

Itron

Electric Gas Water
Energy Services Solutions

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ORIGINAL

**Conservation Service Provider
Registration Application Package
(Renewal)**

Submitted to:

Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

Submitted by:

Itron, Inc.
2111 N Molter Road
Liberty Lake, Washington 99019

November 14, 2011



**Conservation Service Provider
Registration Application Package (Renewal)**

List of Contents

- **Check for \$25 for renewal fee**
- **Electronic version of application and attachments on CD-ROM**
- **Registration Application and Attachments** (one original plus one copy)
 - Signed and Notarized Affidavit
 - Completed Registration Application Form
 - Page 2 Attachments:
 - Pennsylvania Department of State filing – Certificate of Good Standing (*for Form Item 5*)
 - Itron, Inc. Articles of Incorporation (*for Form Item 5*)
 - 2011 Itron Officers – Directors List (*for Form Item 5*)
 - Page 3 Attachments:
 - Itron Consulting and Management Services Brochure (*for Form Item 8*)
 - Tax Certification Statement (*for Form Item 9*)
 - Page 4 Attachments:
 - Itron 2010 Annual Report (*for Form Item 14.A*)
 - Certificate of Liability Insurance (*for Form Item 14.A*)
 - Itron 2010 Proxy Statement to Shareholders (*for Form Item 14.B*)
 - List of Principal Itron C&A Staff (*for Form Item 15*)
 - Resumes of Principal Itron C&A Staff (*for Form Item 15*)
 - Trade Associations List (*for Form Item 15*)

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 - List of Principal Itron C&A Staff (*for Form Item 15*)
 - Resumes of Principal Itron C&A Staff (*for Form Item 15*)
 - Michael Rufo
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 - Kris Bradley
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 - George Simons
 - Sharyn Barata
 - Michael Messenger
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 - Trade Associations List (*for Form Item 15*)

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Itron, Inc., d/b/a Itron, Inc., for registration as a Conservation Service Provider ("CSP") in the Commonwealth of Pennsylvania.

To the Pennsylvania Public Utility Commission:

1. **IDENTITY OF THE APPLICANT:** The legal name, address, telephone number, FAX number and email address of the Applicant are:
Itron, Inc., 2111 N Molter Road, Liberty Lake, WA 99019.
Tel: 509-924-9900 FAX: 509-891-3355 Website: www.itron.com

Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated as a CSP within the preceding five (5) years, including name, address, and telephone number.
N/A

2. **CONTACT PERSON:** The name, title, address, telephone number, FAX number and email address of the person
Al Lutz, Director, 1111 Broadway, Suite 1800, Oakland, CA 94607
Tel: 510-844-2831 FAX: 510-844-2900 E-mail: Consult@itron.com

3. **REGISTERED AGENT:** If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are:
National Registered Agent, Inc., 600 North Second Street, Suite 401, Harrisburg, PA 17101
Tel: 800-544-9050 FAX: 717-238-8232

4. **FICTITIOUS NAME:** (select and complete appropriate statement)

The Applicant will be using a fictitious name or doing business as ("d/b/a");

Provide proof of compliance with appropriate Pennsylvania Department of State filing requirements.

or

X The Applicant will not be using a fictitious name.

5. **BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:** (select and complete appropriate statement)

The Applicant is a sole proprietor.

If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

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The Applicant is a:

- domestic general partnership (*)
- domestic limited partnership (15 Pa. C.S. §8511)
- foreign general or limited partnership (15 Pa. C.S. §4124)
- domestic limited liability partnership (15 Pa. C.S. §8201)
- foreign limited liability general partnership (15 Pa. C.S. §8211)
- foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Please attach a copy of the proof of compliance to the Application.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

* If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

X The Applicant is a:

- domestic corporation (none)
- X foreign corporation (15 Pa. C.S. §4124)
- domestic limited liability company (15 Pa. C.S. §8913)
- foreign limited liability company (15 Pa. C.S. §8981)
- Other _____

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Please attach a copy of the proof of compliance to the Application. Additionally, provide a copy of the Applicant's Articles of Incorporation. *(Please see attached Certificate of Good Standing and Articles of Incorporation)*

Give name, title, telephone number and address of officers, partners or directors.
(Please see attached list of 2011 Officers and Directors)

The Applicant is incorporated in the state of Washington (date of incorporation: 12/1/1977) _____.

6. **AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:** (select and complete appropriate statement)

Affiliate(s) of the Applicant doing business in Pennsylvania as a CSP or an electric distribution company ("EDC") are: N/A

Give name and address of the affiliate(s). N/A

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**PA PUBLIC UTILITY COMMISSION
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[Commonwealth/State] of Washington :

ss.

County of Spokane :

Craig Hiteshew, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the VP, Finance (Office of Affiant) of Itron, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That the Applicant herein Itron, Inc has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be registered as a conservation service provider pursuant to Act 129 of 2008.

That the Applicant herein Itron, Inc has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

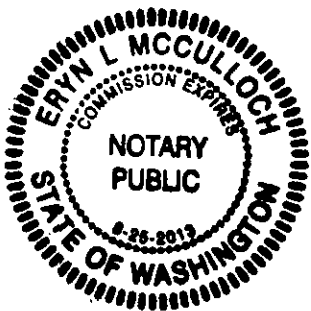
That the Applicant herein Itron, Inc acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein Itron, Inc acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.

Craig A. Hiteshew Craig Hiteshew
Signature of Affiant

Sworn and subscribed before me this 6th day of October, 2011.



Eryn L. McCulloch Eryn McCulloch, Notary
Signature of official administering oath

My commission expires 8-25-2013.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE

SEPTEMBER 21, 2011

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SECRETARY'S BUREAU

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

ITRON, INC.

is duly qualified as a Foreign Corporation under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

I DO FURTHER CERTIFY THAT, This Subsistence Certificate shall not imply that all fees, taxes, and penalties owed to the Commonwealth of Pennsylvania are paid.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Carol Aichele

Secretary of the Commonwealth

Certification Number: 9797839-1

Verify this certificate online at <http://www.corporations.state.pa.us/corp/soskb/verify.asp>

STATE OF WASHINGTON



SECRETARY OF STATE

ITRON, INC.

C/O CT CORPORATION SYSTEM
ATTN: KC GARIEPY
520 PIKE ST STE 2610
SEATTLE WA 98101

AMENDMENT

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that documents meeting Washington statutory requirements have been filed and processed with the Secretary of State on behalf of:

ITRON, INC.

A Washington Profit Corporation
UBI: 600 337 134
Filing Date: December 12, 2002

Amending and Restating Articles.

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PA PUBLIC UTILITY COMMISSION
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Given under my hand and the seal of the State of Washington at Olympia, the State Capital.

A handwritten signature in cursive script that reads "Sam Reed".

Sam Reed, Secretary of State

STATE of WASHINGTON



SECRETARY of STATE

I, SAM REED, Secretary of State of the State of Washington and custodian of its seal,

hereby certify by this certificate that the attached is a true and correct copy of

ARTICLES OF AMENDMENT

of

ITRON, INC.

Amended & Restated

as filed in this office on December 12, 2002.

RECEIVED
JAN 10 2003



Date: December 12, 2002

Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital

A handwritten signature in cursive script that reads "Sam Reed".

Sam Reed, Secretary of State.

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NOV 15 2011
PA PUBLIC UTILITY COMMISSION
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**AMENDED AND RESTATED
ARTICLES OF INCORPORATION**

FILED
SECRETARY OF STATE
DEC 12 2002
STATE OF WASHINGTON

OF

ITRON, INC.

Pursuant to RCW 23B.10.070, the following constitutes Amended and Restated Articles of Incorporation of the undersigned, a Washington corporation.

ARTICLE 1. NAME

The name of this corporation is Itron, Inc.

ARTICLE 2. SHARES

2.1 Authorized Capital

The total number of shares which the corporation is authorized to issue is 85,000,000, consisting of 75,000,000 shares of Common Stock without par value and 10,000,000 shares of Preferred Stock without par value. The Common Stock is subject to the rights and preferences of the Preferred Stock as hereinafter set forth.

2.2 Issuance of Preferred Stock in Series

The Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of these Articles of Incorporation of the corporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance of any shares thereof. The Board of Directors shall have the authority to fix and determine and to amend, subject to the provisions hereof, the designation, preferences, limitations and relative rights of the shares of any series that is wholly unissued or to be established. Unless otherwise specifically provided in the resolution establishing any series, the Board of Directors shall further have the authority, after the issuance of shares of a series whose number it has designated, to amend the resolution establishing such series to decrease the number of shares of that series, but not below the number of shares of such series then outstanding.

2.3 Dividends

The holders of shares of the Preferred Stock shall be entitled to receive dividends, out of the funds of the corporation legally available therefor, at the rate and at the time or times, whether cumulative or noncumulative, as may be provided by the Board of Directors in designating a particular series of Preferred Stock. If such dividends on the Preferred Stock shall be cumulative, then if dividends shall not have been paid, the deficiency shall be fully paid or the dividends declared and set apart for payment at such rate, but without interest on

cumulative dividends, before any dividends on the Common Stock shall be paid or declared and set apart for payment. The holders of the Preferred Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this section.

2.4 Redemption

The Preferred Stock may be redeemable at such price, in such amount, and at such time or times as may be provided by the Board of Directors in designating a particular series of Preferred Stock. In any event, such Preferred Stock may be repurchased by the corporation to the extent legally permissible.

2.5 Liquidation

In the event of any liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary, then, before any distribution shall be made to the holders of the Common Stock, the holders of the Preferred Stock at the time outstanding shall be entitled to be paid the preferential amount or amounts per share as may be provided by the Board of Directors in designating a particular series of Preferred Stock and dividends accrued thereon to the date of such payment. The holders of the Preferred Stock shall not be entitled to receive any distributive amounts upon the liquidation, dissolution, or winding up of the affairs of the corporation other than the distributive amounts referred to in this section, unless otherwise provided by the Board of Directors in designating a particular series of Preferred Stock.

