

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-23-11
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC SERVICE)
IN THE STATE OF IDAHO AND FOR)
ASSOCIATED REGULATORY ACCOUNTING)
TREATMENT.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

SARAH GRIFFIN

1 Q. Please state your name, business address, and
2 present position with Idaho Power Company ("Idaho Power" or
3 "Company").

4 A. My name is Sarah Griffin. My business
5 address is 1221 West Idaho Street, Boise, Idaho 83702. I am
6 employed by Idaho Power as Vice President of Human
7 Resources ("HR").

8 Q. Please describe your educational background.

9 A. I currently hold a Bachelor of Art degree in
10 English from the University of Utah, and an Executive
11 Master of Business Administration degree from Boise State
12 University. I have been a member of the Society for Human
13 Resource Management since 1997 and have held both the
14 Professional and Senior Professional certifications,
15 although these are no longer active. I was appointed to the
16 Idaho Personnel Commission in 2017 and the Idaho Workforce
17 Development Council in 2019 and have been reappointed to
18 both positions.

19 Q. Please describe your work experience with
20 Idaho Power Company.

21 A. I possess nearly 30 years of experience
22 working in HR, with over 15 years of experience in the HR
23 department at Idaho Power. Between 1996 and 2007, I served
24 various HR roles at Delta Dental, Thoratec Corporation, and
25 NPS Pharmaceuticals, culminating in my role as Corporate HR

1 Manager at Boise Cascade. I began my employment with Idaho
2 Power in October 2007 as an HR Professional where my role
3 was to provide guidance to leaders in managing performance,
4 developing and delivering leader and employee training, and
5 conducting workplace investigations. Since my initial hire,
6 I have served in increasingly broad and expansive roles,
7 including HR Leader, HR Manager, and Director of HR,
8 ultimately moving into my current role of Vice President of
9 HR in October 2019.

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to provide
12 justification for the labor and total compensation costs
13 included in the Company's test year. I will describe the
14 Company's overall compensation philosophy and explain why
15 the level of compensation requested in this case is
16 necessary to provide safe, reliable, affordable electricity
17 to customers. As part of this discussion, I will also
18 provide the justification for the requested increase in
19 cost recovery related to the Company's pension plan, which
20 serves as a key component of Idaho Power's overall
21 compensation package.

22 Q. How is the remainder of your testimony
23 organized?

24 A. My testimony consists of seven sections that
25 address the current labor market, the components of Idaho

1 Power's total compensation or "Total Rewards" package, and
2 how those components are determined. My testimony then
3 concludes with a summary of costs related to Total Rewards
4 included in the Company's filing.

- 5 • Section I: Idaho Power's Total Rewards
6 Philosophy
- 7 • Section II: Current Labor Market Challenges
- 8 • Section III: Base Wage Benchmarking
- 9 • Section IV: Incentive Compensation
- 10 • Section V: Benefits Benchmarking
- 11 • Section VI: Retirement Benefits
- 12 • Section VII: Total Rewards Costs in 2023 Test
13 Year

14 **I. IDAHO POWER'S TOTAL REWARDS PHILOSOPHY**

15 Q. Please provide a general discussion of Idaho
16 Power's Total Rewards philosophy.

17 A. Idaho Power's Total Rewards philosophy is to
18 provide a balanced, competitive, and sustainable total
19 compensation and benefits package, ensuring it attracts and
20 retains high-quality employees and motivates them to
21 achieve performance goals that benefit customers at a fair
22 and just cost. Maintaining a competitive Total Rewards
23 package allows the Company to recruit and retain a highly
24 skilled workforce that possesses a deep knowledge and
25 understanding of the complex energy business that builds

1 and becomes more valuable as employees gain more experience
2 over time. The competitiveness of Idaho Power's Total
3 Rewards package also supports the Company's intent to
4 maintain a flexible workforce that can easily adjust work
5 duties and assignments to meet changing demands and
6 operational needs. In support of this philosophy, the
7 Company monitors its Total Rewards package, and adjusts it
8 accordingly in order to maintain a market-competitive total
9 compensation package.

10 Q. What are the components of Idaho Power's Total
11 Rewards package?

12 A. The Total Rewards package is comprised of base
13 wages and "at-risk" incentive pay, as well as competitive
14 benefits programs including health and welfare, retirement
15 and other benefits.

16 Q. How often is the Company's Total Rewards
17 package reviewed?

18 A. While certain components of the Company's
19 Total Rewards package are reviewed annually, a
20 comprehensive benchmarking analysis that evaluates the
21 total cost of Idaho Power's employee benefits (as a
22 percentage of pay) as compared to peer utility companies is
23 performed biennially. Table 1 below summarizes the
24 frequency of review for the various components of the
25 Company's Total Rewards package, as well as the actions

1 that are taken based on each review. I will describe each
2 of these review processes in greater detail later in my
3 testimony.

4 **Table 1: Total Rewards Review Frequency by Component**

Total Rewards Component	Review Frequency	Outcome
Salary Structure	Annually	General Wage Adjustment %
Benefits Programs	Annually	Program/rate changes
Comprehensive Compensation Analysis	Continually, targeting each position every 5-7 years or less	Market adjustment, up or down

5
6 Q. How does Idaho Power analyze whether it is
7 providing market-competitive compensation and benefits?

8 A. Idaho Power's compensation benchmarking
9 process evaluates positions on an ongoing basis, with the
10 goal of a comprehensive review occurring approximately
11 every 5-7 years, particularly for positions that have a
12 significant number of incumbents, to ensure that Idaho
13 Power maintains market-competitive compensation levels and
14 remains an employer of choice.

15 Q. What data sources does Idaho Power rely on for
16 these analyses?

17 A. The Company uses a variety of data sources in
18 the compensation benchmarking process. Non-exempt¹ trade
19 positions are typically benchmarked against intermountain

¹ "Exempt" positions refer to non-hourly, salaried positions, while "non-exempt" positions are paid on an hourly basis.

1 utility peer contract data. The Company also participates
2 in and purchases data from Willis Towers Watson's ("WTW")
3 *Energy Services Middle Management, Professional and Support*
4 *Compensation Survey* to benchmark management, professional
5 exempt, office-based non-exempt, and other non-exempt
6 support roles.

