

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 15, 2003**

REGULAR ___ CONSENT X EFFECTIVE DATE _____

DATE: April 3, 2003

TO: John Savage through Lee Sparling and Ed Busch

FROM: Ed Krantz

SUBJECT: IDAHO POWER COMPANY: Accept the Annual Budget of Expenditures for 2003

STAFF RECOMMENDATION:

I recommend that Idaho Power Company's 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

Officers' Compensation

Attachment 1 compares budgeted 2003 officers' salaries and other compensation with 2002 levels for the Idaho Power Company. Officers' salaries show a decrease of 13.7 percent and pensions and other fringe benefits increase by 6.2 percent. Overall compensation decreases by 12.1 percent.

For comparable positions, salaries do not change and pensions and other fringe benefits increase by 16.5 percent.

Salary history for the years 1998 through 2003 is shown on Attachment 2. For comparable positions, salary increases averaged 9.9 percent per year over the six-year period.

Beginning with the year 2000, bonuses, based on the company achieving certain financial goals, were budgeted for officers. Attachment 3 shows officers' salaries and bonuses for 2000 through 2003. For comparable positions, cash compensation in 2003 decreased by 24.6 percent compared to 2002.

On Attachment 4, officer salary changes are compared to CPI changes for the years 1997 through 2002. The table shifts data between years in an effort to reflect proper matching. Since budgets present values at the beginning of the budget year, the 2003 budget increase, for example, is shown on this table as 2002. As of the end of the period, salaries for comparable positions are 34.9 percent higher than they would have been if CPI percentage increases had been granted during the period. When bonuses are included, the difference from the CPI for comparable positions for the years 2001 and 2002 show a 5.6 percent increase over the CPI average. In a general rate case, Staff typically proposes to exclude all officers' bonuses, and salary changes are limited to a percentage increase measuring cost changes, such as the CPI.

Memberships and Dues

"Above-the-line" memberships and dues in utility industry, technical and professional organizations as assigned to Oregon electric operations are budgeted to decrease from \$44,957 in 2002 to \$38,906 in 2003.

The company has included amounts for memberships in organizations whose activities include lobbying and promotion (for example, Association of Oregon Industries). According to the Uniform System of Accounts adopted by the Commission, these amounts should be accounted for "below-the-line" in account 426.4. Memberships in utility industry organizations should follow ratemaking treatment, i.e., allocated appropriately between "above" and "below-the-line" as done in the last rate order.

Pensions

The company's pension plan is currently fully funded. It is anticipated that pension expenses accrued in 2003 will be between \$5.0 million and \$9.0 million.

Political Activities

The budget shows \$545,536 for political contributions for 2003, and as prescribed by the Uniform System of Accounts, all amounts are to be charged to "below-the-line" nonutility accounts.

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PROPOSED COMMISSION MOTION:

Idaho Power Company's 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

Attachments
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