See Staff/103, Bird/3 -Case No IPC-E-11-22, page 2, 1b. Revenue Sharing Provision

percent. In its Oregon jurisdiction, the Company reported ROE of 11.353 percent, prior to any regulatory adjustments. Once the regulatory adjustments were performed, Idaho Power stated that its ROE was a -2.88 percent. Staff believes the amortization of these credits contributed to its high earnings in this period and disputed the regulatory adjustments the Company made during this period during Staff's review of the Results of Operations report.

In 2010, the Company again amortized these tax credits which raised its ROE from 7.9 percent to 10.0 percent,[9] in its Oregon jurisdiction. The 2010 Results of Operations report shows a 9.98 percent ROE prior to any regulatory adjustments.

And finally, for 2011, the Company's Idaho jurisdictional ROE is expected to ***exceed*** 10.5 percent and result in a revenue sharing of approximately $20 million to customers in Idaho.[10] Again, the Company will retain the benefit in the Oregon jurisdiction, since Oregon ratepayers have no stipulated agreement with the Company for sharing these benefits. Despite Staff's requests for a mid-year Results of Operations report (through a data request) the Company responded that it was unable to perform such an analysis.[11] Therefore, Staff does not have the ability to opine on the Company's actual earnings for the test period until the Company files its Results of Operations Report in May of 2012 for the period ending December 31, 2011.

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[9] IPC/500, Keen/13, lines 1-2.
[10] *Id.*
[11] Staff/103, Bird/8

In a separate filing, on June 1, 2011, Idaho Power filed a general rate request with IPUC seeking to increase rates by approximately $83 million per year, or 9.9 percent.[12] On October 14, 2011, IPUC announced that Parties had reached a settlement in that proceeding that, if approved, would increase rates by an average of 4 percent. In its November 2, 2011, application seeking to extend the sharing mechanism related to the tax benefits, Idaho Power promises an additional $10 sharing should the Idaho Commission approve Idaho Power's current general rate request.[13]

Q. DO THE ADITC'S IMPACT ONLY IDAHO CUSTOMERS? IF SO, WHY?

A. Yes, even though Oregon customers contribute their portion of Accumulated Deferred Income Taxes and depreciation. Although Idaho Power was before the Oregon Commission for its UE 213 general rate proceeding at the time that IPUC and Idaho Power reached a stipulated agreement on how ADIT benefits would be handled, the Company did not make it known to the Oregon Staff or the Commission that Idaho Power would be allowed to record two separate $60 million benefits from two separate two separate tax methodology changes. Oregon customers, therefore, will not receive any benefits from the first of the $60 million of ADITC while Idaho customers will benefit in 2011 due to the stipulated provisions.

In its November 2, 2011, application (discussed above) the Company included a request to the Idaho Commission to allow the Company to extend the ADITC mechanism in order to account for the second $60 million benefit

[12] See IPUC Case No. IPC-E-11-08
[13] See Staff/103, Bird/5 and 6 -Case No. IPC-E-11-22, page 4 and 5,

accruing to Idaho Power in September of 2011 when final approval for the tax methodology change was adopted by the Joint Tax Revenue Committee. Idaho Power seeks to extend the current agreement allowing for the same sharing mechanism previously granted through the 2012-2013 time period.[14] In addition, the extension seeks to allow the Company to use a maximum of $25 million of additional ADTIC's.

These two tax methodology changes significantly impact Idaho Power's financial stability for the years 2009 through 2013, in its Idaho jurisdiction. In addition, Idaho Power has experienced increased revenues of approximately $127 million, or approximately 16 percent between 2009 and 2011, in Idaho.[15]

Q. EARLIER YOU STATED THAT IDAHO POWER WAS EXCEEDING ITS IDAHO JURISDICTIONAL AUTHORIZED ROE OF 10.5 PERCENT IN 2011. ISN'T 2011 THE TEST PERIOD FOR IDAHO POWER IN THIS OREGON RATE PROCEEDING?

A. Yes. Idaho Power's sharing mechanism related to the ADITC's states that it must share 50/50 with customers for any portion of earnings that exceed the authorized 10.5 percent ROE. The Company has stated that the customer's portion of the sharing will be approximately $20 million. Therefore, Idaho Power is over-earning by approximately $40 million in its Idaho jurisdiction during 2011. Again, this relates only to the Idaho jurisdiction, however, Staff points out that the portion of the ADITC's benefits for Oregon customers is 100 percent retained by the Company. Staff estimates that since Idaho Power

[14] Staff/103, Bird/4,-Case No. IPC-E-11-22, page 3, Proposed Extension
[15] See Staff/102, Bird 7, Power Point presentation of November 11, 2011.

forecasts over-earnings of approximately $40 million, the Oregon portion of the benefits retained by Idaho represents approximately $2 million, or approximately 5 percent of total Oregon revenues.[16] Staff believes that in 2011, Idaho Power will exceed its authorized ROE in its Oregon jurisdiction if the financial impact of the tax methodology changes are included in the calculation.

In sum, Idaho Power is in a financially strong position in 2011. Further, a close examination of the reasons underlying for Idaho Power's application for a rate increase does not support Idaho Power's request, particularly given the lack of persuasive evidence in Idaho Power's filing to support the level of rate increase that Idaho Power requested.

[16] Idaho Portion=$40 million, or 95% of system. Oregon portion = $2.0 million, or approximately remaining 5% of system.

PART II – REVENUE REQUIREMENT MODEL SUMMARY

Q. CAN YOU PLEASE EXPLAIN THE REVENUE REQUIREMENT MODEL?

A. Yes. Staff Exhibit/102/Bird is a series of interlinked spreadsheets that contain eleven separate elements that, together, summarize Staff's position on the revenue requirement adjustments for UE 233. The spreadsheets are formatted as follows:

1. Staff/102, Bird/1 - 3 include a narrative summary that begins at the top of page 1 with the Company's original revenue requirement request for the proceeding. For each individual Staff-proposed adjustment, there is a short description summarizing the reason for the adjustment. The first column indicates an item number assigned to the adjustment (I.e., S-0, S-1…etc.). The second column provides the initials for the Staff Witness sponsoring the adjustment and the far right column indicates the revenue requirement impact of the proposed adjustment. Staff's proposed overall revenue requirement for the portion of the proceeding can be found on the bottom of page 2, in the far right column.

2. Staff/102, Bird/4 is a summary table showing the Exhibit numbers assigned to each Staff witness in this proceeding.

3. Staff/102, Bird/5 is a summary table showing the Contact information for each Staff witness in this proceeding.

4. Staff/102, Bird/6 is a summary showing the Company's original request, on a system-level and then on an Oregon allocated basis. Column (1) represents the Company's results of operations per the Company's application

for the test period on a system-level. Column (2) shows the Oregon-allocations as requested in the Company's original application. Column (3) shows the Oregon allocations that apply to each item in the case. Column (4) shows the revenue requirement effect of the Staff-proposed Cost of Capital, on an Oregon-allocated basis. Column (5) shows the results of operations per all adjustments proposed by Staff. The final number at the bottom of the page, labeled as "revenue deficiency" represents the Staff-proposed revenue requirement in this case. The percentage increase associated with the final amount is demonstrated in the percentage calculation below the revenue requirement. This table is simply a re-statement of the narrative summary page, showing the various elements that contribute to revenue requirement.

5. Staff/102, Bird/7 is the actual revenue requirement model page. This table provides a summary showing the changes to revenues, expenses and rate base, is linked to the adjustments and tax calculations pages and ends with the percentage change from current rates. Column (1) represents the Company's results of operations per the Company's application for the test period (Oregon-allocated basis, only). Column (2) shows the aggregate of the adjustments proposed by Staff and the adjustments that would be adopted if the Commission were to adopt Staff's adjustments. Column (3) shows the results of the adjustments proposed in Column (2). Column (4) shows the revenue requirement change required to meet the proposed cost of capital, and Column (5) shows the results of operations per all adjustments proposed by Staff.

6. Staff/102, Bird/8 contains the income tax calculations for the revenue requirement model.

7. Staff/102, Bird/9 shows a summary of the cost of capital proposed by Staff as well as a summary of the original request filed by Idaho Power. Staff's model is based upon the Cost of Capital figures proposed by Staff.

8. Staff/102, Bird/10 shows the revenue sensitive costs associated with the revenue requirement calculation, as proposed by Idaho Power as well as the blended State rate proposed by the Company. Staff had no recommended adjustments to propose related to the revenue sensitive costs.

9. Staff/102, Bird/11-12 show each of the specific adjustments proposed by Staff. The bottom box, shown on line 42, shows the revenue requirement impact for each separate adjustment. This can also be found on pages 1 and 2 of this exhibit, the Narrative Summary Sheets.

10. Staff/102, Bird/13-14 show the tax calculations associated with the adjustments shown on pages 11 and 12.

11. Staff/102, Bird/15-44 show the summary pages and work papers associated with each of Staff's proposed adjustments.

PART III – INTRODUCTION OF STAFF ADJUSTMENTS

Q. PLEASE PROVIDE A SUMMARY TABLE OF STAFF'S ADJUSTMENTS.

A. Below is a table that provides the Item number, initials of the Staff witness sponsoring testimony for the adjustment, a description of the adjustment and the revenue requirement effect of the adjustment:

Table 1

Item		Issue	Revenue Requirement Effect
		Company's Requested	5,848
S-0	SS/JO	Rate of Return-Cost of Capital	(1,225)
S-1	LW	D&O Insurance Adjustment	(16)
S-2	LW	Medical Expenses	(21)
S-3	LW	Various A&G	(166)
S-4	BB	Customer Service Information and Expenses	(30)
S-5	NC	Non Labor Forecast Adjustments	(250)
S-6	JO	Transmission Line Adjustment	(23)
S-7	MP	Depreciation and Amortization	(113)
S-8	MP	Capital Additions to Rate base	(202)
S-9	IP	Distribution Transformer Allocations	(2,106)
S-10	PR	Facilities Charges	(69)
S-11	CB	Wage and Salary; Officer Adjustment; Bonus & Incentives	(621)
S-12	CB	UNICAP Update	(194)
S-13	CB	Relocation and Severance	(20)
S-14	CB	AMI System Operational Benefits	(254)
		Rounding	(0)
		Staff Proposed Revenue Requirement	538

Q. PLEASE IDENTIFY THE STAFF WITNESSES THAT WILL PROVIDE EVIDENCE FOR THE STAFF'S PROPOSED COST OF CAPITAL?

A. Adjustment S-0 represents Staff's recommended Cost of Capital. The components of the Cost of Capital represent the Cost of Debt, the Cost of

Equity and the Capital Structure. The overall Rate of Return (ROR) is derived based on these components.

Staff Witness **Steve Storm** has prepared **Staff Exhibit 800** in support of the Staff recommended ROR, ROE and the proposed Capital Structure, which with the cost of long-term debt testimony provided by Mr. Ordonez in Staff Exhibit 700, is collectively identified as Issue S-0. Mr. Ordonez's testimony can be found at **Staff Exhibit 700**.

Mr. Storm recommends an ROE of 9.500 percent and an ROR of 7.558 percent. The recommended ROR is derived from the recommended ROE, the 5.623 percent cost of debt recommended by Mr. Ordonez, and a capital structure of 50.10 percent debt and 49.90 percent common equity. Mr. Storm presents evidence supporting his recommended ROE based upon his analysis, and includes a discussion of both his use of models for estimating Idaho Power's ROE as well as models used by Idaho Power witness Dr. Avera. His testimony concludes that Idaho Power's cost of equity capital is, at this time, lower than the 10.175 percent currently authorized.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR ISSUES S-1 THROUGH S-3.

A. Staff Witness **Linnea Wittekind** provides evidence in support of Staff adjustments S-1 through S-3.

Staff adjustment S-1 relates to Idaho Power's expenses for Director & Officer (D&O) Insurance. Staff's adjustment results in a 50/50 sharing of second and third layer D&O insurance expense. This adjustment follows

Commission precedent as established in Commission Order No. 09-20 (UE 197), pages 19-20.

Staff adjustment S-2 relates to Idaho Power's expenses for medical costs. The Company currently proposes to use 87/13 percent (Employer/Employee) split in health insurance premium costs. Staff recommends a sharing of 81 /19 percent (Employer/Employee) based on recent cost trends in health insurance premium cost sharing.

Staff adjustment S-3 includes two adjustments. First, Staff proposes a 50/50 sharing of Meals and Entertainment costs. This adjustment follows Commission precedent as established in Commission Order No. 09-20 (UE 197), page 21. Second, Staff recommends removing 100 percent of stock-based compensation costs. Staff considers stock-based compensation an officer incentive and believes this compensation is based on the financial performance of the Company. In past proceedings, the Commission has not allowed utilities to recover costs associated with bonuses paid to company executives that are based solely on the financial performance of the utility, or its parent company. (OPUC Order No. 87-406, pp. 42-43) Ms. Wittekind's testimony can be found at **Staff Exhibit 200**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENT S-4.

A. Staff Witness **Brian Bahr** provides evidence in support of Staff adjustment S-4. Staff Adjustment S-4 updates non-labor Customer Accounts Expense (FERC accounts 901-905, excluding account 904) and Customer Services &

Information Expense (FERC accounts 907-910) using a forecast of annualized actual expenditures for the first half of 2011. Mr. Bahr's adjustments are based upon the Company's responses to data requests and its actual 2011 expenses for these categories of costs. Mr. Bahr's testimony can be found at **Staff Exhibit 300**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENT S-5.

A. Staff Witness **Nick Cimmiyotti** provides evidence in support of Staff adjustment S-5. Staff Adjustment S-5 updates non-labor Transmission Operation and Maintenance (O&M) expense (FERC accounts 560-573) and the Company's Distribution O&M expense (FERC accounts 580-598). Mr. Cimmiyotti's adjustments are based upon the Company's responses to data requests and its actual 2011 expenses for these categories of costs. Mr. Cimmiyotti's testimony can be found at **Staff Exhibit 400**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENTS S-6 AND S-10.

A. Staff Witness **Jorge Ordonez** provides evidence in support of Staff adjustment S-6 and S-10. In adjustment S-6, Mr. Ordonez recommends disallowance of certain additions to rate based associated with transmission facilities, either on the basis that they will not be in service prior to the effective date of rates stemming from this case or because the facilities provide service more akin to distribution facilities than transmission facilities, and thus, the costs are more appropriately allocated as situs, rather than system. Regarding adjustment

S-10, Mr. Ordonez recommends rejection of the proposed reduction to Operating Revenues by adjusting facilities charges until the methodology used to assess facilities charges has been addressed by the IPUC. Mr. Ordonez's testimony can be found at **Staff Exhibit 700**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENTS S-7 AND S-8.

A. Staff Witness **Ming Peng** provides evidence in support of Staff adjustments S-7 and S-8. Staff adjustment S-7 represents an adjustment to depreciation based on methodology changes. Idaho Power proposes to include an annualizing adjustment to move the value of rate base and its associated depreciation to the end of the test period. The Company proposes to annualize due to the time lag from the end of the test period (December 2011) and rate implementation (currently proposed for June 1, 2012). Staff disagrees with this methodology because other elements in this case, such as customer counts and revenues, are based on the annual-average. To isolate one portion of the case, Staff believes, is inappropriate. Staff's adjustment to depreciation aligns depreciation with the annual average for rate base.

Staff adjustment S-8 represents an adjustment to rate base to remove the annualizing adjustment described above (see S-7). In addition, Staff adjusts capital additions for the period based on Staff's believe that the Company double counted a portion of its 2011 additions. Ms. Peng's testimony can be found at **Staff Exhibit 500**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENT S-9.

A. Staff Witness **Irina Phillips** provides evidence in support of Staff adjustment S-9. The basis of this adjustment relates to an allocation for certain distribution assets that the Company characterized as direct-assignment. Staff discovered that in fact, Idaho Power allocated costs of the equipment to Oregon at 9 percent. Ms. Phillip's testimony will show that the appropriate allocation is 4.1 percent. Ms. Phillip's testimony can be found at **Staff Exhibit 800**.

Q. PLEASE IDENTIFY THE STAFF WITNESS FOR STAFF ADJUSTMENT S-11 THROUGH S-14.

A. I provide testimony in support of Staff Adjustments S-11 through S-14 in Part IV of my testimony, below. Staff Adjustment S-11, represents three separate adjustments; wage and salary, bonuses and incentives and a disallowance related to the number of Officers embedded in Idaho Power's request. My testimony demonstrates that wages and salaries in the test period exceed the threshold of the Consumer's Price Index (CPI) based upon a four-year modeling of wages and salaries. Staff's recommended adjustment to bonuses and incentives is based upon allowing 50 percent of the three-year average of these items. And, Staff's analysis of the number of Officers included in Idaho Power's filing shows that the Company's number far exceeds the number of Officers for other electric utilities operating in the state when measured against the number of Officers per customer.

Staff adjustment S-12 models the on-going benefit of one of the tax accounting methodologies discussed in Idaho Power Exhibit 800. This adjustment does not capture the one-time benefits discussed by Staff in Part I of this testimony.

Staff adjustment S-13 represents an adjustment to normalize the level of relocation and severance expense included in the test period based upon the Company's actual experience when compared to the three-year average.

Staff adjustment S-14 represents an adjustment to Operations and Maintenance expense to model the savings and benefits that Idaho Power should be experiencing once AMI has been fully implemented.

PART IV – STAFF ADJUSTMENTS S-11 THROUGH S-14

PART IV, SECTION 1: S-11, WAGES &SALARIES, BONUS & INCENTIVES, OFFICER ADJUSTMENT:

Q. PLEASE IDENTIFY THE COMPONENTS OF STAFF ADJUSTMENT S-11.

A. The first component of Staff Adjustment S-11 is an adjustment to the level of wages and salaries the Company included in the test period for the forecasted work force level proposed by Idaho Power. The wage and salary adjustment is based upon the typical modeling of wages and salaries compared to the Consumer's Price Index (CPI) that has been used in most general rate proceedings in Oregon.

The second component to Staff S-11 is an adjustment for bonuses and incentives based upon allowing 50 percent of the historic three-year average of annual bonuses and incentives paid by Idaho Power.

The third component to Staff S-11 is a recommendation to disallow the number of Corporate Officers Idaho Power had included in its test period. The basis of Staff's recommendation is a comparison of the level of Corporate Officers employed at the other two Investor Owned Utilities (IOU) benchmarked against the number of customers served by each of the utilities.

Staff's recommendation for the combination of the three adjustments is to reduce O&M expenses in the test period by approximately $366,450 and to reduce capital expenditures in the test period by approximately $165,000.

Q. WHAT IS THE REVENUE REQUIREMENT EFFECT OF STAFF ADJUSTMENT S-11?

A. The revenue requirement effect for all three components of Staff S-11 is a reduction to revenue requirement of $ 0.622 million.

WAGES AND SALARIES:

Q. PLEASE DESCRIBE THE STAFF'S WAGE AND SALARY MODEL.

A. The Staff wage and salary model[17] has been used by many staff over the past several years to determine whether the IOU's salary increases meet or exceed CPI. The model typically considers the work force in three separate classifications; Officers, Exempt, and Non-exempt employees. Through discovery Staff gathers three years of historic information for each employee classification and models it against the CPI for the three years prior to the test period. The model breaks the wage and salary levels down for each classification to a dollar per full-time equivalent (FTE), applies the index created by adding three years of CPI and compares these amounts with the amount the Company is requesting in the test period for the work force level proposed by the Company, plus a 10 percent band. Any variances are allowed a 50 percent sharing band of the lesser of the variance or the 10 percent band.

Q. WHAT ARE EXEMPT AND NON-EXEMPT EMPLOYEES?

A. The classifications exempt and non-exempt are used to identify employees that either qualify for over-time or are *exempt* from over-time. Non-exempt employees typically are hourly while exempt employees typically are salary earners.

Q. HOW DOES THE MODEL HANDLE UNION EMPLOYEES?

[17] Staff/102, Bird/35

A. Since Union employees' wages are typically based on contract negotiations, Staff usually reviews the contract increases for reasonableness, but does not include the Union employee classification in its wage and salary model. Staff believes that union negotiations are typically arms-length and represent market salary levels; therefore, Staff rarely recommends a disallowance for contracted wage levels.

Q. IS THAT HOW STAFF HANDLED IDAHO POWER'S UNION EMPLOYEES?

A. No, Idaho Power does not employ Union employees. Therefore, Staff's model includes all employees as reported in response to Staff's Data Requests No. 94.

Q. DOES INCLUDING ALL OF IDAHO POWER'S EMPLOYEES IN THE MODEL UNFAIRLY LIMIT IDAHO POWER'S WAGES AND SALARIES TO CPI SINCE IT DOES NOT EMPLOY UNION EMPLOYEES?

A. Staff does not believe this is true. Since Idaho Power does not have a union shop, it should not be allowed to isolate a certain employee classification that does not get measured against either the CPI or salary studies of other contracted employees performing the same job duties in the region. Although Idaho Power did submit salary studies to Staff, the studies show that for the time period, Idaho Power's salary levels were in the mid-to-high salary ranges. The model simply accepts those salary levels and gauges whether or not the annual increases meet or exceed CPI; including a sharing band. Staff believes this is a fair and reasonable method even though Idaho Power does not employ Union workers.

Q. IS THE MODEL YOU USED TO SUPPORT YOUR RECOMMENDATION THE SAME MODEL ALWAYS USED BY STAFF?

A. No, I made a slight change to the model. Idaho Power's test period is 2011. The Company has been engaged in the implementation of a new Automated Meter Infrastructure (AMI) for smart metering. During this period, the Company experienced very large swings in work force levels. Between December 2008 and December 2009, Idaho Power reduced its workforce by net 75 FTE. The change to work force levels was accomplished by adding 14 FTE to the exempt classification and removing 89 FTE from the non-exempt classification[18]. Staff believes this change is driven by AMI implementation that requires fewer meter readers.

In the following year (December 2009 to December 2010), Idaho Power *increased* its work force by 35 FTE. It did so by *adding* 55 exempt classification FTE and removing 22 non-exempt FTE.[19]

And finally, in the test period (December 2010 to December 2011) Idaho Power proposes an increase to its work force of 61 FTE. This is accomplished by adding 12 exempt classification FTE and 49 non-exempt FTE. [20]

Given this wide variation, I changed the wage and salary model to benchmark the wage and salary levels over a four-year period rather than a three-year period (typically used by Staff) in order to normalize the variances that occur from the shifting of employee status.

[18] Staff/103, Bird/9, Number Change, 08-2009 Total Co FTE
[19] See Staff/103, Bird/9, Number Change, 09-2010 Total Co FTE
[20] *See* Staff/103, Bird/9, Number Change, 10-2011 Total Co. FTE

Q. IDAHO POWER'S SECOND CORRECTED RESPONSE TO DATA REQUEST 94 INDICATES THAT THE WAGE AND SALARY LEVEL FOR THE TEST PERIOD IS $154.5 MILLION, HOWEVER, STAFF USES $156.2 MILLION AS THE LEVEL PROPOSED BY IDAHO POWER IN THE TEST PERIOD IN ITS WAGE AND SALARY MODEL. WHY?

A. Idaho Power submitted three responses to Data Request 94. The first supplemental (or corrected, as labeled by Idaho Power) response was unsolicited by Staff and came approximately six weeks after the original filing.[21] Upon review, it appeared that Idaho Power changed its response to DR 94 from an accrual basis and FTE basis to a cash basis, using employee head counts and isolated retirees. These responses were not compatible with the question in DR 94 and Staff asked that the Company reevaluate its response. At that time, Staff indicated that the Company needed to reconcile the total amount of wages and salaries included in its response to DR 94 to the amount that is included in the test period using the Exhibit 802 Forecast manual prepared by Idaho Power Witness Tim Tatum.

In its second corrected response to DR 94, Idaho Power indicated that it had reconciled the total wage and salary figure for the test period. However, Staff's analysis shown at Staff/102, Bird 36 demonstrates that the two amounts do not reconcile. IPC/200, Anderson/16 describes how the Company believes that in recent years it has fallen behind its peer companies on base salaries and proposes a general increase of 2 percent to its compensation amount. IPC/903,

[21] See Staff/103, Bird/9

Noe/1-2 demonstrates the amount Idaho Power included in the test period. A comparison of this amount and the Company's response to DR 94 shows that the two amounts do not reconcile.[22] Staff relied upon the amount used in the forecast manual and shown on Idaho Power's Exhibit 903 (in its original filing) as the amount included in the test period for wages and salaries.

Q. DID YOU MAKE ANY OTHER CHANGES TO THE MODEL?

A. No.

Q. WHAT WAS THE RESULT OF MODELING THE WAGE AND SALARY LEVEL FOR IDAHO POWER PROPOSED FOR THE TEST PERIOD COMPARED TO CPI OVER A FOUR-YEAR PERIOD?

A. Staff/102, Bird/35, line 12 shows that the overall variance between the test period wage and salary level and the Staff-proposed wage and salary level is a reduction of approximately $10 million on a system-level. This variance includes the sharing band described above, which is either 50 percent of a sharing band (10 percent of annualized payroll level for that classification) or 50 percent of the variance, whichever is less.

Q. PLEASE EXPLAIN WHAT HAPPENS IN THE MODEL AFTER LINE 12, ONCE THE TOTAL SYSTEM-WIDE VARIANCE IS DETERMINED.

A. Once the system-wide variance is determined, the model splits the variance into the portion of costs assumed to be booked to capital expenditures and the portion assumed to be booked to O&M expenses. This assumption is based upon the Company's most recent three years of historic information. For Idaho

[22] Staff/103, Bird/36

Power, the assumption is 70 percent of wage and salary costs are booked to O&M and 30 percent to capital.

Once the breakout for each category of costs is determined, the model applies the most appropriate allocator to determine the Oregon-allocated amount. For the O&M portion, Staff relied upon the Oregon allocation Idaho Power used for FERC account 905 because a majority of the wages and salaries are booked to that account. IPCO/905/1, Line 15 shows FERC account 905 is allocated at 4.64 percent. For the capital portion, Staff relied on the allocation factor used for rate base, or 4.88 percent. This can be found at IPCO/905/1, Line 6.

Q. WHAT IS STAFF'S RECOMMENDATION FOR WAGES AND SALARIES?

A. Staff recommends a disallowance of $326,718 to O&M and $147,144 to capital expenditures. The revenue requirement effect of Staff S-11 is combined for the three components and can be found at the beginning of Part IV of this testimony.

<u>BONUSES AND INCENTIVES:</u>

Q. PLEASE DESCRIBE THE AMOUNT OF BONUSES AND INCENTIVES IDAHO POWER INCLUDED IN THE TEST PERIOD.

A. IPCo/600, Jones/3, describes several adjustments Idaho Power made to its 2010 costs in order to comply with both Oregon and Idaho Commission policies. Line 16 of that testimony describes the removal of all 2010 incentive compensation while line 21 of the same testimony refers to the forecast manual to find the amount of 2011 incentive compensation that was included in the test period. The forecast manual (Exhibit /802, Tatum/22) says that Idaho Power removed $16.398 million of 2010 incentive expense from the test period and added back $6.680 million for the 2011 test period. The result Idaho Power describes is a net reduction to the test period of $9.718 million. This means that the level of bonuses and incentives for the test period Idaho Power included was $6.680 million and applied only to exempt and non-exempt FTE.[23]

Q. PLEASE DESCRIBE THE STAFF'S ADJUSTMENT TO BONUSES AND INCENTIVES.

A. While Idaho Power did make an adjustment to minimize the amount of corporate incentives that are included in the test period, Staff typically recommends a sharing of corporate incentives of 50/50 based upon the fact that many of the corporate incentives are tied to the financial performance of the utility rather than ratepayer benefits. As such, Staff compared the $6.8 million to 50 percent of the average of the actual incentives paid between 2008 through 2010. This comparison showed that the test period incentives were approximately $435,000 more than the three year average on a system-wide basis. Staff's adjustment recommends removing the $435,000 on a system-wide basis. Once allocated to Oregon, based on the same 70% O&M to 30% capital split and the same allocators used in the wage and salary model described above, the result is a decrease to capital expenditures of approximately $11,500 and a decrease to O&M of approximately $25,600. The revenue requirement impact of this

[23] See Staff/103, Bird/10

adjustment is included in the total adjustment for S-11 and can be found at the beginning of Part IV of this testimony.

OFFICER ADJUSTMENT:

Q. PLEASE DESCRIBE THE STAFF'S PROPOSED ADJUSTMENT TO THE NUMBER OF OFFICERS IDAHO POWER INCLUDED IN THE TEST PERIOD.

A. During Staff's review of the wages and salaries, Staff noticed that Idaho Power had an unusually high number of Executive Officers (Officers) included in its test period.

For the 2011 period, Idaho Power included 16 Officers, compared to PGE's current level of 12 corporate officers and PacifiCorp's level of 5 corporate officers:

Table 2

Executive Officers	2007	2008	2009	2010	2011
Idaho Power	14	14	14	14	16
PacifiCorp	8	8	8	8	5
PGE	13	11	11	11	12

Staff decided to compare the number of customers served during the same period and the number of Officers per customer:

Table 3

Officers/Customer	2007	2008	2009	2010	2011
Idaho Power	34,078	34,610	34,870	35,050	31,150
PacifiCorp	210,452	213,266	214,811	216,602	348,200
PGE	61,584	73,756	74,170	74,570	68,711

Staff notes that the corporate structure of PacifiCorp is quite different from that of Idaho Power's. PacifiCorp's corporate holding company, Mid-America serves several jurisdictions as opposed to Idaho Power, which serves only two jurisdictions. Mid-America provides PacifiCorp with administrative and corporate over-sight in addition to the over-sight provided by the local executive positions. Therefore, the ratio between PacifiCorp's officers and customers is quite large and not necessarily comparable with Idaho Power. However, PGE's service territory is 97 percent Oregon and includes only a small jurisdictional operation in Washington. Staff believes that this structure is much more comparable to Idaho Power's corporate structure. Table 3 shows that PGE serves a range between 61,584 customers per officer (2007) to 74,570 customers per officer (2010) while Idaho Power's ratio serves a range from 31,150 customers per officer (2011) to 35,050 (2010):…approximately half of the number of customers served by PGE.

