

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	<b>Docket No. UE-050684</b>
Complainant,	)	
	)	<b>Docket No. UE-050412</b>
vs.	)	
	)	<i>(consolidated)</i>
PACIFICORP d/b/a PACIFIC POWER &	)	
LIGHT COMPANY	)	
	)	
<u>Respondent.</u>	)	

**EXHIBIT NO. \_\_\_\_ (JTS-18)**

**PACIFICORP RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 121**

**November 3, 2005**

### **Public Counsel Data Request 121**

Referring to Page 4.10.5 in Exhibit No. \_\_PMW-3, please provide a complete description of the (a) Bonus/Incentive, (b) Long Term Incentive, and (c) Incentive (Performance Share) Plans. The response should describe the each of the incentive plans, the incentive goals, and the assumptions regarding the achievement of each goal in the determination of the incentive pay reflected in the second column from the right.

### **Response to Public Counsel Data Request 121**

- (a) Items included in the "Bonus/Incentive" line shown in "GL Account 500400" on page 4.10.5 include the following:
- Project Incentive – payments to employees at the conclusion of a project.
  - Employee Recognition – STAR Awards, Spot Awards and Spirit of Excellence Awards.
  - Merit Lump Sum – this is for employees who are above market for their job grade and who do not receive an increase to base salary when merit increases are awarded.
  - Promotion Bonus – lump sums paid when employees receive promotions.
  - Retention payments – payments to employees to retain employment services for specified periods of time.

- (b) Summary of LTI Program Features:

The Long Term Incentive referred to in GL Account 500400 describes deferred shares that are part of the Annual Incentive Plan ("AIP") and are a replacement for the Executive Share Option Plan (ExSOP) formerly in place.

Eligible employees are those with a competitive market level of \$129,900 or higher. Eligible Employees' AIP maximum percentage (opportunity) is uplifted by one-third, with additional bonus dollars allocated in shares that are deferred for a period of three years. The total dollar value of this one-third uplift is calculated in the same manner as the Annual Incentive described in Response to WUTC 162 and is based on Company, Business Unit and Individual goal attainment. Shares are purchased on behalf of the Employee and are held beneficially for the participant. Voting and dividend rights are retained by the participants. Dividends are automatically reinvested, unless otherwise specified.

- (c) In order to attract, retain and motivate qualified employees, the Company's policy is to provide total compensation, when performance is at desired levels, which is equal to the average total compensation provided by our competitors when performance is at desired levels. Base salary alone is insufficient to provide cash compensation at a competitive level. However, at desired levels of performance, employees can earn total cash compensation that is competitive in the market place.

Average competitive compensation establishes the total amount that an employee, performing in a particular job, should earn from both a base salary and target incentive perspective. To determine the competitive base salary for the job, the Company discounts the average total cash compensation by the Company's guideline annual incentive level.

The Annual Incentive Plan is intended to put some of the competitive total remuneration at risk. This upside opportunity is provided to help offset the risk associated with incentive compensation. In exceptional performance years, the incentive may be up to two times the target, but on average over several years, the incentive was generally very near the target level. If the individual fails to earn the full target incentive, that individual will be paid less than the competitive total cash compensation in the marketplace for that year.

The Annual Incentive Plan is also intended to:

- Drive higher levels of performance by establishing, measuring and achieving line-of-sight goals for individuals, business units and the Company.
- Communicate and evaluate progress against goals several times during the plan year, thereby allowing employees to maintain focus relative to goal attainment.
- Reward individuals for their dedication, hard work, and demonstration of key/leadership behaviors leading to the successful achievement of objectives.

#### Eligibility/Time Period

All regular, full- and part-time, non-union employees of the Company are eligible to participate. For Fiscal Years 2002-2003 and 2003-2004, non-Senior Management Group employees' incentives were based on three measurements: the PacifiCorp Scorecard, which accounted for 20% of the overall award; the Business Unit Balanced Scorecards, which accounted for 30% of the overall award; and Individual Performance, which accounts for the remaining 50% of the overall award.

- PacifiCorp Scorecard – The Scorecard contained four elements; Financial, Stakeholder, Customer, Employee and Process and covered the goals/objectives and metrics for the overall PacifiCorp regulated business. In the event that 70% of the EBIT target was not attained, the entire PacifiCorp Scorecard rating would equate to zero and no payment will occur under this component of the Plan.
- Business Unit Balanced Scorecards – Each Business Unit Balanced Scorecard contained four elements; Financial, Stakeholder, Customer, Employee and Process and covered the goals/objectives and metrics for the business unit.
- Individual Performance - Individual performance played a key role in achievement of up to 50% of the maximum incentive award. Goals and measures established for each employee were focused deliberately on line-of sight goals and benefit to the customers we serve. Individual performance is measured based on the employee's performance to those goals, with a weighting of 70%, and the employee's performance to key behaviors, such as "Customer Service", with a weighting of 30%.
- For the 2004/2005 Plan Year; the financial component of the overall Annual Incentives was minimized by reducing the weight assigned to the PacifiCorp Scorecard from 20% to 10%. There was no payout under this component of the Plan. Emphasis was placed on key behaviors which emphasized "Customer Service" and accounted for 10% of the overall award.

Incentive programs have evolved over a five-year period. The table on the following page illustrates the differences in plan measurements.

<b>PerformanceShare 2000-2001</b>	<b>Annual Incentive Plan 2001-2002</b>	<b>Annual Incentive Plan 2002-2003 &amp; 2003- 2004</b>	<b>Annual Incentive Plan 2004-2005</b>
<b>Measures:</b> <ul style="list-style-type: none"> <li>▪ 50% Corporate based on EBIT/Earnings Per Share</li> <li>▪ 50% Group Goals</li> </ul> An "individual performance modifier" of 0-120% percent provided managers with the ability to award a discretionary percentage by individual.	<b>Measures:</b> <ul style="list-style-type: none"> <li>▪ 50% Corporate EPS, Division EBIT, or Business Unit EBIT</li> <li>▪ 50% Individual Performance</li> </ul>	<b>Measures:</b> <ul style="list-style-type: none"> <li>▪ 20% PacifiCorp Scorecard</li> <li>▪ 30% Business Unit Scorecard</li> <li>▪ 50% Individual Performance</li> </ul> Group Senior Management Team members have measures as follows: <ul style="list-style-type: none"> <li>▪ 50% Group Scorecard</li> <li>▪ 50% Individual Performance</li> </ul>	<b>Measures:</b> <ul style="list-style-type: none"> <li>▪ 10% PacifiCorp Scorecard</li> <li>▪ 30% Business Unit Scorecard</li> <li>▪ 60% Individual &amp; Key Behavioral Performance</li> </ul> Senior Management Team members have various measures dependent on SMG level (ET, CEC/FLR, SMG)*

\* 2004/2005 SMG Members' Structures were as follows:

<b>SMG Classification</b>	<b>Scottish Power Scorecard</b>	<b>PacifiCorp Scorecard</b>	<b>Applicable Business Unit Scorecard</b>	<b>Individual Performance Results</b>	<b>Performance to Key Behaviors</b>
Exec Team	25%	40%	-	25%	10%
CEC/FLR	-	25%	40%	25%	10%
SMG	-	20%	20%	50%	10%

Responder: Paul M. Wrigley  
 Witness: Paul M. Wrigley