2.6 Conversion

Shares of Preferred Stock may be convertible into Common Stock of the corporation upon such terms and conditions, at such rate and subject to such adjustments as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

2.7 Voting Rights

Holders of Preferred Stock shall have such voting rights as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

2.8 Designation of Rights and Preferences of Series R Participating Cumulative Preferred Stock

The following series of Preferred Stock is hereby designated, which series shall have the rights, preferences and privileges and limitations set forth below:

2.8.1 Designation of Series R Participating Cumulative Preferred Stock

The shares of such series shall be designated the "Series R Participating Cumulative Preferred Stock" (the "Series R Preferred Stock"), without par value. The number of shares

initially constituting the Series R Preferred Stock shall be 1,000,000; *provided, however*, if more than a total of 1,000,000 shares of Series R Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of December 11, 2002 between the corporation and Mellon Investor Services LLC, as Rights Agent (the "Rights Agreement"), the corporation's Board of Directors, pursuant to Section 23B.06.020 of the Revised Code of Washington, shall direct by resolution or resolutions that Articles of Amendment be properly executed and filed with the Washington Secretary of State providing for the total number of shares of Series R Preferred Stock authorized for issuance to be increased (to the extent that the Amended and Restated Articles of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights. In addition, such number of shares may be decreased by resolution of the Board of Directors; *provided, however*, that no decrease shall reduce the number of shares of Series R Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the corporation convertible into Series R Preferred Stock.

2.8.2 Dividends and Distributions

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the corporation ranking prior and superior to the shares of Series R Preferred Stock with respect to dividends, the holders of shares of Series R Preferred Stock shall be entitled to receive, when, as, and if declared by the Board of Directors, out of the assets of the corporation legally available therefor, quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the corporation's Board of Directors shall approve (each such date being referred to in this Designation as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series R Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) \$0.01 and (ii) the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the corporation shall simultaneously pay or make on each outstanding whole share of Series R Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of Common Stock. As used in this Designation and in the Rights Agreement, the "Formula Number" shall be 100; *provided, however*, that if at any time after December 11, 2002 the corporation shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in

effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and *provided further*, that if at any time after December 11, 2002 the corporation shall issue any shares of its capital stock in a merger, reclassification or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series R Preferred Stock as provided in Section 2.8.2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); *provided, however*, that in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.01 per share on the Series R Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Corporation's Board of Directors may fix a record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock and which shall not be more than 60 days prior to the date fixed for payment thereof.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series R Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series R Preferred Stock; *provided, however*, that dividends on such shares that are originally issued after the record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a quarterly dividend on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series R Preferred Stock that are originally issued prior to the record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a quarterly dividend on or prior to the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter (or such other Quarterly Dividend Payment Date as the corporation's Board of Directors shall approve) next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series R Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of Series R Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment

or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2.8.2 to be declared on the Series R Preferred Stock shall have been declared.

(e) The holders of shares of Series R Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided in this Designation.

2.8.3 Voting Rights

The holders of shares of Series R Preferred Stock shall have the following voting rights:

(a) Each holder of Series R Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect for each share of Series R Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share that any holders of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided in this Designation or by applicable law, the holders of shares of Series R Preferred Stock and the holders of shares of Common Stock and any other capital stock of the corporation having general voting rights shall vote together as one class for the election of directors of the corporation and on all other matters submitted to a vote of shareholders of the corporation.

(c) Except as provided in this Designation or by applicable law, holders of Series R Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth in this Designation) for authorizing or taking any corporate action.

2.8.4 Certain Restrictions

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series R Preferred Stock as provided in Section 2.8.2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series R Preferred Stock outstanding shall have been paid in full, the corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series R Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock, except dividends paid

ratably on the Series R Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock; *provided, however*, that the corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series R Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series R Preferred Stock, or any shares of stock ranking on a parity with the Series R Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the corporation's Board of Directors) to all holders of such shares upon such terms as the corporation's Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Preferred Stock classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The corporation shall not permit any subsidiary of the corporation to purchase or otherwise acquire for consideration any shares of stock of the corporation unless the corporation could, under paragraph (a) of this Section 2.8.4, purchase or otherwise acquire such shares at such time and in such manner.

2.8.5 Liquidation Rights

Upon the liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, no distribution shall be made to (a) the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series R Preferred Stock unless, prior thereto, the holders of shares of Series R Preferred Stock shall have received an amount equal to the greater of (i) \$.01 per share and (ii) the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (b) the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock, except distributions made ratably on the Series R Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

2.8.6 Consolidation, Merger, etc.

In case the corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the then outstanding shares of Series R Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 2.8.6 and Section 2.8.2 appear to apply to a transaction, this Section 2.8.6 will control.

2.8.7 No Redemption; No Sinking Fund

(a) The shares of Series R Preferred Stock shall not be subject to redemption by the corporation or at the option of any holder of Series R Preferred Stock; *provided, however, that the corporation may purchase or otherwise acquire outstanding shares of Series R Preferred Stock in the open market or by offer to any holder or holders of shares of Series R Preferred Stock.*

(b) The shares of Series R Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

2.8.8 Ranking

The Series R Preferred Stock shall rank junior to all other series of Preferred Stock of the corporation, unless the corporation's Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such Preferred Stock and the qualifications, limitations and restrictions thereof.

2.8.9 Fractional Shares

The Series R Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fractional share that is one one-hundredth (1/100th) of a share or any integral multiple of such fraction, and shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and have the benefit of all other rights of holders of Series R Preferred Stock. In lieu of fractional shares, the corporation, prior to the first issuance of a share or a fractional share of Series R Preferred Stock, may elect to (a) make a cash payment as provided in the Rights Agreement for a fractional share other than one one-hundredth (1/100th) of a share or any integral multiple thereof or (b) issue depository receipts evidencing such authorized fractional share of Series R Preferred Stock pursuant to an appropriate agreement between the corporation and a depository selected by the corporation; *provided, however, that such agreement shall provide that the holders of such depository*

receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series R Preferred Stock.

2.8.10 Reacquired Shares

Any shares of Series R Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the corporation's Board of Directors pursuant to the provisions of Article 2 of the Amended and Restated Articles of Incorporation.

2.8.11 Amendment

None of the powers, preferences and relative, participating, optional and other special rights of the Series R Preferred Stock as provided herein shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series R Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series R Preferred Stock, voting as a separate class.

ARTICLE 3. REGISTERED OFFICE AND AGENT

The name of the registered agent of this corporation and the address of its registered office are as follows:

Lawco of Washington, Inc.
1201 Third Avenue, 40th Floor
Seattle, Washington 98101-3099

ARTICLE 4. PREEMPTIVE RIGHTS

No preemptive rights shall exist with respect to shares of stock or securities convertible into shares of stock of this corporation.

ARTICLE 5. CUMULATIVE VOTING

The right to cumulate votes in the election of Directors shall not exist with respect to shares of stock of this corporation.

ARTICLE 6. DIRECTORS

The number of Directors of this corporation shall be determined in the manner provided by the Bylaws and may be increased or decreased from time to time in the manner provided therein. The Directors of this corporation may be removed only for cause in the manner provided by the Bylaws.

At the 1992 annual election of Directors, the Board of Directors shall be divided into three classes (said classes to be as equal in number as may be possible) with the following classes being elected for the terms set forth below:

<u>Class</u>	<u>Term</u>
Class 1	1 year
Class 2	2 years
Class 3	3 years

Subsequent to the 1992 annual election of Directors, a Director's term shall be three years, and each Director shall serve for the term for which he or she was elected, or until his or her successor shall have been elected and qualified, or until his or her death, resignation or removal from office; provided, however, that despite the expiration of a Director's term, a Director shall continue to serve until his or her successor is elected or until there is a decrease in the authorized number of Directors. Directors need not be shareholders of the corporation or residents of the State of Washington and need not meet any other qualifications.

ARTICLE 7. BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws of this corporation, subject to the power of the shareholders to amend or repeal such Bylaws. The shareholders shall also have the power to amend or repeal the Bylaws of this corporation and to adopt new Bylaws.

ARTICLE 8. AMENDMENTS TO ARTICLES OF INCORPORATION

This corporation reserves the right to amend or repeal any of the provisions contained in these Amended and Restated Articles of Incorporation in any manner now or hereafter permitted by law, and the rights of the shareholders of this corporation are granted subject to this reservation.

ARTICLE 9. LIMITATION OF DIRECTOR LIABILITY

To the full extent that the Washington Business Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of Directors, a Director of this corporation shall not be liable to this corporation or its shareholders for monetary damages for conduct as a Director. Any amendments to or repeal of this Article 9 shall not adversely affect any right or protection of a Director of this corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

Dated: December 11, 2002



MariLyn R. Blair, Secretary

CERTIFICATE ACCOMPANYING
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
ITRON, INC.

SECRETARY OF STATE
DEC 12 2002
STATE OF WASHINGTON

Pursuant to RCW 23B.10.070, the undersigned hereby certifies on behalf of Itron, Inc., a Washington corporation (the "Corporation"), as follows:

1. The name of the Corporation is Itron, Inc.
2. The Articles of Incorporation of the Corporation, as amended, are amended and restated in their entirety to read as set forth in the attached Amended and Restated Articles of Incorporation.
3. The amendment was duly adopted by the Board of Directors of the Corporation on November 4, 2002. Shareholder action is not required in connection with this amendment.

These Amended and Restated Articles of Incorporation are executed by the Corporation by its duly authorized officer.

Dated: December 11, 2002.

ITRON, INC.

By: Marilyn R. Blair
Marilyn R. Blair
Secretary

Exhibit A
**AMENDED AND RESTATED
ARTICLES OF INCORPORATION**

OF

ITRON, INC.

Pursuant to RCW 23B.10.070, the following constitutes Amended and Restated Articles of Incorporation of the undersigned, a Washington corporation.

ARTICLE 1. NAME

The name of this corporation is Itron, Inc.

ARTICLE 2. SHARES

2.1 Authorized Capital

The total number of shares which the corporation is authorized to issue is 85,000,000, consisting of 75,000,000 shares of Common Stock without par value and 10,000,000 shares of Preferred Stock without par value. The Common Stock is subject to the rights and preferences of the Preferred Stock as hereinafter set forth.

2.2 Issuance of Preferred Stock in Series

The Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of these Articles of Incorporation of the corporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance of any shares thereof. The Board of Directors shall have the authority to fix and determine and to amend, subject to the provisions hereof, the designation, preferences, limitations and relative rights of the shares of any series that is wholly unissued or to be established. Unless otherwise specifically provided in the resolution establishing any series, the Board of Directors shall further have the authority, after the issuance of shares of a series whose number it has designated, to amend the resolution establishing such series to decrease the number of shares of that series, but not below the number of shares of such series then outstanding.

2.3 Dividends

The holders of shares of the Preferred Stock shall be entitled to receive dividends, out of the funds of the corporation legally available therefor, at the rate and at the time or times, whether cumulative or noncumulative, as may be provided by the Board of Directors in designating a particular series of Preferred Stock. If such dividends on the Preferred Stock shall be cumulative, then if dividends shall not have been paid, the deficiency shall be fully paid or the dividends declared and set apart for payment at such rate, but without interest on

cumulative dividends, before any dividends on the Common Stock shall be paid or declared and set apart for payment. The holders of the Preferred Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this section.