Q. WHAT NUMBER OF OFFICERS DOES STAFF RECOMMEND IS APPROPRIATE FOR THE TEST PERIOD?

A. Staff recommends removing three Officers from the test period, lowering Idaho Power's level of Corporate Executives down to 13 from 16. Doing so results in Idaho Power serving approximately 39,000 customers per officer; still a great deal lower amount than that of either of the other two IOU's.

Q. STAFF STATES THAT 39,000 CUSTOMERS PER OFFICER IS AN APPROPRIATE LEVEL, BUT IT IS STILL A FAR SMALLER RATIO OF OFFICERS TO CUSTOMERS THAN THE OTHER TWO IOU'S. WHY DOES

STAFF BELIEVE THIS IS APPROPRIATE IF THE RATIO IS STILL WELL BELOW THE TWO COMPARATORS?

A. Staff acknowledges that benchmarking against other utility operations opens the analysis up to more subjectivity. However, Idaho Power and PGE are both located in mostly one jurisdiction and are both electric utility operations only. PGE serves nearly double the number of customers in total to Idaho Power and is operating with only 12 Officers.[24] Staff believes that reducing Idaho Power's the level of Executive Officers to 13 is a conservative adjustment and is not attempting to create complete symmetry between the two utilities, only to propose a reasonable level of executive salaries.

Q. WHAT METHOD DOES STAFF USE TO CALCUATE THE ADJUSTMENT?

A. The level of Corporate Executive Salaries is included in Idaho Power's general wage and salaries, which is $4.113 million for the test period and is shown on line 7 of the wage and salary model.[25] However, Staff already proposes an adjustment to this level of salaries in its wage and salary adjustment described above. Therefore, to avoid double counting, Staff relied upon the level of "Staff-Proposed" wages for the Executive Officers found on line 11 of the wage and salary model; $4.205 million.[26] Staff divided the number of corporate officers in the test period by the salary amount included in the model and determined that the average of each officer's annual salary is approximately $262,800. Staff multiplied this amount by the number of officers being removed from the test

[24] In 2010, PGE reports average customer base to be 820,266 while Idaho Power reports 490,705-2010 Oregon Public Utility Commission Stats Report.
[25] Staff/102, Bird/35.
[26] *Id.*

period (3) to determine that the system-wide adjustment for officers is approximately $788,500.

Q. WHAT ARE THE OREGON-ALLOCATED ADJUSTMENTS USING THIS METHOD?

A. Based upon the same split for capital expenditures and O&M (30%/70%) and the same allocators used in the wage and salary model above, Staff's Officer adjustment removes approximately $11,500 from capital expenditures and $26,600 from O&M. The revenue requirement impact of this adjustment is combined with the other two adjustments described in this section and can be found at the beginning of Part IV of this testimony.

PART IV, SECTION 2: S-12, UNICAP ADJUSTMENT:

Q. PLEASE DESCRIBE WHAT STAFF REFERS TO AS THE UNICAP ADJUSTMENT.

A. In Part I of my testimony, I discuss a mechanism between Idaho Power and the IPUC that allows Idaho Power to amortize deferred Accumulated Deferred Income Tax Credits, or ADITCs.

In 2009, Idaho Power submitted two separate methodology changes to the Internal Revenue Service. One methodology change Idaho Power refers to as the "Repairs" method generated approximately $45 million in tax benefits.[27] This tax benefit had both an on-going and a one-time tax benefit. The one-time benefit of the "Repairs" methodology is the basis of the mechanism Staff describes in Part I of this testimony and refers to as ADITC's. The on-going

[27] See IPCo/500, Keen/14

benefit of the Repairs methodology is partially captured in Idaho Power's 2011 test period. A small portion of the tax benefit was not included in the test period.[28]

The second methodology change also took place in 2009. The Company refers to this change as the "UNICAP" methodology change.[29] This methodology change has what Idaho Power refers to as a one-time benefit and an on-going benefit. The magnitude of the benefit created by this methodology change required that the Company submit the methodology changes to the Joint Tax Revenue Committee for review. The Company in turn neutralized the one-time portion of this benefit on its books by booking an uncertain tax position equal to 100 percent of the benefit. For these reasons, the Company did not include any of the tax benefits (one-time benefit or on-going benefit) in its 2011 test period. The Company states in testimony that "if approval is received from the Joint Committee, it would be appropriate for the increased annual benefits [on-going] to be included in a general rate case."[30]

Q. WHAT IS MEANT BY IDAHO POWER'S REFERENCE TO ONE-TIME BENEFITS AS OPPOSED TO ON-GOING BENEFITS?

A. The Company's reference to a one-time benefit refers to the fact that when the Company changes methodologies, the basis of the calculation is to take the current period (in this case, 2009) plus the changes that impact all of the historic

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[28] See IPCo/500, Keen/14,line 25 (the remaining $3 million of benefit represents a system-wide level, on an Oregon basis that is approximately $150,000…however, Staff estimates the revenue requirement effect to be about $85,000).
[29] See IPCO/500, Keen/15
[30] See IPCO/500, Keen/16, line 7-9.

periods into one year. For example, if the methodological change were such that Idaho Power is now allowed to "expense" more assets than it had in prior years, the Company would calculate what that benefit was for 2009 *and* what the benefit would have been for all the prior years and add that together as one impact in one period (thus the "one-time" benefit). Then, from that point forward (2009) the Company would implement the new methodology for each future year creating an on-going benefit.

Q. HOW ARE CUSTOMERS IMPACTED BY THESE TYPES OF CHANGES?

A. Customers are impacted because the current tax liability of the Company can be greatly reduced due to these changes. Such benefits can be directly flowed-through to customers without the impact of having to pay deferred taxes (in some circumstances, no deferred taxes would apply). With an on-going benefit, the future tax liabilities are also likely to be reduced, but this reduction will not generate the benefit that is experienced in the first year. In certain cases, the IRS will allow the Company to roll benefits forward into future years rather than requiring the Company to report the entire benefit in one-year. This can greatly benefit the Company by reducing future tax liabilities and normalizing the benefit over time rather than in one year.

Q. PLEASE EXPLAIN STAFF'S ADJUSTMENT S-12 REFERRED TO AS UNICAP.

A. In September 2011, the Joint Tax Revenue Committee approved Idaho Power's application to change its tax methodologies consistent with the UNICAP rules. Therefore, Idaho Power removed its uncertain tax position on its books. Staff's adjustment modifies the level of Schedule M's for the test period thereby reducing the actual tax liability in the test period. This adjustment accounts *only* for the on-going benefit of the UNICAP tax methodology change and is consistent with Idaho Power's testimony that this benefit should be included in the general rate proceeding once it is approved by the Joint Tax Revenue Committee. The revenue requirement impact of Staff's adjustment results in a reduction to revenue requirement of approximately $194,000.

Q. DOES IDAHO POWER AGREE WITH THIS ADJUSTMENT?

A. It is Staff's belief that the Company will agree with this adjustment.

Q. DOES THIS ADJUSTMENT ACCOUNT FOR THE ONE-TIME BENEFIT IDAHO POWER RECEIVED FOR EITHER THE REPAIRS METHODOLOGY OR THE UNICAP METHODOLOGY?

A. No. Since the Repairs methodology took place in 2009 and Idaho Power actually received the benefit in 2009, Staff does not believe that there is a regulatory mechanism available to require Idaho Power to share that benefit with its Oregon customers. For the one-time benefit related to UNICAP, which Idaho Power realized in 2011, Staff has asked the Commission to defer the benefit for the purpose of amortizing a portion into Idaho Power's Oregon rates.

PART IV, SECTION 3: S-13, RELOCATION AND SEVERANCE COSTS:

Q. PLEASE DESCRIBE STAFF'S ADJUSTMENT S-13, RELOCATION AND SEVERANCE COSTS?

A. Staff's Data Request Nos. 208 and 210[31] requested that Idaho provide three years of relocation and severance costs as well as the current year-to-date 2011 costs for each category. The Company's response[32] shows that the historic costs (2008) are substantially lower than what the Company has included in the test period. Staff believes these costs are higher in the years 2009 – 2010 due to the implementation of AMI and seeks to normalize the level of costs for the test period. The year-to-date figure provided in the Company's response is through August 2011, or 8 months of the test period. Staff forecasts to the end of the test period to estimate the actual expense the Company is likely to experience during this period. For relocation costs, Staff forecasts the 2011 expense to be approximately $344,250 (system-wide). Staff chooses the average of the 2008 and 2009 period or $115,000 annually as the normalized level of costs that results in an adjustment approximately $230,000 from the test period (on a system-wide basis). This sets the level of relocation costs, on a system-wide basis, to approximately to $115,000.

For Severance costs, Staff forecasts the amount for the 2011 test period to be approximately $440,000. The 2008 period shows a level of approximately $100,000. Staff recommends a level of approximately $250,000 based on the average of the three years. This reduces the level of severance costs in the test period by approximately $190,000 on a system-wide basis.

[31] Staff/103, Bird/11
[32] *Id.*

The total of the two adjustments together, on a system-wide basis reduce severance and relocation costs by approximately $420,000. Staff applies the Oregon allocation used in NOE/905 that is applied to FERC account 920 of 4.64% which results in a total Oregon allocated adjustment of approximately $19,500. The revenue requirement impact results in a reduction to revenue requirement of approximately $20,000.

PART IV, SECTION 4: S-14, AMI SYSTEM BENEFITS:

Q. PLEASE DESCRIBE IDAHO POWER'S INVESTMENT IN AMI IN OREGON.

A. In 2002, the Idaho Commission (IPUC) ordered Idaho Power to complete a full AMR installation by 2004. The implementation was subsequently postponed due to a number of financial and technical problems encountered with the time frame. The IPUC adopted a phased-in implementation along with a collaborative evaluation approach while directing the Company to continue to work toward implementation of AMI technology. In late 2007, the Company began a three-year system-wide implementation of AMI. In 2008, the Company requested accelerated depreciation of its standard metering system in Oregon in Docket No. UM 1410. The Company's request was granted in Commission Order 09-024.

In Docket No. UE 213, Idaho Power's last general rate proceeding, the Company had completed AMI implementation in a large share of its Oregon service territory, but had not yet completed the project. The costs associated with the new system were not included in that proceeding as they were not fully used and useful.

Idaho Power comes before the Commission in this proceeding requesting recovery of its investment in AMI in the Oregon service territory as full deployment was completed in 2011. In response to Staff's Data request No. 337, the Company reports its full investment in Oregon for meters, communication equipment, IT hardware and software to be approximately $3.240 million.[33]

Q. DOES STAFF AGREE THAT IDAHO POWER'S INVESTMENT IN AMI IS PRUDENT AND SHOULD BE INCLUDED IN RATES IN THIS PROCEEDING?

A. Staff believes that there are quantifiable O&M savings associated with the implementation of AMI and that as long as the Company can demonstrate that it is achieving those savings, then Staff would recommend that the investment is prudent.

Q. HAS IDAHO POWER DEMONSTRATED THAT IT IS ACHIEVING O&M SAVINGS ASSOCIATED WITH THE AMI INVESTMENT?

A. No, not fully. In response to Staff's Data Request No. 151,[34] Idaho Power states:

> "The Company did not apply a specific adjustment to its operations and maintenance ("O&M") for the 2011 test period to reflect the savings or reduction in workforce related to the implementation of AMI because the Company's forecast methodology already reflects such savings without a specific adjustment.… Because the Company's forecast methodology uses February 2011 year-to-date O&M labor as the basis to project 2011 levels, any savings or reduction in workforce related to the implementation of AMI that occurred through that date is reflected in the projection. <u>Further, the 15 percent annualization factor applied to the February 2011 year-to-date O&M labor number reflects workforce savings</u>

[33] Staff/103, Bird/12
[34] Staff/103, Bird/13

<u>that occurred throughout the years of 2008, 2009, and 2010. Therefore, to apply a specific adjustment would double count savings already reflected in the Company's test year O&M labor forecast."(emphasis added)</u>

Q. DOES STAFF AGREE THAT IDAHO POWER'S METHOD OF FORECASTING THE TEST PERIOD USING FEBRUARY 2011 YEAR-TO-DATE INFORMATION CAPTURES THE SAVINGS ATTRIBUTABLE TO THE IMPLEMENTATION OF AMI?

A. No, Staff disagrees. It is Staff's belief that a vast majority of the quantifiable savings from the implementation of this system is a reduction to work force and savings from fleet expenses (i.e., fewer utility vehicles necessary and fuel cost savings). Because AMI does not require physical meter reads, Idaho Power should have been able to reduce its work force through a reduction to meter readers. While the Company has eliminated 57 meter readers from its work force, the Company's number of FTE has only decreased by four since the beginning of AMI implementation. Accordingly, any savings ratepayers should have realized from the reduction in meter readers in not realized in the Company's rate request. Staff believes this is true due the fact that the reduction appears to be absorbed by a large (and largely unexplained) increase in other areas of the Company's work force since 2009.

Q. DID STAFF ASK THE COMPANY TO EXPLAIN THE LEVEL OF WORK FORCE REQUESTED IN THE CASE IN LIGHT OF THE EXPECTED DECREASE TO WORK FORCE DUE TO AMI IMPLEMENTATION?

A. Yes. Staff asked Data Request No. 227 to ask the Company to explain why FTE levels increase between 2008-2010 by 121 FTE and to identify what process changes took place that justify these increases in light of the fact that customer counts are declining by an average of 3.2 percent over the same period. The Company's response states[35] that it hired 10 exempt employees in 2010 to support the Company's Smart Grid project and further explains that it reviews positions to make sure it has appropriate resources *"to support customer needs."* And, finally, the Company notes that it scrutinizes vacancies created by attrition or retirement to justify the need to backfill. The Company fails to identify any new business processes or changes that took place that justifies an increase of 121 FTE.

Staff followed up with Data Request Nos. 345 and 346 to understand why the Company would have such a shift in employee classification and to understand how many of the *"significant reclassifications"*[36] representing the shift were environmental technicians and how many were customer service coaches as indicated in data request no. 227. As can be seen at Staff/103, Bird/16, the majority of the shifting relates to an employee classification described as "Biologists."

In Staff's Data Request No. 346, Staff again provides Idaho Power with an opportunity to justify the level of FTE. Again, Idaho Power responds by identifying the shift in FTE from non-exempt to exempt and describes the 10 new FTE for Smart Grid. However, in addition, Idaho Power states that the overall "headcount" decreased by 40, as previously noted. Here Idaho Power is referring specifically to the time period between 2008 and 2010 (which was

[35] Staff/103, Bird/14
[36] Id.

the time period chosen by Staff in the question). However, as can be seen in Table 4, below, from 2007 to 2008, Idaho Power increases FTE by 45. This increase seems astounding to Staff in light of the fact that in late 2007, Idaho Power "begins" implementation of AMI:

Table 4

YEAR	FTE - DR 94	# of FTE change	% change
2011	2,035	31	1.52%
2010	2,004	(35)	-1.75%
2009	2,039	(30)	-1.47%
2008	2,069	45	2.17%
2007	2,024		

Table 4 shows that the 2011 test period contains a higher number of FTE than 2010. Compared to 2009, Phase 1 of full-deployment, Idaho Power has only 4 fewer FTE than what it projects to have in 2011, full deployment.

In response to Staff Data Request No. 149, Idaho Power estimates the number of meter readers on the first day of AMI implementation on a system-wide basis was approximately 74. On the last day of AMI implementation, the number of meter readers necessary is approximately 16 FTE, or 57 fewer FTE than in 2009.

Q. DID IDAHO POWER PROVIDE STAFF WITH A BUSINESS CASE PREPARED BY THE COMPANY THAT DEMONSTRATED WHAT THE EXPECTED COST SAVINGS WERE PROJECTED TO BE PRIOR TO FULL AMI DEPLOYMENT?

A. Yes. In the Company's original response to Staff Data Request No. 343, the Company provided a very robust business case model that projected the Net

Present Value of the cash flows that would be created from the O&M savings that the Company would experience related to tax savings, work force reductions, fuel cost savings, salvage value estimates, etc. However, upon review Staff discovered that this model was created in 2007 and had not been updated to include any of the Company's actual experience- such as actual investment, actual tax savings, actual work force reductions, etc. Staff spent a considerable amount of time in phone discussions with the Company attempting to describe the type of analysis Staff felt would be appropriate in order to quantify the new technology and compare it to a standard metering system using status quo assumptions. On November 17, 2011, Idaho Power submitted second supplemental response to Staff's DR No. 343 (submitted pursuant the protective order) updating assumptions in the original business case model.

Q. DOES STAFF AGREE WITH THE GENERAL ANALYSIS IN THE BUSINESS CASE MODEL?

A. Yes. In general Staff agrees with the analysis. However, Staff recommends that the Commission modify the Company's analysis by:

- Reducing Idaho Power's ROE used in the model from 10.6 percent to 10.175 percent. Doing so changes the after-tax, weighted cost of capital from 6.982 percent to 6.890 percent.

Q. WHY DOES STAFF BELIEVE IT IS APPROPRIATE TO ADJUST ROE IN THE MODEL?

A. Just as Staff believes it is appropriate to adjust the model to reflect the actual investment and what is known about the cost savings and tax benefits, Staff believes that it is appropriate to reflect more closely the Company's cost of capital during the period of deployment. Both UE 167 and UE 213 authorized Idaho Power's ROE at 10.175%. During this period, Idaho Power's actual earnings were much more modest than 10.175 percent. Modifying Idaho Power's ROE yields a range of annual levelized cost benefits of approximately [redacted] to [redacted] annually. Using the assumptions provided by Idaho Power results in a range of annual levelized cost benefits of approximately [redacted] to [redacted] annually.

Q. PLEASE DESCRIBE STAFF'S ADJUSTMENT TO THE TEST PERIOD TO REFLECT AMI BENEFITS.

A. Staff has modeled a $5.3 million reduction to O&M to reflect AMI benefits in the period. For the reasons that follow, Staff believes that this represents a conservative adjustment.

Q. HOW DID STAFF DERIVE ITS ADJUSTMENT OF $5.3 MILLION?

A. As a general matter, Staff considered various analyses to create a range that would estimate the benefits created by AMI.

Table 5

Line No.	AMI Benefits	Amount (millions)	Source
1	Idaho Power's first Model	$9.79	October 6 response to DR 343
2	Idaho Power's updated Model	[redacted]	November 17 th response to DR 343
3	Staff's modifications to updated model	[redacted]	
4	Staff's calculation of workforce reduction and fuel savings, alone.	$7.7 to $8.6	See Table 6 below

Staff first considered the model created in 2007 prior to AMI deployment. The Company's response to DR 343 on October 6, 2011, estimates the annual levelized savings from AMI to be approximately $9.79 million. Second, Staff considered the range of benefits created by the updated business model Idaho Power submitted in its second supplemental response to DR 343 on November 17, 2011, which is a range from [redacted]. Third, Staff considered the outcome of the updated business model with the modification to ROE (as discussed above); [redacted] million. And finally, Staff performed a separate analysis to calculate what the benefits would be simply considering a work force reduction and fuel savings. The outcome of this approach created a range from $7.7 to $8.6 million (see Table 5 above).

Q. IT APPEARS THAT THE RANGE OF RESULTS ARE FAIRLY NARROW. HOWEVER, STAFF'S ADJUSTMENT IS $5.3 MILLION. PLEASE EXPLAIN MORE ABOUT HOW STAFF DERIVED ITS ADJUSTMENT.

A. Although, a strong average seems to be created by each of these approaches, Staff still needed to consider whether or not, in fact, a portion of savings was present in Idaho Power's test period due to some of the actual tax benefits and fuel savings and other portions of the benefits that may appear in the test period.

For this reason, Staff relied most heavily on the outcome of the fundamental analysis of what benefits would be derived by simply calculating the reduction to work force and fuel savings. Here is why.

When one looks at the level of work force proposed for the period it becomes fairly obvious that, although it is a gesture of goodwill on the part of the Company to not do a mass layoff during tough economic conditions, it is not reasonable for the AMI to have no effect on the costs ratepayers are paying for labor. The Company simply did not reduce its work force. Referring back to Table 4, and my earlier testimony, the 2011 test period work force level is only 4 FTE fewer than the 2009 level, which is the very beginning of deployment.

Further, Idaho Power/300, Kline/5 states that Idaho Power will deploy AMI to approximately 99 percent of all customers. Mr. Kline states (as an environmental benefit) at Idaho Power/300, Kline/7, line 23 that Idaho Power it will be removing 75 vehicles from the road due to the implementation of AMI. Conversely, in response to Staff's Data Request No. 150, Idaho Power indicates that it is only removing approximately 58 of its 74 vehicles as of the date of full implementation of AMI.

Taking into account, Idaho Power's statement of removing 75 vehicles as well as its other data responses (DR 149 and 150) Staff believes this indicates a range of work force reduction between 56 FTE and 75 FTE. Staff's analysis of calculating simply the portion of benefits that relate to work force reduction and fuel savings is based on an estimate of work force reduction of 67.5 FTE, rather than 75 FTE. The outcome of this analysis is a reduction to O&M of $8.62 million. Staff's adjustment is a reduction to O&M of $5.3 million.

Q. IF THE APPROACH STAFF IS RELYING UPON INDICATES $8.6 MILLION, WHY IS STAFF'S ADJUSTMENT ONLY $5.3 MILLION?

A. In its November 17, 2011 Supplemental Response to Data Request No. 343, and in its October 20, 2011 response to the same data request, Idaho Power states it has approximately [redacted] of savings embedded in the 2011 test period.

Q. PLEASE EXPLAIN THE MECHANICS OF STAFF'S ADJUSTMENT.

A. In Idaho Power's response to the Citizens' Utility Board's (CUB's) Data Request No. 2, the Company provided salary information related to mobile work force. The classifications of employees included in this analysis were Meter Coordinators, Meter Specialists and Meter Clerks. Staff extrapolated the information from this data response to calculate an average cost (including loadings) per employee of approximately $86,269 annually. Staff then turned to Idaho Power's first corrected response to Data Request No. 94 that shows a reduction to meter-reading-related work force of approximately 67.5 FTE during the deployment period. The result of multiplying the derived salary of $86,269 times 67.5 FTE is $5,828,029. Staff then looked at the fuel costs that Idaho Power provided in response to Data Request No. 399. The 2011 annual fuel expense related to only fleet vehicles is $3,584,965. In Idaho Power's response to Data Request No. 150, the Company reports a reduction to fleet vehicles of approximately 57.5, which represents a percentage reduction of 77.77 percent. Staff then multiplied the $3,584,965 (2011 Fuel expenses) by 77.77 percent and derived an amount of $2.788, 027. The total of work force and fuel savings results in a reduction of $8,616,056. Taking into consideration the [redacted] Idaho Power is saving in 2011, Staff removes the incremental $5.3 million as a reduction to O&M in the test period.

Table 6

Line No.	AMI Benefits Calculation	
1	Fully loaded Wage per FTE	86,269
2	Number of FTE removed	-67.5
3	Total	(5,823,158)
4	2011 Fuel Expenses	3,584,965
5	% reduction to Vehicles	-77.77%
6	Total	(2,788,037)
7	Total of Fuel & FTE	(8,611,194)
8	Remove Current Savings	[redacted]
9	Staff Adjustment	(5,307,685)
10	Rounded	(5,300,000)

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF YOUR ADJUSTMENT?

A. Staff Adjustment S-14 reduces revenue requirement by $254,000 on an Oregon Allocated basis.

Q. IF IDAHO POWER CAN DEMONSTRATE THAT IT IS ACHIEVING [redacted] OF SAVINGS IN THE TEST PERIOD DESPITE FEWER FTE, WHAT DOES STAFF BELIEVE CONTRIBUTES TO THE [redacted] IN SAVINGS?

A. Idaho Power's calculation of savings was based on labor reductions and fewer transportation expenses; however, Staff's analysis shows that Idaho Power has not fully captured the true AMI benefits. In Docket No. UE 189, PGE's implementation of AMI, system benefits were modeled to be in excess of $18 million per year. PGE deployed approximately 850,000 meters compared to just over 400,000 meters deployed by Idaho Power. Staff does not believe that the [redacted] modeled by Idaho Power compares to the $18 million modeled by PGE. Staff believes that Idaho Power is experiencing some reduction to its O&M based upon actual tax benefits, actual fleet vehicle expense reductions, insurance reductions and other benefits modeled in the business case but not captured in the more simple analysis performed by Staff based solely on FTE reduction and a percentage of less fuel expense.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UE 233
WITNESS: Carla Bird

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 101

Witness Qualification Statement

December 7, 2011

WITNESS QUALIFICATION STATEMENT

NAME: Carla M. Bird

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst/Revenue Requirement/Rates and Regulation

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: Professional Accounting Degree
Trend College of Business 1983

EXPERIENCE: I have been employed by the Public Utility Commission of Oregon since April of 2001. I am the Senior Utility Analyst for revenue requirement for the Rates and Regulation Division of the Utility Program. Current responsibilities include Team Leader for general rate proceedings, lead research analyst, and providing technical support on a wide range of policy issues for electric, telecommunications, and gas utilities.

From September 1994 to April 2001, I worked for the Oregon Department of Revenue as a Senior Industrial/Utility Appraiser. I was responsible for the valuation of large industrial properties as well as utility companies throughout the State of Oregon.

I have testified in behalf of the Staff for the Public Utility Commission in dockets including Docket Nos. UE 197, UE 177, UE 178, UG 170, UG 171, UM 903, UM 1271 and many others.

OTHER EXPERIENCE: I received my certification from the National Association of State Boards of Accountancy in the Principles of Public Utilities Operations and Management in March of 1997. I have attended the Institute of Public Utilities sponsored by the National Association of Regulatory Utility Commissioners at Michigan State University in August of 2002 and the College of Business Administration and Economics at New Mexico State University's Center for Public Utilities in May of 2004.

I have attended the National Association of Regulatory Utility Commissioners Advanced Course and Advanced Issues Seminar at Michigan State University as well as Price-Cooper's Income Tax, Ratemaking and Accounting for Regulated Utility Operations and several other regulatory conferences and training.

CASE: UE 233
WITNESS: Carla Bird

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 102

Exhibits in Support
Of Opening Testimony

December 7, 2011

STAFF
ADJUSTMENT NARRATIVE
IDAHO POWER
UE 233
($OOO)

Column 1	Column2	Column 3	Column 4
			Revenue Requirement
Item	Staff	Issue	Effect
		COMPANY PROPOSED REVENUE REQUIREMENT	**$5,848**
S-0	**SS/JO**	**Rate of Return**	**(1,225)**
		Staff proposes a capital structure of 50.1% debt and 49.9% equity-Cost of Debt of 5.623% and Cost of Equity of 9.500%.	
S-1	**LW**	**D&O Insurance Adjustment**	**(16)**
		Staff proposes to adjust Account 925 to allow for a 50% sharing of Insurance	
S-2	**LW**	**Medical Expenses**	**(21)**
		Staff proposes to adjust Medical Expenses to create an 81/19 sharing structure	
S-3	**LW**	**Various A&G**	**(166)**
		Staff proposes to allow for a 50% sharing for Meals, entertainment and Stock Options	
S-4	**BB**	**Customer Service Information and Expenses**	**(30)**
		Staff proposes to remove costs of JD Power Report and misc. customer service expenses	
S-5	**NC**	**Non Labor Forecast Adjustments**	**(250)**
		Staff proposes to reduce non-labor forecast adjustments FERC Accounts 500-598	
S-6	**JO**	**Transmission Line Adjustment**	**(23)**
		Staff proposes to remove costs associated with Transmission Line not yet in Service. This also impacts Depreciation and associated Accum Dep., Accum Deferred taxes	
S-7	**MP**	**Depreciation and Amortization**	**(113)**

STAFF
ADJUSTMENT NARRATIVE
IDAHO POWER
UE 233
($OOO)

Item	Staff	Issue	Effect
		Staff proposes to remove annualizing adjustments to Depreciation and Amortization. This also effects Accumulated Depreciation and Accum Def Tax	
S-8	**MP**	**Capital Additions to Ratebase**	**(202)**
		Staff proposes to reconcile capital additions to rate base to reconcile year end average plant balance.	
S-9	**IP**	**Distribution Transformer Allocations**	**(2,106)**
		Staff proposes to adjust allocation related to Distribution Transformers	
S-10	**PR**	**Facilities Charges**	**(69)**
		Staff proposes to remove IPCo's adjustment to Facilities Charges pending outcome of Rate proceeding in Idaho	
S-11	**CB**	**Wage and Salary; Officer Adjustment; Bonus & Incentives**	**(621)**
		Staff proposes to disallow W&S above level of CPI based on a 4-year model; Staff also adjusts IPCo's level of Officers and removes Bonus & Incentives above the level of typical 50% sharing	
S-12	**CB**	**UNICAP Update**	**(194)**
		Staff proposes to adjust level of Federal Income Tax based on updating Schedule M's associated with updated Tax Accounting Methodology Change	
S-13	**CB**	**Relocation and Severance**	**(20)**
		Staff proposes to normalize relocation and severance costs down to levels before AMI implemention.	
S-14	**CB**	**AMI System Operational Benefits**	**(254)**
		Staff proposes to model O&M savings due to new AMI system and the operational savings that are attributable to the technology	

STAFF
ADJUSTMENT NARRATIVE
IDAHO POWER
UE 233
($OOO)

Item	Staff	Issue	Effect
		Rounding	$0
		Total Staff-Proposed Adjustments (Base Rates):	**(5,310)**
		Staff-Calculated Revenue Requirements Change (Base Rates):	**$538**

Column1	Column2	Other Issues
S-100	GC	Staff proposes a limit to the fixed cost increase for Residential Service of $1 and proposes to shift costs according to the percentages.