7 Q. What is WTW and how does Idaho Power utilize
8 their survey data?

9 A. WTW is a nationally recognized HR consulting
10 firm, and the *Energy Services Middle Management,*
11 *Professional and Support Compensation Survey* is the most
12 widely used salary survey in the utility industry. WTW also
13 provides a biennial review of the cost to Idaho Power of
14 providing benefits (as a percentage of pay) compared to the
15 corresponding costs incurred by a peer group of "Energy
16 Services" and "General Industry" companies. Benefits
17 reviewed and benchmarked include health, retirement, and
18 other services, including time off and disability programs.
19 The Company utilizes WTW's *Benefits Online* survey data and
20 benchmarking information from Idaho Power's benefits
21 consulting firm, KPD, when reviewing benefit programs and
22 cost.

23 Q. How does the Company use the Total Rewards
24 benchmarking information to adjust employee compensation
25 and benefit offerings?

1 recently this has become more difficult, particularly for
2 employees with specialized or high-demand skills, and the
3 Company anticipates this trend will continue. In light of
4 these challenges, which I will describe in more detail
5 later in my testimony, ensuring the Company offers a
6 competitive Total Rewards package that emphasizes long-term
7 employment is increasingly important in order to attract
8 and retain a high-quality workforce.

9 Q. What factors have caused the labor market to
10 become more challenging since 2011?

11 A. Multiple factors have caused a paradigm shift
12 in the labor market since 2011. Primary factors impacting
13 Idaho Power have been increased competition for local
14 workers due to remote work options resulting from the
15 COVID-19 pandemic ("pandemic"), historic increases in
16 housing costs in Idaho Power's service area, and the need
17 to hire and retain talent to operate in an increasingly
18 complex environment, exemplified by new processes such as
19 participation in the Energy Imbalance Market ("EIM") and
20 more sophisticated resource modeling and planning within
21 the integrated resource planning ("IRP") process.

22 Q. How did the pandemic impact the ability to
23 attract and retain qualified employees?

24 A. Due to mandatory remote working conditions
25 that resulted from the pandemic, many companies throughout

1 the world transitioned to a higher percentage of full
2 remote or hybrid remote job offerings. While certain hands-
3 on positions were less impacted by this change, many in-
4 office positions in the Company saw a paradigm shift in the
5 labor market, which directly impacts Idaho Power's ability
6 to attract and retain high-quality employees.

7 Rather than competing strictly in the local job
8 markets, Idaho Power is now competing for employees with
9 any company throughout the world that offers the ability to
10 work remotely, many of whom are paying wage rates that are
11 much higher and often reflective of those offered in much
12 larger cities. This impact - most acutely felt by
13 Information Technology ("IT") and Cyber Security positions
14 - comes at a time when technology and security have grown
15 increasingly complex.

16 Q. Has Idaho Power's workforce changed over the
17 last decade with respect to age and proximity to
18 retirement?

19 A. Yes. At the time of the Company's last GRC, as
20 of December 31, 2011, approximately 39 percent of employees
21 were eligible to retire within five years while 43 percent
22 of employees had fewer than 10 years of service. As of
23 April 2023, the Company now has approximately 30 percent
24 eligible to retire within five years while more than half

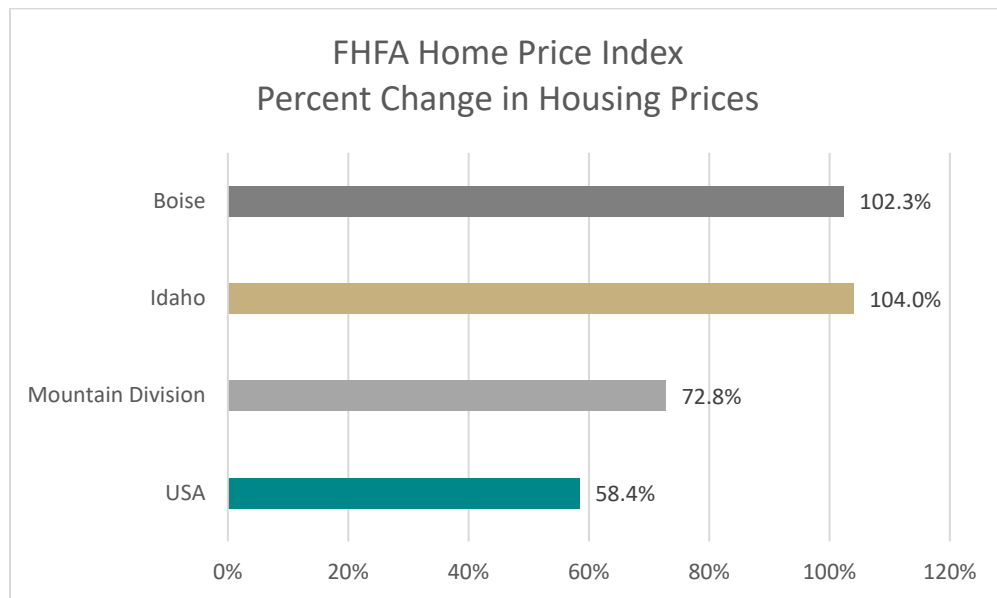
1 of the Company's employees have fewer than 10 years of
2 service.

3 Q. How have housing costs in Idaho changed since
4 the Company filed its last GRC in 2011?

5 A. According to the most recent House Price Index
6 ("HPI") Quarterly Report (Q4 2022) issued by the Federal
7 Housing Financing Agency ("FHFA"), Idaho leads the nation
8 in the five-year increase in housing prices, as
9 demonstrated in Figure 1 below. These elevated housing
10 prices serve as an additional hurdle to hiring employees
11 who do not currently reside within the area.

12 **Figure 1.**

13 Home Price Index Percent Changes, Q4 2022



14

15 Q. How do higher housing costs impact Idaho Power's
16 ability to hire quality candidates?

1 procurement purposes, and complex billing procedures for
2 increasingly prominent technologies such as rooftop solar
3 all impact Idaho Power's labor needs.