2.4 Redemption

The Preferred Stock may be redeemable at such price, in such amount, and at such time or times as may be provided by the Board of Directors in designating a particular series of Preferred Stock. In any event, such Preferred Stock may be repurchased by the corporation to the extent legally permissible.

2.5 Liquidation

In the event of any liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary, then, before any distribution shall be made to the holders of the Common Stock, the holders of the Preferred Stock at the time outstanding shall be entitled to be paid the preferential amount or amounts per share as may be provided by the Board of Directors in designating a particular series of Preferred Stock and dividends accrued thereon to the date of such payment. The holders of the Preferred Stock shall not be entitled to receive any distributive amounts upon the liquidation, dissolution, or winding up of the affairs of the corporation other than the distributive amounts referred to in this section, unless otherwise provided by the Board of Directors in designating a particular series of Preferred Stock.

2.6 Conversion

Shares of Preferred Stock may be convertible into Common Stock of the corporation upon such terms and conditions, at such rate and subject to such adjustments as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

2.7 Voting Rights

Holders of Preferred Stock shall have such voting rights as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

2.8 Designation of Rights and Preferences of Series R Participating Cumulative Preferred Stock

The following series of Preferred Stock is hereby designated, which series shall have the rights, preferences and privileges and limitations set forth below:

2.8.1 Designation of Series R Participating Cumulative Preferred Stock

The shares of such series shall be designated the "Series R Participating Cumulative Preferred Stock" (the "Series R Preferred Stock"), without par value. The number of shares

initially constituting the Series R Preferred Stock shall be 1,000,000; *provided, however*, if more than a total of 1,000,000 shares of Series R Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of December 11, 2002 between the corporation and Mellon Investor Services LLC, as Rights Agent (the "Rights Agreement"), the corporation's Board of Directors, pursuant to Section 23B.06.020 of the Revised Code of Washington, shall direct by resolution or resolutions that Articles of Amendment be properly executed and filed with the Washington Secretary of State providing for the total number of shares of Series R Preferred Stock authorized for issuance to be increased (to the extent that the Amended and Restated Articles of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights. In addition, such number of shares may be decreased by resolution of the Board of Directors; *provided, however*, that no decrease shall reduce the number of shares of Series R Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the corporation convertible into Series R Preferred Stock.

2.8.2 Dividends and Distributions

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the corporation ranking prior and superior to the shares of Series R Preferred Stock with respect to dividends, the holders of shares of Series R Preferred Stock shall be entitled to receive, when, as, and if declared by the Board of Directors, out of the assets of the corporation legally available therefor, quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the corporation's Board of Directors shall approve (each such date being referred to in this Designation as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series R Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) \$0.01 and (ii) the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the corporation shall simultaneously pay or make on each outstanding whole share of Series R Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of Common Stock. As used in this Designation and in the Rights Agreement, the "Formula Number" shall be 100; *provided, however*, that if at any time after December 11, 2002 the corporation shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in

effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and *provided further*, that if at any time after December 11, 2002 the corporation shall issue any shares of its capital stock in a merger, reclassification or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series R Preferred Stock as provided in Section 2.8.2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); *provided, however*, that in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.01 per share on the Series R Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Corporation's Board of Directors may fix a record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock and which shall not be more than 60 days prior to the date fixed for payment thereof.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series R Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series R Preferred Stock; *provided, however*, that dividends on such shares that are originally issued after the record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a quarterly dividend on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series R Preferred Stock that are originally issued prior to the record date for the determination of holders of shares of Series R Preferred Stock entitled to receive a quarterly dividend on or prior to the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter (or such other Quarterly Dividend Payment Date as the corporation's Board of Directors shall approve) next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series R Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of Series R Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment

or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2.8.2 to be declared on the Series R Preferred Stock shall have been declared.

(e) *The holders of shares of Series R Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided in this Designation.*

2.8.3 Voting Rights

The holders of shares of Series R Preferred Stock shall have the following voting rights:

(a) Each holder of Series R Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect for each share of Series R Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share that any holders of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided in this Designation or by applicable law, the holders of shares of Series R Preferred Stock and the holders of shares of Common Stock and any other capital stock of the corporation having general voting rights shall vote together as one class for the election of directors of the corporation and on all other matters submitted to a vote of shareholders of the corporation.

(c) Except as provided in this Designation or by applicable law, holders of Series R Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth in this Designation) for authorizing or taking any corporate action.

2.8.4 Certain Restrictions

(a) *Whenever quarterly dividends or other dividends or distributions payable on the Series R Preferred Stock as provided in Section 2.8.2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series R Preferred Stock outstanding shall have been paid in full, the corporation shall not:*

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series R Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock, except dividends paid

ratably on the Series R Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock; *provided, however*, that the corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series R Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series R Preferred Stock, or any shares of stock ranking on a parity with the Series R Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the corporation's Board of Directors) to all holders of such shares upon such terms as the corporation's Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Preferred Stock classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The corporation shall not permit any subsidiary of the corporation to purchase or otherwise acquire for consideration any shares of stock of the corporation unless the corporation could, under paragraph (a) of this Section 2.8.4, purchase or otherwise acquire such shares at such time and in such manner.

2.8.5 Liquidation Rights

Upon the liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, no distribution shall be made to (a) the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series R Preferred Stock unless, prior thereto, the holders of shares of Series R Preferred Stock shall have received an amount equal to the greater of (i) \$.01 per share and (ii) the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (b) the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series R Preferred Stock, except distributions made ratably on the Series R Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

2.8.6 Consolidation, Merger, etc.

In case the corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the then outstanding shares of Series R Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 2.8.6 and Section 2.8.2 appear to apply to a transaction, this Section 2.8.6 will control.

2.8.7 No Redemption; No Sinking Fund

(a) The shares of Series R Preferred Stock shall not be subject to redemption by the corporation or at the option of any holder of Series R Preferred Stock; *provided, however*, that the corporation may purchase or otherwise acquire outstanding shares of Series R Preferred Stock in the open market or by offer to any holder or holders of shares of Series R Preferred Stock. :

(b) The shares of Series R Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

2.8.8 Ranking

The Series R Preferred Stock shall rank junior to all other series of Preferred Stock of the corporation, unless the corporation's Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such Preferred Stock and the qualifications, limitations and restrictions thereof.

2.8.9 Fractional Shares

The Series R Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fractional share that is one one-hundredth (1/100th) of a share or any integral multiple of such fraction, and shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and have the benefit of all other rights of holders of Series R Preferred Stock. In lieu of fractional shares, the corporation, prior to the first issuance of a share or a fractional share of Series R Preferred Stock, may elect to (a) make a cash payment as provided in the Rights Agreement for a fractional share other than one one-hundredth (1/100th) of a share or any integral multiple thereof or (b) issue depository receipts evidencing such authorized fractional share of Series R Preferred Stock pursuant to an appropriate agreement between the corporation and a depository selected by the corporation; *provided, however*, that such agreement shall provide that the holders of such depository

receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series R Preferred Stock.

2.8.10 Reacquired Shares

Any shares of Series R Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the corporation's Board of Directors pursuant to the provisions of Article 2 of the Amended and Restated Articles of Incorporation.

2.8.11 Amendment

None of the powers, preferences and relative, participating, optional and other special rights of the Series R Preferred Stock as provided herein shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series R Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series R Preferred Stock, voting as a separate class.

ARTICLE 3. REGISTERED OFFICE AND AGENT

The name of the registered agent of this corporation and the address of its registered office are as follows:

Lawco of Washington, Inc.
1201 Third Avenue, 40th Floor
Seattle, Washington 98101-3099

ARTICLE 4. PREEMPTIVE RIGHTS

No preemptive rights shall exist with respect to shares of stock or securities convertible into shares of stock of this corporation.

ARTICLE 5. CUMULATIVE VOTING

The right to cumulate votes in the election of Directors shall not exist with respect to shares of stock of this corporation.

ARTICLE 6. DIRECTORS

The number of Directors of this corporation shall be determined in the manner provided by the Bylaws and may be increased or decreased from time to time in the manner provided therein. The Directors of this corporation may be removed only for cause in the manner provided by the Bylaws.

At the 1992 annual election of Directors, the Board of Directors shall be divided into three classes (said classes to be as equal in number as may be possible) with the following classes being elected for the terms set forth below:

<u>Class</u>	<u>Term</u>
Class 1	1 year
Class 2	2 years
Class 3	3 years

Subsequent to the 1992 annual election of Directors, a Director's term shall be three years, and each Director shall serve for the term for which he or she was elected, or until his or her successor shall have been elected and qualified, or until his or her death, resignation or removal from office; provided, however, that despite the expiration of a Director's term, a Director shall continue to serve until his or her successor is elected or until there is a decrease in the authorized number of Directors. Directors need not be shareholders of the corporation or residents of the State of Washington and need not meet any other qualifications.

ARTICLE 7. BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws of this corporation, subject to the power of the shareholders to amend or repeal such Bylaws. The shareholders shall also have the power to amend or repeal the Bylaws of this corporation and to adopt new Bylaws.

ARTICLE 8. AMENDMENTS TO ARTICLES OF INCORPORATION

This corporation reserves the right to amend or repeal any of the provisions contained in these Amended and Restated Articles of Incorporation in any manner now or hereafter permitted by law, and the rights of the shareholders of this corporation are granted subject to this reservation.

ARTICLE 9. LIMITATION OF DIRECTOR LIABILITY

To the full extent that the Washington Business Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of Directors, a Director of this corporation shall not be liable to this corporation or its shareholders for monetary damages for conduct as a Director. Any amendments to or repeal of this Article 9 shall not adversely affect any right or protection of a Director of this corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

Dated: December 11, 2002



MariLyn R. Blair, Secretary

RECEIVED

NOV 15 2011

ITRON, INC.