Testimony Numbers	Witness	Adjustment Numbers
100	Bird	Summary Witness and Adjustments S-11 through S-14
200	Wittekind	S-1 through S-3
300	Bahr	S-4
400	Cimmiyotti	S-5
500	Peng	S-7 and S-8
600	Phillips	S-9
700	Ordonez	S-6, S-10 and COD
800	Storm	COE and Cap Structure
900	Compton	Rate Spread/Rate Design

STAFF
CONTACT INFORMATION
IDAHO POWER
UE 233

List of Staff Adjustments and Contact Information				
Adjust #	**Description**	**Initials**	**Staff Contact**	**Phone number**
S-0	Cost of Capital	SS/JO	Steve Storm Jorge Ordonez	503-378-5264
S-1	D&O Insurance	LW	Linnea Wittekind	503-373-7946
S-2	Medical	LW	Linnea Wittekind	503-373-7946
S-3	Various A&G	LW	Linnea Wittekind	503-373-7946
S-4	Customer Service	BB	Brian Bahr	503-378-4362
S-5	Various O&M	NC	Nick Cimmiyotti	503-373-7867
S-6	Transmission Line	JO	Jorge Ordonez	503-378-4629
S-7	Depreciation	MP	Ming Peng	503-373-1123
S-8	Capital Additions Adjustment	MP	Ming Peng	503-373-1123
S-9	Distribution Transformers -DA	IP	Irina Phillips	503-378-6436
S-10	Facilities Charges	JO	Jorge Ordonez	503-378-4629
S-11	Wages, Sal and Incentives	CB	Carla Bird	503-378-6629
S-12	UNICAP update	CB	Carla Bird	503-378-6629
S-13	Relocation & Severance	CB	Carla Bird	503-378-6629
S-14	AMI Customer System Benefits	CB	Carla Bird	503-378-6629
S-103	Rate Spread Rate Design	GC	George Compton	503-378-6123

STAFF
CASE SUMMARY
IDAHO POWER
UE 233
(000)

ADJUSTED RESULTS

	Column 1	Column 2	Column 3	Column 4	Column 5
(000)	**SYSTEM PER APPLICATION**	**OREGON PER APPLICATION**	**PERCENT OREGON ALLOCATED**	**COST OF CAPITAL CHANGE**	**OREGON ADJUSTED RESULTS**
DESCRIPTION					
				OREGON ONLY	**OREGON ONLY**
Total Combined Average Rate Base	2,499,297	121,854	4.876%	121,854	107,600
Revenues					
Sales Revenues	852,040	39,874	4.680%		39,874
Other Operating Revenues	151,413	6,903	4.559%		6,972
Total Operating Revenues	1,003,453	46,777	4.662%		46,846
Operating Expenses					
Operation & Maintenance Expenses	684,766	31,791	4.643%		30,715
Depreciation Expense	116,114	5,099	4.391%		4,570
Amortization Expense	7,209	331	4.598%		322
Taxes other than Income	27,633	2,030	7.345%		1,873
Federal and State Income Taxes	34,479	1,439	4.174%		1,869
Total Operating Expenses	870,200	40,690	4.676%		39,349
Operating Income				**OREGON ONLY**	
Operating Income	133,253	6,087	4.568%		7,497
Add: IERCO Operating Income	6,630	307	4.627%		307
Consolidated Operating Income	139,883	6,394	4.571%	6,394	7,804
Rate of Return at present rates	5.60%	5.25%			7.25%
Development of Revenue Requirement					
Required ROE	10.500%	10.500%		9.500%	9.500%
Rate of Return @ required ROE	8.170%	8.170%		7.558%	7.558%
NOI necessary to achieve RoR	204,193	9,955	4.876%	9,209	8,132
Earnings Deficiency	64,310	3,561	5.538%	2,815	328
Net to Gross Multiplier	1.642	1.642		1.642	1.642
Revenue Deficiency	105,597	5,848	5.538%	4,622	538
% change from Current Rates		14.67%			**1.35%**
Change to Original Request				**(1,225)**	

STAFF
REVENUE REQUIREMENT MODEL
IDAHO POWER
UE 233
(000)

		SUMMARY SHEET	2011 Results Per Company Filing (1)	Adjustments (2)	2011 Adjusted (3)	Required Change for Reasonable Return (4)	Results at Reasonable Return (5)
1		**Operating Revenues**					
2		Retail Sales	39,874	$0	$39,874	$538	$40,412
3		Opportunity Sales and Wholesale Sales	4,944	0	4,944	0	4,944
4		Other Revenues	1,959	69	2,028	0	2,028
5		**Total Operating Revenues**	$46,777	$69	$46,846	$538	$47,384
6		**Operating Expenses**					
7		Steam Production O&M (500-514)	$9,402	$0	$9,402	$0	$9,402
8		Hydro Production (535-545)	1,816	0	1,816	0	1,816
9		Other Power Supply (536-554)	406	0	406	0	406
10		Purchased Power (555-557)	9,437	0	9,437	0	9,437
11		Transmission (560-575)	1,307	0	1,307	0	1,307
12		Distribution (580 - 598)	2,551	(250)	2,301	0	2,301
13		Customer Accounting & Cust. Services (901- 910)	1,134	(30)	1,104	0	1,104
14		Uncollectibles	0	0	0	0	0
15		Administrative and General (920-935; 935 & 416)	5,782	(841)	4,941	0	4,941
16		**Total Operation & Maintenance**	$31,836	($1,121)	$30,715	$0	$30,715
17		Depreciation	$5,099	($529)	$4,570	$0	$4,570
18		Amortization	331	(9)	322	0	322
19		Taxes Other than Income Tax	2,030	(157)	1,873	0	1,873
20		Federal & State Income Tax	1,395	474	1,869	210	2,079
21		**Total Operating Expenses**	$40,691	($1,342)	$39,349	$210	$39,559
22		**Net Operating Revenues Before IERCO**	6,086	$1,411	7,497	0	7,826
23		**Add IERCO NET Income**	$307	0	307	0	307
24		**Net Operating Revenues**	$6,393	$1,411	$7,804	$328	$8,132
25		**Average Rate Base**					
26		Electric Plant in Service	$212,347	($22,364)	$189,983	$0	$189,983
27	Less:	Accumulated Depreciation & Amortization	(86,322)	8,110	(78,212)	0	(78,212)
28		Accumulated Deferred Income Taxes	(14,331)	0	(14,331)	0	(14,331)
29		Accumulated Deferred Inv. Tax Credit	0	0	0	0	0
30		**Net Utility Plant**	$111,694	($14,254)	$97,440	$0	$97,440
31	Less:	Plant Held for Future Use	$0	$0	$0	$0	$0
32	Less:	Acquisition Adjustments	0	0	0	0	0
33	Add:	Working Capital	1,272	0	1,272	0	1,272
34	Add:	Fuel Stock	1,181	0	1,181	0	1,181
35	Add:	Materials & Supplies	2,200	0	2,200	0	2,200
36	Less:	Customer Advances for Construction	(20)	0	(20)	0	(20)
37	Add:	~~Conservation +~~ Other Def. Programs	1,409	0	1,409	0	1,409
38		IERCO-Subsidary Rate Base	4,118	0	4,118	0	4,118
39		Misc. Deferred Debits		0	0	0	0
40			0	0	0	0	0
41		**Total Average Rate Base**	$121,854	($14,254)	$107,600	$0	$107,600
42		**Rate of Return**	5.25%		7.25%		**7.56%**
43		**Implied Return on Equity**	4.91%		8.89%		9.50%

STAFF
TAX CALCULATIONS FOR
REVENUE REQUIREMENT MODEL
IDAHO POWER
UE 233
(000)

		Income Tax Calculations	2011 Per Company Filing (1)	Staff Proposed Adjustments (2)	2011 Adjusted (3)	Required Change for Reasonable Return (4)	Results at Reasonable Return (5)
1		Book Revenues	$46,777	$69	$46,846	$538	$47,384
2		Book Expenses Other than Depreciation	33,866	(1,287)	$32,579	0	32,579
3		State Tax Depreciation	5,430	(529)	$4,901	0	4,901
4		Interest	4,121	0	$4,121	0	4,121
5		Reg Debits/credits	28	0	$28	0	28
6		State Taxable Income	$3,333	$1,885	$5,218	$538	$5,756
7		Add OR Depletion Adjustment	($4,882)	$0	($4,882)		(4,882)
8		Total State Taxable Income	($1,548)	$1,885	$337	$538	$875
9		Add IERCO Taxable Income	$472	$1,885	$2,357	$0	2,357
10		Add IERCO BONUS Depreciation & Other OR Adj	($748)	$3,770	$3,022	$0	3,022
11		Total State Taxable Income	($1,779)	$5,655	$3,876	$538	4,414
12		State Income Tax	$66	$117	$183	$34	$217
13		State Tax Credits		0	0	0	0
14		Net State Income Tax	$66	$117	$183	$34	$217
15		Additional Tax Depreciation		0	0	0	0
16	Plus:	Other Schedule M Differences		336	336	0	336
17		Federal Taxable Income	($1,614)	$1,432	($182)	$504	$322
18		Federal Tax @ 35%	(565)	500	(65)	176	111
19		Federal Tax Credits		0	0	0	0
20		Current Federal Tax	($565)	$500	($65)	$176	$111
21		ITC Adjustment		0	0		0
22		Deferral	(23)	0	(23)	0	(23)
23	Less:	Amortization	0	0	0	0	0
24		Total ITC Adjustment	($23)	$0	($23)	$0	($23)
25		Provision for Deferred Taxes	$1,917	$0	$1,917	$0	$1,917
26		Total Income Tax	$1,395	$617	$2,012	$210	$2,222

STAFF
COST OF CAPITAL
IDAHO POWER
UE 233

Staff-Proposed Cost of Capital	% of CAPITAL	COST	WEIGHTED COST	
Long Term Debt	50.10%	5.623%	2.817%	
Preferred Stock	0.00%	0.000%	0.000%	Rev Rq Impact
Common Equity	49.90%	9.500%	4.741%	(1225)
Total	100.00%		**7.558%**	

Idaho Power UE 233 Requested	Percent of Total	Cost	Weighted Average
Component	48.82%	5.728%	2.797%
Long Term Debt	0.00%		0.000%
Preferred Stock	51.18%	10.500%	5.373%
Common Stock	100.00%		**8.170%**

STAFF
REVENUE SENSITIVE
COST CALCULATION
IDAHO POWER
UE 233

REVENUE SENSITIVE COSTS	
Revenues	1.00000
Operating Revenue Deductions	
Uncollectible Accounts	
Taxes Other - Franchise	
OPUC Fees - Other	
- Resource supplier	
State Taxable Income	1
State Income Tax	0.06300
Federal Taxable Income	0.93700
Federal Income Tax @ 35%	0.32795
ITC	
Current FIT	0.32795
Other	
Total Excise Taxes	0.39095
Total Revenue Sensitive Costs	0.39095
Utility Operating Income	0.60905
Net-to-Gross Factor	**1.6419**

Input:	6.300%	STATERATE (Income Tax Rate)
		WORKINGCAP

STAFF
ADJUSTMENTS SUMMARY
IDAHO POWER
UE 233

	Staff Adjustments	D&O Insurance FERC 925 (S-1)	Medical O&M (S-2)	Various A&G (S-3)	Customer Service Expenses (S-4)	Non-labor Forecast Adjustment (S-5)	Transmission Line Adjustment (S-6)	Depreciation & Amortization Adjustment (S-7)	Capital Additions to Rate Base (S-8)	Distribution Transformer Allocation (S-9)	Facilities Charges (S-10)
1	**Operating Revenues**										
2	Retail Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	Opportunity Sales and Wholesale Sales	0	0	0	0	0	0	0	0	0	0
4	Other Revenues	0	0	0	0	0	0	0	0	0	69
5	**Total Operating Revenues**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$69**
6	**Operating Expenses**										
7	Steam Production O&M (500-514)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
8	Hydro Production (535-545)	0	0	0	0	0	0	0	0	0	0
9	Other Power Supply (536-554)	0	0	0	0	0	0	0	0	0	0
10	Purchased Power (555-557)	0	0	0	0	0	0	0	0	0	0
11	Transmission (560-575)	0	0	0	0	0	0	0	0	0	0
12	Distribution (580 - 598)	0	0	0	0	(250)	0	0	0	0	0
13	Customer Accounting & Cust. Services (901- 910)	0	0	0	(30)	0	0	0	0	0	0
14	Uncollectibles	0	0	0	0	0	0	0	0	0	0
15	Administrative and General (920-935; 935 & 416)	(16)	(21)	(165)	0	0	0	0	0	0	0
16	**Total Operation & Maintenance**	**($16)**	**($21)**	**($165)**	**($30)**	**($250)**	**$0**	**$0**	**$0**	**$0**	**$0**
17	Depreciation	0	0	0	0	0	(2)	(104)	(32)	(391)	0
18	Amortization	0	0	0	0	0	0	(9)	0	0	0
19	Taxes Other than Income Tax	0	0	0	0	0	0	0	(7)	(150)	0
20	Federal & State Income Tax	6	8	64	12	98	1	44	15	211	27
21	**Total Operating Expenses**	($10)	($13)	($101)	($18)	($152)	($1)	($69)	($24)	($330)	$27
22	**Net Operating Revenues Before IERCO**	**$10**	**$13**	**$101**	**$18**	**$152**	**$1**	**$69**	**$24**	**$330**	**$42**
23	**Add IERCO NET Income**	0	0	0	0	0	0	0	0	0	0
24	**Net Operating Revenues**	**$10**	**$13**	**$101**	**$18**	**$152**	**$1**	**$69**	**$24**	**$330**	**$42**
25	**Average Rate Base**										
26	Electric Plant in Service	0	0	0	0	0	(171)	0	(1,315)	(20,713)	0
27	Accumulated Depreciation & Amortization	0	0	0	0	0	0	0	0	8,110	0
28	Accumulated Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0
29	Accumulated Deferred Inv. Tax Credit	0	0	0	0	0	0	0	0	0	0
30	**Net Utility Plant**	$0	$0	$0	$0	$0	($171)	$0	($1,315)	($12,603)	$0
31	Plant Held for Future Use	0	0	0	0	0	0	0	0	0	0
32	Acquisition Adjustments	0	0	0	0	0	0	0	0	0	0
33	Working Capital										
34	Fuel Stock	0	0	0	0	0	0	0	0	0	0
35	Materials & Supplies	0	0	0	0	0	0	0	0	0	0
36	Customer Advances for Construction	0	0	0	0	0	0	0	0	0	0
37	Weatherization Loans	0	0	0	0	0	0	0	0	0	0
38	Prepayments	0	0	0	0	0	0	0	0	0	0
39	Misc. Deferred Debits	0	0	0	0	0	0	0	0	0	0
40	Misc. Rate Base Additions/(Deductions)	0	0	0	0	0	0	0	0	0	0
41	**Total Average Rate Base**	**$0**	**$0**	**$0**	**$0**	**$0**	**($171)**	**$0**	**($1,315)**	**($12,603)**	**$0**
42	**Revenue Requirement Effect**	**($16)**	**($21)**	**($166)**	**($30)**	**($250)**	**($23)**	**($113)**	**($202)**	**($2,106)**	**($69)**

STAFF
ADJUSTMENTS SUMMARY
IDAHO POWER
UE 233

	Staff Adjustments	W&S, Officer Bonus & Incentives (S-11)	Unicap Update (S-12)	Relocation and Severance (S-13)	AMI System Benefits (S-14)		**Total Adjustments (Base Rates)**
1	**Operating Revenues**						
2	Retail Sales	$0	$0	$0	$0		$0
3	Opportunity Sales and Wholesale Sales	0	0	0	0		$0
4	Other Revenues	0	0	0	0		$69
5	**Total Operating Revenues**	**$0**	**$0**	**$0**	**$0**		**$69**
6	**Operating Expenses**						
7	Steam Production O&M (500-514)	$0	$0	$0	$0		$0
8	Hydro Production (535-545)	0	0	0	0		$0
9	Other Power Supply (536-554)	0	0	0	0		$0
10	Purchased Power (555-557)	0	0	0	0		$0
11	Transmission (560-575)	0	0	0	0		$0
12	Distribution (580 - 598)	0	0	0	0		($250)
13	Customer Accounting & Cust. Services (901- 910)	0	0	0	0		($30)
14	Uncollectibles	0	0	0	0		$0
15	Administrative and General (920-935; 935 & 416)	(366)	0	(19)	(254)		($841)
16	**Total Operation & Maintenance**	**($366)**	**$0**	**($19)**	**($254)**		**($1,121)**
17	Depreciation	0	0	0	0		($529)
18	Amortization	0	0	0	0		($9)
19	Taxes Other than Income Tax	0	0	0	0		($157)
20	Federal & State Income Tax	0	(118)	7	99		$474
21	**Total Operating Expenses**	($366)	($118)	($12)	($155)		($1,342)
22	**Net Operating Revenues Before IERCO**	**$366**	**$118**	**$12**	**$155**		$1,411
23	**Add IERCO NET Income**	0	0	0	0		$0
24	**Net Operating Revenues**	**$366**	**$118**	**$12**	**$155**		**$1,411**
25	**Average Rate Base**						
26	Electric Plant in Service	(165)	0	0	0		($22,364)
27	Accumulated Depreciation & Amortization	0	0	0	0		$8,110
28	Accumulated Deferred Income Taxes	0	0	0	0		$0
29	Accumulated Deferred Inv. Tax Credit	0	0	0	0		$0
30	**Net Utility Plant**	($165)	$0	$0	$0		($14,254)
31	Plant Held for Future Use	0	0	0	0		$0
32	Acquisition Adjustments	0	0	0	0		$0
33	Working Capital						$0
34	Fuel Stock	0	0	0	0		$0
35	Materials & Supplies	0	0	0	0		$0
36	Customer Advances for Construction	0	0	0	0		$0
37	Weatherization Loans	0	0	0	0		$0
38	Prepayments	0	0	0	0		$0
39	Misc. Deferred Debits	0	0	0	0		$0
40	Misc. Rate Base Additions/(Deductions)	0	0	0	0		$0
41	**Total Average Rate Base**	**($165)**	**$0**	**$0**	**$0**		**($14,254)**
42	**Revenue Requirement Effect**	**($621)**	**($194)**	**($20)**	**($254)**		**($4,085)**

STAFF TAX CALCULATIONS TO ADJUSTMENTS
IDAHO POWER
UE 233
(000)

	Income Tax Calculations	D&O Insurance FERC 925 (S-1)	Medical O&M 0 (S-2)	Various A&G 0 (S-3)	Customer Service Expenses (S-4)	Non-labor Forecast Adjustment (S-5)	Transmission Line Adjustment (S-6)	Depreciation & Amortization Adjustment (S-7)	Capital Additions to Rate Base (S-8)	Distribution Transformer Allocation (S-9)
1	Book Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	Book Expenses Other than Depreciation	(16)	(21)	(165)	(30)	(250)	0	(9)	(7)	(150)
3	State Tax Depreciation	0	0	0	0	0	(2)	(104)	(32)	(391)
4	Interest	0	0	0	0	0	0	0	0	0
5	Regulatory Debits	0	0	0	0	0	0	0	0	0
6	State Taxable Income	$16	$21	$165	$30	$250	$2	$113	$39	$541
7	Add OR Depletion Adjustment-Net	0	0	0	0	0	0	0	0	0
8	Total State Taxable Income	$16	$21	$165	$30	$250	$2	$113	$39	$541
9	Add Ierco Taxable Income	$16	$21	$165	$30	$250	$2	$113	$39	$541
10	Add IERCO Bonus Dep & Other OR Adj	$32	$42	$330	$60	$500	$4	$226	$78	$1,082
11	TOTAL STATE TAXABLE INCOME	$48	$63	$495	$90	$750	$6	$339	$117	$1,623
12	State Income Tax	$1	$1	$10	$2	$16	$0	$7	$2	$34
13	State Tax Credits	0	0	0	0	0	0	0	0	0
14	Net State Income Tax	$1	$1	$10	$2	$16	$0	$7	$2	$34
15	Additional Tax Depreciation	0	0	0	0	0	0	0	0	0
16	Other Schedule M Differences	0	0	0	0	0	0	0	0	0
17	Federal Taxable Income	$15	$20	$155	$28	$234	$2	$106	$37	$507
18	Federal Tax @ 35%	5	7	54	10	82	1	37	13	177
19	Federal Tax Credits	0	0	0	0	0	0	0	0	0
20	Current Federal Tax	$5	$7	$54	$10	$82	$1	$37	$13	$177
21	**ITC Adjustment**									
22	Deferral	0	0	0	0	0	0	0	0	0
23	Restoration	0	0	0	0	0	0	0	0	0
24	Total ITC Adjustment	0	0	0	0	0	0	0	0	0
25	Provision for Deferred Taxes	0	0	0	0	0	0	0	0	0
26	Total Income Tax	$6	$8	$64	$12	$98	$1	$44	$15	$211

STAFF TAX CALCULATIONS TO ADJUSTMENTS
IDAHO POWER
UE 233
(000)

	Income Tax Calculations	Facilities Charges 0 (S-10)	W&S, Officer Bonus & Incentives (S-11)	Unicap Update 0 (S-12)	Relocation and Severance (S-13)	AMI System Benefits (S-14)		**Total Adjustments (Base Rates)** 0
1	Book Revenues	$69	$0	$0	$0	$0		$69
2	Book Expenses Other than Depreciation	0	(366)	0	(19)	(254)		($1,287)
3	State Tax Depreciation	0	0	0	0	0		($529)
4	Interest	0	0	0	0	0		$0
5	Regulatory Debits	0	0	0	0	0		$0
6	State Taxable Income	$69	$366	($0)	$19	$254		$1,885
7	Add OR Depletion Adjustment-Net	0	0	0	0	0		$0
8	Total State Taxable Income	$69	$366	($0)	$19	$254		$1,885
9	Add Ierco Taxable Income	$69	$366	($0)	$19	$254		$1,885
10	Add IERCO Bonus Dep & Other OR Adj	$138	$732	($0)	$38	$508		$3,770
11	TOTAL STATE TAXABLE INCOME	$207	$1,098	($0)	$57	$762		$5,655
12	State Income Tax	$4	$23	$0	$1	$16		$117
13	State Tax Credits	0	0	0	0	0		$0
14	Net State Income Tax	$4	$23	$0	$1	$16		$117
15	Additional Tax Depreciation	0	0	0	0	0		$0
16	Other Schedule M Differences	0	0	336	0	0		$336
17	Federal Taxable Income	$65	$343	($336)	$18	$238		$1,432
18	Federal Tax @ 35%	23	120	(118)	6	83		$500
19	Federal Tax Credits	0	0	0	0	0		$0
20	Current Federal Tax	$23	$120	($118)	$6	$83		$500
21	**ITC Adjustment**							$0
22	Deferral	0	0	0	0	0		$0
23	Restoration	0	0	0	0	0		$0
24	Total ITC Adjustment	0	0	0	0	0		$0
								$0
25	Provision for Deferred Taxes	0	0	0	0	0		$0
								$0
26	Total Income Tax	$27	$143	($118)	$7	$99		$617

UE 233 Idaho Power

Staff Positions
Capital Structure, Cost of Long-term Debt, and Rate of Return

Idaho Power Current AROR (UE 213)				
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	50.20%	5.964%	2.994%	
Preferred Stock	0.00%	0.000%	0.000%	
Common Stock	49.80%	10.175%	5.067%	
	100.00%		8.061%	

Idaho Power UE 233 Requested ROR				
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	48.824%	5.728%	2.797%	
Preferred Stock	0.000%		0.000%	
Common Stock	51.176%	10.500%	5.373%	
	100.000%		8.170%	0.109%

Staff UE 233 Direct Testimony				
Component	Percent of Total	Cost	Weighted Average[2]	ROR vs. Current
Long Term Debt[1]	50.100%	5.623%	2.817%	
Preferred Stock	0.000%		0.000%	
Common Stock	49.900%	9.500%	4.741%	
	100.00%		7.558%	-0.503%

1. Staff has assumed replacement in the 2011 test year of the 4.75% Series of First Mortgage Bonds (FMBs) due 11/15/2012 with a pro forma 2.938% Series of FMBs maturing in seven years. The 2.938% is the forward yield of Single A Utility Bonds, USD US Utility (A), as of November 15, 2011, as retrieved from Bloomberg Finance L.P. on October 27, 2011.

2. Values rounded to 5 decimal places; i.e., xx.xxx%.

Staff Initiators:
Steve Storm (Capital Structure and ROE)
Jorge Ordonez (Cost of Long-term Debt)

IDAHO POWER COMPANY UE 233 Test Period Ending December 31, 2011 (000)	Staff Adjustment S-1

Staff adjusted the D&O Insurance to allow for a 50% sharing of the excess layers of the D&O Insurance between the Company and customers.

FERC Account 925 D&O Insurance	System	Oregon
	(350,000)	**(16,030)**
Input		(16)

Staff Initiator:
Linnea Wittekind

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-2

Staff adjusted Medical expenses by proposing an overall 81/19 sharing structure versus the 87/13 used by Idaho Power.

Medical Expenses	System		Oregon
IDAHO POWER	15,482,268	4.58%	712,184
Staff Proposal	15,015,699	4.58%	690,722
	(466,569)		**(21,369)**
Input			(21)

Staff Initiator:
Linnea Wittekind

UE 233 Idaho Power - Medical Expense - A&G

S - 2.1
Wittekind
Work paper for Medical Expense

2011 Medical - Standard Plan*	$	15,298,536
2011 Medical - HIO Plan	$	3,239,364
2011 Total Medical	$	18,537,900
Employee Portion (based on 81/19 sharing)**	$	3,522,201
Staff's Forecasted 2011 Idaho Power Medical Expense	$	15,015,699

Forecasted 2011 Medical Expense per Idaho Power***	$	15,482,268
Forecasted 2011 Medical Expense per Staff****	$	15,015,699
Adjustment (total company)	$	(466,569)
Oregon Allocation (labor)		4.58%
Oregon Allocated Adjustment	**$**	**(21,369)**

* Total (employer & employee) medical benefit costs as reported in response to Staff DR No. 305. Standard Plan ($1,274,878 x 12 = $15,298,536)
HIO Plan ($269,947 x 12 = $3,239,364).
** Staff proposes an overall 81/19 sharing structure for medical benefits. According to the Kaiser Family Foundation "On average,
covered workers contribute 19% of the total premium for single coverage and 30% for family coverage…." (http://ehbs.kff.org/pdf/8226.pdf).
*** Idaho Power's portion of medical benefits as reported in response to Staff DR No. 305 (($1,274,878 - $225,344 + $269,947 - $29,292) * 12 = $15,482,268).
**** Forecasted 2011 medical expense is calculated as follows $18,537,900 (2011 total medical) - $3,522,201 (employee portion) = $15,015,699.

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-3

Staff made an adjustment to the A&G accounts to allow for a 50% sharing between customers and the Company for meals, flowers, gifts, etc.
Staff also disallowed 100% of the stock based compensation.

Various A&G			
See Staff Work paper	System		Oregon
IDAHO POWER	112,863,168	4.58%	5,169,133
Staff Proposal	109,254,034	4.58%	5,003,835
	(3,609,135)		**(165,298)**
Input			(165)

Staff Initiator:
Linnea Wittekind

NOTE: Idaho Power System amount from Idaho Power/601/Jones/6. Staff Proposal is the Idaho Power system total less Staff adjustment of $3,609,135.

UE 233 Idaho Power - Summary of Various A&G Adjustments- A&G

S - 3.1
Work paper for Various A&G

FERC Acct. No.		Various*	Stock Based Compensation**		Total
920		$ 841	$ 3,054,920		
921		$ 31,975	$ -		
923		$ 626	$ -		
924		$ -	$ -		
925		$ -	$ -		
926	see note	$ 120,295	$ -		
928		$ -	$ -		
930		$ 3,693	$ 475,200		
931		$ -	$ -		
935		$ 599	$ -		
	Total	$ 158,029	$ 3,530,120		
	Disallowance %	50%	100%		**Total**
	Adjustment	$ 79,015	$ 3,530,120		$ 3,609,135
			Oregon Allocation (labor)		4.58%
			Oregon Allocated Adjustment		**$ 165,298**

* "Various" includes items such as meals, flowers, gifts, promotional expenses, etc. Staff routinely proposes 50% sharing of these expenses. (See Commission Order No. 09-020 at 20-21, UE 197)

** The Commission has not allowed utilities to charge customers for bonuses paid to company executives that are based on the financial performance of the utility or its parent company. The Commission's policy is to disallow 100 percent of officers' bonuses because they are based on increased earnings. (Order 99-033 at 62; Order 97-171 at 74-76.)

Commission Staff views stock based compensation as an officer bonus. Compensation programs may be balanced by base salary, annual bonuses, and some stock options or restricted stock, as each of these provides a different incentive.

Based on the Company's response to Staff Data Request No. 56, the Company incurred $3,054,319.81 in Stock Based Compensation and $475,200 Non-Employee Directors Stock Based Compensation. These amounts are distinct and separate from the Executive Incentive and Corporate incentive costs listed in response to Staff Data Request No. 56.

Although the Company demonstrates removal of Executive Incentives from its test year in Idaho Power/603, Jones/1, it does not appear the stock based compensation was removed. Stock based compensation is classified distinctly and separately in the Company's transaction summaries and appears above and beyond the Company's 2010 Executive Incentive expense that was removed in daho Power/603, Jones/1.

NOTE: Per Idaho Power's response to Staff DR No. 276, account 926.104 is used to record the expense associated with recognition of employees for various awards and gifts. 50% of account total was removed.

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-4

Staff reduced Customer Accounts Expenses (accounts 901-905) and Customer Services & Information Expenses (accounts 907 - 910) to reflect an annualized updated non-labor forecast (see Staff DR 318a) and to remove the cost of the JD Power & Associates Electric Utility Residential Customer Satisfaction Study.