4 Q. How have the challenges you described impacted
5 Idaho Power's labor recruitment and retention?

6 A. The challenges above have led to increased
7 difficulty in hiring and retaining employees, as evidenced
8 by the Company's time-to-fill open positions, the size of
9 qualified applicant pools, and the Company's employee
10 turnover rates.

11 Q. What does the time-to-fill metric measure?

12 A. Time-to-fill measures the number of days it
13 takes to fill an open position, from the date a job
14 requisition is posted to the date a new hire accepts the
15 position.

16 Q. How have Idaho Power's time-to-fill open
17 positions and the size of qualified applicant pools changed
18 in recent years?

19 A. The Company has experienced longer hiring
20 times in recent years, with a time-to-fill rate increasing
21 from an average of 38 days in 2019 to 43 days in 2022.
22 Although this change may appear small, the compounded
23 effects of a longer time-to-fill rate and smaller candidate
24 pools for job postings have impacted Idaho Power's ability
25 to hire qualified candidates in a timely manner.

1 Q. Can you provide some examples of the smaller
2 candidate pools for job postings, as indicated in the
3 previous response?

4 A. Yes. For example, Idaho Power's external
5 Journeyman Lineworker postings received an average of 22
6 applicants in 2020 compared to fewer than six in 2022. For
7 more technical positions, this decrease has been even more
8 dramatic. The System Administrator positions that were
9 posted in 2020 had an average candidate pool size of 73,
10 while the same position posted in 2022 had an average
11 candidate pool size of fewer than nine. Further, Engineer
12 postings averaged over 50 candidates in 2020 compared to
13 fewer than 20 in 2022

14 Q. Are these hiring challenges unique to Idaho
15 Power?

16 A. No. In an article dated May 11, 2023, the
17 Idaho Press reported that the City of Boise is experiencing
18 similar hiring challenges and has a 10 percent vacancy
19 rate. The article further states that "in Idaho, there are
20 1.5 jobs per each available person."²

21 Q. How has increased scarcity in candidate pools
22 impacted Idaho Power?

² ['Has not resolved itself': City of Boise still facing job vacancies | Local News | idahopress.com](https://www.idahopress.com/news/local-news/2023/05/11/boise-job-vacancies/)

1 A. Due to relatively limited candidate pools, the
2 Company has had to resort to hiring at an entry level for
3 many professional positions where someone with more
4 experience is needed to fill the position but there are no
5 or a limited number of candidates. This has particularly
6 been the case for technical positions where there were not
7 sufficient qualified applicants or the salary requirements
8 of qualified applicants could not be met. This results in
9 additional training resources and time to get candidates up
10 to speed in the position and makes retention of these
11 workers even more critical as they gain valuable knowledge
12 and experience. This further supports the need to emphasize
13 long-term retention in the Company's Total Rewards package,
14 exemplified by the structure of the Company's defined
15 benefit pension plan.

16 Q. How has the Company's turnover rate changed as
17 a result of the current labor market?

18 A. The labor market forces detailed above have
19 resulted in increased turnover rates in recent years. The
20 overall voluntary turnover rate, which includes both
21 regular voluntary terminations and retirements, increased
22 by 49 percent from 2012 to 2022. The Company's voluntary
23 turnover rate (excluding retirements) as of December 31,
24 2022 nearly doubled compared to prior to 2020. According to
25 exit interview data, 48 percent of these employees left the

1 Company for more pay and/or additional advancement
2 opportunities. Furthermore, these statistics are not unique
3 to Idaho Power. Within the Idaho Press article referenced
4 previously, the City of Boise HR Director Sarah Borden
5 stated that last January "45 percent of non-retirees said
6 that either compensation or cost of living was driving them
7 to make this decision (to leave)."³

8 Q. Has Idaho Power experienced a corresponding
9 increase in declined job offers?

10 A. Yes. The number of declined offers more than
11 tripled from 2020 to 2022. The majority of these declined
12 offers were situations where either salary requirements
13 could not be met or there were competing offers that were
14 beyond what the Company could provide.

15 Q. How has Idaho Power responded to the changing
16 labor market and the challenges it presents?

17 A. In light of these challenges, Idaho Power has
18 modified its recruiting approach with the ultimate goal of
19 attracting and retaining a talented workforce while keeping
20 costs low for customers. First, where Idaho Power formerly
21 was able to rely solely on local sources for its job
22 postings, the Company has expanded its use of nationwide
23 job boards to help promote and target qualified candidates
24 and has attempted to source candidates through resumé

³ *Id.*

1 databases. Additionally, in the post-pandemic era in which
2 many job seekers prioritize remote work opportunities,
3 Idaho Power began offering hybrid work options for
4 qualified positions.

5 Q. How do these challenges impact the Company's
6 Total Rewards philosophy?

7 A. Given these challenges, now more than ever,
8 offering an attractive Total Rewards package is crucial not
9 only for the hiring of high-quality employees, but for the
10 retention of employees as well. It is vital that Idaho
11 Power's Total Rewards package can attract quality employees
12 who will serve as long-term productive members of the
13 Company's workforce. Given challenges in hiring, it is even
14 more crucial that the Company's Total Rewards package
15 incents long-term employment, highlighting the need for the
16 Company's defined benefit pension plan that I will detail
17 later in my testimony. In its entirety, the setting of a
18 competitive Total Rewards package is crucial to the ability
19 of Idaho Power to cost-effectively maintain safe and
20 reliable service. Each component of the Total Rewards
21 package - Base Wages, Incentive Pay, Benefits, and Pension
22 - will be detailed in Sections III through VI of my
23 testimony, respectively.

24 **III. BASE WAGE BENCHMARKING**

25 Q. What are base wages?

1 A. The Company has a grade and step pay system.
2 The highest step in any grade is step 13. Each position is
3 assigned a grade as reflective of the market, and the
4 Company standard for remaining competitive is to set the
5 step 13 pay of each grade to be approximately equal to the
6 median pay for a comparable position in the peer-compared
7 market. Targeting the median of market pay is a
8 compensation-setting best practice. It is a conservative
9 approach that allows Idaho Power to manage costs while
10 ensuring the Company is able to provide competitive pay
11 within the grade and step system.

