Q. Please state your name, business address and present position with PacifiCorp, dba Rocky Mountain Power ("Company").

A. My name is Erich D. Wilson. My business address is 825 NE Multnomah, Suite 1800, Portland, Oregon 97232. My present position is Director, Human Resources.

Qualifications

Q. Please briefly describe your education and business experience.

A. I have been employed as the Director of Human Resources since March 2006. From March 2001 to March 2006, I was the Director of Compensation for the Company. Prior to coming to the Company, I held various positions within the area of human resources (operations, benefits and staffing), but for the majority of my career I have directed the design and administration of compensation programs. I received a Bachelor's degree in Economics (Business) from the University of California at San Diego in 1992. In addition, I achieved the Certified Compensation Professional status from the American Compensation Association in 1999 and have kept this certification current through attending various educational programs and seminars.

Q. Please describe your present duties.

A. My primary responsibilities include managing the Company's human resource function, including compensation, benefits, compliance, staffing, training and development, employee and labor relations, and payroll. I focus on assisting the Company in attracting, retaining, and motivating qualified employees along with the administration of all associated human resource programs and employee experiences.

Purpose and Overview of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of the compensation and benefit plans provided to employees at the Company and support the costs related to these areas included in the test period. This overview focuses on our base pay, annual incentive, pension and healthcare benefit plans. These plans are designed to allow the Company to attract and retain the employee talent necessary to deliver safe and reliable service at a reasonable cost. I also demonstrate that the Company has prudently contained increases in labor costs since the last rate case, and in particular, has kept increases in benefit costs at a competitive level.

Q. How do the total labor costs in this case compare to the Company's last general rate case, Docket No. 09-035-23?

A. Total labor costs remain relatively flat from the year ended June 2010. The Company has done an effective job in keeping total labor costs under control. The table below shows that the total wage and benefit expense in this case using a June 2012 test year has increased less than one percent compared to the costs included in the 2009 general rate case in Docket No. 09-035-23 ("2009 GRC") using a June 2010 test year. However, the wages and benefits expense per megawatt-hour, as they are reflected in customer prices, has decreased.

	Current Case 12 Months Ending June 2012	09-035-23GRC 12 Months Ending June 2010	Change
Wage & Benefit Expense	$ 520,029,165	$ 515,965,330	0.8%
Total Load – MWh	61,585,034	58,162,439	5.9%
$/MWh	$8.44	$8.87	(4.8%)

Q. What factors have caused wage and benefit costs to increase less year after year?

A. The Company continues to pay wages that are consistent with the practices in the labor market. The economic challenges that began in late 2008 and which have, to a lesser extent, continued through 2010 have been a key factor in keeping wage increases at historically low levels. For example, the Company increased employees' wages for the 12 months ended June 2010 by a range of .88 percent to 2.50 percent compared to the 3.0 - 3.5 percent range that has traditionally been seen in the markets in which we compete for labor. Related to benefits, the Company continues to shift cost responsibility to employees to maintain alignment with market practices.

Q. Please briefly describe the Company's compensation philosophy.

A. Two fundamental principles underlie the Company's compensation philosophy. First, the Company's primary goal in determining employee compensation is to provide pay at the market average. Competitive compensation is critical to attracting and retaining qualified employees in a competitive market, and allows the Company to do so without incurring excessive or unreasonable costs. Thus, the Company endeavors to provide the same general pay levels and components in its total remuneration package as are included in the packages provided by its competitors for labor.

Second, the Company believes that in order to encourage superior performance, a certain percentage of each employee's market compensation must be "at risk." The plan is not a bonus but an incentive to achieve performance that in total will provide competitive total compensation. Accordingly, under the Company's Annual Incentive Plan, each employee has the opportunity to receive total compensation, including both base pay and at risk pay, at the market average, so long as the employee performs at an acceptable level. However, employees will earn less than the average remuneration when performance is less than acceptable and, conversely, will earn higher than the average remuneration when performance is exceptional.

Total Compensation

Q. How does the Company determine the total cash compensation package for each position?

A. At least annually, the Company collects market data for comparable jobs and calculates the average data point for total cash compensation by position. To do so, we use a variety of compensation studies from various experts/organizations, including AONHewitt, Towers Watson, and Mercer. In addition, the Company uses an on-line tool called MarketPay.com. MarketPay.com provides electronic access to all of the compensation studies we have traditionally used and some additional surveys, allowing us to more efficiently perform information searches and job and pay comparisons.

After the Company determines the appropriate level of total cash compensation for a position, it then determines the portion of that compensation that will constitute the "at-risk" portion – that is, the "target" incentive pay. The Company sets the "at-risk" portion by reviewing market compensation using the various compensation studies described above. The "at-risk" portion is typically in the 10-25 percent range; however, incentive pay for a few employees is set as high as 75 percent. Generally speaking, the higher the position is within the Company, the higher the percentage of target incentive pay. The remaining percentage of total compensation is referred to as "base compensation."