Cust Accounts & Cust Serv & Info Expenses	System		Oregon	
IDAHO POWER (901-905)	20,985,183	4.03%	844,974	per 905 Noe 14
IDAHO POWER (907-910)	7,886,255	3.67%	289,088	per 905 Noe 14
Total IDAHO POWER (901-910)	28,871,438		1,134,062	
Staff Proposal	27,662,695		1,104,404	
	(1,208,743)		**(29,658)**	
	Model Input		(30)	

Staff Initiator:
Brian Bahr

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-5

Staff reduced Operations and Maintenance Expenses (accounts 560-598) to reflect the Company's updated non-labor forecasts that was provided as a response to my data request 318a through 318d. The Company's response to Staff DR-318a and 318d contained actual expenditures by the Company from January 1 through June 30, 2011. The actuals were annualized by multiplying the Company's January through June actuals by 2. The annualized forecast resulted in a ($388,021) reduction in Operations and Maintenance expenses allocated to Oregon ratepayers.

Operations and Maintenance	System	Oregon
IDAHO POWER	39,098,186	2,599,957
Staff Proposal	33,055,671	2,350,216
	(6,042,515)	**(249,741)**
	Model Input	(250)

Staff Initiator:
Nick Cimmiyotti

FERC Acct.	Col 1 2010 total actuals (601 Jones 5-6)	Col 2 2010 total nonlabor (DR 57)	Col 3 2010 Non-Labor % (Col 2 / Col 1)	Col 4 2011 total (905 Noe 13 - 15) col. F	Col 5 2011 calculated nonlabor (Col 3 * Col 4)	Col 6 Staff DR 318a (non-labor 2011 Jan-June expense	Col 7 Updated 2011 Non-Labor Forecast (Col 6) / .46	Col 8 Total System Adjustment (Col 7 - Col 5)	Col 9 Oregon allocation % (DR 318d)	Col 10 Oregon Adjustment (Col 8 * Col 9)
Transmission Operations and Maintenance Expenses:										
560	$ 2,992,955	$ 1,116,946	37.3%	$ 3,171,937	$ 1,183,741	$ 555,989	$ 1,208,672	$ 24,931	4.34%	$ 1,083
561	$ 2,953,094	$ 346,690	11.7%	$ 3,162,144	$ 371,232	$ 1,557	$ 3,386	$ (367,847)	4.33%	$ (15,941)
562	$ 1,987,214	$ 581,196	29.2%	$ 2,113,074	$ 618,006	$ 259,927	$ 565,059	$ (52,947)	4.34%	$ (2,299)
563	$ 660,035	$ 334,351	50.7%	$ 3,059,773	$ 1,549,978	$ 125,454	$ 272,726	$ (1,277,252)	4.35%	$ (55,524)
564	$ -	$ -	-		-					
565	$ 5,918,507	$ 5,918,507	100.0%	$ 7,978,600	$ 7,978,600	$ 2,565,161	$ 5,576,437	$ (2,402,163)	4.63%	$ (111,152)
566	$ 336,835	$ 307,038	91.2%	$ 349,219	$ 318,327	$ 142,192	$ 309,114	$ (9,213)	4.34%	$ (400)
567	$ 1,569,168	$ 1,569,168	100.0%	$ 2,182,089	$ 2,182,089	$ 1,846,346	$ 4,013,795	$ 1,831,706	4.34%	$ 79,571
568	$ 540,340	$ 412,323	76.3%	$ 563,653	$ 430,113	$ 42,062	$ 91,440	$ (338,674)	4.34%	$ (14,712)
569	$ 419,219	$ 100,658	24.0%	$ 446,720	$ 107,261	$ 28,380	$ 61,695	$ (45,566)	4.33%	$ (1,975)
570	$ 3,447,662	$ 1,509,226	43.8%	$ 3,644,442	$ 1,595,368	$ 703,508	$ 1,529,365	$ (66,002)	4.34%	$ (2,866)
571	$ 2,781,256	$ 1,946,155	70.0%	$ 2,908,685	$ 2,035,322	$ 913,001	$ 1,984,785	$ (50,538)	4.35%	$ (2,197)
573	$ (40)	$ (40)	100.0%	$ (42)	$ (42)	$ 982	$ 2,134	$ 2,176	4.34%	$ 95
Subtotal		$ 14,142,219			$ 18,369,994	$ 7,184,559	$ 15,618,607	$ (2,751,387)	4.59%	$ (126,317)
Distribution Operations and Maintenance Expenses:										
580	$ 3,713,391	$ 886,567	23.9%	$ 3,956,164	$ 944,528	$ 270,152	$ 587,287	$ (357,241)	5.66%	$ (20,236)
581	$ 3,419,960	$ 479,957	14.0%	$ 3,659,095	$ 513,517	$ 5,661	$ 12,306	$ (501,211)	4.10%	$ (20,547)
582	$ 1,277,818	$ 436,656	34.2%	$ 1,355,913	$ 463,342	$ 89,339	$ 194,215	$ (269,127)	2.99%	$ (8,060)
583	$ 3,029,340	$ 575,237	19.0%	$ 3,234,009	$ 614,101	$ 239,110	$ 519,804	$ (94,297)	6.90%	$ (6,506)
584	$ 1,792,342	$ 1,151,714	64.3%	$ 1,878,785	$ 1,207,260	$ 486,071	$ 1,056,675	$ (150,585)	1.62%	$ (2,433)
585	$ 79,537	$ 16,465	20.7%	$ 84,813	$ 17,557	$ 49,150	$ 106,848	$ 89,291	4.95%	$ 4,418
586	$ 4,219,271	$ 1,182,023	28.0%	$ 4,244,729	$ 1,189,155	$ 405,712	$ 881,983	$ (307,173)	2.70%	$ (8,287)
587	$ 1,521,427	$ 473,622	31.1%	$ 1,616,481	$ 503,213	$ 220,364	$ 479,053	$ (24,160)	8.54%	$ (2,064)
588	$ 5,004,179	$ 1,911,436	38.2%	$ 5,301,340	$ 2,024,942	$ 818,179	$ 1,778,651	$ (246,292)	5.66%	$ (13,951)
589	$ 440,787	$ 440,680	100.0%	$ 591,115	$ 590,972	$ 435,866	$ 947,536	$ 356,564	5.66%	$ 20,197
590	$ 371,979	$ 68,279	18.4%	$ 397,289	$ 72,924	$ 8,940	$ 19,435	$ (53,489)	5.66%	$ (3,030)
591	$ (11,385)	$ (11,385)	100.0%	$ (11,761)	$ (11,761)	$ 5,711	$ 12,416	$ 24,177	3.33%	$ 806
592	$ 3,774,723	$ 1,584,471	42.0%	$ 3,993,039	$ 1,676,111	$ 274,190	$ 596,064	$ (1,080,047)	2.99%	$ (32,345)
593	$ 14,297,636	$ 9,168,042	64.1%	$ 14,982,202	$ 9,607,005	$ 4,252,716	$ 9,245,036	$ (361,969)	6.90%	$ (24,972)
594	$ 1,003,404	$ 358,091	35.7%	$ 1,064,194	$ 379,785	$ 89,551	$ 194,676	$ (185,109)	1.62%	$ (2,991)
595	$ 448,157	$ 423,337	94.5%	$ 464,002	$ 438,304	$ 196,624	$ 427,443	$ (10,862)	9.07%	$ (985)
596	$ 587,953	$ 260,785	44.4%	$ 621,299	$ 275,576	$ 120,238	$ 261,387	$ (14,189)	4.95%	$ (702)
597	$ 700,080	$ 188,148	26.9%	$ 704,013	$ 189,205	$ 21,374	$ 46,465	$ (142,739)	2.70%	$ (3,851)
598	$ 137,583	$ 30,447	22.1%	$ 146,655	$ 32,455	$ 32,102	$ 69,787	$ 37,332	5.66%	$ 2,115
Subtotal		$ 19,624,571			$ 20,728,192	$ 8,021,050	$ 17,437,064	$ (3,291,128)	3.75%	$ (123,424)
Total O&M Expenses		$ 33,766,790			$ 39,098,186	$ 15,205,609	$ 33,055,671	$ (6,042,515)	4.13%	$ (249,741)

IDAHO POWER COMPANY	Staff
UE 233	Adjustment
Test Period Ending December 31, 2011	S-6
(000)	

Staff excluded $7,085,309 of Major Plant Additions for the 2011 test year.

The $7,085,309 value is on an "Annualized" basis (see Exhibit Idaho Power/901 Noe/1, lines 3,5 and 6; column 1), which on a "Net Annualized" basis is $3,945,927 (see Exhibit Idaho Power/901 Noe/1, lines 3,5 and 6; column 3).

The breakdown of the $7,085,309 ($4,179,604 + $1,757,039 + $1,148,666) is as follows:

- $4,179,604 is the capital plant addition associated with the "Increase T342 to 700 MVA" project, which has a new updated in-service date of June 2012 (see the Company's response to Staff Data Request 312) rather than the June 2011 date initially represented by the Company; therefore, this project will not be used and useful by the end of the 2011 test year and is excluded.
- $1,757,039 is the capital plant addition associated with the Victory Line project. This project has characteristics of a distribution facility, which exclusively serve a distribution substation located in Idaho, and supply electricity and improve reliability only for the Company's Idaho customers.
- $1,148,666 is the capital plant addition associated with the Kimberly Line project. This project has characteristics of a distribution facility, which exclusively serve a distribution substation located in Idaho, and supply electricity and improve reliability only for the Company's Idaho customers.

Transmission Major Plant Additions for 2011 test year	System		Oregon
IDAHO POWER	3,969,613	4.33%	170,859
Staff Proposal	-		-
	(3,969,613)		**(170,859)**
	Model Input		(171)

Staff Initiator:
Jorge Ordonez

STAFF'S DATA REQUEST NO. 312:

Regarding the In Service dates of the following transmission additions represented in Exhibit Idaho Power/901 Noe/1:

Exhibit Line Number	Transmission Station / Transmission Line	Addition	Cost ($)	In service Date
Line 1	Transmission Station	Kimberly Lines and Substations	51,321	June 2011
Line 3	Transmission Station	Increase T342 to 700 MVA	4,179,604	June 2011
Line 5	Transmission Line	Victory Lines and Substations	1,757,039	November 2011
Line 6	Transmission Line	Kimberly Lines and Substations	1,148,666	June 2011

For each transmission addition above, please:

a) As of September 12, 2011, what is the current projected In Service Date for each of the above-identified Transmission Plant Additions?

b) For each transmission addition In Service Date that has changed from the date represented in the preceding table, provide an explanation of any delay or advance.

c) Assuming the transmission addition comes into service as projected above, would each of the transmission additions also be considered by the company as used and useful from an Oregon perspective? If not, which addition(s) would not be used and useful?

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 312:

a) Updated In Service Dates for each project are provided in the table below.

Exhibit Line Number	Transmission Station / Transmission Line	Addition	Cost ($)	In service Date
Line 1	Transmission Station	Kimberly Lines and Substations	51,321	July 2011
Line 3	Transmission Station	Increase T342 to 700 MVA	4,179,604	June 2012
Line 5	Transmission Line	Victory Lines and Substations	1,757,039	July 2011
Line 6	Transmission Line	Kimberly Lines and Substations	1,148,666	July 2011

b) **Idaho Power/901, Noe/1 – Line 1**
The In Service Date was delayed due to the contractor not installing getaway conduit according to design. An Idaho Power crew followed up after the contractor and discovered the conduit did not line up, causing a two to three week delay in the project being placed In Service.

Idaho Power/901, Noe/1 – Line 3
The transformer for this project was damaged during transit by the manufacturer, causing a one-year delay on placing this project In Service.

Idaho Power/901, Noe/1 – Line 5
This project was completed ahead of estimated In Service Date.

Idaho Power/901, Noe/1 – Line 6
This is a transmission line project tied to a station project. There was a delay in the station project, causing a delay in the transmission line being energized.

c) Yes. If each of the transmission additions were to come on-line as originally projected, each would be considered by the Company to be "used and useful" from an Oregon perspective based upon their In Service Date.

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-7

1. Remove "Annualized Depreciation Expense" by $2.225 million from Exhibit 902
2. Remove "Annualized Amortization Expense" by $189,455 from Exhibit 902
3. Cut in half on the 1st month of depreciation expense by $140,000
Reasons: (1) IPC using ending balance (December data) multiplied by 12 month to represent an annual expense is biased, The company already had monthly data for 2011 test year, the adjusted amount of $2.4 million is already covered through the basic Depre/Amort methodologies; (2) Cut in half on the 1st month of depreciation expense that associated with new plant additions due to the varies "plant-in-service" dates within a month.

EXPENSES	**Depreciation+Amortization**	**Total System**	**Oregon**
IDAHO POWER	Depreciation expense	116,113,901	5,098,532
	Amortization expense	7,208,808	331,470
	Total IPC	123,322,709	5,430,003
Staff Proposal	Depreciation expense	**113,748,615**	4,994,673
	Amortization expense	**7,019,352**	322,759
	Total Staff	**120,767,968**	5,317,515
Total Adjustment		**(2,554,741)**	**(112,571)**
INPUT Amount in $1,000		**(2,555)**	**(113)**

Staff Initiator:
Ming Peng

1. Remove Depreciation Reserve (Accumulated) Adjustment $1.113 million.
2. Remove Amortization Reserve Adjustment $94,728
3. Remove Reserve from Mid-Month Convention for Depreciation $70,000
Reason: Change of reserve due to the change of Depreciation, Amortization adjustments

RATE BASE	**Depreciation+Amortization Reserves**	**Total System**	**Oregon**
IDAHO POWER	Accumulated Depreciation Reserves	1,789,401,601	85,382,820
	Accumulated Amortization Reserves	21,305,872	939,189
	Total IPC	1,810,707,473	86,322,010
Staff Proposal	Accumulated Depreciation Reserves	1,788,219,020	85,326,393
	Accumulated Amortization Reserves	21,211,144	935,014
	Total Staff	1,809,430,165	86,261,406
	Depreciation Reserves Remove Annualized Adj	**(1,112,581)**	**(48,853)**
	Reserve from Mid-Month Convention for Depreciation	**(70,000)**	**(3,074)**
	Amortization Reserves Remove Annualized Adj	**(94,728)**	**(4,356)**
Total Adjustment	ADJ TOTAL	**(1,277,308)**	**(56,283)**
INPUT Amount in $1,000		**(1,277)**	**(56)**

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-7.1 Work paper

1. Remove "Annualized Depreciation Expense" by $2.225 million from Exhibit 902
2. Remove "Annualized Amortization Expense" by $189,455 from Exhibit 902
3. Cut in half on the 1st month of depreciation expense by $140,000
Reasons: (1) IPC using ending balance (December data) multiplied by 12 month to represent an annual expense is biased, The company already had monthly data for 2011 test year, the adjusted amount of $2.4 million is already covered through the basic Depre/Amort methodologies; (2) Cut in half on the 1st month of depreciation expense that associated with new plant additions due to the varies "plant-in-service" dates within a month.

EXPENSES	**Depreciation & Amortization Expenses**	**Total System**	**Oregon**
IDAHO POWER	Depreciation expense	116,113,901	5,098,532
	Amortization expense	7,208,808	331,470
	Total IPC	123,322,709	5,430,003
		Total System	**Oregon**
Staff Proposal	Depreciation expense	113,748,615	4,994,673
	Amortization expense	7,019,352	322,759
	Total Staff	120,767,968	5,317,515
REMOVAL DETAILS:			
1	Remove Annualizing Adj on AMORTIZATION	**(189,455)**	**(8,711)**
2	Remove Annualizing Adj on DEPRECIATION	**(2,225,161)**	**(97,706)**
3	Mid-Month Convention for Depreciation	**(140,000)**	**(6,147)**
Depreciation remove		(2,365,286)	**(103,854)**
Total Depre & Amort Remove		**(2,554,617)**	**(112,565)**
INPUT Amount in $1,000		**(2,555)**	**(113)**

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-7.1 Work paper

1. Remove Depreciation Reserve (Accumulated) Adjustment $1.113 million.
2. Remove Amortization Reserve Adjustment $94,728
3. Remove Reserve from Mid-Month Convention for Depreciation $70,000
Reason: Change of reserve due to the change of Depreciation, Amortization adjustments

RATE BASE	**Depreciation & Amortization Reserves**	**Total System**	**Oregon**
IDAHO POWER	Accumulated Depreciation Reserves	1,789,401,601	85,382,820
	Accumulated Amortization Reserves	21,305,872	939,189
	Total IPC	1,810,707,473	86,322,010
		Total System	**Oregon**
Staff Proposal	Depreciation Reserves	1,788,219,020	85,326,393
	Amortization Reserves	21,211,144	935,014
	Total Staff	1,809,430,165	86,261,406
Remove from Annualizing Adjustment	Depreciation Reserves Remove Annualized Adj	**(1,112,581)**	**(48,853)**
	Reserve from Mid-Month Convention for Depreciat	**(70,000)**	**(3,074)**
	Amortization Reserves Remove Annualized Adj	**(94,728)**	**(4,356)**
ADJ TOTAL		**(1,277,308)**	**(56,283)**
INPUT Amount in $1,000		**(1,277)**	**(56)**

Estimated First 1/2 month Depreciation Expense	
137,815,480	Net additions: Total Adds $180M- Retired $43M
12	Months
11,484,623	Each month
287,116	x Depr 2.5% = Monthly Depr Expense
(140,000)	Estimated 1st 1/2 Month Depr Expense
(70,000)	Reserve

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-8

Remove "Plant in Service" by $27.4 million. Reasons:
The net plant additions of $137.8 million (Total plant additions of $180.5 million subtract total retirement of 42.8 million) should be used to develop 2011 year-end balance in order to calculate the average plant balance.
However, IPC used mixed plant additions of $165.9 million
adds an additional $31.6 million to calculate test-year plant in service,
resulting in double counting.

RATE BASE	Plant in Service System	Oregon
Idaho Power	4,428,841,043	212,347,364
Staff	4,401,416,442	211,032,451
TOTAL ELECTRIC PLANT IN SERVICE	**(27,424,601)**	**(1,314,913)**
INPUT Amount in $1,000	**(27,425)**	**(1,315)**

Staff Initiator:
Ming Peng

Staff Work paper S-8.1

IPC Ex 904	IPC CALCULATION Description	2010 Actual	2010 Actual Adjustments	2010 Base	Forecast Adjustment	2011 Unadjusted Test Year	Annualizing Adjustment	2011 Test Year
		[1]	[2]	[3]	[4]	[5]=[3]+[4]	[6]	[7]=[5]+[6]
line #204	TOTAL ELECTRIC PLANT	4,231,369,395		4,231,369,395	**165,872,190**	4,397,241,585	**31,599,458**	**4,428,841,043**

IPC DR 132 Elec Plant In Se	**ACTUAL December-10 BALANCE**	**ADDITIONS**	**RETIREMENTS**
DR 132	**4,332,508,702**	**180,502,085**	**(42,686,605)**

Staff Calculation

Actual Beginni Balance	**NET ADDITIONS: Total Adds \$180M subtract Retired \$43M**	**Actual ENDING Balance**	**2011 Average Plant in Servive**
[1] = DR 132	**[2] = DR 132**	**[3]=[1]+[2]**	**[4]=([1]+[3]) / 2**
	180,502,085		
	(42,686,605)		
4,332,508,702	**137,815,480**	**4,470,324,182**	**4,401,416,442**

Staff Adjustment

STAFF	**4,401,416,442**
IPC	**4,428,841,043**
Difference	**(27,424,601)**

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-9

During review of Idaho Power jurisdictional allocation study Staff discovered that account 368 labeled as direct assignment account is an allocation account. Oregon share was determined according to the total length of distribution lines

Rate Base Adjustment	System	Allocation %	Oregon
FERC ACCOUNT # 368			
IDAHO POWER	420,987	9.07%	38,184
Staff Proposal	420,987	4.15%	17,471
Rate Base Adjustment	-		**(20,713)**
Revenue Adjustment	Model Input		**(20,713)**

Staff Initiator:
Irina Phillips

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-10

Staff increased $1,214,027 to the Company-wide “Other Operating Revenues” from facilities charges (see Exhibit Idaho Power/904 Noe/9, line 381, column 6; FERC Account 454, “Rents From Electric Property”) until the methodology used to assess facility charges is resolved in Idaho Public Utilities Commission’s Case No. IPC-E-11-08.

FERC - 454-Rents from electric property

Facilities Charges	System	Allocation	Oregon
IDAHO POWER	6,312,816	5.68%	358,513
Staff Proposal	7,526,843	5.68%	427,459
Forecast Adjustment	1,214,027		68,946
	Model Input		69

Staff Initiator:
Jorge Ordonez

Note:
Used Idaho Power's allocation source "DA454" factor of 5.68 percent.

Idaho Power
UE 233
Test Year Ending December 31, 2011
000's

Staff Adjustment S-11

Staff proposes to adjust compensation levels based upon a series of analysis. First Staff adjusts wages & salaries in the test period. Staff adjusts IPCo's response to DR 94 for 2011 amount based upon 2% salary increase and annualizing adjustment included in IPCo's work papers. In addition, Staff relies upon a 4 year model for W&S due to implementation of AMI. Staff believes the 4-year model levelizes W&S during this period. Staff removes 3 Officers based on its comparision of Officers to Customer Counts as shown in Staff work papers. There is no adjustment to Overtime amounts based upon the level requested. And finally, Staff removes excess amounts of incentive based upon analysis of prior years incentives and the Company's adjustment to incentives.

		System				OR- Allocated		
Description/ Account No.		**Company Filing**	**Staff**	**O&M Adjustment**	**Capital Adjustment**	**O&M Adjustment** **FERC ACCOUNT 928**	**Capital Adjustment** **Rate Base**	
Wages & Salaries	*	$156,264,699	$146,205,639	($7,041,342)	($3,017,718)	($326,718)	($147,144)	See W&S Worksheet S-11.1
Fully Loaded		W&S Model Line 7 *.70	W&S Model Line 11 * .70%	70%	30%	4.64%	4.88%	
Officer Adjustment	*	$4,205,333	$3,416,833	($551,950)	($236,550)	($25,610)	($11,534)	See Officer Adjustment Worksheet S-11.3
Fully loaded		Staff Adjusted officers Salary + wk paper Off' Adjust, Line 3		70%	30%	4.64%	4.88%	
Overtime		$6,397,998	$6,397,998	$0	$0	$0	$0	NO ADJUSTMENT
		No Adjustment as Test Period Amount is less than 3 yr or 5 yr Average						
Incentives		$6,680,748	$6,246,048	($304,290)	($130,410)	($14,119)	($6,359)	See Incentives Worksheet S-11.5
				70%	30%	4.64%	4.88%	

	O&M Adjustment	Capital Adjustment	O&M Adjustment	Capital Adjustment
	$ (7,897,582)	$ (3,384,678)	**$ (366,448)**	**$ (165,037)**
Total OR - Allocated Adjustments			Model Inputs	
			(366)	**(165)**

IDAHO POWER
UE 233
Calculation of PUC wage formula

Explanation: Staff proposes to adjust 2011 test period wages and salaries in accordance with guidelines followed in previous rate cases, except using a FOUR-year model. Staff replaces this with the typical three-year model due to the volitility of work force during AMI Implementation. Staff believes the longer time smooths out the transisition period. Increases are based upon published CPI projections for each year. Although annual 2009 CPI was negative, Staff set 2009 CPI at zero rather than negative. The model then allows the company to share 50/50 a 10% band around Staff's calculated projection.

Line No.	Source	Description	Officers	Exempt	Non Exempt	Total
1	Idaho Power	Annualized Payroll- Supplemental DR 94-Base Year 2007	$3,468,431	$57,230,483	$69,996,150	130,695,064
2	Idaho Power	Ave. # of Employes (FTE)- Supplemental DR 94-Base Year 2007	14	823	1,187	2,024
3	(1)/(2)	Average Salary	$247,745	$69,530	$58,954	$64,560
4	CPI Index - See Below	Allowable % Increase	1.08414	1.08414	1.08414	0.0
5	Idaho Power DR 94 SS	FTE - 2011	16	845	1,175	2,035
6	(3)*(4)*(5)	Projected Payroll	$4,297,434	$63,664,093	$75,090,381	$143,051,908
			268,590	75,380	63,914	
7	Idaho Power DR 94 SS	Annualized Payroll-2011*	4,113,232	76,935,831	75,215,636	$156,264,699
	*See IPCO/Exhibit 903 Staff Work Paper -includes 2% increase and annualizing adjustment					
8	(6)-(7)	Total Difference	$184,202	$13,271,738	$125,255	$13,581,195
9	(6)*.10	10% Band - Allowable	$429,743	$6,366,409	$7,509,038	$14,305,191
10	[(8) or (9)] * .5	50% Sharing of Lesser of Difference or Band	$92,101	$3,183,205	$62,627	$3,337,933
11	(6)+/-(10)	Staff Proposed Level	$4,205,333	$66,847,297	$75,153,008	$146,205,639
12	(11)-(7)	Net Payroll Adjustment	$92,101	($10,088,534)	($62,627)	($10,059,060)
13	DR 354	O&M Expense as % of Payroll Exp.	70.0%	70.0%	70.0%	0.0%
14	(12)*(13)	O&M Expense Adjustment - Systemwide	$64,471	($7,061,973)	($43,839)	($7,041,342)
15	O&M IPCO/905/1, Line 15	Oregon Allocation Factor	4.64%	4.64%	4.64%	4.64%
16	(14)*(15)	**O&M Expense OREGON Adjustment**	**$2,991**	**($327,676)**	**($2,034)**	**($326,718)**
17	DR 354	Capitalized Labor % of Payroll Exp.	30.00%	30.00%	30.00%	0.00%
18	(12)*(14)	Rate Base Adjustment - Systemwide	$27,630	($3,026,560)	($18,788)	($3,017,718)
19	Rate Base IPCO/905/1, Line 6	Oregon Allocation Factor	4.88%	4.88%	4.88%	4.88%
20	(18)*(15)	**Rate Base Adjustment - Oregon**	**$1,347**	**($147,575)**	**($916)**	**($147,144)**

Annual CPI* BLS-Urban All

2008	3.8%
2009	0.0%
2010	1.6%
2011	2.8%
	1.084

	O&M	CAPITAL	TOTAL
Officers	$2,991	$1,347	$4,339
Exempt	($327,676)	($147,575)	($475,251)
Non Exempt	($2,034)	($916)	($2,950)
Total	($326,718)	($147,144)	($473,862)

Idaho Power Company
Staff Work Paper
Adjustments to Payroll -Reconcillation to IPCO Exhibit 903

S-14.2
Staff/Payroll Adjustment

Line No.			(1) Amount	Staff Reconcilation of Test Period Payroll	
	1) Operating Payroll (Various accts)				
1	Actual Total Year 2010 ST Payroll		148,290,903		
2	Actual December 2010 ST Payroll	11,597,700		in Test Period for Payroll	
3	Annualized December 2010 (Dec times 13)	x 13	150,770,100	150,770,100	
4	Increase Over 2010 Actual		2,479,197	2,479,197	
5	O&M Percentage		56.94%	3,015,402	
6	Annualized December 2010 O&M ST payroll		1,411,696	156,264,699	Actual Amount
7	Benefit Loading Percent		38.49%		Company included
8	Annualized December 2010 O&M ST w/Loading		$ 1,955,023		
				$ 154,558,047	DR 94 Sup
	2) 2012 Operating Payroll SSA (Various accts)			$ (1,706,652)	Variance
9	Annualized December 2011 ST Payroll		$ 150,770,100		
10	2012 Structured Salary Adjustment	2.00%	3,015,402		
11	O&M Percentage		56.94%		
12	O&M Wages Subject to Benefit Loading		1,717,020		
13	Benefit Loading Percent		38.49%		
14	Adjustment to Operating Expense		$ 2,377,859		

	2011 - DR 94		To Use in Staff W&S Model
Officers	4,068,309	2.63%	4,113,232
Exempt	76,095,573	49.23%	76,935,831
Non-Exempt	74,394,165	48.13%	75,215,636
	154,558,047		156,264,699

IDAHO POWER -UE 233
STAFF WORK PAPER
Customer Count to Officer Analysis

Company	2007 Number of Executive Officers	2007 Average Number of Customers	2008 Number of Executive Officers	2008 Average Number of Customers	2008 Customer Change Comparison	2009 Number of Executive Officers	2009 Average Number of Customers	2009 Customer Change Comparison	2010 Number of Executive Officers	2010 Average Number of Customers	2010 Customer Change Comparison	2011 Number of Executive Officers	2011 Average Number of Customers	2011 Customer Change Comparison
Idaho Power	14	477,094	14	484,535	1.5597%	14	488,175	0.7512%	14	490,705	0.5183%	16	498,393	1.5667%
PacifiCorp	8	1,683,619	8	1,706,127	1.3369%	8	1,718,485	0.7243%	8	1,732,815	0.8339%	5	1,741,000	0.4724%
PGE	13	800,587	11	811,315	1.3400%	11	815,869	0.5613%	11	820,266	0.5389%	12	824,526	0.5193%

Officer to customers

	2007 Number of Executive Officers	2007 # of Customers per Officer	2008 Number of Executive Officers	2008 # of Customers per Officer	2008 Change from prior period	2009 Number of Executive Officers	2009 # of Customers per Officer	2009 Change from prior period	2010 Number of Executive Officers	2010 # of Customers per Officer	2010 Change from prior period	2011 Number of Executive Officers	2011 # of Customers per Officer	2011 Change from prior period
Idaho Power	14	34,078	14	34,610	1.5597%	14	34,870	0.7512%	14	35,050	0.5183%	16	31,150	-11.1291%
PacifiCorp	8	210,452	8	213,266	1.3369%	8	214,811	0.7243%	8	216,602	0.8339%	5	348,200	60.7558%
PGE	13	61,584	11	73,756	19.7655%	11	74,170	0.5613%	11	74,570	0.5389%	12	68,711	-7.8573%
						PGE's goes down from prior period						PGE & IPCo go up while PPL's goes down		