12 Q. How does Idaho Power ensure its base wages do
13 not exceed the market median over time?

14 A. On an annual basis, the Company reviews a
15 variety of data to determine the appropriate General Wage
16 Adjustment ("GWA") to remain competitive. The Company
17 reviews market survey data from WTW and peer utility
18 contracts, the Consumer Price Index ("CPI"), and other
19 economic data that ultimately informs the recommendation to
20 the Board of Directors for the Company's GWA. On a longer-
21 term basis, Idaho Power performs a comprehensive job review
22 for individual positions to ensure base wages are
23 competitive and appropriate relative to market.

24 Q. Has the Company's job review process evolved
25 since the last GRC?

1 A. Yes. The Company's 2011 base wage and total
2 compensation benchmarking analysis focused on five specific
3 positions.⁴ The information and resulting decisions
4 regarding compensation levels were then used to inform
5 decisions for a broader set of jobs with similar functions
6 referred to as a job category or "job family."⁵

7 In 2017, the Company developed a process to expand
8 this review from five specific positions and their
9 associated "job family" to performing a review of all jobs
10 on an ongoing proactive basis. This is in addition to the
11 practice of reviewing jobs when there are significant
12 changes in job responsibilities or market conditions
13 resulting in challenges for the Company in recruiting
14 and/or retaining the talent necessary to provide safe,
15 reliable, and affordable energy to customers.

16 Q. Please generally describe the current job
17 review process.

18 A. Positions are evaluated using market data from
19 third-party salary surveys, primarily from WTW. The Company
20 relies on data specific to the energy services industry,
21 with a focus on information from companies with comparable
22 levels of annual revenue and regulation. Where appropriate,

⁴ These five positions represented approximately 11 percent of the total employees at Idaho Power in 2011 and 2012.

⁵ The combined number of employees in each of the selected jobs represented approximately 22 percent of the total workforce in 2011 and 2012.

1 peer utility contracts are also reviewed along with similar
2 internal positions. The Company also reviews job postings
3 of peer utilities.

4 Q. Has the Company made progress in reviewing all
5 jobs at Idaho Power using this job review process?

6 A. Yes. While the job review process slowed in
7 2020 due to the impact of the pandemic on the Company's
8 workforce and HR staff, Idaho Power is currently
9 progressing through its full review of all positions within
10 the Company. The table below shows the number of jobs that
11 have been reviewed since implementing this new process in
12 2017. When this program was implemented, the Company
13 focused first on jobs with the highest number of
14 incumbents, rather than smaller or single incumbent
15 positions.

16 **Figure 2.**

17 Job Review Completion Progress, 2017 - Current



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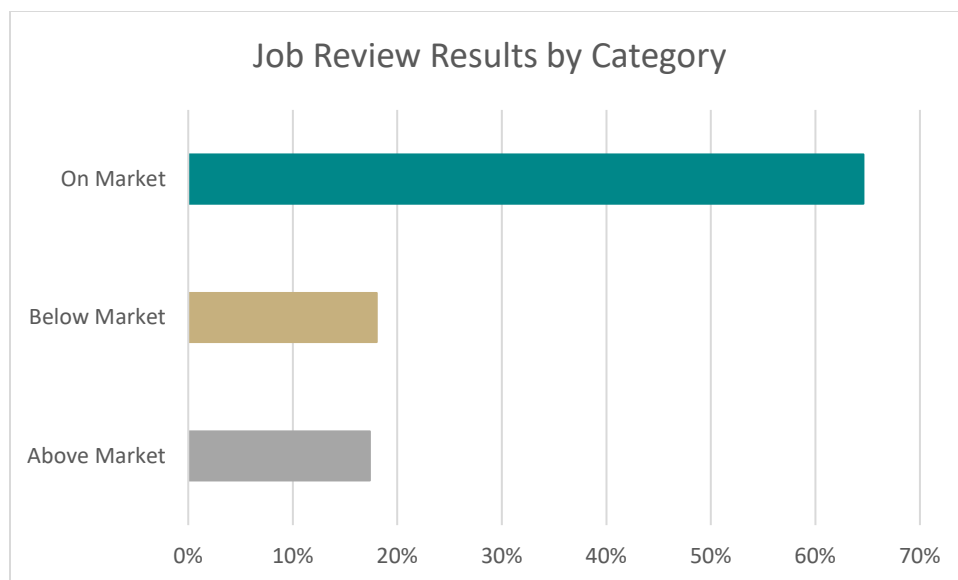
1 As of 2023, there are 665 total distinct jobs in the
2 Company. Of those, reviews for 417 are complete, 4 are in
3 progress, and 244 remain.

4 Q. What changes have occurred as a result of the
5 Company's broader job review?

6 A. As shown in the chart below, the majority of
7 the jobs reviewed were on-market, indicating that Idaho
8 Power's wage-setting process is functioning as intended.
9 For jobs that were found to be above market, employees are
10 placed into a reduction-in-grade program that brings them
11 into alignment with the lower rate of the new reduced grade
12 of the position. When positions are determined to be below
13 market, the incumbents are generally moved to the
14 equivalent step of the position's new grade.

15 **Figure 3.**

16 Comprehensive Job Review Results by Category



17

1 Q. What has been the recent trend for wages and
2 salaries in the marketplace?

3 A. Data indicates that wages and salaries are
4 generally increasing in the marketplace. The Company
5 reviews several factors to determine appropriate increases
6 based on what is trending in the market, including salary
7 budget surveys, union contract negotiations, and cost-of-
8 living and economic factors.

9 Q. Have you observed any recent trends in salary
10 budget surveys and union contract negotiations?

11 A. Yes. Recent salary survey projections for
12 merit and salary structure movement showed an increase over
13 prior years. Union contract annual adjustments, as well as
14 market adjustments for many positions were negotiated at an
15 all-time high, with several peer utilities granting
16 increases in the double digits for certain roles. As shown
17 in Table 2 below, first year contract wage increases for
18 lineman ranged from 7-18 percent.