October 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

To contact anyone listed below, please use Itron's main number: (509) 924-9900

Board of Directors	Address
Jon E. Eliassen Chairman of the Board	2111 N. Molter Road Liberty Lake, WA 99019
Michael B. Bracy Director	2111 N. Molter Road Liberty Lake, WA 99019
Kirby A. Dyess Director	2111 N. Molter Road Liberty Lake, WA 99019
Charles H. Gaylord, Jr. Director	2111 N. Molter Road Liberty Lake, WA 99019
Thomas S. Glanville Director	2111 N. Molter Road Liberty Lake, WA 99019
Sharon L. Nelson Director	2111 N. Molter Road Liberty Lake, WA 99019
LeRoy Nosbaum Director	2111 N. Molter Road Liberty Lake, WA 99019
Gary E. Pruitt Director	2111 N. Molter Road Liberty Lake, WA 99019
Graham M. Wilson Director	2111 N. Molter Road Liberty Lake, WA 99019
Officers	Address
LeRoy Nosbaum President and Chief Executive Officer	2111 N. Molter Road Liberty Lake, WA 99019
Philip C. Mezey President & Chief Operating Officer, Energy	2111 N. Molter Road Liberty Lake, WA 99019
Marcel Regnier President & Chief Operating Officer, Water	2111 N. Molter Road Liberty Lake, WA 99019
Simon Pontin Chief Technology Officer, Itron	2111 N. Molter Road Liberty Lake, WA 99019
Steven M. Helmbrecht Senior Vice President and Chief Financial Officer	2111 N. Molter Road Liberty Lake, WA 99019
John W. Holleran Senior Vice President, General Counsel and Corporate Secretary	2111 N. Molter Road Liberty Lake, WA 99019
Jared P. Serff Vice President, Competitive Resources	2111 N. Molter Road Liberty Lake, WA 99019
Chuck McAtee Vice President, Information Technology and Chief Information Officer	2111 N. Molter Road Liberty Lake, WA 99019
Barbara Doyle Vice President, Investor Relations	2111 N. Molter Road Liberty Lake, WA 99019
Russell E. Vanos Vice President, Marketing	2111 N. Molter Road Liberty Lake, WA 99019

7. **APPLICANT'S PRESENT OPERATIONS:** (select and complete the appropriate statement)

X The Applicant is presently doing business in Pennsylvania as an energy efficiency consultant; a hardware and software vendor; and a hardware and software support services provider.

Describe nature of business.

Itron is a vendor of electric, gas, and water metering hardware and forecasting software for a number of firms/entities in Pennsylvania. Itron also provides maintenance and data collection services as part of its contracts. Itron's Consulting and Analysis group is providing consulting services in Pennsylvania. Itron is not directly or indirectly owned, partnered or in any way affiliated with any utility, IOU, or EDC.

or

The Applicant is not presently doing business in Pennsylvania.

8. **APPLICANT'S PROPOSED OPERATIONS**

Describe the type(s) of services that the Applicant is able to provide to an EDC, the EDCs the Applicant is able to serve, and the types of energy efficiency and conservation measures on which the Applicant can provide information and technical assistance to an EDC.

Itron is able to serve all the EDCs. (For details about the particular types of services that Itron is able to provide, please refer to the attached Itron Consulting and Management Services brochure.)

9. **TAXATION:** Complete the TAX CERTIFICATION STATEMENT attached as Appendix A to this application. The completed TAX CERTIFICATION STATEMENT is attached.

10. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application is currently under investigation for or has been convicted of a crime involving fraud, theft, larceny, deceit, violation of consumer protection law, violation of deceptive trade law or similar activity. Identify all proceedings, by name, subject and citation, dealing with business operations, in the last three (3) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.
N/A

11. **DELINQUENCY:** State specifically whether the Applicant, an affiliate, or a predecessor of either is currently delinquent with any taxing authority in Pennsylvania.
To the best of our knowledge, Itron, Inc., its affiliates, or a predecessor of either are not currently delinquent with any taxing authority in Pennsylvania.

12. **BANKRUPTCY:** Identify all bankruptcy or liquidation proceedings for prior three years. Provide a statement as to the resolution or present status of any such proceedings.
N/A

13. **CUSTOMER COMPLAINTS:** Identify all customer complaints filed with a regulatory or prosecutory agency for prior three years. Provide a statement as to the resolution or present status of any complaints.
To the best of our knowledge, we are not aware of any customer complaints that have been filed with a regulatory or prosecutory agency in the last three years.

Partner to Make the Right Decisions

In today's markets, energy and water providers need partners who can deliver solutions that optimize operations and management. This means getting solutions installed, integrated and running; keeping them operating at peak levels; and ensuring they continue to meet ever changing business objectives.

Itron's staff of economists, statisticians, consultants and engineers has the expertise and analytical resources to provide a wide range of services—from energy efficiency analysis and energy forecasting to business process design and solution integration. More than 30 years of successfully navigating the changing needs of the energy and water industries, combined with our proven project delivery methodology, provide our customers with the insights and results they need to maximize the value of their investments. Partner with Itron for:

Consulting & Analysis Services include analysis, design, evaluation and research services that deliver the strategies, technologies, tools and processes that optimize the management of energy and water. Examples include design assistance for meter data management business processes and systems, complex billing process and system analysis, load pricing analysis, market research, energy systems value assessments and business case development.

Implementation Services include software implementation, custom development, systems integration, upgrade, training, optimization, and professional project management services. Implementation Services professionals help minimize the risks associated with software implementation and upgrades, and maximize your return on investment in Itron solutions.

Managed Services offer reliable, cost-effective, high-quality outsourced solutions and services based on proven methodologies, best-in-class technology and tools, and extremely stable and scalable architectures. Take advantage of these proven resources with Itron's array of outsourcing and content services. Implement some of the industry's most powerful utility solutions with minimal effort and expense by utilizing the depth of Itron's computing and data resources.

Support Services provide post-implementation assistance for your Itron solution with the goal of ensuring an efficient and effective method to inquire and resolve questions about Itron software solutions. Support Services ensure your system runs with optimum performance and allow you to spend valuable time maximizing your solution.

Consulting & Analysis Services

- > **Energy and Water Efficiency Analysis** – Utilizing advanced engineering and statistical techniques, Itron provides sophisticated studies that support the design, implementation and evaluation of energy and water efficiency programs. Itron can provide economists, engineers and policy specialists who can work closely with utilities, government agencies and research organizations to develop and analyze programs designed to meet energy and water supply shortages, benefit the environment, or reduce costs.
- > **Renewables & Distributed Generation Services** – From estimating generation output to environmental impacts, Itron can provide services to assist in renewable and distributed generation studies and programs. Itron's highly experienced energy consulting staff can work with electric utilities, government agencies and research organizations to better understand and facilitate the rapidly growing field of distributed generation and renewables.
- > **Load & Pricing Analysis Services** – For assistance with energy pricing and developing new rate forms, Itron provides advanced engineering and statistical models along with professionals experienced in all aspects of load and pricing analysis. These services, which complement Itron's industry-leading meter data collection technologies, include pricing analysis, rate design support, tariff development, and estimation of price elasticity for gas and electric rates.
- > **Market Research Services** – When you need to know how your customers are using energy and what opportunities exist for using it more efficiently, Itron can assist you with all aspects of conducting effective market research.
- > **Load Management & Demand Response Services** – From evaluating existing demand response programs to rolling out new curtailment programs, Itron can assist customers in achieving the most cost-effective load management solutions. Itron supports demand response programs through advanced metering and software solutions, complemented by a wide range of consulting services.



> **Metering Strategy Services** – From apartment complexes to large-scale manufacturing facilities, Itron can assist in designing and implementing the metering system that delivers the meter data you want. For large energy consumers, Itron can assist with the development of submetering strategies. For transmission organizations, we can assist with a substation metering strategy.

Implementation Services

- > **Project Management Services** – From start to finish, Itron project managers are responsible for managing scope, cost, resources and day-to-day activities of other consultants working on your project. In addition, Itron project managers are responsible and involved in solution design, testing and training activities.
- > **Business Consulting Services** – Itron business consultants are experienced in business analysis, process and solution design. They are Itron product and industry experts who work with your project manager and domain experts to understand your business objectives and processes.
- > **Integration & Custom Development Services** – Working with business process stakeholders and developers, Itron integration consultants design and implement customizations and integrated solutions critical to your business system. These services provide seamless data integration through Itron's library of off-the-shelf gateways or through custom developed interfaces.
- > **Education Services** – Training is critical to a successful implementation. Itron can assess your end-user training needs, plan the training, create custom training materials and deliver the training.
- > **Rate Services** – Itron offers services to build, implement and maintain utility rates based on publicly available electric, natural gas, water or steam tariffs for your Itron solution. Customers can use already-built rates, or have Itron develop customized rates.

Managed Services

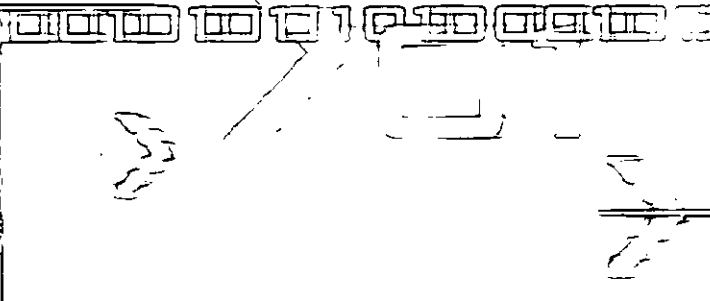
- > **Hosting Services** – To lower total cost of ownership and put less strain on your IT group, you may opt to have Itron host your system. Hosting Services provides procurement of server and hardware, installation and configuration of the solution, and ongoing system monitoring and maintenance.

- > **Weather Data Content Services** – When used with Itron advanced software solutions, real-time weather data improves load analysis and forecasting accuracy and reliability. Weather Content Services provide current weather conditions and historic hourly data for sites around the world as well as two- and three-day weather forecasts from the National Weather Service.
- > **Real-Time Energy Pricing Content Services** – Use real-time market pricing with Itron's advanced load analysis and forecasting solutions to improve the accuracy and reliability of your energy management efforts. Real-Time Energy Pricing Services provide market price data for electricity and natural gas in spot and future markets.
- > **Rate Maintenance Services** – Rate Maintenance Services provide monthly and quarterly reviews of the utility rate tariffs used by the rate model deployed with your system, updates to the rate model when required, telephone support when you have rate-related questions, and minor structural changes to the rate model.
- > **Forecasting Services** – Itron offers a suite of online forecasting services to help customers manage risk and compete in today's fast-moving and competitive environment. These services provide access to real-time forecasts in competitive markets such as the NEPOOL, CA ISO, ERCOT, NYISO and Ontario IMO power markets; access to customer end-use energy load profile information for residential, commercial and industrial customers; as well as online forecasting services powered by Itron's industry-leading MetrixND forecasting software.

Support Services

Itron is committed to providing world class product support and to ensuring the highest possible level of customer success and satisfaction. Our comprehensive support benefits include:

- > After-hours support for critical issues
- > Toll-free phone, internet and email support
- > Frequent product updates
- > Emergency loaner equipment (handheld computers only)
- > Direct access to Itron educational offerings, consulting services and sales professionals
- > Worldwide repair depots



Itron Inc.

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. Nearly 3,000 utilities worldwide rely on Itron technology to deliver the knowledge they require to optimize the delivery and use of energy and water. Itron delivers value to its clients by providing industry-leading solutions for electricity metering; meter data collection; energy information management; demand response; load forecasting, analysis and consulting services; distribution system design and optimization; web-based workforce automation; and enterprise and residential energy management.