Idaho Power's Proposed Salary/Officer

	2011 Officer	# of Officers	Salary/Officer
DR 94 Sup	4,205,333	16	262,833

Range of Cust/Officer

Officers	#/Cust
15	33,226
14	35,600
13	38,338
12	41,533

2010 Actual Benefits Loading %		
	Feb-11	
111 - STRAIGHT TIME PAYROLL	7,131,983	
131 - INDIRECT BENEFIT LOADING	2,068,045	29.00%
140 - TAXES-EMPLOYER PAID	676,882	9.49%
Subtotal loading	2,744,926	38.49%

Staff Proposal

Officer	Allowable	Variance	Line No.
16	13	-3	1
	Salary	262,833	
% of Salary		(788,500)	2
O&M			3
		70%	4
		(551,950)	5
	OR. Alloc.	4.64%	6
		(25,610)	7
Capital			
Adjustment		(788,500)	8
% of Salary		30%	9
		(236,550)	10
	OR. Alloc.	4.88%	11
		(11,534)	12

IDAHO POWER -UE 233

STAFF WORK PAPER

Incentive Calculation

	Incentive Calculation					% of Prior Yr	3 year Average	% of Average
	2007	2008	2009	2010	2011	2011 to 2010	2008-2010	2011 to Average
Officers	1,008,228	2,243,899	2,579,203	2,482,022	-			
Exempt	3,706,489	6,315,964	6,485,662	6,493,505	3,258,806	50.19%	6,431,710	50.67%
Non-Exempt	4,004,479	6,143,003	5,863,769	6,174,385	3,421,942	55.42%	6,060,386	56.46%
Total	8,719,196	14,702,866	14,928,634	15,149,912	6,680,748			

Remove Remaining percent to get to 50% for both Exempt & Non

2011	50% of Average	Variance	
3,258,806	3,215,855	(42,951)	
3,421,942	3,030,193	(391,749)	
	Total	(434,700)	System

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-12

Staff proposes to remove to Adjust Schedule M's to update plant timing difference related to tax account methodology change being adopted by Joint Revenue Committee Sept. 13, 2011. See DR 250

Schedule M Timing Differences
Timing Differences - Plant

	System	Oregon	Allocation Factor	
Idaho Power	(116,297,982)	(5,578,928)	4.80%	See Line 754 Exhibit 905
Staff	(123,297,982)	(5,914,725)	4.80%	
UNICAP Udate		(335,797)		
INPUT Amount		**(336)**		

Staff Initiator:
Carla Bird

IDAHO POWER COMPANY 2011 RATE CASE SCHEDULE M'S			
<u>OTHER AND PLANT</u> TIMINING DIFFERENCES	**Idaho Power's TOTAL WITH ADJUSTMENTS**	**Staff'sTOTAL WITH ADJUSTMENTS**	
<u>PLANT TIMING DIFFERENCES</u>			
FLOW-THROUGHS			
004005-AVOIDED COST INT CAP	19,994,000	19,994,000	
004006-GAIN/LOSS ON RETIREMENT	0	0	
005022-CAPITALIZED OVERHEADS	(10,000,000)	(17,000,000)	DR 250
008034-REMOVAL COSTS	(6,498,000)	(6,498,000)	
008073-REPAIRS DEDUCTION	(30,000,000)	(30,000,000)	
TOTAL FLOW-THROUGHS	**(26,504,000)**	**(33,504,000)**	
NORMALIZED			
008009-DEPR FOR TAX GT OR LT BOOK	(89,793,982)	(89,793,982)	
TOTAL NORMALIZED	**(89,793,982)**	**(89,793,982)**	
TOTAL PLANT TIMING DIFFERENCES	**(116,297,982)**	**(123,297,982)**	DR 250
<u>OTHER TIMING DIFFERENCES</u>			
PERM'S			
005024-MEALS (50% NON-DEDUCTIBLE) CHRGD TO R.E.	600,000	600,000	
005516-NONDEDUCTIBLE POLITICAL EXP-O&M ACCTS	0	0	
008016-VEBA-MEDICARE PART D	(526,137)	(526,137)	
008025-MANUFACTURING DEDUCTION	0	0	
TOTAL PERM'S	**73,863**	**73,863**	
FLOW-THROUGHS			
005001-BAD DEBT EXPENSE	0	0	
005014-OVERACCRUED VACATION	0	0	
005017-INJURIES AND DAMAGES RESERVE	0	0	
005019-DIRECTORS FEES DEF	373,000	373,000	
005025-MILNER FALLING WATER - REV ACCRL	(334,136)	(334,136)	
005027-AMORTIZATION OF ACCOUNT 114	(22,723)	(22,723)	
005028-OREGON OPER PROPERTY TAX ADJ	0	0	
005043-AM FALLS-FALLING WATER CONTRACT	219,181	219,181	
005052-AMORTIZATION OF ACCOUNT 181	191,225	191,225	
008027-NEVADA OPERATING PROPERTY TAX ADJ	0	0	
008041-AM FALLS - UNAMORTIZED DEBT EXP	47,999	47,999	
008042-GAIN/LOSS ON REACQUIRED DEBT-FT (GT 10 YRS)	911,000	911,000	
008077-PP INS & OTR EXP (1 YR OR LESS)-ACCT 165	0	0	
TOTAL FLOW-THROUGHS	**1,385,546**	**1,385,546**	
NORMALIZED			
004003-CONSTRUCTION ADV-ACCT 252	(5,384,212)	(5,384,212)	
004022-FERC CREDIT OFA-ACCT 254	(465,593)	(465,593)	
004501-ROYALTY INCOME	0	0	
005008-GAIN/LOSS ON REAQUIRED DEBT (GT 1 YR AND LT 10 YRS)	0	0	
005010-SFAS 112-POST-EMPLY BEN ACCT 253	0	0	
005023-PENSION ACCRUAL-IDAHO	17,442,368	17,442,368	
005033-NONVEBA PEN&BEN-ACCT 228	0	0	
005047-OTHER EMPLOYEE'S LT DEFERRED COMP-ACCT 228	(1,154,000)	(1,154,000)	
005048-BONUS DEFERRAL-ACCT 232	0	0	
005053-FAS 123R-STOCK BASED COMPENSATION	0	0	
005054-IPUC GRID WEST LOANS-ACCT 182	186,436	186,436	
005055-OPUC GRID WEST LOANS-ACCT 182	14,191	14,191	
005056-FERC GRID WEST EXP-ACCT 182	83,796	83,796	
005057-INTERVENOR FUNDING ORDERS-ACCT 182	121,089	121,089	
005061-PENSION ACCRUAL-OREGON	920,781	920,781	
005531-RATE CASE DISALLOWANCES-REVERSE AMORT	(296,299)	(296,299)	
005532-DELIVERY ACCRUALS-ACCT 253	0	0	
008001-VEBA-POST RET BNFTS-TRUST-ACCT 165	2,437,187	2,437,187	
008057-REORGANIZATIN COSTS-ACCT 182	230,656	230,656	
TOTAL NORMALIZED	**14,136,400**	**14,136,400**	
TOTAL OTHER TIMING DIFFERENCES	**15,521,946**	**15,595,809**	
TOTAL ALL DIFFERENCES	**(100,776,036)**	**(107,702,173)**	

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-13

Staff Proposes to adjust IPCo's level of expenses related to relocation & severance costs. Staff assumes that the years related to AMI deployment result in higher than normal expenses. Staff normalizes both categories of costs to a level prior to AMI or, 2008. Staff assumes that these expenses are deductible in the year paid and not attributable to any rate base or capital improvements and therefore are expensed in the year of the event. For this reason Staff attributes its entire adjustment to O&M. Staff attributes the adjustment to FERC Account 920, General A&G In addition, Staff relies upon the allocation of this category of expenses (FERC 920) to Oregon as the proper allocation factor to attribute to this adjustment.

FERC Account 920
Relocation Expenses

O&M

	System		Oregon
IDAHO POWER	$784,339	4.64%	36,393
Staff Proposal	$365,000	4.64%	16,936
	(419,339)		**(19,457)**
	Model Input		**(19)**

Staff Initiator:
Carla Bird

IDAHO POWER
UE 233

S-13.1
Staff Work paper
Relocate & Severance

DR 210 Relocation Costs UE 233 - Idaho Power

Description	2008	2009	2010	Y-T-D 2011	Staff Forecast of 2011
Officers	**13,285**	**13,000**	**142,503**	**55,614**	**83,421**
Exempt	**43,466**	**25,225**	**55,329**	**59,137**	**88,706**
Non-Exempt	**56,751**	**38,225**	**197,832**	**114,751**	**172,127**
Total	113,502	76,450	395,663	229,502	344,254
	Staff Proposal				115,000
					(229,254) Variance

DR 208 Severance Costs UE 233 - Idaho Power

Description	2008	2009	2010	Y-T-D 2011	Staff Forecast of 2011
Officers		**225,000**	**225,000**		**-**
Exempt	**52,925**	**137,877**	**163,432**	**221,130**	**331,694**
Non-Exempt	**52,125**	**23,192**	**2,888**	**72,261**	**108,391**
Total	105,050	386,069	391,320	293,390	440,085
	Staff Proposal				250,000
					(190,085) Variance

	Total
Idaho Power	784,339
Staff	365,000
	(419,339)

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-14

Staff proposes to model O&M benefits attributable to new AMI system based upon a reduction to work force for meter readers, less vehicle expenses lower fuel costs, less insurance expense, tax savings related to new system more efficiencies gained in outage management and other business processes.

AMI Benefits	System	Allocation %	Oregon
FERC ACCOUNT #			
IDAHO POWER			
		General Allocator	
Staff Proposal	(5,300,000)	4.80%	(254,400)
	(5,300,000)		**(254,400)**
	Model Input		(254)

Staff Initiator:
Carla Bird

IDAHO POWER COMPANY UE 233 Test Period Ending December 31, 2011	Staff Adjustment S-100

Staff's primary rate design recommendation is to limit the residential customer charge increase to $1 per month (i.e., to $9) rather than $2.
With regards to marginal cost-of-service, Staff would increase generation demand costs by a multiple of 2.5, and would classify transmission costs as 75% demand-related and 25% energy-related. Total embedded generation and transmission costs would be spread in proportion to each schedule's sum of the respective marginal demand- and energy-related marginal costs. Those alterations principally reduce the residential rev. req. by 2% and increase the Large-Power-Primary rev. req. by about 4% (versus IPCo's 0%).
Staff accepts IPCo's ratespread floor (0%) and ceiling (i.e., double the average) provided the average does not exceed 8% (versus 14.67% requested).

NOTE: Refer to detailed worksheet for the precise schedule-by-schedule impacts.

Staff Initiator:
George R. Compton

CASE: UE 233
WITNESS: Carla Bird

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 103

Exhibits in Support
Of Opening Testimony

December 7, 2011

STAFF'S DATA REQUEST NO. 213:

Regarding the large load customer mentioned in IPC/1000, Larkin/3, please provide the following information:

a. What is the status of contract negotiations with this customer?

b. What is the approximate load forecast for this customer in the remaining portion of 2011 and for the entire year in 2012?

c. What is the expected date this customer (or customers) will take service from IPC?

d. Did IPC include the expectation of this load in its October update for the PCAM?

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 213:

a. Idaho Power Company ("Idaho Power" or "Company") continues to provide ongoing support for a new large load customer in Oregon. However, the parties have not yet begun contract negotiations at this time.

b. The new large load customer's request for facilities and service has ranged from 10 to 50 megawatts to be completed within 10 to 12 months from the start of construction. However, no firm commitment or contract negations have begun at this time.

c. At this time, there is no expected date for this new large load customer to begin taking service.

d. No. The Company feels that it is not appropriate to include new large loads in a test period unless the customer is under contract to take service during that test period.

LISA D. NORDSTROM (ISB No. 5733)
JASON B. WILLIAMS (ISB No. 8718)
Idaho Power Company
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P.O. Box 70
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Telephone: (208) 388-5825
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lnordstrom@idahopower.com
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Attorneys for Idaho Power Company

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AN EXTENDED AND MODIFIED ACCOUNTING ORDER TO AMORTIZE ADDITIONAL ACCUMULATED DEFERRED INCOME TAX CREDITS.	CASE NO. IPC-E-11-22 APPLICATION

Idaho Power Company ("Idaho Power" or "Company") hereby requests that the Idaho Public Utilities Commission ("Commission") issue an Order modifying Order No. 30978 (1) authorizing the Company to extend its ability to amortize additional accumulated deferred investment tax credits ("ADITC") through December 31, 2013, and (2) approving a one-time adjustment applied in 2011 to the sharing provision of the stipulation approved in Order No. 30978 to allow one-half of the Company's share of the Idaho Jurisdictional return on equity ("ROE") in excess of 10.5 percent to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates. This Application is based on the following:

I. CURRENT ADITC/REVENUE SHARING MECHANISM

1. On January 13, 2010, the Commission issued Order No. 30978 in Case No. IPC-E-09-30 approving a stipulation that established a mechanism permitting the Company, under certain circumstances as described below, to use additional amounts of ADITC in the years 2009, 2010, and 2011 and created the potential for revenue sharing in those same years. ADITC are income tax benefits the Company has already received based on the level of plant investment in previous years. ADITC is normally amortized over the book life of the associated plant investment and is used to reduce customer income tax expense. The mechanism approved in Order No. 30978 has the following structure:

a. ADITC Provisions. If the Idaho jurisdictional annual ROE is less than 9.5 percent, the Company is allowed to amortize an additional amount of ADITC up to $45 million over the period of 2009-2011 to achieve an actual ROE up to a maximum of 9.5 percent. In 2009, the Company was permitted to use a maximum level of $15 million in additional ADITC. Any unused eligible ADITC could be carried forward for use in a subsequent year during the three-year period provided the amount of additional ADITC used in a single year did not exceed $25 million.

b. Revenue Sharing Provisions. If the Idaho jurisdictional annual ROE exceeded 10.5 percent, amounts in excess of 10.5 percent are to be shared equally between the Company and its customers.

c. Rate Case Moratorium. The Company agreed not to file a general rate case that would have rates become effective prior to January 1, 2012. The moratorium did not apply to the annual Power Cost Adjustment ("PCA"), Fixed Cost

Adjustment, Advanced Metering Infrastructure, pension cost recovery, Energy Efficiency Rider, recovery of governmentally imposed fees, increased low-income weatherization funding, and a 2010 PCA-related base rate increase.

II. STATUS OF THE CURRENT MECHANISM

2. In 2009 and 2010, the Company's Idaho jurisdictional ROE was between 9.5 percent and 10.5 percent, resulting in no additional amortization of ADITC or revenue sharing. Over the three-year period of 2009-2011, the Company does not expect to utilize any of the $45 million of eligible ADITC. The Company's Idaho jurisdictional ROE in 2011 is expected to exceed 10.5 percent and result in revenue sharing. The customer share of the return in excess of 10.5 percent is currently forecast to be approximately $20 million.

III. PROPOSED EXTENSION AND MODIFICATION OF MECHANISM

3. Because the current ADITC/revenue sharing mechanism has proven to benefit both customers and the Company, Idaho Power proposes to extend the mechanism approved by Order No. 30978 to remain effective through December 31, 2013, under the following terms:

a. ADITC Provisions. If the Idaho jurisdictional annual ROE is less than 9.5 percent, the Company will be authorized to amortize additional ADITC by debiting Account 255 (ADITC) and crediting Account 420 (investment tax credits, a non-utility account), in an amount up to $45 million over the period of 2012-2013 to achieve an actual ROE up to a maximum of 9.5 percent. In 2012, the Company will be allowed to use a maximum level of $25 million in additional ADITC amortization.

b. If the Company's actual Idaho jurisdictional ROE for any year during the period 2012-2013 is above 9.5 percent, the Company will not use or allot any additional ADITC amortization. Unused eligible ADITC may be carried forward for use in 2013 up to the total eligible ADITC amount of $45 million. Notwithstanding the ability to amortize additional ADITC, during this two-year period, the Company will continue to amortize authorized levels of ADITC to operating income as it has in the past.

c. Revenue Sharing Provisions. A one-time adjustment to the sharing portion of the mechanism would be applied in 2011 to allow one-half of the Company's share of the Idaho jurisdictional return in excess in 10.5 percent to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates. This amount is currently forecast to be approximately $10 million. This amount would be in addition to the estimated $20 million that the Company forecasts will be customers' share pursuant to Order No. 30978. The Company's preferred use of this additional estimated $10 million customer benefit is to apply the amount as an offset to amounts that the Company would otherwise be required to request.

d. In the period 2012-2013, if the Idaho jurisdictional annual ROE exceeds 10.0 percent (rather than the currently approved 10.5 percent), amounts in excess of a 10.0 percent return would be shared equally between the Company and its customers.

4. The Company's proposal to apply a one-time adjustment to the 2011 revenue sharing calculation as described above is contingent upon the completion of a signed settlement stipulation agreeing to the extension and modification of the

ADITC/revenue sharing mechanism on or before December 31, 2011. This time frame is necessary to facilitate the timely recording of the Company's 2011 earnings for financial reporting purposes.

5. This ADITC extension proposal is independent and separate from the 2011 general rate case proceeding, Case No. IPC-E-11-08. However, the proposal contained in this Application was developed under the assumption that the Company's base rate revenues would increase according to the terms of the stipulation in that docket. Therefore, if the stipulation filed on September 23, 2011, in Case No. IPC-E-11-08 is not approved as filed, the Company shall withdraw this Application.

IV. COMMUNICATIONS

6. Communications with reference to this Application should be sent to the following:

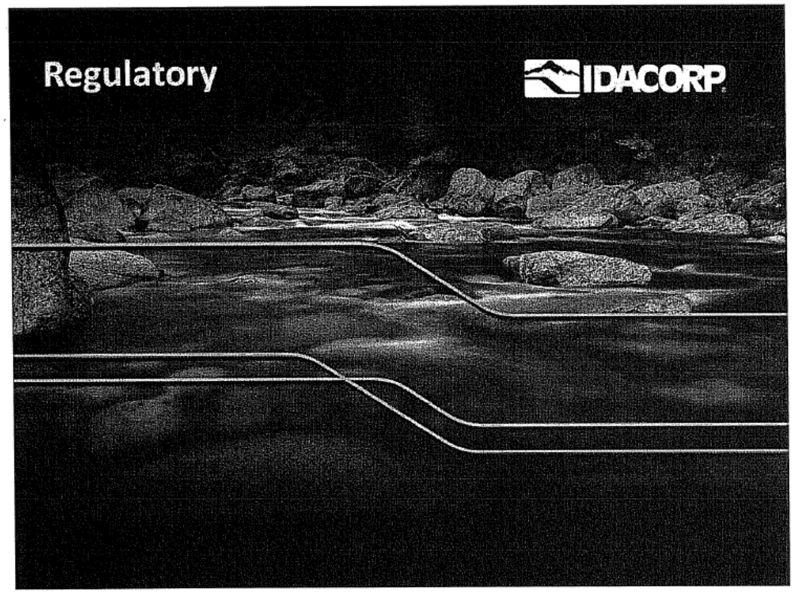
Lisa D. Nordstrom
Jason B. Williams
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
lnordstrom@idahopower.com
jwilliams@idahopower.com

Timothy E. Tatum
Cost of Service Manager
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
ttatum@idahopower.com

V. MODIFIED PROCEDURE

7. In order for Idaho Power to share additional revenues with customers as proposed herein in 2011, Idaho Power must reach a stipulated agreement by December 31, 2011. Consequently, Idaho Power respectfully requests that the Commission expeditiously process this case by means of modified procedure in accordance with the provisions of RP 201-210.

Power Point Prepared by Darrel T. Anderson, Steven R. Keen and Lawrence F. Spencer- dated November 11, 2011:



IDACORP

Productive Regulatory Strategy

	Regulatory Action	Effective Date	Annualized Revenue Impact (Millions)
2009	Idaho General Rate Case	February 1st	$ 21
	Idaho General Rate Case	March 19th	$ 6
	Idaho AMI	June 1st	$ 11
	Oregon AMI	June 1st	$ 1
	Oregon Power Cost Update	June 1st	$ 4
2010	Idaho Settlement Agreement	June 1st	$ 89
	Idaho PCA	June 1st	$(147)
	Idaho Pension Expense Recovery	June 1st	$ 5
	Idaho AMI	June 1st	$ 2
	Idaho FCA	June 1st	$ 4
	Oregon Power Cost Update	June 1st	$ 2
2011	Idaho PCA	June 1st	$ (40)
	Idaho FCA	June 1st	3
	Idaho Pension Expense Recovery	June 1st	$ 12

<u>STAFF'S DATA REQUEST NO. 317</u>:

Please provide a new Results of Operations report for the 12-month period beginning June 2010 through May of 2011. For Type 1 adjustments, please comply with the previously agreed-upon methods that comport with the adjustments used to prepare the calendar year 2010 ROO.

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 317</u>:

On September 21, 2011, Idaho Power discussed the overly burdensome nature of this request with Oregon Public Utility Commission Staff. As a result of this conversation, Staff agreed to waive Idaho Power's obligation to respond to this request.

Idaho Power's second response- September 12, 2011

Wage & Salary Study Information

	Actuals - DR 133- UE 213	Actuals - DR 94						
Category	2003 Total Co FTE	2007 Total Co FTE	2008 Total Co FTE	2009 Total Co FTE	2010 Total Co FTE	2011 Total Co FTE	3 year Average	5 year Average
Officers	11	14	14	14	16	16	14.67	14.80
Exempt	582	725	768	782	837	849	795.67	792.20
Non Exempt	1151	1319	1301	1212	1190	1239	1234.33	1252.20
Union		0	0	0	0	0		
Total	1744	2058	2083	2008	2043	2104	2045	2059
							(2008, 2009, 2010	(2007 - 2011)

Percentage Change

Category	06-2007 Total Co FTE	07-2008 Total Co FTE	08-2009 Total Co FTE	09-2010 Total Co FTE	10-2011 Total Co FTE	3 year Average	5 year Average
Officers	0.00%	0.00%	0.00%	14.29%	0.00%	4.76%	5.02%
Exempt	9.19%	5.93%	1.82%	7.03%	1.43%	4.93%	4.88%
Non Exempt	4.19%	-1.36%	-6.84%	-1.82%	4.12%	-3.34%	1.00%
Total	5.86%	1.21%	-3.60%	1.74%	2.99%	-0.21%	2.41%

Number Change

Category	06-2007 Total Co FTE	07-2008 Total Co FTE	08-2009 Total Co FTE	09-2010 Total Co FTE	10-2011 Total Co FTE	3 year Average	5 year Average
Officers	-	-	-	2	-	0.67	0.63
Exempt	61	43	14	55	12	37.33	33.38
Non Exempt	53	(18)	(89)	(22)	49	-43.00	11.00
Total	114	25	-75	35	61		

Idaho Power's Second Supplemental Corrected Response to DR 94 -October 12, 2011

ATTACHMENT - SECOND SUPPLEMENTAL CORRECTED RESPONSE TO MASTER DATA REQUEST NO. 94

Accrued Payroll Expenses allocated to Employee Categories based on Paid Cash Compensation amoun

2007		Accrued Payroll			
Category	**Total Co FTE ****	**Base Wages or Salaries**	**Overtime**	**Incentive**	**Total**
Officers	14.0	3,468,431	-	1,008,228	4,476,659
Exempt	823.1	57,230,483	110,687	3,706,489	61,047,660
Nonexempt	1,187.3	69,996,150	8,569,276	4,004,479	82,569,905
Union	-	-	-	-	-
Total	**2,024.4**	**130,695,064**	**8,679,963**	**8,719,196**	**148,094,223**
** Exclude FTE created by Overtime					

2008		Accrued Payroll			
Category	**Total Co FTE ****	**Base Wages or Salaries**	**Overtime**	**Incentive**	**Total**
Officers	14.0	3,695,952	-	2,243,899	5,939,850
Exempt	833.6	63,725,137	69,010	6,315,964	70,110,110
Nonexempt	1,221.2	72,630,294	7,534,194	6,143,003	86,307,490
Union	-	-	-	-	-
Total	**2,068.8**	**140,051,382**	**7,603,204**	**14,702,865**	**162,357,451**
** Exclude FTE created by Overtime					

2009		Accrued Payroll			
Category	**Total Co FTE ****	**Base Wages or Salaries**	**Overtime**	**Incentive**	**Total**
Officers	14.00	3,513,404	-	2,579,203	6,092,607
Exempt	829.03	67,277,541	48,279	6,485,662	73,811,482
Nonexempt	1,196.30	74,059,113	5,986,509	5,863,769	85,909,390
Union	-	-	-	-	-
Total	**2,039.33**	**144,850,057**	**6,034,788**	**14,928,634**	**165,813,479**
** Exclude FTE created by Overtime					

2010		Accrued Payroll			
Category	**Total Co FTE ****	**Base Wages or Salaries**	**Overtime**	**Incentive**	**Total**
Officers	16.0	3,900,212	-	2,482,022	6,382,234
Exempt	827.6	71,822,425	65,654	6,493,505	78,381,583
Nonexempt	1,160.4	72,568,266	7,210,793	6,174,385	85,953,444
Union	-	-	-	-	-
Total	**2,004.0**	**148,290,903**	**7,276,447**	**15,149,911**	**170,717,262**
** Exclude FTE created by Overtime					

2011*		Accrued Payroll			
Category	**Total Co FTE ****	**Base Wages or Salaries**	**Overtime**	**Incentive**	**Total**
Officers	16.0	4,068,309	-	-	4,068,309
Exempt	844.6	76,095,573	38,804	3,258,806	79,393,183
Nonexempt	1,174.9	74,394,165	6,359,194	3,421,942	84,175,300
Union	-	-	-	-	-
Total	**2,035.4**	**154,558,047**	**6,397,998**	**6,680,748**	**167,636,792**
**Exclude FTE created by Overtime		*2011 Employee headcount includes forecast through year-end; Compensation includes data for current employees through 6/30, with remainder of year forecasted.			

STAFF'S DATA REQUEST NO. 208:

In the following table format, please provide *actual* severance cost information for 2008, 2009, 2010 and year-to-date 2011. For the remaining period of 2011 through 2013, please provide budget estimates of such costs.

Description /Account	2008	2009	2010	2011 (Y-T-D)	2011 Tot. Est.	2012 BudgetE st.	2013 Budget Est.
Officer							
Exempt							
Non-Exempt							
Total							

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 208:

Please see table below.

Description /Account	2008	2009	2010	2011 (Y-T-D)	2011 Tot. Est.	2012 Budget Est.	2013 Budget Est.
Officer	N/A	$225,000.00	$225,000.00	N/A	*	*	*
Exempt	$52,925.12	$137,877.19	$163,431.84	$221,129.52	*	*	*
Non-Exempt	$52,125.23	$23,192.00	$2,888.40	$72,260.80	*	*	*
Total	$105,050.35	$386,069.16	$391,320.24	$293,390.32	*	*	*

*Severance costs are not budgeted on a year-to-year basis; therefore, no information has been provided. Idaho Power Company does anticipate a maximum of four additional Advanced Meter Infrastructure-related severance payments in late 2011.

STAFF'S DATA REQUEST NO. 210:

In the following table format, please provide *actual* relocation cost information for 2008, 2009, 2010 and year-to-date 2011. For the remaining period of 2011 through 2013, please provide budget estimates of such costs.

Description /Account	2008	2009	2010	2011 (Y-T-D)	2011 Tot. Est.	2012 BudgetE st.	2013 Budget Est.
Officer							
Exempt							
Non-Exempt							
Total							

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 210:

Please see the table below.

Description/ Account	2008	2009	2010	2011 (Y-T-D)	2011 Tot. Est.	2012 Budget Est.	2013 Budget Est.
Officer	$0.00	$0.00	$0.00	$0.00	*	*	*
Exempt	$13,284.70	$13,000.00	$142,503.09	$55,614.00	*	*	*
Non-Exempt	$43,466.14	$25,225.20	$55,328.61	$59,137.20	*	*	*
Total	$56,750.84	$38,225.20	$197,831.70	$114,751.20	*	*	*

*These expenses are not budgeted; therefore, no information other than actual costs has been provided.

ATTACHMENT - RESPONSE TO STAFF'S DR 337

Idaho Power Company
AMI Project Costs to Date Idaho and Oregon
Schedule for OPUC Question 337a

Capital
Accounts 101 & 107

	Total	2004	2005	2006	2007	2008	2009	2010	August 2011 YTD
Meters	$49,492,082	$4,474,907	$0	$0	$0	$1,491,608	$16,682,170	$16,122,933	$10,720,464
Stations Backhaul Communications Equipment	$21,206,974	$996,118	$0	$0	$0	$2,211,619	$4,320,565	$7,434,562	$6,244,111
IT Hardware	$106,560	$106,560	$0	$0	$0	$0	$0	$0	$0
IT Software and Licensing	$3,185,749	$1,206,525	$0	$0	$0	$229,387	$455,243	$1,245,910	$48,684
Total	$73,991,365	$6,784,110	$0	$0	$0	$3,932,614	$21,457,978	$24,803,405	$17,013,259

O&M

	Total	2004	2005	2006	2007	2008	2009	2010	August 2011 YTD
Meters	$0	$0	$0	$0	$0	$0	$0	$0	$0
Stations Backhaul Communications Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0
IT Hardware	$0	$0	$0	$0	$0	$0	$0	$0	$0
IT Software and Licensing	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$0	$0	$0	$0	$0	$0	$0	$0	$0

Idaho Power Company
AMI Project Costs to Date in Oregon
Schedule for OPUC Question 337c

Capital
Accounts 101 & 107

	Total	2004	2005	2006	2007	2008	2009	2010	August 2011 YTD
Meters direct investment in Oregon	$1,907,081	$0	$0	$0	$0	$0	$0	$867,337	$1,039,744
Stations Backhaul Communications Equipment direct investment in Oregon	$1,240,411	$0	$0	$0	$0	$0	$0	$1,288,235	-$47,824
IT Hardware - allocated	$0	$0	$0	$0	$0	$0	$0	$0	$0
IT Software and Licensing - allocated	$95,003	$0	$0	$0	$0	$11,011	$21,852	$59,804	$2,337
Total	$3,242,495	$0	$0	$0	$0	$11,011	$21,852	$2,215,376	$994,257

<u>STAFF'S DATA REQUEST NO. 151</u>:

Has Idaho Power adjusted its O&M for the 2011 test period to reflect the savings or reduction in work force related to the implementation of AMI? If so, please provide specific savings that have been modeled and any associated workpapers in excel format with active cell calculations.