19 **Table 2: Peer Utility Wage Increases for Lineman**

Northwest Peer Utilities	Old Hourly Rate^{1,2}	New Hourly Rate^{1,3}	% of Increase
Avista	\$48.63	\$55.39	13.90%
Northwestern	\$48.24	\$51.94	7.70%
NV Energy	\$52.38	\$62.18	18.70%
Pacific Power	\$48.91	\$56.03	14.60%
Rocky Mountain Power	\$49.29	\$54.40	10.40%

20 1) All data collected from publicly available job postings or union contracts

21 2) Hourly rate effective final year of old union contract

22 3) Hourly rate effective first year of new union contract

23

1 Q. Have you observed any changes in cost-of-
 2 living and economic factors impacting employee
 3 compensation?

4 A. With respect to cost-of-living and economic
 5 factors, CPI indicates a continued upward trend through
 6 2022, as indicated in Table 3 below, with inflation spiking
 7 in 2021 and 2022 relative to prior years. In 2022 alone,
 8 CPI in the Mountain Division CPI-U ("Urban") increased 9.6
 9 percent.

10 **Table 3: Consumer Price Index, 2018–2022**

Consumer Price Index - CPI-U (12 mo. Change through September)	2018	2019	2020	2021	2022	Average
US City Average	2.30%	1.70%	1.40%	5.40%	8.20%	3.80%
West (Includes AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY)	3.40%	2.60%	1.60%	5.30%	8.30%	4.20%
West - Size Class B/C (2.5 million or less)	2.80%	2.30%	2.00%	5.70%	8.30%	4.20%
Mountain Division (Includes AZ, CO, ID, MT, NV, NM, UT, WY)	n/a	2.90%	1.80%	6.00%	9.60%	5.10%

11
 12 As discussed earlier in my testimony, housing prices
 13 have increased at a historic rate in Idaho. This is further
 14 evidenced in Table 4 below, which shows a 37.06 percent
 15 increase in housing costs in 2021, and a 19.13 percent
 16 increase in 2022.

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Table 4: Home Price Index, 2018-2022

Home Price Index	2018	2019	2020	2021	2022
National	6.50%	5.10%	6.10%	18.80%	17.67%
Mountain Division (AZ, CO, ID, MT, NV, NM, UT, WY)	9.60%	5.90%	7.90%	25.50%	21.36%
Idaho	13.05%	11.40%	10.78%	37.06%	19.13%
Boise	16.59%	13.60%	11.25%	41.11%	15.00%

Source: Federal Housing Finance Agency (12 Mo. Change Through Q2 2022)

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Q. What is the result of the Company's general wage benchmarking process in light of these recent trends, and how does this impact the base wage levels reflected in the Company's filing?

A. Since the filing of the Company's last GRC, Idaho Power has adjusted base wages through annual GWAs, as well as the comprehensive job review process described previously in my testimony. This approach ensures that the Company's base wages are regularly reviewed, resulting in competitive market-based rates that effectively balance Idaho Power's ability to attract and retain a quality workforce while keeping costs low for customers. Idaho Power's annual GWA process has assisted the Company in keeping pace with recent market trends, while the position-by-position review has indicated that Idaho Power's base wages are competitive relative to market for the majority of positions.

As shown in the Figure 3 above, for a small proportion of reviewed positions, up or down adjustments have been applied in the event the comprehensive review

1 indicated an adjustment was warranted. The graph also shows
2 that the number of positions that experienced wage
3 decreases is very similar to the number of positions that
4 experienced wage increases, indicating that on average the
5 Company's benchmarking process is functioning as intended.

6 This process, combined with the market forces
7 described earlier in my testimony, results in total
8 operations and maintenance ("O&M") base wage costs included
9 in the 2023 test year of \$133.7 million. Company Witness
10 Mr. Matthew Larkin discusses the 2023 test year O&M labor
11 forecast in more detail in his testimony.

12 **IV. INCENTIVE COMPENSATION**

13 Q. What is incentive pay?

14 A. Incentive pay is an "at-risk" part of Idaho
15 Power's Total Rewards package that is awarded based on
16 performance goals established by the Compensation Committee
17 of the Company's Board of Directors. Unlike base pay, which
18 is guaranteed, incentive pay will not be paid unless the
19 Company's performance meets or exceeds predetermined
20 metrics.

21 Q. How is Idaho Power's incentive pay designed?

22 A. Idaho Power's incentive plan consists of three
23 components: 1) an electrical network reliability goal, 2) a
24 customer satisfaction goal, and 3) a profit-sharing goal

1 based on net income. The intent of the plan is to focus on
2 key areas where employees can have an impact.

3 Q. Please generally describe the incentive
4 metrics.

5 A. The three metrics are intended to motivate
6 employee performance in ways that positively impact
7 customers. The network reliability goal considers the
8 frequency and duration of customer outages. The customer
9 satisfaction goal is based on the 12-month average of the
10 customer relationship index ("CRI"), which details the
11 Company's performance through the eyes of the customer. The
12 CRI consists of five specific questions asked of Idaho
13 Power's customers by an independent survey company and
14 addresses issues such as overall satisfaction, quality,
15 value, advocacy, and loyalty. The profit-sharing component
16 is based on achievement against financial targets,
17 motivating employees to work toward the financial health of
18 Idaho Power, which is necessary to provide safe, reliable,
19 and affordable service.

20 Each component has an identified threshold, target,
21 and maximum, or in other words, a low, medium, and high
22 level of payout based on actual results compared to
23 predetermined metrics. The payout levels are set each year
24 by the Board of Directors to ensure they continue to
25 stretch employee performance in service of customers.

1 Q. Which components of the Company's incentive
2 plan are included in the Company's 2023 test year?

3 A. Consistent with prior Commission direction,⁶
4 Idaho Power has only included the components of incentive
5 pay that the Commission has determined are directly related
6 to identifiable customer benefits, which in this case are
7 network reliability and customer satisfaction. These
8 components are included in the test year at the 2 percent
9 target (medium) incentive level. Idaho Power has excluded
10 any costs related to the profit-sharing component.

