

Exhibit 1.1

David T. Thomson Testimony

Dockets No. 06-035-163

No. 07-035-04

No. 07-035-14

**DIVISION OF PUBLIC UTILITIES
GUIDELINES FOR ALLOWANCE OF DEFERRED ACCOUNTING**

- I. Events determined by the Commission on a case by case basis to meet one of the following circumstances.

- II. Events that are both unforeseen and extraordinary
 - A. Unforeseen – Events where the impacts could not be anticipated in the ratemaking process
 - B. Extraordinary – Events that are:
 - 1. Specific
 - 2. Unusual
 - 3. Unique
 - 4. Infrequent
 - 5. Material
 - 6. Not ongoing
 - 7. Not a part of normal operations
 - C. Examples:
 - 1. Storm damage
 - 2. Power plant explosion

- III. Events that provide a future net benefit for ratepayers
 - A. Events must be:
 - 1. Specific
 - 2. Material
 - 3. Matches revenues and expenses
 - 4. Provides intergenerational equity
 - B. Examples:
 - 1. Coal contract buyout costs
 - 2. Re-engineering costs
 - 3. Early retirement or employee reduction costs

- IV. Time limitation of deferrals
 - A. Amortization of the deferral will begin as ordered by Commission
 - B. Rate case must be filed for recovery of the deferral to be considered
 - C. Rate case will also consider:
 - 1. Was utility earning over its allowed return
 - 2. Have shareholders been compensated in the allowed return
 - 3. Insurance or other methods of recovery
 - 4. Prudence and reasonableness of expenditures
 - 5. Rate base or other carrying cost treatment