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 151</u>:

The Company did not apply a specific adjustment to its operations and maintenance ("O&M") for the 2011 test period to reflect the savings or reduction in workforce related to the implementation of AMI because the Company's forecast methodology already reflects such savings without a specific adjustment.

The forecast method used to determine the O&M labor for the 2011 test period is described on pages 10 and 11 of Exhibit 802, *Forecast Methodology Manual* (pages 5 and 6 of the manual). As described in the *Forecast Methodology Manual*, the Company "calculated the projected 2011 O&M labor by first calculating the average three-year historical February year-to-date actual O&M labor costs as a percentage of the total year actual O&M labor costs which was determined to be 15.00%. This percentage was then applied to the actual February 2011 year-to-date O&M labor of $20,083,335 to estimate the total 2011 O&M labor costs of $133,886,252."

Because the Company's forecast methodology uses February 2011 year-to-date O&M labor as the basis to project 2011 levels, any savings or reduction in workforce related to the implementation of AMI that occurred through that date is reflected in the projection. Further, the 15 percent annualization factor applied to the February 2011 year-to-date O&M labor number reflects workforce savings that occurred throughout the years of 2008, 2009, and 2010. Therefore, to apply a specific adjustment would double count savings already reflected in the Company's test year O&M labor forecast.

<u>STAFF'S DATA REQUEST NO. 227</u>:

During the period (2008–2010), IPCo's level of exempt FTE increases by 121 FTE, a combined percentage increase of nearly 16% increase to exempt FTE workforce. Please identify what process changes took place that justifies the increase to exempt work force of nearly 16% during a period when customer growth is *declining* by an average of 3.2% over the same period.

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 227</u>:

During the period of 2008-2010, several factors contributed to an increase in exempt headcount.

To ensure positions are properly classified under the Fair Labor Standards Act, Idaho Power's compensation team regularly reviews positions in the organization. From 2008-2010, several jobs were reclassified from non-exempt (hourly) to exempt (salaried) in order to appropriately reflect the responsibilities and level of work the employees were performing. Two significant reclassifications were Environmental Technicians and Customer Service Coaches. These two job classifications account for a reduction in non-exempt headcount and an increase of exempt headcount by 30 employees.

Additionally, to support the Company's Smart Grid project, 10 exempt employees were hired in 2010 in the Company's Information Technology group.

Finally, as a company, Idaho Power consistently reviews all positions to ensure it has the appropriate resources to support the needs of its customers and can function as effectively as possible as a business. During the period of 2008-2010, a number of positions were redefined to better align with Idaho Power's current business needs. This resulted, in some cases, in a change in exemption status.

It should be noted that each vacancy created by attrition or retirement is carefully scrutinized to justify the need to backfill the position. During the period of 2008-2010, there was an overall reduction of 40 positions in the Company as a result of this scrutiny.

<u>STAFF'S DATA REQUEST NO. 345</u>:

As a follow-up to DR 227, of the 30 FTE reclassified from non-exempt to exempt status that represent Environmental Technicians and Customer Service Coaches, please specify the number of FTE that are Environmental Technicians and the number that are Customer Service Coaches. Also, please answer the following questions separately for each of the two categories of employees.

a. **Please provide a job description for each of the two job titles.**

b. **Please provide the number of FTE Idaho Power has system-wide, separated by year and separated by job title (I.e., 2008-Customer Service Coaches = X, 2009-Customer Service Coaches = Y, 2010-Customer Service Coaches = Z, etc.) for the years between 2008 through 2011.**

c. **What criteria does IPCo rely upon in its review of employee classification that supported the decision to reclassify these two job titles?**

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 345</u>:

a. Job Descriptions – Biologist and Customer Service Supervisor:

i. <u>Customer Service Supervisor (Customer Service Coaches)</u> – Provides direct leadership and daily coaching and mentoring for Customer Service Representatives, Entry, I and II, Industrial, Customer Service Support Specialists, Clerks and Outage Specialists. Measures and monitors growth, development and overall performance of direct reports. Analyzes employee performance data to write performance management plans, make decisions on employee advancement, MSIs, and employee training. Provides technical and procedural advice on new and existing policies, procedures and the application of Regulatory requirements and coordinates training for the following employee groups: Customer Service Support Specialists, Customer Service Representatives, Outage Specialists, Customer Service Representative-Industrial, Customer Service Clerks, and Lines Clerk.

ii. <u>Biologist (Environmental Technicians)</u> – The primary objective of this position is to function as the Principal Investigator in the initiation and planning, implementation, and close of environmental projects in one of the four primary groups within the Environmental Department (Recreation, Water Quality, Fisheries, and Terrestrial). Principal investigators take a leadership role in describing natural resources, managing and analyzing data, developing management plans, and reporting effects of Company activities on the natural resources. This person provides leadership for multiple complex concurrent projects – projects are defined by Supervisors as budgeted units of work.

b. Customer Service Supervisor and Biologist count by year:

Year	Customer Service Supervisor	Biologist
2008	0	20
2009	6	42
2010	6	44
2011	6	45

c. To ensure positions are properly classified under the Fair Labor Standard Act ("FLSA"), the Company carefully reviews both salary and duties to determine whether an employee should be classified as exempt or nonexempt under the FLSA. The Company may also consult with outside counsel to assist with these determinations.

<u>STAFF'S DATA REQUEST NO. 346</u>:

This question is a follow-up to DR 226 in which Idaho Power explains the reduction for non-exempt FTE between 2008 and 2010. Please explain the annual increase in exempt FTE beyond the shifting of 30 non-exempt FTE to exempt status between 2008-2010. In addition, please explain the increase in both exempt and non-exempt FTE in the 2011 test period (an increase of over 60 FTE).

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 346</u>:

There were several business drivers for the increase in the number of exempt employees during 2008-2010:

- As noted above, 30 employees were reclassified from non-exempt to exempt after review of salaries and duties in accordance with the FLSA.

- To support the Company's Smart Grid project, 10 exempt employees were hired in 2010 in the Information Technology group.

- The remaining exempt employees were added for a variety of reasons, including:

    - Focus on new compliance requirements
    - Reduce management span of control
    - Improve field operations and customer support
    - Implement new programs and initiatives
    - Provide leadership opportunities for succession planning purposes
    - In-source activities previously conducted by consultants or outside legal counsel

Although exempt headcount increased during this period, o<u>verall headcount *decreased* by 40, as previously noted</u>.

CASE: UE 233
WITNESS: Linnea Wittekind

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 200

Opening Testimony

December 7, 2011

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Linnea Wittekind. I am employed by the Public Utility Commission of Oregon as a Senior Financial Analyst, Corporate Analysis and Water Regulation Section, in the Economic Research and Financial Analysis Division of the Utility Program. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My Witness Qualification Statement is found in Exhibit Staff/201.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to recommend adjustments to Idaho Power's medical expenses, director and officer insurance expenses, and other non-labor Administrative and General (A&G) expenses. During the course of my investigation leading to this testimony, I prepared and/or reviewed 43 data requests. My recommendations are based on this analysis as well as prior Commission policy enunciated through orders and reviewing industry trends and practices.

Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?

A. Yes. I prepared Exhibit Staff/202 (6 pages of supporting calculations), and Exhibit Staff/203 (23 pages of Idaho Power data request responses / attachments and documentation in support of footnotes).

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized as follows:

Adjustments

S-1, D&O INSURANCE EXPENSE ADJUSTMENT

Q. PLEASE SUMMARIZE THIS ADJUSTMENT.

A. This adjustment is shown in Exhibit Staff/202, Wittekind/1 and focuses on Idaho Power's Director & Officer (D&O) liability insurance. I propose the following adjustment (Oregon-allocated):

D & O Insurance	($16,030)

Based on the Company's response to Staff Data Request No. 66[1], Idaho Power's total 2010 D & O Insurance cost is $1,285,004. I recommend a total cost of $935,004. As shown in Confidential Exhibit Staff/202, Wittekind/2, the difference of $350,000 is allocated at the allocation factor of 4.58 percent to arrive at the Oregon-allocated reduction of $16,030.

[1] Included in Confidential Exhibit Staff/203.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DIRECTOR & OFFICER LIABILITY INSURANCE.

A. I examined Idaho Power's total D&O insurance costs for all layers and reduced the excess D&O Liability Insurance by 50 percent. Idaho Power currently includes the total D&O insurance cost which includes the primary, first excess, and second excess layers in rates. Staff standard practice is to recommend allowing 100 percent of the primary layer, and use a 50 percent sharing between ratepayers and shareholders for the first and second excess layers.

Q. WHAT IS THE BASIS FOR YOUR ADJUSTMENT?

A. D&O insurance protects senior management in the event that they are sued, whether by customers, shareholders, or others in conjunction with the performance of their duties. As previously mentioned, Staff standard practice, which has been adopted and approved by the Commission, is to use a 50 / 50 sharing between shareholders and ratepayers of Excess D&O Liability Insurance because a sharing approach aligns the interests of customers and shareholders. Customers typically have no say in electing or appointing Utility Directors or Officers, and therefore should not be held financially responsible for providing all of the insurance coverage against business decisions or improprieties by management that result in lawsuits. Additionally, a large number of claims are brought by shareholders.[2] For these reasons, customers should not have to pay the full costs of total D&O insurance. As determined in UE 197, Commission Order No. 09-020, pages 19 to 20, the excess insurance

[2] http://www.towerswatson.com/assets/pdf/3790/DandO-Survey_2011.pdf

should be considered a joint shareholder/customer cost. On page 20 of the Order, the Commission states:

> We concur with Staff that the cost of D&O insurance should be shared equally between shareholders and ratepayers to properly reflect the benefits and burdens of that expense. We eliminate 50 percent of the D&O insurance as a shareholder cost.[3]

S-2, MEDICAL BENEFIT EXPENSE ADJUSTMENT

Q. PLEASE SUMMARIZE THIS ADJUSTMENT.

A. This adjustment is shown in Exhibit Staff/202, Wittekind/3 and focuses on Idaho Power's medical benefit expense. I propose the following adjustment (Oregon-allocated):

Medical Expense	($21,369)

Based on the Company's response to Staff Data Request No. 305[4], Idaho Power's total 2011forecasted cost is $15,482,268. Staff recommends a total cost of $15,015,699. As shown in Exhibit Staff/202, Wittekind/4, the difference of $466,569 is allocated at the Oregon allocation factor to arrive at the Oregon-allocated reduction of $21,369.

Q. PLEASE EXPLAIN YOUR MEDICAL BENEFIT EXPENSE ADJUSTMENT.

A. I examined Idaho Power's medical benefit costs for both the standard medical plan and the Health Investment Option (HIO) plan. The current aggregate contribution allocation is split between 87 percent (Idaho Power) and 13 percent (Employees) for medical, dental, and vision plans. I propose an

[3] OPUC Order No. 09-020, pg. 20, included in Exhibit Staff/203.
[4] Included in Exhibit Staff/203.

adjustment to Idaho Power's revenue requirement in this case assuming an overall sharing structure of 81 percent (Idaho Power) and 19 percent (Employees) for medical, dental and vision plans based on my research concerning employer/employee benefit sharing.

Q. WHAT IS THE BASIS FOR YOUR ADJUSTMENT?

A. I modified Idaho Power's employer/employee premium sharing to more closely align with the recent trend in health care plans of employees picking up a larger share of medical premiums. According to the Kaiser Family Foundation and Health Research & Educational Trust[5], covered workers on average contribute 19 percent of the total premium for single coverage and 30 percent for family coverage. Similarly, the 2011 edition of the 16th Annual Towers Watson Employer Survey on Purchasing Value in Health Care states:

> on average employees across all plan types and coverage tiers paid 22.9 percent of total premium costs in 2010. As employers take steps to manage their costs, employees' share of premiums will increase to 23.8 percent in 2011[6].

According to a September 27, 2010 news release regarding an analysis conducted by the human resources consulting firm Hewitt Associates, the amount employees will be asked to contribute toward their health care cost in 2011 will be 22.5 percent of the total health care premium[7]. Therefore, my adjustment is conservative in not recommending the full 22.5 percent allocation.

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[5] Kaiser Family Foundation 2010 Summary of Findings included in Exhibit Staff/203.
[6] http://www.towerswatson.com/assets/pdf/3946/TowersWatson-NBGH-2011-NA-2010-18560.pdf
[7] http://aon.mediaroom.com/index.php?s=114&item=89 included in Exhibit Staff/203.

As shown in Idaho Power's response to Staff Data Request No. 305,[8] Idaho Power has a wide range of employees in various tiers of its medical plan (e.g. employee/spouse, employee plus children, employee/family, etc.). By making a straight adjustment at 19 percent sharing, Idaho Power is receiving a lesser adjustment than what would be proposed if I were to adjust based on actual classification of employees in each of the plan tiers.

S-3, NON-LABOR A&G EXPENSE ADJUSTMENT

Q. PLEASE SUMMARIZE THIS ADJUSTMENT.

A. This adjustment is shown in Exhibit Staff/202, Wittekind/5 and focuses on Idaho Power's non-labor A&G expense in FERC accounts 920-935. I propose the following adjustment (Oregon-allocated):

Non-Labor A&G Expense	($165,298)

Q. PLEASE EXPLAIN YOUR NON-LABOR EXPENSE ADJUSTMENT.

A. I adjusted certain non-labor expenses in FERC account 920-935 by proposing a 50 / 50 sharing between shareholders and customers for meals, entertainment, and awards/gifts, which results in an Oregon allocated adjustment of $3,619. Additionally, I propose a disallowance of 100 percent of the stock based compensation, which results in an Oregon allocated adjustment of $161,679.

[8] Included in Exhibit Staff/203.

Q. WHAT IS THE BASIS FOR YOUR ADJUSTMENTS?

Meals, Entertainment, and Awards/Gifts

In its rate case reviews, Staff's historical and longstanding practice is to recommend a 50 / 50 sharing between shareholders and customers for meals and entertainment expenses. The following table summarizes the meals and entertainment expenses in Idaho Power's FERC accounts 920-935. These amounts are also listed in Staff/202, Wittekind/6.

Table 1 – Meals and Entertainment Expenses (System Total)

FERC Acct No.	Amount
920	$841
921	$31,975
923	$626
926*	$120,295
930	$3,693
935	$599
Total	**$158,029**
50 / 50 share	**$79,015**
Oregon Allocation	**$3,619**

***** *According to Idaho Power's response to Staff Data Request No. 276,*[9] *account 926.104 is used to record the expense associated with recognition of employees for various awards and gifts.*

Because these costs are discretionary and not required to provide safe and adequate service to customers, I recommend a continuation of the 50 / 50 sharing of meals and entertainment expenses between customers and shareholders. This approach somewhat mirrors the Commission policy associated with bonuses and the handling of meal and entertainment expenses for income tax purposes.

[9] Included in Exhibit Staff/203.

In Commission Order No. 09–020 (UE 197), the Commission adopted Staff's recommendation concerning meals and entertainment expenses and ordered the 50 percent sharing between customers and shareholders. The Commission stated on page 21:[10]

> We agree with Staff that the costs for food and gifts are discretionary and should be shared equally by ratepayers and shareholders[11].

Stock Based Compensation

The Commission has not allowed utilities to charge customers for bonuses paid to company executives that are based on the financial performance of the utility or its parent company.[12] The Commission policy is to disallow 100 percent of officers' bonuses because they are based on increased earnings. Staff views stock based compensation as an officer bonus and recommends that stock based compensation be removed from rates at 100 percent of the 2010 amounts.

According to the Internal Revenue Service, stock-based compensation generally consists of either the transferring of stock or the issuance of stock options to an employee or independent contractor[13].

Stock-based compensation provides executives and employees the opportunity to share in the growth of the company and, if structured properly, can align their interests with the interests of the company's shareholders and investors, without burning the company's cash on hand. The types of stock-

[10] OPUC Order No. 09-020 pg 21 included in Exhibit Staff/203.
[11] OPUC Order No. 09-020 pg 21 included in Exhibit Staff/203.
[12] OPUC Order No. 87-406, pp. 42-43, included in Exhibit Staff/203.
[13] http://www.irs.gov/businesses/corporations/article/0,,id=134892,00.html

based compensation most frequently used by private companies include stock options (both incentive and non-qualified) and restricted stock. Restricted stock is stock sold (or granted) that is subject to vesting and is forfeited if the vesting is not satisfied. Restricted stock may be granted to employees, directors or consultants. [14]

Based on the Company's response to Staff Data Request No. 56, the Company incurred $3,054,920 of stock-based compensation in FERC account 920 starting on line 13977 of the excel spreadsheet provided in Staff Exhibit 203 and $475,200 of stock-based compensation in FERC account 930.2 line 35489 of the excel spreadsheet provided in Staff Exhibit 203. These amounts are distinct and separate from the Executive Incentive and Corporate Incentive costs listed in response to Staff Data Request No. 56, lines 14128 through 14179 of the excel spreadsheet provided in Staff Exhibit 203.

According to IDACORP's 2010 SEC Form 10-K, page 112:

> The LTICP (for officers, key employees, and directors) permits the grant of nonqualified stock options, restricted stock, performance shares, and several other types of stock-based awards. The RSP permits only the grant of restricted stock or performance-based restricted stock. At December 31, 2010, the maximum number of shares available under the LTICP and RSP were 1,537,639 and 16,064, respectively[15].

The amount from FERC account 930 ($475,200) is labeled as DSP according to page 112 of IDACORP's 2010 SEC Form 10-K:

> IDACORP also has one non-employee plan, the Non-Employee Directors Stock Compensation Plan (DSP). The

[14] http://www.goodwinfoundersworkbench.com/stock-based-compensation/
[15] http://www.idacorpinc.com/pdfs/10K/10k2010a.pdf, page 112 included in Exhibit Staff/203.

> purpose of the DSP is to increase directors' stock ownership through stock-based compensation. The DSP was terminated for purposes of new awards effective February 26, 2010, and grants to nonemployee directors subsequent to that date have been made pursuant to the LTICP.

When discussing the stock rewards in the 2010 SEC Form10-K, page 112, the Company specifically refers to this compensation as an award and states:

> Performance-based restricted stock awards have three-year vesting periods and entitle the recipients to voting rights. Unvested shares are restricted as to disposition, subject to forfeiture under certain circumstances, and subject to meeting specific performance conditions. Based on the attainment of the performance conditions, the ultimate award can range from zero to 150 percent of the target award. Dividends are accrued and paid out only on shares that eventually vest.
>
> The performance awards are based on two metrics, cumulative earnings per share (CEPS) and total shareholder return (TSR) relative to a peer group.

As previously stated, the compensation expense in 2010 was $3,054,320 in Stock-Based Compensation and $475,200 Non-Employee Directors Stock-Based Compensation.

Although the Company demonstrates removal of Executive Incentives from its test year in Idaho Power/603, Jones/1,[16] it does not appear that the stock based compensation was removed. Stock-based compensation is classified distinctly and separately in the Company's transaction summaries. It should be noted that the Company's incentive adjustment in Idaho Power/603, Jones/1 appears to generally track the cost of Corporate and Executive Incentives provided in line 14128 through 14179 in the Company's response to Staff Data

[16] In the Company's response to Staff Data Request No. 56, Idaho Power lists corporate and executive incentives on lines 14128 through 14179.

Request No. 56. Because the Company only adjusted out the 2010 Corporate and Executive incentives from rates and not the stock-based compensation, the stock-based compensation would remain a customer expense in rates.

As previously mentioned, Staff views stock based compensation as an officer bonus and recommends that the stock based compensation be removed from rates at 100 percent of the 2010 amounts. This recommendation is reinforced by the fact that the metric for establishing such bonuses is company earnings. Because the Company "held" test year expenses at the 2010 levels (*See* Idaho Power/800, Tatum/3), I did not escalate the 2010 amounts to a higher amount in 2011. The Oregon-allocated adjustment is $161,679 based on the system cost of $3,530,120 multiplied by the Oregon allocation factor of 4.58 percent.

Q. ARE ADJUSTMENTS S-1, S-2, AND S-3 ANNUALIZED?

A. No. The expenses reviewed and discussed in my testimony appear to have been forecasted correctly therefore an adjustment to annualize was not necessary.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UE 233
WITNESS: Linnea Wittekind

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 201

Witness Qualification Statement

December 7, 2011

WITNESS QUALIFICATION STATEMENT

NAME: Linnea Wittekind

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Financial Analyst, Economic Research & Financial Analysis Division

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: B.S. Western Oregon University
Major: Business with focus in Accounting
Minor: Entrepreneurship

EXPERIENCE: Since November 2009, I have been employed by the Public Utility Commission of Oregon. Responsibilities include research, analysis and recommendations on a wide range of cost, revenue and policy issues for electric and natural gas utilities. I have provided testimony in UE 215 and have filed comments in LC 50 and UI 314. I have also reviewed and analyzed a number of energy efficiency tariff filings, filed by Idaho Power Company. I've written several public meeting memos summarizing my analysis of the energy efficiency tariff filings. I have performed an operational audit of NW Natural and am currently performing an operational audit of Cascade Natural Gas.

From July 2005 to November 2009, I worked as a Tax Auditor for the Oregon Department of Revenue. In enforcement of tax laws, rules and regulations, I performed income tax audits of individual tax payers and small businesses. Additionally I prepared cost analysis of tax credits and measures. I also represented the department before the Oregon Tax Court for tax deficiency appeals.

CASE: UE 233
WITNESS: Linnea Wittekind

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 202

Exhibits in Support
Of Opening Testimony

December 7, 2011

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-1

Staff adjusted the D&O Insurance to allow for a 50% sharing of the excess layers of the D&O Insurance between the Company and customers.

FERC Account 925

D&O Insurance	System	Oregon
IDAHO POWER		
See Confidential Work Paper provided under Separate Cover.		
Staff Proposal	(350,000)	**(16,030)**
Input		(16)

Staff Initiator:
Linnea Wittekind

Page 2 is confidential.

You must have signed the Protective Order in this docket in order to view this page.

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-2

Staff adjusted Medical expenses by proposing an overall 81/19 sharing structure versus the 87/13 used by Idaho Power.

Medical Expenses	System		Oregon
IDAHO POWER	15,482,268	4.58%	712,184
Staff Proposal	15,015,699	4.58%	690,722
	(466,569)		**(21,369)**
Input			(21)

Staff Initiator:
Linnea Wittekind

UE 233 Idaho Power - Medical Expense - A&G

S - 2.1
Wittekind
Work paper for Medical Expense

FERC Acct. No.			
926	2011 Medical - Standard Plan*	$	15,298,536
926	2011 Medical - HIO Plan	$	3,239,364
	2011 Total Medical	$	18,537,900
	Employee Portion (based on 81/19 sharing)**	$	3,522,201
	Staff's Forecasted 2011 Idaho Power Medical Expense	$	15,015,699
	Forecasted 2011 Medical Expense per Idaho Power***	$	15,482,268
	Forecasted 2011 Medical Expense per Staff****	$	15,015,699
	Adjustment (total company)	$	(466,569)
	Oregon Allocation (labor)		4.58%
	Oregon Allocated Adjustment	**$**	**(21,369)**

* Total (employer & employee) medical benefit costs as reported in response to Staff DR No. 305. Standard Plan ($1,274,878 x 12 = $15,298,536) HIO Plan ($269,947 x 12 = $3,239,364).

** Staff proposes an overall 81/19 sharing structure for medical benefits. According to the Kaiser Family Foundation "On average, covered workers contribute 19% of the total premium for single coverage and 30% for family coverage...." (http://ehbs.kff.org/pdf/8226.pdf).

*** Idaho Power's portion of medical benefits as reported in response to Staff DR No. 305 (($1,274,878 - $225,344 + $269,947 - $29,292) * 12 = $15,482,268).

**** Forecasted 2011 medical expense is calculated as follows $18,537,900 (2011 total medical) - $3,522,201 (employee portion) = $15,015,699.

IDAHO POWER COMPANY
UE 233
Test Period Ending December 31, 2011
(000)

Staff
Adjustment
S-3

Staff made an adjustment to the A&G accounts to allow for a 50% sharing between customers and the Company for meals, flowers, gifts, etc.
Staff also disallowed 100% of the stock based compensation.

Various A&G			
See Staff Work paper	System		Oregon
IDAHO POWER	112,863,168	4.58%	5,169,133
Staff Proposal	109,254,034	4.58%	5,003,835
	3,609,135		**165,298**
Input			165

Staff Initiator:
Linnea Wittekind

NOTE: Idaho Power System amount from Idaho Power/601/Jones/6. Staff Proposal is the Idaho Power system total less Staff adjustment of $3,609,135.

UE 233 Idaho Power - Summary of Various A&G Adjustments- A&G

FERC Acct. No.	Various*	Stock Based Compensation**	Total
920	$ 841	$ 3,054,920	
921	$ 31,975	$ -	
923	$ 626	$ -	
924	$ -	$ -	
925	$ -	$ -	
926 see note	$ 120,295	$ -	
928	$ -	$ -	
930	$ 3,693	$ 475,200	
931	$ -	$ -	
935	$ 599	$ -	
Total	$ 158,029	$ 3,530,120	
Disallowance %	50%	100%	
Adjustment	$ 79,015	$ 3,530,120	$ 3,609,135
		Oregon Allocation (labor)	4.58%
		Oregon Allocated Adjustment	**$ 165,298**

* "Various" includes items such as meals, flowers, gifts, promotional expenses, etc. Staff routinely proposes 50% sharing of these expenses. (See Commission Order No. 09-020 at 20-21, UE 197)

** The Commission has not allowed utilities to charge customers for bonuses paid to company executives that are based on the financial performance of the utility or its parent company. The Commission's policy is to disallow 100 percent of officers' bonuses because they are based on increased earnings. (Order 99-033 at 62; Order 97-171 at 74-76.)

Commission Staff views stock based compensation as an officer bonus. Compensation programs may be balanced by base salary, annual bonuses, and some stock options or restricted stock, as each of these provides a different incentive.

Based on the Company's response to Staff Data Request No. 56, the Company incurred $3,054,319.81 in Stock Based Compensation and $475,200 Non-Employee Directors Stock Based Compensation. These amounts are distinct and separate from the Executive Incentive and Corporate incentive costs listed in response to Staff Data Request No. 56.

Although the Company demonstrates removal of Executive Incentives from its test year in Idaho Power/603, Jones/1, it does not appear the stock based compensation was removed. Stock based compensation is classified distinctly and separately in the Company's transaction summaries and appears above and beyond the Company's 2010 Executive Incentive expense that was removed in daho Power/603, Jones/1.

NOTE: Per Idaho Power's response to Staff DR No. 276, account 926.104 is used to record the expense associated with recognition of employees for various awards and gifts. 50% of account total was removed.

CASE: UE 233
WITNESS: Linnea Wittekind

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 203

Exhibits in Support
Of Opening Testimony

December 7, 2011

Page 1 is confidential.

You must have signed the Protective Order in this docket in order to view this page.

as a shareholder cost. D&O insurance protects PGE senior management in the event that they are sued, whether by customers, stockholders, or others in conjunction with the performance of their Company duties. According to Staff, "[c]ustomers, who have no say in electing or appointing PGE's Directors or Officers, should not be held financially responsible in providing 100 percent of insurance coverage against business decisions or improprieties by management which results in lawsuits."[74] Third, Staff proposes to apply a utility allocation percentage to the overall insurance premiums to allocate the cost between the utility and non-utility aspects of PGE's operations.[75] Finally, Staff proposes a $1.75 million adjustment to PGE's Uninsured Losses based on escalating the five-year historical average by inflation.[76]

PGE contends that D&O liability insurance is a normal cost of doing business, and the entire cost should be included in its revenue requirement. PGE also includes updates to its policies in rebuttal testimony and claims Staff did not properly consider certain policies. PGE further noted that flat insurance rates can still result in increased premiums when property values increase. The Company proposed that the utility allocation factor adjustment should be applied only to a limited number of specific categories.[77]

Resolution

We concur with Staff that the cost of D&O insurance should be shared equally between shareholders and ratepayers to properly reflect the benefits and burdens of that expense. We eliminate 50 percent of the D&O insurance as a shareholder cost. We also adopt Staff's proposal to hold premiums steady for 2009 property and liability insurance and apply the utility allocation percentage to overall policy premiums. In addition, we adopt Staff's adjustment to Uninsured Losses. PGE's 2009 revenue requirement is therefore reduced by $3.717 million.

h. Miscellaneous Expenses

These expenses consist primarily of costs for catering, gifts, promotional items, and civic activities, including lunch meetings and gifts to employees for overtime work or as retirement gifts, sympathy gifts to employees' families, holiday activities and "team-building days for employees."

Staff proposes that 50 percent of the meal and entertainment expenses, office refreshments and catering, gifts of flowers, and awards be disallowed. In Staff's view, these expenses should be shared equally between ratepayers and shareholders. This approach somewhat mirrors the policy associated with bonuses and the handling of meal and entertainment expenses for income tax purposes.[78]

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[74] *See* Staff/900, Ball/11.
[75] *Id.* at 15.
[76] Staff/300, Ball-Dougherty/11; Staff/900, Ball/14; Staff/901, Ball/4.
[77] PGE Opening Brief at 33-36 and testimony cited therein.
[78] Staff Opening Brief, citing Staff/300, Ball-Dougherty/13-15.