To know more, start here: www.itron.com

Contact

Corporate Headquarters
2111 North Moller Road
Liberty Lake, Washington 99019
USA
Tel: 1.800.633.5461
Fax: 1.509.891.3355

Due to continuous research, product improvement and enhancements, Itron reserves the right to change product or system specifications without notice. Itron is a registered trademark of Itron Inc. All other trademarks belong to their respective owners. ©2006, Itron Inc.

Publication 100633BR-02
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APPENDIX A

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**COMMONWEALTH OF
PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

**TAX CERTIFICATION
STATEMENT**

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

A completed Tax Certification Statement must accompany all applications for new registrations or renewals. Failure to provide the requested information and/or any outstanding state income, corporation, and sales (including failure to file or register) will cause your application to be rejected. If additional space is needed, please use white 8 1/2" x 11" paper. Type or print all information requested.

1. CORPORATE OR APPLICANT NAME Itron, Inc.	2. BUSINESS PHONE NO. (509-924-9900) CONTACT PERSON(S) FOR TAX ACCOUNTS: Corporate Tax Department, Glenn Shimabuku and Patty Collins
---	--

3. TRADE/FICTITIOUS NAME (IF ANY)
N/A

4. LICENSED ADDRESS (STREET, RURAL ROUTE, P.O. BOX NO.) (POST OFFICE) STATE (ZIP)
 2111 N Molter Road, Liberty Lake, WA 99019.

5. TYPE OF ENTITY SOLE PROPRIETOR PARTNERSHIP CORPORATION

8. LIST OWNER(S), GENERAL PARTNERS, OR CORPORATE OFFICER(S) Corporate Officers

NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL)
LeRoy Nosbaum (President and Chief Executive Officer) Philip Mezey (President & COO, Energy)	_____ - _____ - _____
Marcel Regnier (President & COO, Water) Simon Pontin (Chief Technology Officer, Itron)	_____ - _____ - _____
Steven M. Helmbrecht (Senior VP and CFO) John Holleran (Senior VP, General Counsel & Corporate Secretary)	_____ - _____ - _____
Jared Serff (VP, Competitive Resources) Chuck McAtee (VP, Information Technology and CIO)	_____ - _____ - _____
Barbara Doyle (VP, Investor Relations) Russell E. Vanos (VP, Marketing)	_____ - _____ - _____

9. LIST THE FOLLOWING STATE TAX IDENTIFICATION NUMBERS. **(ALL ITEMS: A, B, AND C MUST BE COMPLETED).**

A. SALES TAX LICENSE (8 DIGITS) APPLICATION PENDING N/A [9 9] - [4 3 3 3 0] - [6] <input type="checkbox"/> <input type="checkbox"/>	C. CORPORATE BOX NUMBER (7 DIGITS) APPLICATION PENDING N/A [6 2 3 5] [5 2 7] <input type="checkbox"/> <input type="checkbox"/>
B. EMPLOYER ID (EIN) (9 DIGITS): APPLICATION PENDING N/A [9 1] - [1 0 1 1 7 9 2] <input type="checkbox"/> <input type="checkbox"/>	

10. Do you have PA employees either resident or non-resident? YES NO

11. Do you own any assets or have an office in PA? YES NO

NAME AND PHONE NUMBER OF PERSON(S) RESPONSIBLE FOR FILING TAX RETURNS

Patty Collins, Corporate Tax Department PA SALES AND USE TAX	Michelle Chiramonte, Corporate Human Resources EMPLOYER TAXES	Glenn Shimabuku, Corporate Tax Department CORPORATE TAXES
---	--	--

PHONE 509-924-9900 / 509-891-3352 PHONE 509-924-9900 / 509-891-3344 PHONE 509-924-9900 / 509-891-3818

You can contact the Pennsylvania Department of Revenue at the following numbers: (717) 787-1064 or TDD# (800) 447-3020 for further information about tax identification numbers.

14. **FINANCIAL RESPONSIBILITY:**

A. Applicant shall provide sufficient information to demonstrate financial responsibility commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Organizational structure including parent, affiliated or subsidiary companies. *(Please see attached Itron 2010 Annual Report)*
- Published parent company financial and credit information. *(Please see attached Itron 2010 Annual Report)*
- A description of the types and amounts of insurance carried by Applicant. *(Please see attached Certificate of Insurance)*

B. Applicant must provide the following information:

- Identify Applicant's principal officers (owners, executives, partners and/or directors, as appropriate for organizational structure, including names, titles, business addresses, telephone numbers and their professional resumes. *(Please see attached Itron 2010 Proxy Statement and the previously attached list of 2011 Officers and Directors)*

15. **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- The identity of the Applicant's management directly responsible for operations, including names, titles, business addresses, telephone numbers and their professional resumes. *(Please see attached List of Principal Itron C&A Staff and resumes of those staff.)*
- Copies of any certification(s) or similar documentation that would demonstrate technical fitness, such as membership in a trade association. *(Please see attached Trade Associations List)*

16. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

17. **FEE:** The Applicant has enclosed the appropriate fee:

For an initial application the Applicant has enclosed the required fee of \$125 payable to the Commonwealth of Pennsylvania.

OR

X For a renewal application the Applicant has enclosed the required fee of \$25 payable to the Commonwealth of Pennsylvania.

Applicant: Itron, Inc.

By: Craig Hiteshow

Title: VP, Finance

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 PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU



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NOV 15 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

WHAT DOES INNOVATION MEAN TO A TECHNOLOGY COMPANY?

2010 Annual Report

WHAT DOES INNOVATION MEAN TO A TECHNOLOGY COMPANY?



Ask Simon Pontin
Chief Technology Officer
Itron, Inc.

Page 2



Ask Laura Ipsen
Senior Vice President and General Manager
Cisco Connected Energy

Page 3



Ask Michèle Bellon
Chief Executive Officer
ERDF

Page 4



Ask David Brooke-Smith
System and Marketing Manager: Water and Heat — Asia
Itron, Inc.

Page 5



Ask Malcolm Unsworth
President and Chief Executive Officer
Itron, Inc.

Page 6

Innovation:

It's in our DNA.

Simon Pontin
Chief Technology Officer
Itron, Inc.

“Innovation is our continuous investment in technology that will shape the next century of energy and water solutions.”



Read more about Itron's technology advancements at <http://www.itron.com/2010annualreview>.

Field Tested, Future Ready

Itron leads the industry with the broadest and most advanced portfolio of end-to-end solutions in electricity, gas, water and heat—proven solutions that save time, money and precious resources. Around the world, our solutions deliver true business value to our customers today, while providing a cost-effective path for system upgrades as business and regulatory conditions evolve.

Our OpenWay® smart grid architecture exemplifies the market appeal of our “field-tested, future-ready” approach to innovation. In North America, OpenWay has become the system of choice, with more than 14 million meters and modules under contract and more than 5 million points of this industry-leading smart grid solution installed.

OpenWay customers are successfully developing some of the most sophisticated smart metering programs in the U.S. In 2010, Southern California Edison's SmartConnect™ program received the *Smart Metering Project of the Year Award* from one of the industry's leading trade conferences, DistribuTECH! Programs such as SmartConnect create business value

today, and lay the foundation for a host of more advanced applications and consumer engagement activities as the grid matures.

Growing Innovation Value

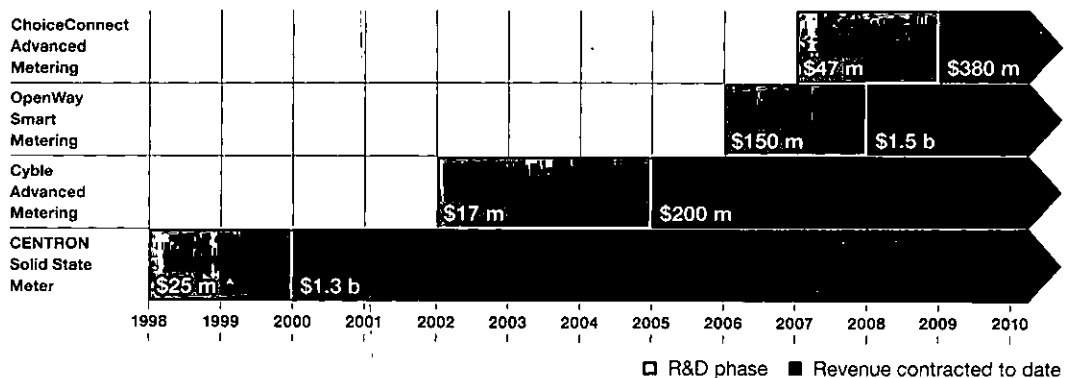
Itron's commitment to developing leading technology solutions drives our continuous investment in R&D—over \$475 million in the last four years alone.

Our global patent portfolio reflects the high and growing value of our R&D investment. With nearly 500 patents granted globally and almost 500 more pending, Itron has a proven record of developing innovative technology the world over. Already, more than 40 of the patents granted are devoted to our smart metering technology, with more to come.

Our innovation is based on a deep, hands-on knowledge of the industry we serve. We have matured alongside the industry. We've taken the time to understand how utilities operate, and we've grown our company to address their diverse challenges around the world. We continue to learn and innovate as we go—building our technology leadership on understanding and relationships that can't be commoditized.

Innovation Is a Good Investment

At Itron, R&D fuels a pipeline of technology innovations that lead the industry and drive the company's healthy growth.



Innovation:

It's a partnership.

Laura Ipsen
Senior Vice President and
General Manager
Cisco Connected Energy



“Innovation thrives on collaboration. Together with Itron, we’re transforming the world’s energy infrastructure.”



Read more about Itron's strategic partnerships at <http://www.itron.com/2010annualreview>.

No One Can Do It Alone

At Itron, we have the technology and people to bring innovation to life. But the issues facing our industry are challenging and diverse. Simply put, they are bigger than any one organization can solve.

Concern about true open standards, robust security measures, scalability and steep integration costs have hampered the adoption cycle of smart grid technology. To create a true smart grid, the systems, hardware and software must be interoperable—with affordable and accessible upgrades available as time goes by.

Opening the Grid

To alleviate these concerns, we believe it's essential to open the grid—and so does Cisco. In September 2010, we formed an alliance to create the interoperability that utilities want and need to accelerate their transition to the smart grid.