11 Q. Has Idaho Power excluded any other components
12 of its incentive pay from its request in this case?

13 A. Yes. Idaho Power has excluded executive
14 incentive pay. This is consistent with Commission treatment
15 of these costs in prior ratemaking proceedings.

16 Q. What is the Company requesting in this case
17 with regard to incentive-related costs?

18 A. As discussed by Mr. Larkin, incentive pay
19 totaling \$10.2 million related to the customer satisfaction
20 and reliability components is included in the 2023 test
21 year.

22 **V. BENEFITS BENCHMARKING**

23 Q. What is Idaho Power's benefits strategy?

⁶ IPC-E-08-10, Order No. 30722 at 17.

1 and other benefit plan offerings in order to accurately
2 benchmark them against other peers. For consistency of
3 comparison, the results of the study are typically
4 presented as benefits costs as a percentage of pay.

5 In addition to the Energy Services BENVAL study, the
6 Company also contracts WTW to create a custom BENVAL study
7 that uses all industry survey data and provides an in-depth
8 peer utility comparison of the Company's health and welfare
9 and retirement benefits design. This information is
10 included in the Company's analysis of its Total Rewards
11 package and is provided to Idaho Power's Board of Directors
12 Compensation Committee. The results of this report are used
13 to broadly evaluate the total value and cost of the
14 Company's benefits and market competitiveness.

15 Q. What is Idaho Power's peer group in the BENVAL
16 study?

17 A. Idaho Power's BENVAL peer group consists of
18 upwards of 34 similarly situated energy services companies
19 across the nation, as well as a subset of utility companies
20 of similar size. In 2021, there were 663 All Industry
21 companies included in the analysis, as detailed in Table 5
22 below.

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24 //

25

1 **Table 5: BENVAL Survey Participant Composition, 2017-2021**

Year	All Industry	Energy
2017	460	41
2019	469	34
2021	663	34

2

3 Q. According to the most recent BENVAL study, how
4 do Idaho Power's total benefit costs compare to its energy
5 peer group?

6 A. As can be seen in Figure 4 below, the value of
7 Idaho Power's total benefits package (health, retirement,
8 and other benefits) for the most recent studies show that
9 Idaho Power's benefit ratio to pay is 36.3 percent while
10 the Company's peers are 35.9 percent -- relatively the same
11 total benefit ratio. It is important to note that Idaho
12 Power manages its benefits package as a whole and the
13 BENVAL survey is a useful tool that ensures that the
14 Company's combined benefit offerings as a percent of pay
15 remain at market even though each component may differ in
16 the peer group. As can be seen in the chart below, Idaho
17 Power's benefit costs as a percentage of pay are generally
18 consistent with the energy industry.

19 //

20 //

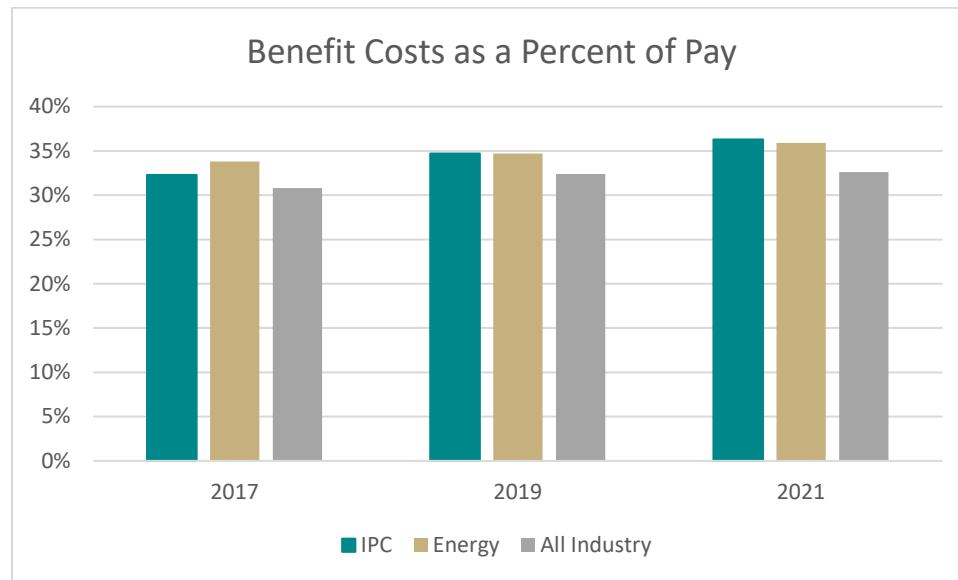
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1 **Figure 4.**

2 Composite BENVAL Results: 2017, 2019, 2021



3

4

5 Q. What benefit cost trends can be seen from the
6 recent BENVAL survey results?

7 A. A review of the data from the 2017, 2019, and
8 2021 studies shows that total benefit costs are rising
9 across the board. As indicated in the prior figure,
10 percentage of pay has increased between surveys from 2017,
11 2019, and 2021. These trends, coupled with the increase in
12 CPI and overall wages discussed earlier in my testimony,
13 indicate that the costs of maintaining a market-competitive
14 benefits package are increasing over time.

15 Q. What has been the Company's approach to
16 managing rising health and welfare care costs?

17 A. The Company is continually evaluating trends
18 and actively working with KPD and associated third-party

1 administrators on strategies to manage overall healthcare
2 costs. These strategies include prescription benefits and
3 formularies, conservative care strategies, case management,
4 medical policy review, and telemedicine. In addition, there
5 is ongoing vendor evaluation and management to ensure the
6 Company is getting the best service at the lowest cost.

7 Q. Given the upward pressure on health and other
8 benefit costs, what is Idaho Power doing to ensure its
9 total benefit costs remain in line with the market?

10 A. The Company continues to benchmark benefit
11 program offerings and costs on an annual basis to ensure
12 its offerings remain in line with market.

13 Q. Are there any final conclusions that can be
14 drawn from the benefits benchmarking information you have
15 provided?

