

**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