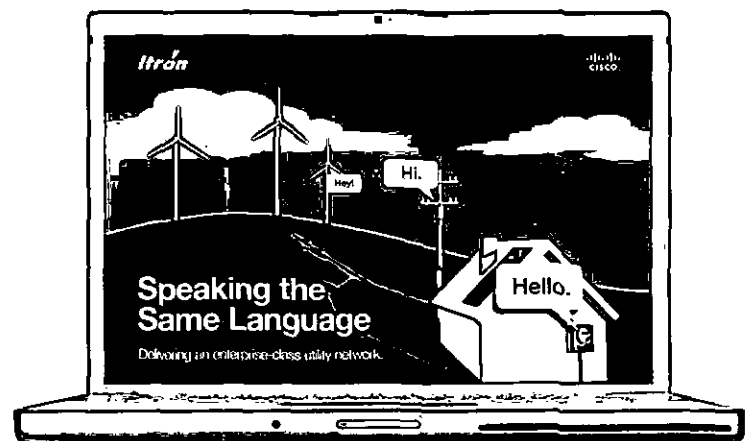
The alliance between Cisco and Itron represents a major step forward in realizing a modern, more intelligent energy infrastructure.

It ushers in the next phase of smart grid development through open standards that will accelerate adoption, lower total ownership costs, standardize and strengthen security, and improve the overall experience for end consumers.

Partnering for Success

We do some of our best work when we collaborate with others. In addition to our alliance with Cisco, Itron has more than 100 trusted partners across the globe. From network communications and distribution automation to consumer engagement and solution integration, the value of solutions is enhanced through these partnerships.

We seek out partnerships to leverage technology that complements our own. We unite with industry leaders who share a common vision that we can achieve more quickly together. And we advance the industry by joining forces to provide greater choice, flexibility and functionality.



Learn more about our collaboration with Cisco at www.openthegrid.com.

Michèle Bellon
 Chief Executive Officer
 ERDF

“Our Linky smart meter is the cornerstone for the development of smart grids in France. This requires state-of-the-art technology and proven experience.”



Read more about Itron's local/global business model at <http://www.itron.com/2010annualreview>.

Global Reach, Local Touch

With over 80 locations around the world and customers in more than 130 countries, Itron has a global presence and trusted local relationships. Our people live and work in the markets we serve, so we realize that each market we operate in is unique. Regulatory constraints differ. Business drivers are diverse. In one region, the priority may be an intelligent electricity grid; in another, it may be providing safe, reliable sources of drinking water.

Our innovation stems from developing customized solutions to these local problems—all around the world. Whether we're addressing water scarcity issues in Australia or providing prepaid metering in South Africa, our R&D, manufacturing, marketing and sales efforts leverage our global perspective and experience yet are delivered through our local communities.

We provide the strength and perspective of a worldwide organization, but we manufacture and deploy our systems close at hand. This gives our customers, and our company, an innovation edge everywhere we do business.

**Managing the Nature of Renewable Energy
 EDF-SEI, Reunion**

When you live on an island in the Indian Ocean, renewable resources can play a vital role in energy production. But wind and solar sources are intermittent by nature. On the French overseas island of Reunion, Itron technology enables our utility customer, EDF-SEI, to precisely monitor and manage the proportion of renewable energies on the grid. View the Reunion video at [Itron.com](http://www.itron.com).

**Smart Meters, Smarter Consumer:
 CenterPoint Energy**

“With OpenWay®, we're creating a smart metering system that gives consumers greater insight into their usage and helps them make smart energy choices.”

—Kenny Mercado,
 Division Senior Vice President,
 CenterPoint Energy

With over 5 million customers in and around Houston, Texas, CenterPoint Energy (CNP) needed a smart grid system to eliminate manual meter reading and maximize operational efficiencies. More detailed and more frequent data collection can help educate customers about their energy usage and influence the way they use energy. Remotely disconnecting electricity service saves time, fuel and money.

By deploying OpenWay, CNP is empowering customers to be more active participants in their energy usage. CNP also has greater insight into the status of its electricity infrastructure, with the ability to pinpoint outages, monitor equipment loading and provide near real-time usage data to customers and utility representatives alike.



See the video at http://www.itron.com/AR_Reunion.

David Brooke-Smith
System and Marketing
Manager: Water and
Heat — Asia
Itron, Inc.

“Itron’s focus on practical innovation makes working here gratifying. It’s important to know that I’m making a difference on vital resource issues.”



Read more about Itron’s innovators/people at <http://www.itron.com/2010annualreview>.

A Culture of Collaboration

Itron is 9,500 people working together with our customers to transform how the world’s precious energy and water resources are used. Knowing that our company is shaping the quality of life for generations to come attracts some of the world’s brightest minds and top engineering talents to join us.

We give entrepreneurial visionaries the R&D funding and state-of-the-art tools of an industry leader together with the energetic spirit of a start-up company. This spirit is fostered by a culture that embraces fresh perspective and critical thinking—fertile ground for talented people who are restless with the status quo and want to solve problems now.

Our Global Innovation Bench

Itron’s people innovate across business lines and our broad technology portfolio. We bring together diverse product groups to stimulate fresh thinking and influence the direction of our technologies. We also innovate across borders—

transferring knowledge, sharing best practices and tailoring our expertise to local needs around the world. As part of a global company with local operations, our people have the opportunity to share their ideas and see them go far.

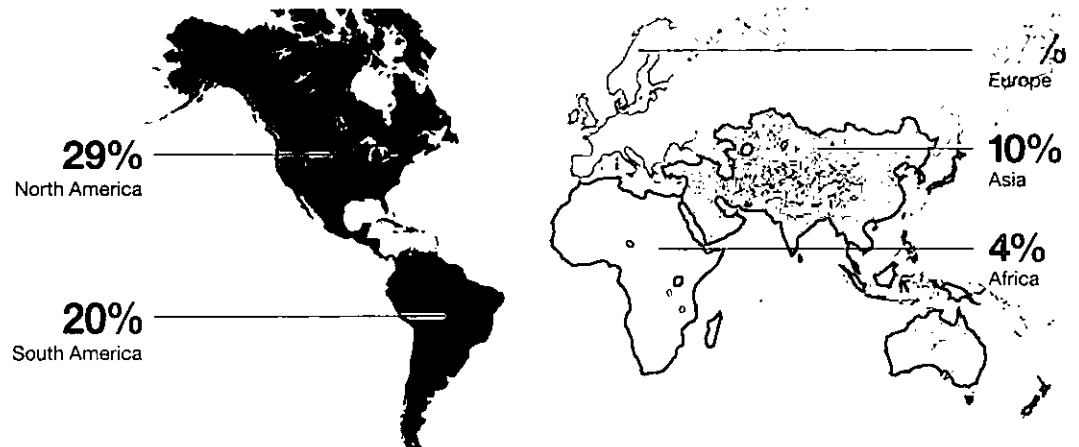
Community: A Core Value

Itron’s commitment to community is a core value: We invest in products, programs and organizations that focus on sustainable resources and community development.

We partner with global nonprofit organizations on areas in which we can have the greatest impact: education, community development and human services. When our employees see needs in their local communities, they often take direct action—from rebuilding a school destroyed by an earthquake in Molina, Chile, to supporting a soup kitchen in Ipswich, England.

Every day, the work we do in communities around the world reminds us that, when it comes to shaping a better future, we’re all in this together.

Itron has 9,500 valued employees across the globe, dedicated to helping Itron and its customers succeed. Our diverse employee base is on the ground across the following regions:



Malcolm Unsworth
President and
Chief Executive Officer
Itron, Inc.

**“Innovation not only
drives our technology;
it also drives the way
we do business.”**



Read more about Itron's local/global business model at <http://www.itron.com/2010annualreview>.

A Core Business Value

At Itron, we have a vision for the industry—one that is focused on the responsible management and conservation of the world's energy and water resources. We are driven to make this vision a reality, using our experience to solve unique problems in new ways with end-to-end solutions that utilities and their customers rely on. Around the world, Itron's innovations in technology, end-to-end solutions and relationships are leading to intelligent resource management for the 21st century.

An Ongoing Dialogue

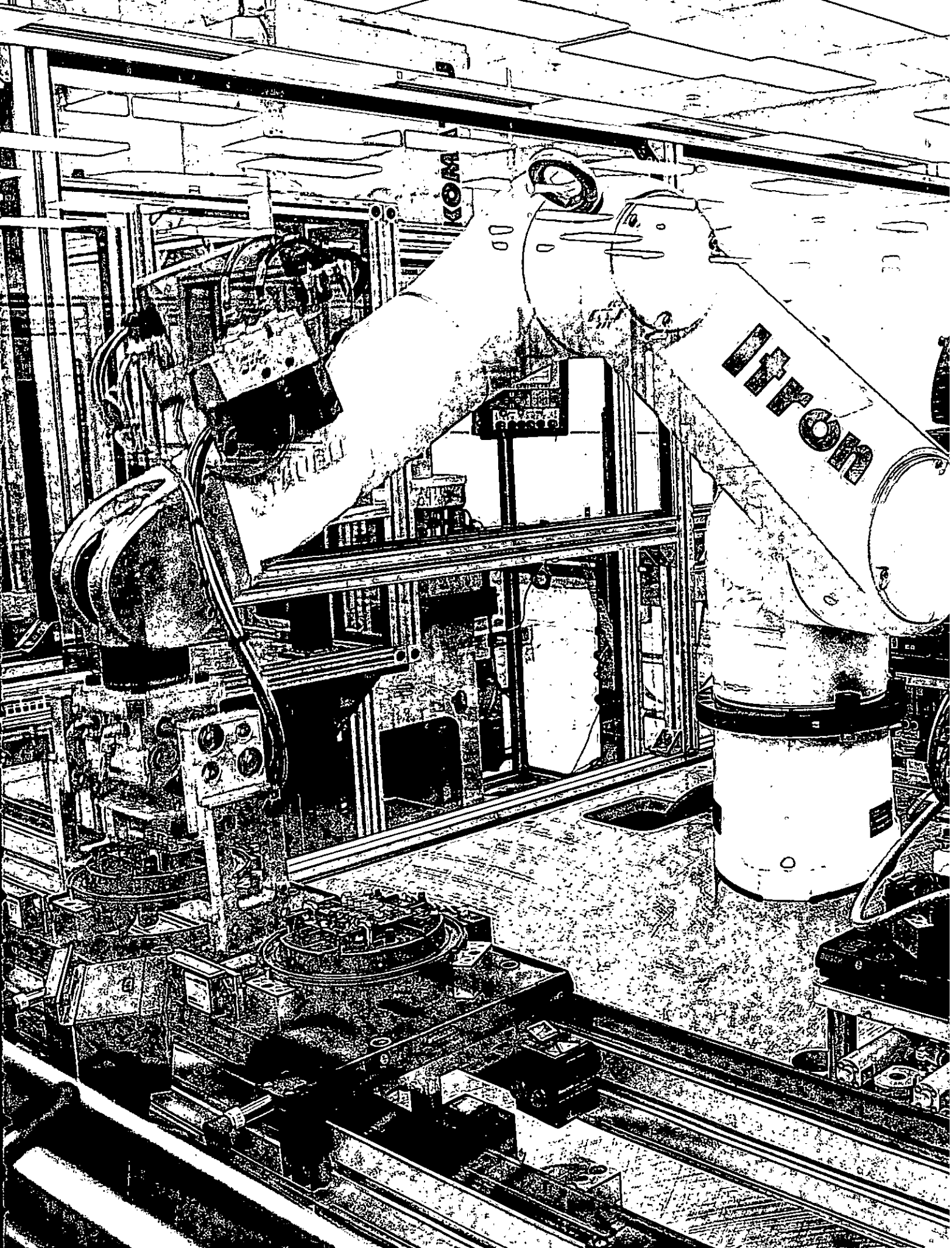
At Itron, innovation is not simply new ideas; it is the careful selection of new ideas that intersect with the business and operational needs of our customers. It is at this intersection where our value is highest—both to our customers and to our company. We live and work at this intersection by listening to our customers, understanding their challenges, and working closely with them to provide sustainable solutions. Focusing on our customers ensures that we're investing and innovating in all the right places.