16 A. Yes. As demonstrated by the BENVAl results
17 provided in my testimony, Idaho Power's total benefits
18 offered as a percentage of pay are in line with the peer
19 utilities, indicating the Company's benefits package and
20 its underlying benchmarking process are functioning as
21 intended. Additionally, given the labor market challenges
22 discussed throughout my testimony, Idaho Power believes it
23 is prudent to more heavily weight its benefits package
24 toward components that incent long-term employment (i.e.,
25 retirement benefits). In light of recent trends in rising

1 costs, Idaho Power has actively managed the costs of its
2 benefit programs while simultaneously ensuring its
3 offerings are competitive, to support the hiring and
4 retention of long-term, quality employees.

5 Q. What is the Company requesting in this case
6 with regard to benefits-related costs?

7 A. The O&M benefits-related costs (excluding
8 pension) included in the 2023 test year are approximately
9 \$68.1 million.

10 **VI. RETIREMENT BENEFITS**

11 Q. What are the components of the Company's
12 retirement benefits package?

13 A. The Company's retirement benefits package
14 includes three components: (1) a defined contribution or
15 401(k) benefit plan, (2) a defined benefit (pension) plan,
16 and (3) a retiree medical benefit plan.

17 Q. Why are retirement benefits important?

18 A. The retirement benefits package is a
19 significant part of the overall Total Rewards desired by
20 employees that have a long-term view of their employment
21 future. As discussed earlier in my testimony, changes in
22 the labor market have made the hiring of quality,
23 experienced employees more difficult, which is exacerbated
24 by the shift to a younger, more transient workforce.

1 Because of this, retirement benefits that encourage long-
2 term employment are more important than ever.

3 Consistent with the high value the electric industry
4 places on long-term planning and reliability, Idaho Power
5 likewise values employees with a long-term perspective as
6 part of its highly skilled workforce. In structuring a
7 retirement benefits package as part of its Total Rewards,
8 the Company strives to have a competitive package that
9 supports employees' financial needs in retirement while
10 appropriately sharing market risk between the Company and
11 its retirees.

12 Q. What is the Company requesting in this case
13 with respect to defined benefit pension plan expense?

14 A. As discussed further in Mr. Larkin's
15 testimony, the Company seeks approval of \$35 million of
16 Idaho jurisdictional pension cost amortization.

17 Q. Why is the defined benefit plan so important
18 to the Company and its employees?

19 A. The Company has placed additional weight in
20 its Total Rewards package on the defined benefit plan
21 because it rewards and incents longevity, which in turn
22 facilitates reduced employee development costs due to the
23 retention of knowledge and expertise. As a result, the
24 Company is able to better maintain the needed skilled

1 workforce with less time and expense incurred for training
2 and developing new employees.

3 Q. What changes have been made to Idaho Power's
4 retirement plans?

5 A. The Company's retirement benefits package has
6 evolved over the years. Prior to 1984, the Company had just
7 two components to its retirement benefits package: (1) a
8 defined benefit plan, and (2) a retiree medical benefit
9 plan.

10 In 1984, the Company adjusted the overall retirement
11 benefits package to include the third component of a 401(k)
12 benefit plan. With the addition of this component in 1984
13 and adjustment to the other components, the Company has
14 shifted portions of the overall package cost and benefit
15 risks to retirees in order to maintain a competitive risk
16 sharing balance between the Company and retirees.
17 Simultaneously with the inclusion of a 401(k) component of
18 the retirement benefits package, the Company eliminated
19 cost of living adjustments as part of its defined benefit
20 component, thus shifting inflationary market risk to
21 retirees.

22 In 1999, the Company further reduced its
23 inflationary market risk by: (1) capping the Company
24 contribution expenditures toward retiree medical plan costs
25 for employees hired prior to 1999, and (2) eliminating

1 Company contributions toward retiree medical plan costs for
2 employees hired in or after 1999.

3 In 2010, the Company reduced the current defined
4 benefit percentage factor for employees hired on or after
5 January 1, 2011, to 1.2 percent per year from the previous
6 factor of 1.5 percent per year.

7 Q. Why does the Company continue to offer a
8 defined benefit plan when many of its peers have closed
9 their defined benefit plan offerings to new entrants and
10 transitioned to alternative retirement plan options such as
11 enhanced defined contribution plans or 401(k) plans?

12 A. On an ongoing basis, the Company considers
13 alternatives that could provide similar retiree benefits,
14 including retention incentives, but continues to find the
15 defined benefit plan is the least-cost way to provide
16 retirement benefits as part of the Company's Total Rewards
17 package for employees, which I will address in more detail
18 later in my testimony. The Company also believes the
19 defined benefit plan rewards and incents longevity, which
20 in turn facilitates retention of essential knowledge and
21 expertise in the Company's employees and reduces
22 development and training costs due to turnover, ultimately
23 resulting in savings for customers.

1 Q. Why does the Company's defined benefit plan
2 better promote retention relative to a defined contribution
3 plan?

4 A. When an employee separates from the Company
5 before retirement, the defined benefit is frozen and the
6 former employee will not earn any additional benefit from
7 the plan, nor will the value of the earned benefits
8 continue to grow. For a defined contribution plan such as
9 an enhanced 401(k), the result for an employee who
10 separates from the Company before retirement is the
11 opposite of the Company's defined benefit plan. The growth
12 of a former employee's 401(k) benefit for work already
13 performed is unaffected by whether they stay with the
14 Company.

15 To state the distinction between the two plans more
16 concisely: a defined pension participant's already-earned
17 benefits only grow due to staying with the Company and do
18 not grow after separation, while a 401(k) participant's
19 already-earned benefits at separation from the Company will
20 grow at the same amount as they would have if they had
21 continued employment with the Company due to the growth in
22 the underlying investments. Due to these differences, only
23 the Company's defined pension plan provides an incentive to
24 remain employed at Idaho Power.

1 defined contribution plan, there is less incentive for an
2 employee to stay with Idaho Power long-term, while there is
3 more potential harm to customers in terms of elevated labor
4 costs if the employee chooses to separate within five years
5 of service.

6 Q. Does offering a defined benefit plan cause
7 additional costs for Idaho Power's customers compared to a
8 defined contribution plan?

9 A. No - the opposite is true. Over the career of
10 an employee, the cost for providing a defined contribution
11 benefit that is roughly the equivalent of a defined benefit
12 plan is more expensive.

