

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 22, 2005**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_  N/A

**DATE:** February 9, 2005

**TO:** Public Utility Commission

**FROM:** Carla Owings

**THROUGH:** Lee Sparling, Ed Busch and Judy Johnson

**SUBJECT:** IDAHO POWER COMPANY: Accept 2005 Budget of Expenditures.

**STAFF RECOMMENDATION:**

I recommend Idaho Power Company's 2005 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 2005 officers' salaries and other compensation with 2004 levels for Idaho Power Company. Officers' salaries show an increase of 12.2% while pensions and other fringe benefits indicate an increase of 28.1%. Overall compensation increases by 13.9%.

For comparable positions, salaries increase 2.0% which are related to changes of responsibility and promotions. Pensions and other fringe benefits increase 15.5% for comparable positions, with an overall change reflected at 3.3%.

Attachment 2 shows Salary history for the years 2000 through 2005. For comparable positions, salary increases averaged 5.9% per year over the six-year period.

Beginning with the year 2000, bonuses for officers are based on the company achieving certain financial goals. Attachment 3 shows officers' salaries and bonuses from 2000 through 2005. The percentage of change decreases each of the last three years for comparable positions with a decrease of 5.1% in 2005.

Attachment 4 shows officer salary changes compared to Consumer Price Index changes for the years 1999 through 2004. 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 2005 budget increase, for example, is shown on this table as 2004. As of the end of the period, salaries for comparable positions are 26.9% 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 is a 7.7% 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 CPI.

#### Memberships and Dues

"Above-the-line" memberships and dues for utility industry, technical and professional organizations, as assigned to Oregon electric operations, are budgeted to decrease from \$40,764 in 2004 to \$37,300 in 2005.

The Company has included amounts for memberships in organizations whose activities include lobbying and promotion. According to the Uniform System of Accounts adopted by the Commission, these amounts should be accounted for "below-the-line" as done in the Company's last rate order.

#### Pensions

The Company's pension plan is currently fully funded. Service cost in 2004 was \$10.6 million and it is anticipated that the pension expenses accrued in 2005 will be between \$10.0 and \$11.0 million.

#### Political Activities

The budget shows \$455,151 for political contributions for 2005, 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 Budget of Expenditures for 2005 be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

Attachments