Constant Evolution

As our knowledge in the industry continues to grow, so does our understanding of our own business. Old challenges are reevaluated with new perspective. Efforts and energy are continuously aligned with sound business decisions and direction. New alliances and partnerships are formed that complement our own strengths. From the value we provide as an organization to the way we bring local solutions to customers around the world, we strive for new and better ways to deliver on our promise of a sustainable future.

All for One

This report is a window into Itron's innovation culture, which unites people around our common purpose and makes our technology leadership possible. Such innovation could not happen without this collaborative spirit, which we consider one of our greatest assets. Every employee at Itron is a valued member of a global organization committed to optimizing the way the world uses, delivers and manages energy and water. We roll up our sleeves every day knowing that there is no time to lose. Our planet's most precious resources deserve everyone's best ideas now.



To Our Shareholders

Our record performance in 2010 demonstrates that Itron innovation works—for our customers, our communities and our shareholders. We ended the year with record growth, strong financial returns and a healthy backlog, while continuing to advance our industry leadership in delivering intelligent technology solutions that empower utilities and consumers around the world to optimize the delivery and use of energy and water.

As we reflect upon our achievements, our industry and the global markets we serve are rapidly changing. In order to help solve the many challenges our customers are facing worldwide in this ever-evolving industry, we must seize the momentum from 2010 and build upon it in 2011 and beyond. As we plan for continuing success, we recognize that the game is changing—from our customers to our competitors and our partners—and only those companies that can adapt will come out on top, and that is what we plan to do. Our goal is to grow revenue, expand our global presence, broaden our product portfolio and streamline our operations. We are prepared to do the hard work it will take to maintain our leadership position in the industry and meet our financial objectives.

Last year, we had many notable accomplishments in both our North America and International segments. We reached deployment milestones and announced critical alliances, and we took great strides in our efforts to truly integrate these two segments into one global company.

Itron North America: Delivering innovative technology that works In North America, we delivered on the promise of our smart metering technology, ramping up our deployment of OpenWay® solutions—in 2010 we installed our 5-millionth OpenWay endpoint. We continued to work closely with our customers to ensure smooth, successful installations. We also formed a pivotal alliance with Cisco that will accelerate the industry's move to the smart grid. And we continued to win business and introduce groundbreaking advances in intelligent gas and water technology solutions. In fact, the company announced its largest North American water meter automation project with the City of Cleveland Division of Water.

Today, more than 2,000 utilities across North America count on Itron for the systems that measure their revenue stream. Since inception, we have shipped more than 85 million points of automation, including our 35-millionth gas endpoint.

Itron International: A world of innovation and growth We benefit from being a global company with local operations and the industry's broadest portfolio of solutions in electricity, gas, water and heat. Our local presence leads to deep understanding of our customers and strong relationships that enable us to innovate in meaningful ways everywhere we do business.

The international market includes 85 percent of the world's meters, and the transition to smart metering is in its infancy. Our greatest international opportunities are twofold: First, we are deeply engaged in the move to smart metering—mostly in Europe, where the European Union directives are driving smart meter adoption. Second, we participate in growing markets in Asia,

Much of our current growth is coming from products and systems that are less than three years old—part of an innovation pipeline that will lead to healthy growth for years to come.

Latin America, Africa and India. These are regions where Itron's global expertise, local presence and strong relationships are a tremendous advantage to our customers, and to us.

Record growth and financial performance Itron's strong financial performance in 2010 is the direct result of the strategic investments and innovations we've made over the last several years across our broad, balanced portfolio of intelligent energy and water technologies.

We ended the year with record revenue of over \$2.2 billion—an increase of more than 33 percent over 2009. Adjusted EBITDA was up 62 percent for the year. Non-GAAP operating margin increased to 11.2 percent, and we paid down \$155 million of debt. Since the acquisition of Actaris in 2007, we have aggressively reduced our debt by over \$1 billion. Much of our current growth is coming from products and systems that are less than three years old—part of an innovation pipeline that will lead to healthy growth for years to come. We ended the year with a 12-month backlog of \$913 million, compared to \$807 million at the beginning of 2010.

Our vision for the future While 2010 was a strong year, the industry continues to evolve and so must we. Industry drivers are blurring the lines between country and continent, creating a never-before-seen sense of urgency to manage our precious energy and water resources. For the first time, the industry's most pressing issues, such as supply shortages, increasing demand and rising costs, have become a global discussion. Given our leading product innovations, global presence and our ability to generate cash combined with our strong balance sheet, we are uniquely positioned to

capitalize on the many opportunities presented by a global economy. The time is right, and we must move fast. To remain the global leader in delivering solutions to the water, gas and electric utilities, we must focus on growth and efficiencies.

I am convinced that if we execute our plans, we can continue to profitably and sustainably grow our businesses. We will improve our speed to market, expand our global presence and broaden our product offerings. We took our first step down this path when we announced our global reorganization into two primary segments: Energy and Water. This new, streamlined organizational structure will drive global alignment, improve our focus and increase value in all that we do by eliminating redundancies and distributing best practices. We will become more consistent, more competitive and more cost-effective in how we apply our resources and technology around the world. We will solve industry challenges once rather than multiple times, thus speeding our time to market and improving our market share.

At Itron, we are determined to deliver meaningful solutions to energy and water challenges. At a time when our world needs new ideas that work, this commitment inspires our people and delivers value to our customers in real solutions.



Malcolm Unsworth
President and Chief Executive Officer



Summary of Consolidated Financial Data

in thousands, except per share

FISCAL YEAR	2010	2009	2008	2007	2006
Operations					
Revenues	\$ 2,259,271	\$ 1,687,447	\$ 1,909,613	\$ 1,464,048	\$ 644,042
Operating income	\$ 184,197	\$ 45,027	\$ 109,822	\$ 46,473	\$ 61,743
Net income (loss)	\$ 104,770	\$ (2,249)	\$ 19,811	\$ (22,851)	\$ 33,759
Diluted earnings (loss) per share	\$ 2.56	\$ (0.06)	\$ 0.57	\$ (0.77)	\$ 1.28
Non-GAAP operating income	\$ 253,248	\$ 143,600	\$ 230,186	\$ 182,471	\$ 92,868
Non-GAAP net income	\$ 159,453	\$ 82,469	\$ 117,579	\$ 87,312	\$ 55,608
Non-GAAP diluted earnings per share	\$ 3.89	\$ 2.12	\$ 3.36	\$ 2.81	\$ 2.12
Balance Sheet					
Total assets	\$ 2,745,797	\$ 2,854,621	\$ 2,856,348	\$ 3,030,457	\$ 988,522
Total debt	\$ 610,941	\$ 781,764	\$ 1,151,767	\$ 1,538,799	\$ 469,324
Total shareholders' equity	\$ 1,428,295	\$ 1,400,514	\$ 1,058,776	\$ 790,435	\$ 390,982

Non-GAAP results exclude the expenses related to amortization of intangible assets, amortization of debt placement fees, the additional non-cash interest expense related to FSP APB 14-1 (ASC 470-20), the non-cash net loss associated with debt extinguishment, restructurings, and acquisition-related charges for in-process research and development and inventory. On a pre-tax basis, these amounts totaled \$84,435 in 2010, \$126,243 in 2009, \$142,480 in 2008, \$160,230 in 2007 and \$35,502 in 2006. Management believes that non-GAAP results provide useful information related to the ongoing operations of our business and enhance the overall understanding of our current and future performance. A schedule reconciling GAAP to non-GAAP results is available on our website at www.itron.com.

Directors and Officers

Directors

Jon E. Eliassen

Chairman, Board of Directors;
President and Chief Executive Officer,
Red Lion Hotels Corporation;
Former Senior Vice President
and Chief Financial Officer, Avista Corp.
(Retired)

Michael B. Bracy

Former Executive Vice President and
Chief Financial Officer, NorAm Energy
Corporation (Retired)

Kirby A. Dyess

Principal, Austin Capital
Management, LLC;
Former Corporate Vice President,
Intel Corporation (Retired)

Charles H. Gaylord, Jr.

Former Executive Vice President,
Intuit, Inc. (Retired)

Thomas S. Glanville

Managing Partner, Eschelon Energy
Partners, LP

Sharon L. Nelson

Former Chief of the Consumer
Protection Division,
Washington State Attorney General's
Office (Retired)

Gary E. Pruitt

Former Chairman and Chief Executive
Officer, Univar N.V. (Retired)

Graham M. Wilson

Chairman, GraWil Consultants Inc.
Former Executive Vice President and
Chief Financial Officer,
Westcoast Energy Inc. (Retired)

Officers

Malcolm Unsworth

President and Chief Executive Officer;
Member, Itron's Board of Directors

Steven M. Helmbrecht

Senior Vice President and
Chief Financial Officer

John W. Holleran

Senior Vice President, General Counsel
and Corporate Secretary

Philip C. Mezey

Senior Vice President and
Chief Operating Officer,
Itron North America

Marcel Regnier

Senior Vice President and
Chief Operating Officer,
Itron International

Clarence R. (Ranny) Dwiggin, Jr.

Vice President, Investor Relations

Charles E. McAtee, Jr.

Vice President, Information Technology

Simon W. Pontin

Vice President, Chief Technology Officer

Jared P. Serff

Vice President, Competitive Resources

Corporate and Shareholder Information

Corporate Headquarters

Itron, Inc.
2111 North Molter Road
Liberty Lake, WA 99019

Annual Meeting

Tuesday, May 3, 2011
Itron Corporate Headquarters
2111 North Molter Road
Liberty Lake, WA 99019

Shareholder Inquiries

Please contact Investor Relations:
(800) 635-5461

Form 10-K

A copy of the Company's Form 10-K
can be found at www.itron.com or at the
Securities and Exchange Commission
website.