Q. Please explain the level of incentive compensation that is included in this filing.

A. As shown in the testimony and exhibits of Company witness Mr. Steven R. McDougal (see Exhibit RMP___(SRM-3)), this Application includes a request for total-Company incentive compensation based on a year ending June 2012 test period in the amount of $33.7 million. This is the total budgeted incentive compensation payout at the target incentive level for each employee participating in the incentive plan. The Utah portion of this expense is approximately $9.8 million.

Q. What level of incentive compensation does the Company expect to pay out on a yearly basis?

A. As the Company's pay philosophy is to provide total compensation at the market average, and because target incentive compensation is set to market average, we expect that we will pay out, on a yearly basis, the target levels of incentive compensation.

Retirement Plans

Q. Please describe the Company's retirement plan.

A. The Company continues to strive to provide a competitive retirement plan offering while at the same time reducing the volatility in expense tied to retirement plans so as to benefit both the customer and employee. In doing so, the Company provides, for non-represented employees hired prior to January 1, 2008, the ability to receive their retirement through either a cash balance or through a 401k plan only design. A choice was offered in 2008 and 41 percent of the eligible population elected the 401k plan design. All non-represented employees hired post January 1, 2008 receive their retirement through the 401k plan. Retirement plan benefits for represented employees are determined through the collective bargaining process, through which the Company has maintained its focus to shift the retirement approach from the traditional defined benefit to defined contribution (401k) plans.

Employee Health Benefits

Q. Please describe the Company's health care benefits.

A. As with all benefits, the Company attempts to provide employees with the same level of health care benefits that are provided by the employers with whom the Company competes for labor. In our case, this means offering employees market average health benefits. And of course the Company seeks to provide these benefits as economically as possible.

Q. How does the Company ensure that it is providing these competitive benefits as economically as possible?

A. The Company relies on the advice of its consultant, AONHewitt , to ensure that it is securing market competitive benefits at the best possible rate. AONHewitt are respected experts in their field and the Company has relied on them for many years. With the help of AONHewitt, the Company periodically reviews and adjusts the sharing of healthcare-related costs with employees in an effort to stabilize cost, manage volatility, and respond to changing market practices.

Q. Has the Company faced any particular challenges in the past several years relevant to its provision of health care benefits?

A. Yes. It is widely understood that health care costs have been rising sharply over the past several years and in 2010 the passing of Health Care Reform occurred. As a result, the Company experienced significant increases in its health care benefit costs and anticipates further required actions be taken to comply with Health Care Reform.

Q. Has the Company taken any action to contain these cost increases?

A. Yes. Beginning in 2008 the Company made adjustments to the cost sharing and plan design to reduce costs and to align with market practices. In particular, the Company established a base medical plan with a high deductible and a cost sharing of 90/10, with the employee share increasing in subsequent years and for 2011 is set at 84/16. The Company continues to offer choice in other plans, however, except for a $300 deductible plan that is offered in rural areas, these plans are set at a cost sharing of 70/30. All new hires as of January 1, 2008 have the option of selecting the high deductible plan or opting out of coverage.

Q. What is the Company's rationale for sharing healthcare-related costs with employees?

A. This structural shift adheres to the Company's goal of providing competitive benefits to its employees, while doing so in a manner that is fair and prudent for our customers.

Q. Please explain the level of healthcare costs included in this filing and compare that to previous fiscal year expenses.

A. There continues to be a significant upward trend in healthcare costs in recent years. For calendar years 2007, 2008 and 2009 actual healthcare expenses totaled $49 million, $52 million and $57.9 million respectively. Consistent with this trend, the Company has included in this application healthcare expenses on a total Company basis of $64.1 million, as shown in Exhibit RMP___(SRM-3). The Utah allocated share of healthcare costs is $18.6 million.

AONHewitt has informed the Company that current trends indicate the rates for the Company's medical benefits are anticipated to increase further in 2011/2012 by between 8 and 10 percent, respectively.

Summary and Conclusion

Q. Please summarize your testimony.

A. Rocky Mountain Power has done an effective job of managing wage and benefit costs and has taken steps to control these costs to the benefit of its customers.

While the total dollar level of wage and benefits costs has increased slightly, the cost per MWh projected for the test period in this case has declined from the level currently included in customer rates. Total compensation packages to employees, including benefits, are kept in line with market data and changes have been implemented to keep benefit costs under control. Employee total compensation packages are implemented in an effective manner through rigid goal setting processes to achieve superior performance for our customers. As a result, I urge the Commission to accept the Company's level of wage and benefit costs as reasonable and prudent.

Q. Does this conclude your direct testimony?

A. Yes.