13 Q. Has Idaho Power procured an analysis that
14 details the comparative long-term costs and benefits of
15 these plans?

16 A. Yes. Idaho Power asked its third-party
17 actuary, Milliman, to prepare an analysis comparing one of
18 Idaho Power's Northwest regional peer's recently negotiated
19 retiree benefit program with its union. Under this plan,
20 the utility will offer new hires after December 31, 2023,
21 an enhanced defined contribution plan that roughly provides
22 the equivalent income replacement to Idaho Power's current
23 1.2 percent defined benefit plan and defined contribution
24 plan to those that work at the company until age 65. The
25 results of this analysis show the financial cost over the

1 career of a new employee to be roughly 40 percent higher
2 under the enhanced 401(k) plan to provide for the same
3 level of benefits as shown in the following table.

4 **Table 6: Employer Cost for Benefit Plans -**
5 **as a percentage of total pay (salary + bonus)**

	Idaho Power	NW Peer Utility
Defined Benefit (1.2% Formula)	6.1%	N/A
Matching Defined Contribution	3.9%	5.6%
Guaranteed Defined Contribution	N/A	8.4%
Total	10.0%	14.0%
Age 65 Replacement Ratio*	52.0%	53.0%

* Based on a hire age of 32, bonus percentage of 6%, and defined contribution investment returns of 6.5% pre-retirement and 5% post retirement

6
7 Q. Did Idaho Power Perform any analysis in
8 addition to Milliman's enhanced 401(k) plan comparison?

9 A. Yes. In addition to the enhanced 401(k) plan
10 comparison, Idaho Power asked Milliman to re-perform a
11 similar analysis but with actual data as presented in the
12 Company's last pension-related case (Case No. IPC-E-10-25).
13 The analysis provided by the Company in that case indicated
14 that under a range of economic conditions and investment
15 return scenarios that could occur over a nine-year period,
16 the Company's defined pension plan was the lowest cost
17 retirement plan option relative to a defined contribution
18 plan. After reviewing this analysis, the Commission
19 accepted Idaho Power's 2011 retirement benefits package in
20 Order No. 32239.

1 Q. How do differences in termination benefits
2 cause the defined benefit plan to be less expensive?

3 A. In Idaho Power's defined benefit plan,
4 employees are not vested in their benefit until they work a
5 full five years with the Company. Defined contribution
6 plans are required by law to have faster vesting schedules.
7 For the comparison prepared for Idaho Power, Milliman used
8 a three-year vesting assumption, which is the maximum cliff
9 vesting allowed by law for a defined contribution plan.

10 The Milliman study confirmed what the Company
11 testified would happen in 2010⁷ and also validated the
12 conclusions reached by the Commission in Order No. 32239.
13 This study confirms that defined contribution plans are
14 more expensive than defined benefit plans in achieving
15 similar levels of benefits. As demonstrated by the Milliman
16 studies, Idaho Power's defined benefit pension plan will
17 continue to save customers money going forward compared to
18 an enhanced defined contribution plan.

19 Q. What is the requested level of cost recovery
20 associated with pension expense in this case?

21 A. Mr. Larkin quantifies and details the
22 requested level of pension-related cost recovery at \$35
23 million.

⁷ *Id.*

1 Q. Do you believe the Company's current defined
2 benefit plan is in the best interest of the Company, its
3 employees, and customers?

4 A. Yes. Idaho Power's defined benefit plan serves
5 as a key component of its Total Rewards package. As
6 discussed throughout my testimony, labor recruitment and
7 retention has experienced significant challenges in recent
8 years, and these trends are expected to continue. A defined
9 benefit plan that not only rewards employees at an
10 appropriate level, but does so while encouraging long-term
11 employment, benefits the Company and customers through the
12 retention of a highly skilled workforce and avoided costs
13 associated with hiring, onboarding, and training.

14 **VII. TOTAL REWARDS COSTS IN 2023 TEST YEAR**

15 Q. What are the expected Total Reward costs for
16 the 2023 test year?

17 A. As shown in Table 7 below, the cost for the
18 Company's Total Rewards in the 2023 test year is
19 approximately \$247.2 million. This is comprised of \$133.7
20 million in O&M wages, \$68.1 million for O&M benefits, \$10.2
21 million for incentive, and \$35.2 million for pension. The
22 test year labor costs are discussed more fully in Mr.
23 Larkin's testimony.

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Table 7: Total Reward Costs – 2023 Test Year

Total Reward Component	2023 Test Year
O&M Wages*	\$ 133.7
O&M Benefits*	\$ 68.1
Incentive	\$ 10.2
Pension	\$ 35.2
Total	\$ 247.2

* Includes DSM wages and benefits

2

3

Q. What has the Company done to manage its Total

4

Rewards costs since the last GRC?

5

A. As discussed in the testimony of Ms. Grow, the

6

Company manages its labor budget carefully, requiring the

7

vice president responsible for each business unit to

8

approve of unbudgeted positions. This careful management of

9

labor costs is evidenced by the fact that even with adding

10

approximately 117,000 customers between 2012 and 2022,

11

employee headcount has decreased by a total of 17 people

12

over the same period.

13

Furthermore, the Company actively manages labor

14

costs by benchmarking each component of its Total Rewards

15

package to make sure it is competitive with the market and

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makes adjustments when necessary, while balancing its Total

17

Rewards package to ensure it can attract and retain high-

18

quality employees and motivate them to achieve performance

19

goals that benefit customers and shareholders.

20

//

1 Q. Does this conclude your direct testimony in
2 this case?

3 A. Yes, it does.

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DECLARATION OF SARAH GRIFFIN

I, Sarah Griffin, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Sarah Griffin. I am employed by Idaho Power Company as Vice President of Human Resources.

2. To the best of my knowledge, my pre-filed direct testimony is true and accurate.

I hereby declare that the above statement is true to the best of my knowledge and belief, and that I understand it is made for use as evidence before the Idaho Public Utilities Commission and is subject to penalty for perjury.

SIGNED this 1st day of June 2023, at Boise, Idaho.

Signed: 
Sarah Griffin