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Employer Health Benefits

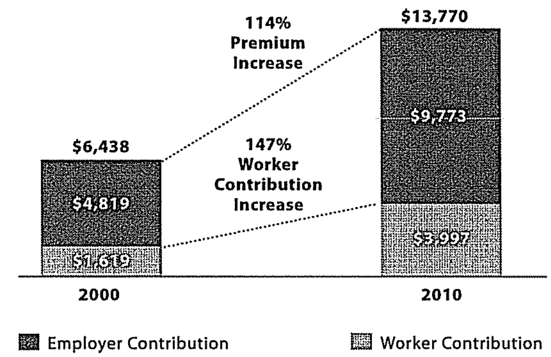
2010 Summary of Findings

Employer-sponsored insurance is the leading source of health insurance, covering about 157 million nonelderly people in America.[1] To provide current information about the nature of employer-sponsored health benefits, the Kaiser Family Foundation (Kaiser) and the Health Research & Educational Trust (HRET) conduct an annual national survey of nonfederal private and public employers with three or more workers. This is the twelfth Kaiser/HRET survey and reflects health benefit information for 2010.

The key findings from the 2010 survey, conducted from January through May 2010, include increases in the average single and family premium as well as in the amount workers pay for coverage. About a quarter (27%) of covered workers have a deductible of at least $1,000 for single coverage, and a greater proportion of workers are enrolled in high-deductible health plans with a savings option (HDHP/SO) than in 2009. Firms responded that they increased cost sharing or reduced the scope of coverage, or increased the amount workers pay for insurance as a result of the economic downturn. The 2010 survey continues to track the percentage of firms offering wellness benefits or health risk assessments and also included questions on health plan quality indicators and benefit changes made as result of the Mental Health Parity and Addiction Equity Act.

EXHIBIT A

Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2000–2010



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000–2010.

HEALTH INSURANCE PREMIUMS AND WORKER CONTRIBUTIONS

The average annual premiums for employer-sponsored health insurance in 2010 are $5,049 for single coverage and $13,770 for family coverage. Compared to 2009, premiums for single coverage are 5% higher ($4,824) and premiums for family coverage are 3% higher ($13,375). Since 2000, average premiums for family coverage have increased 114% (Exhibit A). Average premiums for family coverage are lower for workers in small firms (3–199 workers) than for workers in large firms (200 or more workers) ($13,250 vs. $14,038). Average premiums for high-deductible health plans with a savings option (HDHP/SOs) are lower than the overall average for all plan types for both single and family coverage (Exhibit B). For PPOs, the most common plan type, the average family premium topped $14,000 annually in 2010.

As a result of factors such as benefit differences and geographical cost differences, there is significant variation around the average annual premium. Twenty percent of covered workers are in plans with an annual total premium for family coverage of at least $16,524 (120% of the average premium), while 19% of covered workers are in plans where the family premium is less than $11,016 (80% of the average premium) (Exhibit C).

In 2010, covered workers contributed a greater share of the total premium, a notable change from the steady share workers have paid on average over the last decade. Covered workers on average contribute 19% of the total premium for single coverage (up from 17% in 2009) and 30% for family coverage (up from 27% in 2009). As with total premiums, the premium shares contributed by workers vary considerably around these averages. For single coverage, 28% of workers pay more than 25% of the total premium while 16% make no contribution.

Fifty-one percent of workers with family coverage pay more than 25% of the total premium; only 5% make no contribution (Exhibit D).

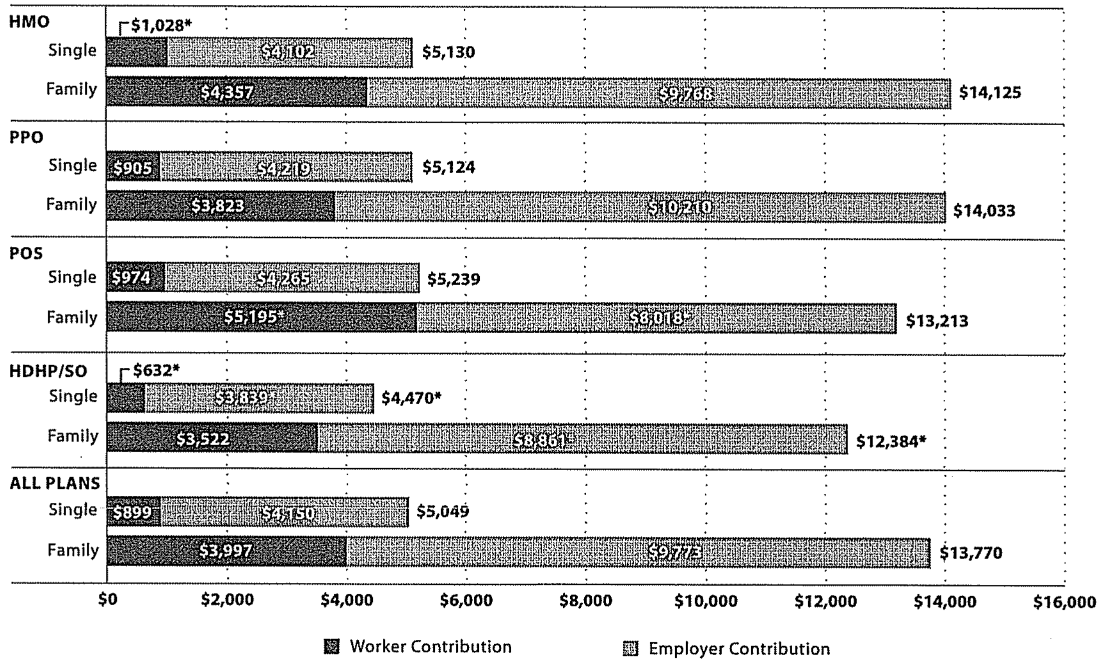
Looking at dollar amounts, the average annual worker contributions are $899 for single coverage and $3,997 for family coverage, up from $779 and $3,515 respectively in 2009.[2] Workers in small firms (3–199 workers) contribute about the same amount for single coverage as workers in large firms (200 or more workers) ($865 vs. $917), but they contribute significantly more for family coverage ($4,665 vs. $3,652).

PLAN ENROLLMENT

The majority (58%) of covered workers are enrolled in preferred provider organizations (PPOs), followed by health maintenance organizations (HMOs) (19%), HDHP/SOs (13%), point-of-service (POS) plans (8%), and conventional plans (1%). Most notably, the percentage of covered workers in HDHP/SOs rose from 8% in 2009 to 13% in 2010.

EXHIBIT B

Average Annual Employer and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2010



* Estimate is statistically different from All Plans estimate by coverage type (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

EMPLOYEE COST SHARING

Most covered workers face additional costs when they use health care services. Most workers in PPOs (77%) and POS plans (66%) have a general annual deductible for single coverage that must be met before all or most services are payable by the plan. In contrast, only 28% of workers in HMOs have a general annual deductible for single coverage, although it is up from 16% in 2009. Many workers with no deductible have other forms of cost sharing for office visits or other services.

Among workers with a deductible, the average general annual deductible for single coverage is $675 for workers in PPOs, $601 for workers in HMOs, $1,048 for workers in POS plans, and $1,903 for workers in HDHP/SOs (which by definition have high deductibles). As in recent years, workers in small firms (3–199 workers) with single coverage have higher deductibles than workers in large firms (200 or more workers). Average deductibles for single coverage do not vary by region for any plan type. The percentage of covered workers in a plan with a deductible of at least $1,000 for single coverage grew from 22% to 27% in the past year. Covered workers in small firms remain more likely than covered workers in larger firms (46% vs. 17%) to be in plans with deductibles of at least $1,000 (Exhibit E).

Most plans cover certain services before the deductible is met. For example, in the most common plan type, PPOs, 91% of covered workers with a general annual deductible do not have to meet the deductible before preventive care is covered. Seventy percent of covered workers in PPOs do not have to meet the deductible before physician office visits are covered, and 92% do not have to meet the deductible before prescription drugs are covered.

The majority of workers also have to pay a portion of the cost of physician office visits. For example, 75% of covered workers pay a copayment (a fixed dollar amount) and 16% pay coinsurance (a percentage of the charge) for a primary care office visit, and for specialty care visits, 73% of covered workers pay a copayment and 17% pay coinsurance. Most covered workers in HMOs, PPOs, and POS plans face copayments, while covered workers in HDHP/SOs are more likely to have coinsurance requirements or no cost sharing after the deductible is met. Covered workers with a copayment pay an average of $22 for primary care and $31 for specialty physicians for in-network office visits, compared to $20 and $28 respectively for 2009. For covered workers with coinsurance, the average coinsurance is 18% both for primary care and specialty care. The survey collects information on in-network cost sharing, but we note that out-of-network cost sharing is often higher.

Almost all covered workers (99%) have prescription drug coverage, and the majority face cost sharing for their prescriptions. Over three-quarters (78%) of covered workers are in plans with three or more levels or tiers of cost sharing that are generally based on the type or cost of the drug. Copayments are more common than coinsurance for all four tiers. Among workers with three- or four-tier plans,

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EXHIBIT C

Distribution of Premiums for Single and Family Coverage Relative to the Average Annual Single or Family Premium, 2010

Premium Range, Relative to Average Premium	Single Coverage: Premium Range, Dollar Amount	Single Coverage: Percentage of Covered Workers in Range	Family Coverage: Premium Range, Dollar Amount	Family Coverage: Percentage of Covered Workers in Range
Less than 80%	Less than $4,039	20%	Less Than $11,016	19%
80% to Less Than 90%	$4,039 to <$4,544	16%	$11,016 to <$12,393	18%
90% to Less Than Average	$4,544 to <$5,049	21%	$12,393 to <$13,770	14%
Average to Less Than 110%	$5,049 to <$5,554	16%	$13,770 to <$15,147	18%
110% to Less Than 120%	$5,554 to <$6,058	10%	$15,147 to <$16,524	12%
120% or More	$6,058 or More	17%	$16,524 or More	20%

Note: The average premium is $5,049 for single coverage and $13,770 for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

the average copayments per prescription are $11 for first-tier drugs, often called generics; $28 for second-tier drugs, often called preferred; $49 for third-tier drugs, often called nonpreferred; and $89 for fourth-tier drugs.

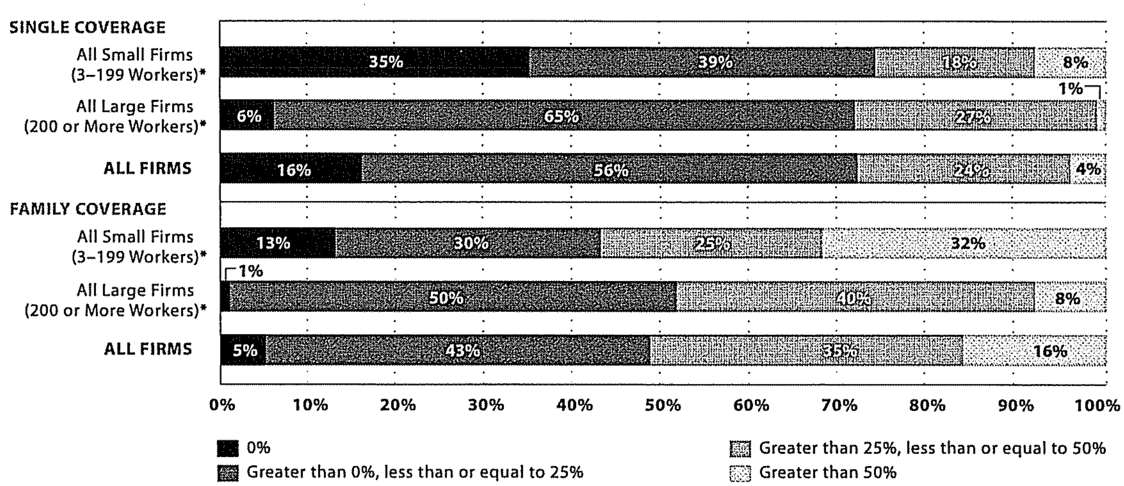
Cost sharing for prescription drugs varies by plan type. Covered workers in HDHP/SOs are more likely than workers in other plan types to be in plans with no cost sharing after the deductible is met or in plans where the cost sharing is the same regardless of the type of drug.

Most workers also face additional cost sharing for a hospital admission or an outpatient surgery. For hospital admissions, after any general annual deductible, 53% of covered workers have coinsurance, 19% have a copayment, and 10% have both coinsurance and copayments. An additional 5% have a per day (per diem) payment and 5% have a separate annual hospital deductible. For hospital admissions, the average coinsurance rate is 18%, the average copayment is $232 per hospital admission, the average per diem charge is $228, and the average separate hospital deductible is $723.

Although covered workers are often responsible for cost sharing when accessing health services, there is often a limit to the amount of cost sharing workers must pay each year, generally referred to as an out-of-pocket maximum. Eighty-two percent of covered workers have an out-of-pocket maximum for single coverage, but the limits vary considerably. For example, among covered workers in plans that have an out-of-pocket maximum for single coverage, 31% are in plans with an annual out-of-pocket maximum of $3,000 or more, and 16% are in plans with an out-of-pocket maximum of less than $1,500.

EXHIBIT D

Distribution of the Percentage of Total Premium Paid by Covered Workers for Single and Family Coverage, by Firm Size, 2010



* Distributions for All Small Firms and All Large Firms are statistically different (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

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Even where plans have out-of-pocket limits, not all spending may count toward the out-of-pocket maximum. For example, among workers in PPOs with an out-of-pocket maximum, 74% are in plans that do not count physician office visit copayments, 32% are in plans that do not count spending for the general annual deductible, and 80% are in plans that do not count prescription drug spending when determining if an enrollee has reached the out-of-pocket limit.

Some health plans limit the amount that the plan will pay in benefits for an enrollee in a year. Twelve percent of covered workers are in plans with an annual limit on benefits for single coverage.

AVAILABILITY OF EMPLOYER-SPONSORED COVERAGE

Sixty-nine percent of firms reported offering health benefits, which is significantly higher than the 60% reported last year (Exhibit F). The change is largely the result of a 13 percentage point increase in offering among firms with 3 to 9 workers. While there has been some instability in this size category in the past, this year's change is much larger than previously observed, and the reason for such a change is unclear. Given the slow economic recovery and high unemployment, it seems unlikely that many firms began offering coverage. A possible explanation is that non-offering firms were more likely to fail during the past year, and the attrition of non-offering firms led to a higher offer rate among surviving firms.

The higher offer rate observed for the smallest firms did not produce a large change in the percentage of workers in firms offering benefits because most workers are employed by large firms. The percentage of workers in firms offering health benefits rose from 91% in 2009 to 93% in 2010.

Even in firms that offer coverage, not all workers are covered. Some workers are not eligible to enroll as a result of waiting periods or minimum work-hour rules. Others choose not to enroll, perhaps because of the cost of coverage or their ability to access coverage through a spouse. Among firms that offer coverage, an average of 79% of workers are eligible for the health benefits offered by their employer. Of those eligible, 80% take up coverage, resulting in 63% of workers in firms offering health benefits having coverage through their employer. Among both firms that offer and do not offer health benefits, 59% of workers are covered by health plans offered by their employer, the same percentage as reported last year.

HIGH-DEDUCTIBLE HEALTH PLANS WITH SAVINGS OPTION

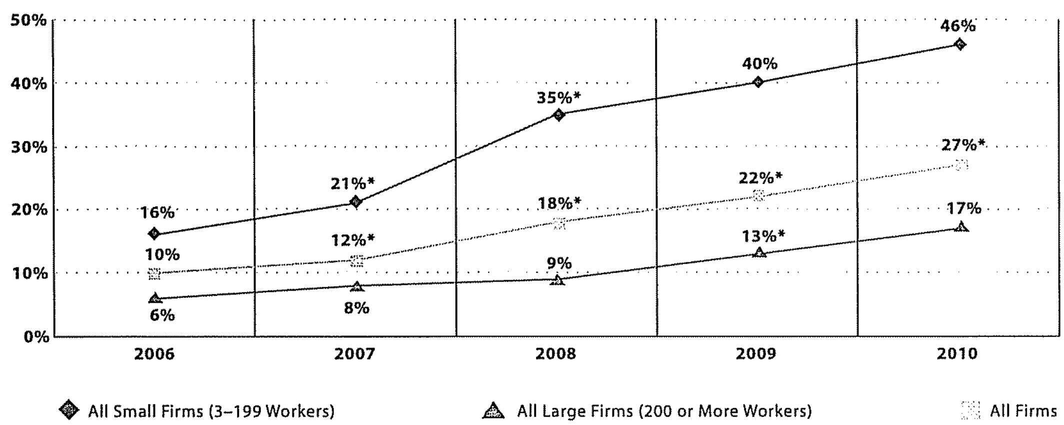
High-deductible health plans with a savings option include (1) health plans with a deductible of at least $1,000 for single coverage and $2,000 for family coverage offered with an Health Reimbursement Arrangement (HRA), referred to as "HDHP/HRAs," and (2) high-deductible health plans that meet the federal legal requirements to permit an enrollee to establish and contribute to a Health Savings Account (HSA), referred to as "HSA-qualified HDHPs."

Fifteen percent of firms offering health benefits offer an HDHP/SO in 2010. Among firms with 1,000 or more workers, 34% offer an HDHP/SO, up from 28% in 2009 and 22% in 2008.

Thirteen percent of covered workers are enrolled in HDHP/SOs, up from 8% in 2009. Seven percent of covered workers are enrolled in HDHP/HRAs, up from 3% in 2009. The percentage of covered workers enrolled in HSA-qualified HDHPs remained steady at 6%. Nine percent of covered workers in small firms (3–199 workers) are enrolled in HSA-qualified HDHPs, compared to 5% of workers in large firms (200 or more workers) (Exhibit G).

EXHIBIT E

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $1,000 or More for Single Coverage, by Firm Size, 2006–2010



*Estimate is statistically different from estimate for the previous year shown (p<.05).

Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of $1,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2010.

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Annual deductibles for single coverage for HDHP/HRAs and HSA-qualified HDHPs average $1,737 and $2,096, respectively, similar to last year. Workers in HSA-qualified HDHPs in small firms (3–199 workers) face higher deductibles for single coverage ($2,284) and family coverage ($4,258) than workers with HSA-qualified HDHPs in large firms (200 or more workers), where deductibles average $1,895 for single coverage and $3,734 for an aggregate deductible for family coverage.[3] Like workers in other plan types, workers in small firms covered by an HDHP/HRA face higher deductibles than workers in large firms with these plans for single coverage ($2,119 vs. $1,541).[4]

The distinguishing aspect of these high-deductible plans is the savings feature available to employees. Workers enrolled in an HDHP/HRA receive an average annual contribution from their employer of $907 for single coverage and $1,619 for family coverage (Exhibit H). The average HSA contribution is $558 for single coverage and $1,006 for family coverage. Not all firms contribute to the HSA. About two in five firms offering these plans (covering about 65% of workers covered by HSA-qualified HDHPs) make contributions to the HSAs of their workers. The average employer contributions to HSAs in these contributing firms are $858 for single coverage and $1,546 for family coverage.

The average premiums for single coverage for workers in HSA-qualified HDHPs and HDHP/HRAs are lower than the average premiums for workers in plans that are not HDHP/SOs. For family coverage, the average premium for HSA-qualified HDHPs is lower than the average family premium for workers in plans that are not HDHP/SOs. The average worker contributions to HSA-qualified HDHP single coverage are also lower than the average for non-HDHP/SO plans.

EXHIBIT F

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2010

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%	45%	49%	46%	59%*
10–24 Workers	74	80	77	70*	76	74	72	73	76	78	72	76
25–49 Workers	86	91	90	86	84	87	87	87	83	90*	87	92
50–199 Workers	97	97	96	95	95	92	93	92	94	94	95	95
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%	59%	62%	59%	68%*
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%	99%	99%	98%	99%
ALL FIRMS	66%	69%	68%	66%	66%	63%	60%	61%	60%	63%	60%	69%*

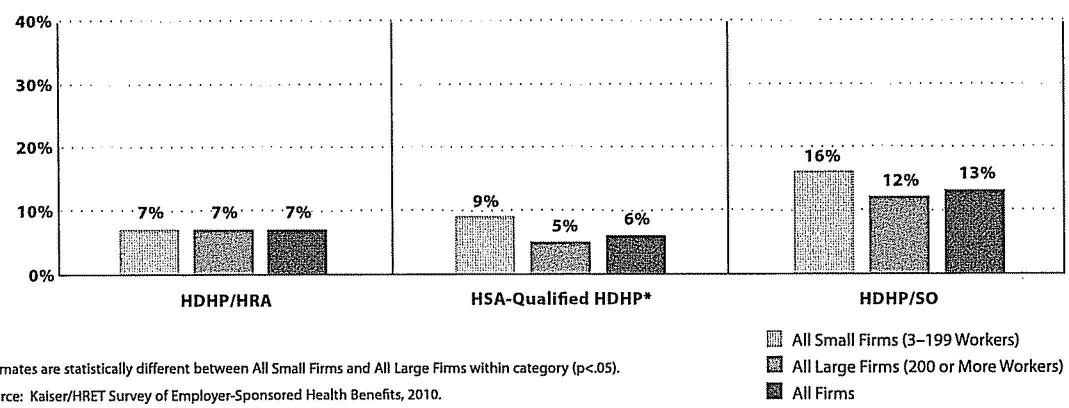
*Estimate is statistically different from estimate for the previous year shown (p<.05).

Note: As noted in the Survey Design and Methods section, estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2010.

EXHIBIT G

Percentage of Covered Workers Enrolled in an HDHP/HRA or HSA-Qualified HDHP, by Firm Size, 2010



*Estimates are statistically different between All Small Firms and All Large Firms within category (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

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RETIREE COVERAGE

Twenty-eight percent of large firms (200 or more workers) offer retiree health benefits in 2010, which is not statistically different from the 2009 offer rate of 30%, but down from 34% in 2005.[5] Only a small percentage (3%) of small firms (3–199 workers) offer retiree health benefits. Among large firms that offer retiree health benefits, 93% offer health benefits to early retirees (retiring before age 65) and 75% offer health benefits to Medicare-age retirees.

WELLNESS BENEFITS AND DISEASE MANAGEMENT

Workplace wellness programs are seen by some to be an important tool for improving the health behaviors and health of workers and their families. Almost three-fourths (74%) of employers that offer health benefits offer at least one of the following wellness programs: weight loss program, gym membership discounts or on-site exercise facilities, smoking cessation program, personal health coaching, classes in nutrition or healthy living, web-based resources for healthy living, or a wellness newsletter. The percentage of firms offering wellness benefits increased in the past year (from 58% in 2009), however the increase was primarily the result of a higher percentage of firms (51%) reporting the availability of web-based resources for healthy living in 2010 than in 2009 (36%). Firms offering health coverage and wellness benefits report that most wellness benefits (87%) are provided through the health plan rather than by the firm directly. Only a small percentage of firms (10%) offering health benefits and one of the specified wellness programs offer incentives for workers to participate in the wellness program.

Health risk assessments provide a way for employers and plans to identify potential health risks and needs of covered workers. Eleven percent of firms offering health benefits give their employees the option of completing a health risk assessment, and over one-half (53%) of these firms use health risk assessments as a method to identify people for participation in a wellness program.[6] Large firms (200 or more workers) are more likely to offer a health risk assessment to employees than small firms (3–199 workers) (55% vs. 10%).

Twenty-two percent of firms offering health risk assessments offer financial incentives for workers to complete them. Large firms are more likely than small firms to offer financial incentives (36% vs. 19%). Among firms that reported offering financial incentives to employees that complete a health risk assessment, 39% of firms reported that they offer gift cards, travel, merchandise, or cash;[7] 14% of firms reported that employees pay a smaller share of the premium; 8% reported employees have a smaller deductible; and 1% reported employees have a lower coinsurance rate.

Thirty-one percent of firms offering health benefits reported that their largest plan includes one or more disease management programs, similar to the 26% reported in 2008 when the question was last asked. Large firms (200 or more workers) are more likely than small firms (3–199 workers) to include a disease management program in their largest plan (67% vs. 30%).

EXHIBIT H

Average Annual Premiums and Contributions to Savings Accounts for Covered Workers in HDHP/HRAs or HSA-Qualified HDHPs, Compared to All Non-HDHP/SO Plans, 2010

	HDHP/HRA		HSA-Qualified HDHP		Non-HDHP/SO Plans§	
	Single	Family	Single	Family	Single	Family
Total Annual Premium	$4,702*	$13,068	$4,233*	$11,683*	$5,136	$13,979
Worker Contribution to Premium	$799	$3,604	$444*	$3,457	$939	$4,069
Firm Contribution to Premium	$3,903	$9,464	$3,789*	$8,225*	$4,197	$9,910
Annual Firm Contribution to the HRA or HSA‡	$907	$1,619	$558	$1,006	NA	NA
Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)	$4,810*	$11,083*	$4,347	$9,231	$4,197	$9,910
Total Annual Cost (Total Premium Plus Firm Contribution to HRA or HSA, if Applicable)	$5,608*	$14,687	$4,791*	$12,688*	$5,136	$13,979

*Estimate is statistically different from estimate for All Non-HDHP/SO Plans (p<.05).

‡ When those firms that do not contribute to the HSA (60% for single coverage and 61% for family coverage) are excluded from the calculation, the average firm contribution to the HSA for covered workers is $858 for single coverage and $1,546 for family coverage. For HDHP/HRAs, we refer to the amount that the employer commits to make available to an HRA as a contribution for ease of discussion. HRAs are notional accounts, and employers are not required to actually transfer funds until an employee incurs expenses. Thus, employers may not expend the entire amount that they commit to make available to their employees through an HRA. Therefore, the employer contribution amounts to HRAs that we capture in the survey may exceed the amount that employers will actually spend.

§ In order to compare costs for HDHP/SOs to all other plans that are not HDHP/SOs, we created composite variables excluding HDHP/SO data.

NA: Not Applicable.

Note: Values shown in the table may not equal the sum of their component parts. The averages presented in the table are aggregated at the firm level and then averaged, which is methodologically more appropriate than adding the averages. This is relevant for Total Annual Premium, Total Annual Firm Contribution, and Total Annual Cost.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

OTHER TOPICS

Health Plan Quality. In 2010, we asked firms whether they review performance indicators on health plans' clinical and service quality. Large firms (200 or more workers) were more likely to review performance indicators than small firms (3–199 workers) (34% vs. 5%). Among those who reported reviewing performance indicators, the most common indicators used were the Consumer Assessment of Healthcare Providers and Systems (CAHPS) (77%) and hospital outcomes data (61%). Seventy-four percent reported that they were "somewhat satisfied" or "very satisfied" with the information available on health plan quality. However, only 49% reported that the information was "somewhat influential" or "very influential" in their decision to select health plans.

Response to the Economic Downturn. For the last two years we have asked employers about changes that they made to their health benefits in response to the poor economy. This year, 30% of employers responded that they reduced the scope of health benefits or increased cost sharing, and 23% said that they increased the share of the premium a worker has to pay. Among large firms (200 or more workers), 38% reported reducing the scope of benefits or increasing cost sharing, up from 22% in 2009, while 36% reported increasing their workers' premium share, up from 22% in 2009.

Mental Health Parity. The enactment of the Mental Health Parity and Addiction Equity Act in 2008 led firms with more than 50 workers to make changes in their mental health benefits.[8] Thirty-one percent of firms with more than 50 workers responded that they had made changes; large firms (200 or more workers) were more likely to have done so than small firms (51–199 workers) (43% vs. 26%). Among firms that changed their benefits, two-thirds (66%) eliminated limits on coverage, 16% increased utilization management for mental health benefits, and 5% indicated they dropped mental health coverage (Exhibit I).

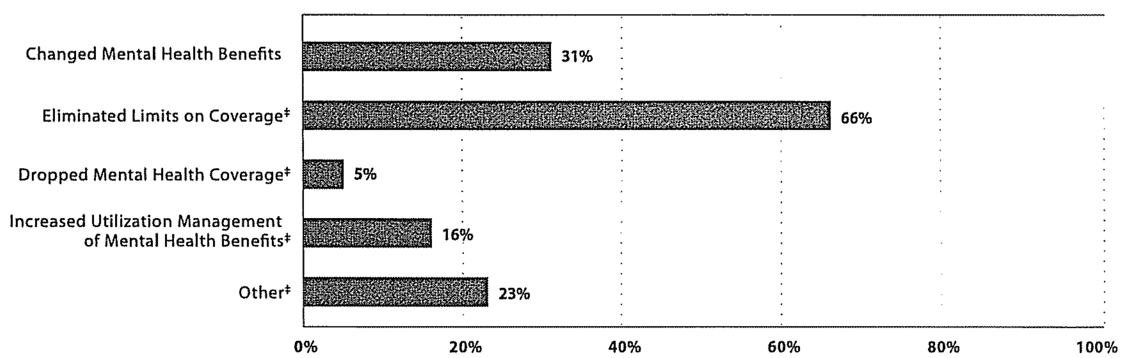
CONCLUSION

The 2010 survey finds a continuation of the modest premium growth we have seen in recent years and higher out-of-pocket costs for employees. Premiums increased just 5% for single coverage and 3% for family coverage between 2009 and 2010. At the same time, workers saw their share of the premiums for single and family coverage grow for the first time in several years. The percentage of workers in plans with a deductible of at least $1,000 for single coverage continues to climb, with over a quarter (27%) of workers in large firms and almost one-half (46%) of workers in small firms in such plans. The percentage of workers in HDHP/SOs rose significantly from 8% to 13% over the last year.

Tracking whether and how worker out-of-pocket costs continue to grow will be an important focus for the survey over the next few years. The slow economic recovery and continuing high unemployment suggests that this trend of increasing out-of-pocket costs will persist, as workers have little clout to demand better benefits or lower costs in the current labor environment.

EXHIBIT I

Percentage of Firms With More Than 50 Workers Reporting the Following as a Result of the 2008 Mental Health Parity and Addiction Equity Act, 2010



‡Among firms reporting they made changes to the mental health benefits they offer as a result of the Mental Health Parity and Addiction Equity Act of 2008.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

Staff/203
Wittekind/10

METHODOLOGY

The Kaiser Family Foundation/Health Research & Educational Trust 2010 Annual Employer Health Benefits Survey (Kaiser/HRET) reports findings from a telephone survey of 2,046 randomly selected public and private employers with three or more workers. Researchers at the Health Research & Educational Trust, the National Opinion Research Center at The University of Chicago, and the Kaiser Family Foundation designed and analyzed the survey. National Research, LLC conducted the fieldwork between January and May 2010. In 2010 our overall response rate is 47%, which includes firms that offer and do not offer health benefits. Among firms that offer health benefits, the survey's response rate is 48%.

From previous years' experience, we have learned that firms that decline to participate in the study are less likely to offer health coverage. Therefore, we asked one question of all firms with which we made phone contact where the firm declined to participate. The question was, "Does your company offer a health insurance program as a benefit to any of your employees?" A total of 3,143 firms responded to this question (including 2,046 who responded to the full survey and 1,097 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health coverage. The response rate for this question was 73%. Since firms are selected randomly, it is possible to extrapolate from the sample to national, regional, industry, and firm size estimates using statistical weights. In calculating weights, we first determined the basic weight, then applied a nonresponse adjustment, and finally applied a post-stratification adjustment. We used the U.S. Census Bureau's Statistics of U.S. Businesses as the basis for the stratification and the post-stratification adjustment for firms in the private sector, and we used the Census of Governments as the basis for post-stratification for firms in the public sector. Some exhibits in the report do not sum up to totals due to rounding effects and, in a few cases, numbers from distribution exhibits referenced in the text may not add due to rounding effects. Unless otherwise noted, differences referred to in the text use the 0.05 confidence level as the threshold for significance.

For more information on the survey methodology, please visit the Survey Design and Methods Section at www.kff.org/insurance/8085/index.cfm.

[1] Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *The Uninsured: A Primer*, October 2009.

[2] The average worker contributions include those workers with no contribution.

[3] Data presented are for workers with a family aggregate deductible where spending by any covered person in the family counts toward the deductible.

[4] There are insufficient data for average HDHP/HRA aggregate deductibles in small firms to make the comparison for family coverage.

[5] We now count the 0.46% of large firms that indicate they offer retiree coverage but have no retirees as offering retiree health benefits. Historical numbers have been recalculated so that the results are comparable.

[6] Health risk assessments generally include questions on medical history, health status, and lifestyle.

[7] In 2010, we ask only those firms that offer financial incentives to employees who complete a health risk assessment if they provide gift cards, travel, merchandise, or cash, whereas in 2009, this question was asked of all firms offering health risk assessments, including those who responded that they did not offer financial incentives.

[8] For more information on the Mental Health Parity and Addiction Equity Act of 2008, see www.cms.gov/healthinsreformforconsume/04_thementalhealthparityact.asp.

THE HENRY J. KAISER FAMILY FOUNDATION

-AND-

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The Kaiser Family Foundation is a non-profit private operating foundation, based in Menlo Park, California, dedicated to producing and communicating the best possible analysis and information on health issues.

The Health Research & Educational Trust is a private, not-for-profit organization involved in research, education, and demonstration programs addressing health management and policy issues. Founded in 1944, HRET, an affiliate of the American Hospital Association, collaborates with health care, government, academic, business, and community organizations across the United States to conduct research and disseminate findings that help shape the future of health care.

The full report of survey findings (#8085) is available on the Kaiser Family Foundation's website at www.kff.org.
This summary (#8086) is also available at www.kff.org.

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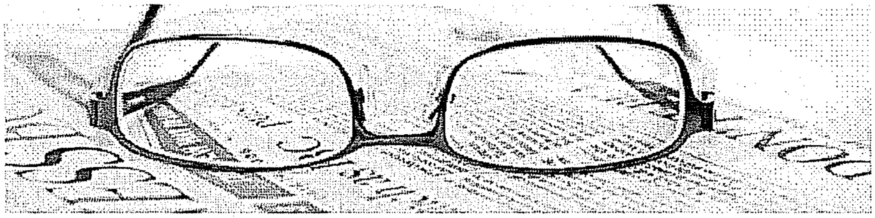

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U.S. Health Care Cost Rate Increases Reach Highest Levels in Five Years, According to New Data from Hewitt Associates

Rate of Increase Rises Significantly as Companies Struggle to Keep up with the Rapidly Evolving Health Care Landscape
Lincolnshire, Ill.
Sep 27, 2010
7:30am

LINCOLNSHIRE, Ill. – Due to recent higher medical claim costs, an aging population and changes brought about by health care reform, employers can expect 2011 health care cost increases to be at their highest levels in five years, according to an analysis by Hewitt Associates, a global human resources consulting and outsourcing company. Next year, Hewitt projects an 8.8 percent average premium increase for employers, compared to 6.9 percent in 2010 and 6.0 percent in 2009.

According to Hewitt's analysis, the average total health care premium per employee for large companies will be $9,821 in 2011, up from $9,028 in 2010. The amount employees will be asked to contribute toward this cost is $2,209, or 22.5 percent of the total health care premium. This is up 12.4 percent from 2010, when employees contributed $1,966, or 21.8 percent of the total health care premium. Average employee out-of-pocket costs, such as copayments, coinsurance and deductibles, are expected to be $2,177 in 2011—a 12.5 percent increase from 2010 ($1,934). These projections mean that in a decade, total health care premiums will have more than doubled, from $4,083 in 2001 to $9,821 in 2011. Employees' share of medical costs—including employee contributions and out-of-pocket costs—will have more than tripled, from $1,229 in 2001 to $4,386 in 2011.

According to Hewitt, a variety of factors are driving the increase in projected health care cost increases for 2011. Employers are seeing an increase in the amount of charges and frequency of catastrophic claims. This is particularly true today, as slower levels of hiring have left employers with slightly older workforces who are more prone to costly medical conditions. Hewitt estimates that the most immediate applications of health care reform—including covering dependents to age 26 and the elimination of certain lifetime and annual limits—contributed approximately 1 percent to 2 percent of the 8.8 percent projected increase for 2011.

"After 18 months of waiting for health care reform to play out, employers find themselves in a very challenging cost position for 2011," said Ken Sperling, Hewitt's health care practice leader. "Reform creates opportunities for meaningful change in how health care is delivered in the U.S., but most of these positive effects won't be felt for a few years. In the meantime, employers continue to struggle to balance the significant health care needs of an aging workforce with the economic realities of a difficult business environment. While health care reform cannot be blamed entirely for employers' increasing cost, the incremental expense of complying with the new law adds fuel to the fire, at least for the short term.

"Companies cannot afford to take a 'wait and see' approach to health care benefits. Now is the time for organizations to be bolder about the strategies, programs and tactics they're using to contain cost and motivate employees to engage in their own health," added Sperling.

2010 Cost Increases by Major Metropolitan Area
In 2010, a few U.S. markets experienced rate increases significantly higher than the national average. Five major metropolitan areas in California, for example, experienced rate increases of 10 percent or higher: Los Angeles (10.2 percent), Orange County (10.6 percent), Sacramento (10.7 percent), San Diego (10.8 percent), and San Francisco (10.4 percent). Other U.S. cities experiencing higher-than-average rate increases included Charlotte (9.7 percent); Newark, NJ (10.8 percent); Philadelphia (10 percent); and Tampa (9.2 percent). Conversely, Columbus, Ohio (4.3 percent); Dallas/Ft. Worth (3.7 percent); Portland, OR (4.6 percent); and Washington D.C. (4.0 percent) experienced lower-than-average rate increases in 2010.

"Similar to 2009, workers in California saw higher health care increases this year mainly because more companies in the state offer fully insured HMOs, and increases for these plans have been higher than average," said Bob Tate, Hewitt's chief health actuary and the leader of the annual cost study.

2010 Cost Increases by Plan Type
In 2010, Hewitt saw average cost increases of 7.8 percent for health maintenance organizations (HMOs), 6.9 percent for point-of-service (POS) plans and 6.3 percent for preferred provider organizations (PPOs).

For 2011, Hewitt forecasts that companies will have average cost increases of 8.5 percent for PPOs and POS plans. Companies will see an average cost increase of 9.4 percent for HMOs. That means from 2010 to 2011, the average cost per person for major companies will increase from $8,671 to $9,408 for PPOs; $9,373 to $10,254 for HMOs; and $9,747 to $10,575 for POS plans.

Employer Response to Rate Increases
According to a recent Hewitt survey of 600 large U.S. companies, employers have grown increasingly concerned about rapidly rising health care costs. Almost all (95 percent) of companies say managing costs is a top business issue. To mitigate these costs, employers continue to take a number of proactive steps. These include:

Increasing Employee Cost Sharing: With the cost of providing health care benefits continuing to rise, employers continue to pass some of these costs to employees. In a recent Hewitt survey, "increasing employee cost sharing" was ranked by employers as one of their top five health care tactic priorities over the next three to five years. Workers may see employers passing along these costs in different ways, including:

Shifting plan designs from fixed dollar copayments to coinsurance models, where employees pay a percentage of the out-of-pocket costs for each health care service.

Increasing deductibles out of pocket limits and cost sharing for use of non-network providers.

Managing Dependent Eligibility and Subsidies: An increasing number of employers are realizing they can significantly reduce health care costs by assessing the eligibility of covered dependents in their plans. About three-quarters of Hewitt's health and welfare administration clients have conducted dependent audits in the past five years to assess the eligibility of covered dependents.According to Hewitt's data, on average, 11 percent of people enrolled in an employer's health plan are ineligible. For a company with 10,000 enrollees, this can equate to millions of dollars in health care costs each year.

While still an emerging trend, a growing number of companies are charging premiums on a per-participant basis, rather than through a "lump sum" premium traditionally found within the "individual" and "family" pricing models. Companies may also be shifting more costs to employees by either requiring them to pay more for spousal coverage, or by applying surcharges to encourage dependent spouses to enroll in their own employer's plans. According to Hewitt's SpecSummary database of more than 1,200 companies, 13 percent currently impose a spousal surcharge.

Aggressive Vendor Management and Consolidation: Continuing a trend Hewitt has seen over the past three years, employers are aggressively managing vendor relationships. Programs and vendors that do not deliver measurable, near-term results are being replaced or eliminated. Employers continue to look for "best in class" vendors for certain services, while consolidating vendor relationships to secure volume discounts.

Improving Employee Health: According to recent Hewitt research, disease management and health improvement programs continue to remain a top priority for employers. More than half (53 percent) of companies currently have a disease management/health improvement strategy in place. Of those that don't, 11 percent planned to implement one in 2010 and another 75 percent planned to implement one in the next three to five years.

Also growing in popularity is employers' willingness to use penalties and financial incentives as a way to increase employee participation in these programs. Hewitt's recent survey of 600 large U.S. employers found that nearly one-half (47 percent) say they either already use or plan to use financial penalties over the next three to five years for employees who don't participate in certain health improvement programs. Of those companies, most say they will do so through additional employee cost shifting, such as higher benefit premiums (81 percent), an increase in deductibles (17 percent) and an increase in out-of-pocket expenses (17 percent).

"While employers have taken steps to mitigate costs in 2011, many organizations across all industries are already focused on developing multi-year strategies and a 2012 action plan aimed at resetting their health care programs to reflect today's cost realities and tomorrow's changing health insurance landscape," said Jim Winkler, managing principal and senior health care strategist at Hewitt. "In the wake of reform, rising costs and an increasingly unhealthy workforce, employers know they must reassess the role they play in engaging their workforce to be healthy, present and productive at work."

Please click on the pdf below for additional information on health care costs.

About Hewitt's Data
Hewitt's data is derived from the Hewitt Health Value Initiative™ database, which contains detailed census, cost and plan design information for 350 large U.S. employers representing 14.4 million participants and $51.9 billion in 2010 health care spending.

About Hewitt Associates
Hewitt Associates (NYSE: HEW) provides leading organizations around the world with expert human resources consulting and outsourcing solutions to help them anticipate and solve their most complex benefits, talent, and related financial challenges. Hewitt consults with companies to design and implement and communicate a wide range of human resources, retirement, investment management, health management, compensation, and talent management strategies. As a leading outsourcing provider, Hewitt administers health care, retirement, payroll, and other HR programs to millions of employees, their families, and retirees. With a history of exceptional client service since 1940, Hewitt has offices in more than 30 countries and employs approximately 23,000 associates who are helping make the world a better place to work. For more information, please visit www.hewitt.com.

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(61 KB)

STAFF'S DATA REQUEST NO. 305:

Regarding employer/employee contributions for medical (health, dental, and vision) identify all sharing structures which make up the aggregated split of 87/13. Also identify the number of employees covered under each sharing arrangement for the period of January 2011 – June 2011. Please provide information in the following table format:

2011		**Monthly**	**IPC**	**Net**	**Funding**
Medical – Standard Plan	# of enrollees	EE Premiums	Benefits Credit	EE Premium	Rate
Employee Only					
Employee + Spouse					
Employee + child					
Employee + children					
Family					
Medical – HIO Plan					
Employee Only					
Employee + Spouse					
Employee + child					
Employee + children					
Family					
Dental					
Employee Only					
Employee + one					
Family					
Vision Plan					
Employee Only					
Employee + one					
Family					

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 305:

Please see table below.

2011 ***Medical – Standard Plan***	**# of enrollees**	**Monthly Employee Premiums**	**IPC Benefits Credit**	**Net Employee Premium**	**Funding Rate**
Employee Only	294	$105.10	$100	$5.10	$420.42
Employee + Spouse	352	$249.73	$100	$149.73	$924.92
Employee + Spouse & 1 or 2 child(ren)	421	$353.15	$100	$253.15	$1,177.17
Employee + Spouse & 3 or more children	152	$417.06	$100	$317.06	$1,345.34
Employee + 1 or 2 child(ren)	153	$181.62	$100	$81.62	$672.67
Employee + 3 or more children	27	$243.84	$100	$143.84	$840.84
Medical – HIO Plan					
Employee Only	128	$63.06	$100	($36.94)	$248.25
Employee + Spouse	73	$149.84	$100	$49.84	$546.15
Employee + Spouse & 1 or 2 child(ren)	157	$211.89	$100	$111.89	$695.10
Employee + Spouse & 3 or more children	79	$250.23	$100	$150.23	$794.40
Employee + 1 or 2 child(ren)	54	$108.97	$100	$8.97	$397.20
Employee + 3 or more children	10	$146.31	$100	$46.31	$496.50

Dental					
Employee Only	846	$5.83	N/A	$5.83	$39.11
Employee + one	1100	$12.28	N/A	$12.28	$78.22
Family	985	$19.36	N/A	$19.36	$117.33
Vision Plan					
Employee Only	425	$2.34	N/A	$2.34	$8.63
Employee + one	533	$4.68	N/A	$4.68	$12.69
Family	758	$9.36	N/A	$9.36	$22.70

In 2011, the Idaho Power Group Health Plan implemented a six tier rate structure for both the Standard and Health Investment Option ("HIO") medical plans. The cost sharing arrangement was also modified to reflect an 83.4 percent Company/16.6 percent employee aggregated split across the plans included above.

The enrollment numbers included in the above table reflect actual enrollment as of June 30, 2011, for active employees.

<u>STAFF'S DATA REQUEST NO. 276</u>:

Please explain account 926.104 DCE Misc. Corrections. What is this expense?

<u>IDAHO POWER COMPANY'S RESPONSE TO STAFF'S DATA REQUEST NO. 276</u>:

Account 926.104 is used to record the expenses associated with recognition of employees for various awards and gifts. Examples of these expenses include: employee appreciation events, individual non-cash excellence awards, employee service events, and employee retirement events and gifts.

"DCE Misc. Corrections" was an entry made on voucher 120098, December 2010, in the amount of $10,000. This was for the correction of an expense originally charged to cost center 807 and a number of accounts. Later it was decided these expenses belonged in cost center 800 and Account 926.104. The $10,000 being corrected was for an excellence award(s).

Staff also proposes removing 100 percent of civic activities recorded in Administrative & General (A&G) accounts, noting "the Commission has not previously allowed regulated utilities to recover contributions to charities, community affairs, and economic development organizations through rates charged for regulated services. . . . In addition, Commission policy does not require customers to support causes in which they do not believe."[79]

PGE asserts that these discretionary costs are appropriately included in rates, because these miscellaneous expenses create a business culture that allows the utility to attract and retain qualified workers.[80]

Resolution

We agree with Staff that the costs for food and gifts are discretionary and should be shared equally by ratepayers and shareholders. We also adopt Staff's recommendation with respect to contributions to charities, community affairs, and economic development organizations. PGE provides no rationale to change our existing policies, and we conclude that all contributions to charities, community affairs, and economic development organizations should be disallowed. PGE's 2009 revenue requirement is reduced by $710,000 to reflect the disallowance of these expenses.

We also acknowledge PGE's removal of Directors' Compensation and Officer Vehicles from the proposed 2009 test-year budget. The total revenue-requirement reduction for miscellaneous expenses is $1.18 million.

i. Senate Bill 408 Ratio Adjustment

Senate Bill 408 (SB 408) requires the Commission to establish certain ratios in general ratemaking proceedings, which will be used to determine the amounts of "taxes collected" from customers for the purpose of the SB 408 true-up of "taxes paid" to "taxes collected." PGE believes that, in setting the tax rate and margin ratios here for SB 408 purposes, the Commission should consider the impact of costs that have been disallowed. PGE explains that, "[t]o do otherwise would effectively allow customers to receive tax benefits from utility costs for which customers are not responsible."[81]

Staff opposes PGE's proposal as an attempt to insulate its shareholders from sharing the tax benefit of disallowed expenses with ratepayers when truing up the amount of taxes collected. Staff believes PGE's request is inconsistent with the terms of SB 408, as well as Commission rules implementing the bill.[82] According to Staff, the Commission indirectly addressed this issue when it declined PGE's request for a deferral

[79] *Id.*, citing Staff/300, Ball-Dougherty/15.
[80] PGE Opening Brief at 37, citing PGE/2700, Piro-Tooman/12.
[81] PGE/2300, Tooman-Tinker/24.
[82] *See* ORS 757.268 and OAR 860-022-0041.

V

(OPERATING EXPENSES)

OFFICER COMPENSATION
(Issue 10)

OVERVIEW

Staff proposed to exclude $32,000 in officer compensation based on the performance of PNB's parent, US West. The rationale is that Oregon ratepayers should not be charged for expenses arising from other US West operations.

PNB asserts that (1) PNB's officers significantly influence US West's financial performance, (2) tying officer compensation to US West's performance will produce stable growth in earnings, and (3) stable earnings growth will minimize US West's cost of capital to the benefit of PNB's ratepayers.

Staff responds that (1) PNB's Oregon operations represent only 9 percent of US West's total operations, and (2) compensation for PNB's officers should be based only on factors directly under their control.

FINDINGS

The stipulated Forecasted Results of Operations includes $32,000 on an Oregon intrastate basis for compensation of PNB's officers based on the performance of its parent, US West. US West's performance is predominantly a function of the performance of its Bell Operating Companies because they represent 93.2 percent of US West's profits and 99.2 percent of its assets.

PNB represents approximately 25 percent of the three Bell Operating Companies. Oregon operations represent approximately 40 percent of PNB's total. As a result, PNB's Oregon operations account for approximately 9 percent of US West's total operations.

EXISTING POLICY

Only expenditures necessary for furnishing utility service should be reflected in rates. Portland General Electric Company, UF 3218, Order No. 76-601 @ 13; Cascade Natural Gas, UF 3246, Order No. 77-125 @ 10.

RESOLUTION

The problem with the compensation plan is that Oregon ratepayers will provide the proper amount of compensation only if PNB's performance is exactly the same as the combined performance of US West's other operations. The situation of concern to the Commissioner would arise if poor management resulted in poor service and/or poor financial performance for PNB while US West's other operations had banner years. Disgruntled Oregon ratepayers could pay bonuses to PNB's officers at a time they should be removed from office.

CONCLUSION

The Commissioner concludes that the contribution of Oregon ratepayers to PNB's officer compensation should be related only to PNB's performance. Staff's proposed $32,000 adjustment is adopted.

Dividend Restrictions
A covenant under IDACORP's credit facility and Idaho Power's credit facility requires IDACORP and Idaho Power to maintain leverage ratios of consolidated indebtedness to consolidated total capitalization, as defined therein, of no more than 65 percent at the end of each fiscal quarter.

Idaho Power's Revised Code of Conduct approved by the IPUC on April 21, 2008, states that Idaho Power will not pay any dividends to IDACORP that will reduce Idaho Power's common equity capital below 35 percent of its total adjusted capital without IPUC approval. Idaho Power's ability to pay dividends on its common stock held by IDACORP and IDACORP's ability to pay dividends on its common stock are limited to the extent payment of such dividends would violate the covenants or Idaho Power's Code of Conduct. At December 31, 2010, the leverage ratios for IDACORP and Idaho Power were 52 percent and 53 percent, respectively. Based on these restrictions, IDACORP's and Idaho Power's dividends were limited to $628 million and $538 million, respectively, at December 31, 2010. There are additional covenants, subject to exceptions, that prohibit or restrict certain investments or acquisitions, mergers, or sale or disposition of property without consent; the creation of certain liens; and any agreements restricting dividend payments to the company from any material subsidiary. At December 31, 2010, IDACORP and Idaho Power were in compliance with all facility covenants.

Idaho Power's articles of incorporation contain restrictions on the payment of dividends on its common stock if preferred stock dividends are in arrears. Idaho Power has no preferred stock outstanding.

Idaho Power must obtain approval of the OPUC before it could directly or indirectly loan funds or issue notes or give credit on its books to IDACORP.

7. STOCK-BASED COMPENSATION:

IDACORP has three share-based compensation plans. IDACORP's employee plans are the 2000 Long-Term Incentive and Compensation Plan (LTICP) and the 1994 Restricted Stock Plan (RSP). These plans are intended to align employee and shareholder objectives related to IDACORP's long-term growth. IDACORP also has one non-employee plan, the Non-Employee Directors Stock Compensation Plan (DSP). The purpose of the DSP is to increase directors' stock ownership through stock-based compensation. The DSP was terminated for purposes of new awards effective February 26, 2010, and grants to nonemployee directors subsequent to that date have been made pursuant to the LTICP.

The LTICP (for officers, key employees, and directors) permits the grant of nonqualified stock options, restricted stock, performance shares, and several other types of stock-based awards. The RSP permits only the grant of restricted stock or performance-based restricted stock. At December 31, 2010, the maximum number of shares available under the LTICP and RSP were 1,537,639 and 16,064, respectively.

Stock Awards: Restricted stock awards have three-year vesting periods and entitle the recipients to dividends and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The fair value of these awards is based on the market price of common stock on the grant date and is charged to compensation expense over the vesting period, based on the number of shares expected to vest.

Performance-based restricted stock awards have three-year vesting periods and entitle the recipients to voting rights. Unvested shares are restricted as to disposition, subject to forfeiture under certain circumstances, and subject to meeting specific performance conditions. Based on the attainment of the performance conditions, the ultimate award can range from zero to 150 percent of the target award. Dividends are accrued and paid out only on shares that eventually vest.

The performance awards are based on two metrics, cumulative earnings per share (CEPS) and total shareholder return (TSR) relative to a peer group. The fair value of the CEPS portion is based on the market value at the date of grant, reduced by the loss in time-value of the estimated future dividend payments, using an expected quarterly dividend of $0.30. The fair value of the TSR portion is estimated using a statistical model that incorporates the probability of meeting performance targets based on historical returns relative to the peer group. Both performance goals are measured over the three-year vesting period and are charged to compensation expense over the vesting period based on the number of shares expected to vest.

Attachment - Response to Master Data Request No. 56

920000	WIR TELECOM ALLOC CHRG	9.62	11/30/2010	IPC	2088593394	554
920000	WIR TELECOM ALLOC CHRG	8.33	12/31/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	45.27	6/30/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	45.22	7/31/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	45.19	8/31/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	45.19	9/30/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	57.12	10/31/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	57.00	11/30/2010	IPC	2088593394	554
920000	WIR TELECOM DIR CHRG	57.12	12/31/2010	IPC	2088593394	554
920000	WIRELESS TEL PR DEDUCT	(7.30)	6/30/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(14.60)	7/31/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(14.60)	8/31/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(14.60)	9/30/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(21.90)	10/31/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(14.60)	11/30/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	WIRELESS TEL PR DEDUCT	(14.60)	12/31/2010	IPC	WIRELESS TEL PR DEDUCT	554
920000	YEAR-END ACCRUAL	6,952.00	12/31/2010	IPC	NIELSON-MACE	319
920000	0Corp/Admin Corrections	386.10	8/31/2010	IPC		111
920000	0Corp/Admin Corrections	123.55	8/31/2010	IPC		131
920000	0Corp/Admin Corrections	34.70	8/31/2010	IPC		140
920000	0Corp/Admin Corrections	7.76	8/31/2010	IPC		142
920000	0Corp/Admin Corrections	20.78	8/31/2010	IPC		143
920001	ACTUAL INCENTIVE TAX	1,167,177.85	3/31/2010	IPC	ACTUAL INCENTIVE TAX	140
920001	Corporate Incentive Accrual	974.79	7/31/2010	IPC		123
920001	Corporate Incentive Tax Accrua	74.58	7/31/2010	IPC		140
920001	CORP INCENTIVE	1,476,694.33	2/28/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	553,766.31	3/31/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	676,799.59	4/30/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	677,061.59	5/31/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	(358,888.03)	6/30/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	504,525.60	7/31/2010	IPC	CORP INCENTIVE	123

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920001	CORP INCENTIVE	504,551.13	8/31/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	3,173,177.94	9/30/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	800,819.37	10/31/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	801,201.38	11/30/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE	2,468,143.46	12/31/2010	IPC	CORP INCENTIVE	123
920001	CORP INCENTIVE FICA	112,967.21	2/28/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	42,362.90	3/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	51,775.10	4/30/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	51,795.19	5/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	(27,454.54)	6/30/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	38,595.91	7/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	38,597.88	8/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	242,749.21	9/30/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	61,262.97	10/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	61,292.19	11/30/2010	IPC	CORP INCENTIVE FICA	140
920001	CORP INCENTIVE FICA	188,812.49	12/31/2010	IPC	CORP INCENTIVE FICA	140
920001	CRP INCENT PR YR ADJ	(23,550.07)	5/31/2010	IPC	CRP INCENT PR YR ADJ	123
920001	EXEC INCENT PR YR ADJ	12,567.15	5/31/2010	IPC	EXEC INCENT PR YR ADJ	123
920001	EXEC INCENTIVE	411,718.52	2/28/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	183,053.51	3/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	199,056.64	4/30/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	198,940.50	5/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	209,828.05	6/30/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	202,101.74	7/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	200,596.83	8/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	621,529.02	9/30/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	248,281.35	10/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	249,821.60	11/30/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE	1,004,419.93	12/31/2010	IPC	EXEC INCENTIVE	123
920001	EXEC INCENTIVE FICA	5,969.24	2/28/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	2,654.70	3/31/2010	IPC	EXEC INCENTIVE FICA	140

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920001	EXEC INCENTIVE FICA	2,885.81	4/30/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	2,884.14	5/31/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	3,042.01	6/30/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	2,930.24	7/31/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	2,908.45	8/31/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	9,011.30	9/30/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	3,599.92	10/31/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	3,622.22	11/30/2010	IPC	EXEC INCENTIVE FICA	140
920001	EXEC INCENTIVE FICA	14,564.07	12/31/2010	IPC	EXEC INCENTIVE FICA	140
920001	Incentive accrual Adjustment	195,548.00	12/31/2010	IPC		999
920001	JULY 10 NON REV ENTRIES	(2.69)	7/31/2010	IPC	RECLASSIFY TO CORRECT WO	140
920001	REVERSE CORP EXEC INCENT	(58,797.24)	3/31/2010	IPC	REVERSE CORP EXEC INCENT	140
920001	REVERSE CORP INCENT FICA	(818,132.81)	3/31/2010	IPC	REVERSE CORP INCENT FICA	140
920001	Voucher 050201 Error Journal	(974.79)	7/31/2010	IPC	CORP INCENTIVE	123
920001	Voucher 050201 Error Journal	(74.58)	7/31/2010	IPC	CORP INCENTIVE FICA	140
921000		1.66	4/30/2010	IPC		211
921000		8.24	11/30/2010	IPC		211
921000	BUS PASSES 9660	757.97	10/31/2010	IPC		219
921000	CABLE, ALLEN TEL CAT 6 STR	13.89	3/31/2010	IPC		211
921000	CABLE, ALLEN TEL CAT 6 STR	23.16	6/30/2010	IPC		211
921000	CABLE, ALLEN TEL CAT 6 STR	14.60	11/30/2010	IPC		211
921000	**OBSOLETE NO USAGE SINCE CONV	1,001.97	3/31/2010	IPC		211
921000	# C6074-60420 MAINEN	30.88	3/31/2010	IPC		219
921000	#10 REG ENVELOPE	2.42	6/30/2010	IPC		559
921000	cell phone adj	(0.74)	1/31/2010	IPC	MONTHLY ROUNDING WO	554
921000	cell phone adj	(24.88)	1/31/2010	IPC	SPRINT TOMS WO	554
921000	cell phone adj	(5,732.01)	1/31/2010	IPC	VERIZON TOMS WO	554
921000	cell phone adj	(1.08)	2/28/2010	IPC	MONTHLY ROUNDING WO	554
921000	cell phone adj	55.22	2/28/2010	IPC	SPRINT TOMS WO	554
921000	cell phone adj	2,224.17	2/28/2010	IPC	VERIZON TOMS WO	554
921000	cell phone adj	(1.17)	3/31/2010	IPC	MONTHLY ROUNDING WO	554