Common Stock

Itron Common Stock is traded on the
NASDAQ Global Select Market under
the symbol ITRI. No cash dividends
have been declared on the Company's
Common Stock.

Independent Auditors

Ernst & Young LLP
Seattle, Washington

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310
www.bnymellon.com/shareowner/isd



FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-22418

ITRON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State of Incorporation)

91-1011792
(I.R.S. Employer Identification Number)

2111 N Molter Road, Liberty Lake, Washington 99019

(509) 924-9900

(Address and telephone number of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, no par value	NASDAQ Global Select Market
Preferred share purchase rights	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2010 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of common stock held by non-affiliates of the registrant (based on the closing price for the common stock on the NASDAQ Global Select Market) was \$2,495,975,576.

As of January 31, 2011, there were outstanding 40,509,260 shares of the registrant's common stock, no par value, which is the only class of common stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III is incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on May 3, 2011.

Itron, Inc.
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In this Annual Report on Form 10-K, the terms “we,” “us,” “our,” “Itron” and the “Company” refer to Itron, Inc.

Certain Forward-Looking Statements

This document contains forward-looking statements concerning our operations, financial performance, revenues, earnings growth, liquidity, and other items. This document reflects our current plans and expectations and is based on information currently available as of the date of this Annual Report on Form 10-K. When we use the words “expect,” “intend,” “anticipate,” “believe,” “plan,” “project,” “estimate,” “future,” “objective,” “may,” “will,” “will continue,” and similar expressions, they are intended to identify forward-looking statements. Forward-looking statements rely on a number of assumptions and estimates. These assumptions and estimates could be inaccurate and cause our actual results to vary materially from expected results. Risks and uncertainties include 1) the rate and timing of customer demand for our products, 2) rescheduling or cancellations of current customer orders and commitments, 3) competition, 4) changes in estimated liabilities for product warranties and/or litigation, 5) our dependence on customers' acceptance of new products and their performance, 6) changes in domestic and international laws and regulations, 7) future business combinations, 8) changes in estimates for stock-based compensation and pension costs, 9) changes in foreign currency exchange rates and interest rates, 10) international business risks, 11) our own and our customers' or suppliers' access to and cost of capital, and 12) other factors. You should not solely rely on these forward-looking statements as they are only valid as of the date of this Annual Report on Form 10-K. We do not have any obligation to publicly update or revise any forward-looking statement in this document. For a more complete description of these and other risks, refer to Item 1A: “Risk Factors” included in this Annual Report on Form 10-K.

PART I

ITEM 1: BUSINESS

Available Information

Documents we provide to the Securities and Exchange Commission (SEC) are available free of charge under the Investors section of our website at www.itron.com as soon as practicable after they are filed with or furnished to the SEC. In addition, these documents are available at the SEC's website (<http://www.sec.gov>) and at the SEC's Headquarters at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

General

Itron is a technology company dedicated to delivering end-to-end smart metering solutions to electric, natural gas, and water utilities around the world. Our smart metering solutions, meter data management software, and knowledge application solutions bring additional value to a utility's metering and grid systems. Our professional services help our customers project-manage, install, implement, operate, and maintain their systems.

We were incorporated in 1977. In 2004, we entered the electricity meter manufacturing business with the acquisition of Schlumberger Electricity Metering. In 2007, we expanded our presence in global meter manufacturing and systems with the acquisition of Actaris Metering Systems SA (Actaris).

The following is a discussion of our major products, our markets, and our operating segments. Refer to Item 7: “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K for specific segment results.

Our Business

Our offerings include electricity, natural gas, and water metering systems, software, and services. We classify metering systems into three categories: standard metering, advanced metering systems and technology, and smart metering systems and technology. These categories are described in more detail below:

Standard Metering

A standard meter measures electricity, natural gas, or water by mechanical, electromechanical, or electronic means, with no built-in remote-reading communication capability. Standard meters require manual reading, which is typically performed by a utility representative or meter reading service provider. Worldwide, we produce standard residential, commercial and industrial (C&I), and transmission and distribution (T&D) electricity, natural gas, and water meters.

Advanced Metering Systems and Technology

Advanced metering uses a communication module embedded in the meter to collect and store detailed meter data, which is transmitted to handheld computers, mobile units, and/or fixed networks, allowing utilities to collect the data for billing systems and analyze the meter data for more efficient resource management and streamlined operations. Worldwide, we produce electricity, natural gas, and water advanced metering systems and technology. Depending on the country, communication technologies include telephone, RF (radio frequency), GSM (Global System for Mobile communications), PLC (power line carrier), and Ethernet devices.

Smart Metering Systems and Technology

Smart meters initiate and respond to two-way communications with the utility to automatically collect and transmit meter data frequently to support various applications beyond monthly billings. Our smart metering solutions also have substantially more features and functions than our advanced metering systems and technology. Smart meters are able to send and receive detailed data, collect and store interval data, and interface with other devices, such as in-home displays, smart thermostats and appliances, home area networks, advanced control systems, and more.

Bookings and Backlog of Orders

Bookings for a reported period represent customer contracts and purchase orders received during the period that have met certain regulatory and/or contractual conditions. Total backlog represents committed but undelivered contracts and purchase orders at period-end. Twelve-month backlog represents the portion of total backlog that we estimate will be recognized as revenue over the next 12 months. Backlog is not a complete measure of our future business as we have significant book-and-ship orders. Bookings and backlog may fluctuate significantly due to the timing of large project awards. In addition, annual or multi-year contracts are subject to rescheduling and cancellation by customers due to the long-term nature of the contracts. Beginning total backlog, plus bookings, minus revenues, will not equal ending total backlog due to miscellaneous contract adjustments, foreign currency fluctuations, and other factors. Information on bookings and backlog is summarized as follows:

<u>Year Ended</u>	<u>Annual Bookings</u>	<u>Total Backlog</u>	<u>12-Month Backlog</u>
		(in millions)	
December 31, 2010	\$ 2,396	\$ 1,620	\$ 913
December 31, 2009	\$ 1,849	\$ 1,488	\$ 807
December 31, 2008	\$ 2,543	\$ 1,309	\$ 418

Our Operating Segments

We operate under the Itron brand worldwide. Our operating segments as of December 31, 2010 are Itron North America and Itron International. Itron North America generates the majority of its revenues in the United States and Canada. Itron International generates the majority of its revenues in Europe, and the balance primarily in South America and Asia/Pacific.

Sales and Distribution

We use a combination of direct and indirect sales channels in both Itron North America and Itron International. A direct sales force is utilized for the largest electric, natural gas, and water utilities, with which we have long-established relationships. For smaller utilities, we typically use an indirect sales force that consists of distributors, representative agencies, partners, and meter manufacturer representatives.

One customer, Southern California Edison, of our Itron North America operating segment, represented 11% of total Company revenues for the year ended December 31, 2010. No single customer represented more than 10% of total revenues for each of the two years ended December 31, 2009 and 2008. Our 10 largest customers in each of the years ended December 31, 2010, 2009, and 2008 accounted for approximately 34%, 17%, and 15%, of total revenues, respectively.

Raw Materials

Our products require a wide variety of components and materials. Although we have multiple sources of supply for most of our material requirements, certain components and raw materials are supplied by sole-source vendors, and our ability to perform certain contracts depends on the availability of these materials. Refer to Item 1A: "Risk Factors", included in this Annual Report on Form 10-K, for further discussion related to risks.

Product Development

Our product development is focused on both improving existing technology and developing next-generation technology for electricity, natural gas, water, and heat meters, data collection software, communications technologies, data warehousing, and knowledge application solutions. We spent approximately \$140 million, \$122 million, and \$121 million on product development in 2010, 2009, and 2008, which represented 6%, 7%, and 6% of total revenues in those respective years.

Workforce

As of December 31, 2010, we had approximately 9,500 people in our workforce, including permanent and temporary employees and contractors. We have not experienced any work stoppages and consider our employee relations to be good.

Competition

We provide a broad portfolio of products, systems, and services to customers in the utility industry and have a large number of competitors who offer similar products, systems, and services. We believe that our competitive advantage is based on our ability to provide complete end-to-end integrated solutions, our established customer relationships, and our track record of delivering reliable, accurate, and long-lived products and services. Refer to Item 1A: "Risk Factors" included in this Annual Report on Form 10-K for a discussion of the competitive pressures we face.

Our primary competitors include the following:

Badger Meter, Inc.	Emerson Electric Co.	OSIsoft, LLC
Cooper Industries plc	eMeter Corporation	Pietro Fiorentini S.p.A.
Datamatic, Ltd.	ESCO Technologies Inc.	Roper Industries, Inc.
Diehl Group	General Electric Company	Sensus
Dresser, Inc.	Jiangxi Sanchuan Water Meter Co Ltd.	Silver Spring Networks
Echelon Corporation	Landis+Gyr AG	SmartSynch, Inc.
Ecologic Analytics, LLC	Master Meter, Inc.	Telvent GIT, S.A.
El Sewedy Electric Company	Ningbo Water Meter Co., Ltd.	Trilliant Incorporated
Elster Group S.E.	Oracle Corporation	

Strategic Alliances

We pursue strategic alliances with other companies in areas where collaboration can produce product advancement and acceleration of entry into new markets. The objectives and goals of a strategic alliance can include one or more of the following: technology exchange, product development, joint sales and marketing, or access to new geographic markets. Refer to Item 1A: "Risk Factors" included in this Annual Report on Form 10-K for a discussion of risks associated with strategic alliances.

Intellectual Property

Our patents and patent applications cover a range of technologies, which relate to standard metering, advanced metering systems and technology, smart metering systems and technology, meter data management software, and knowledge application solutions. We also rely on a combination of copyrights and trade secrets to protect our products and technologies. We have registered trademarks for most of our major product lines in the United States and many international countries.

Disputes over the ownership, registration, and enforcement of intellectual property rights arise in the ordinary course of our business. While we believe patents and trademarks are important to our operations and in the aggregate constitute valuable assets, no single patent or trademark, or group of patents or trademarks, is critical to the success of our business. We license some of our technology to other companies, some of which are our competitors.

Environmental Regulations

In the ordinary course of our business we use metals, solvents, and similar materials that are stored on-site. We believe we are in compliance with environmental laws, rules, and regulations applicable to the operation of our business.

MANAGEMENT

Set forth below are the names, ages, and titles of our executive officers as of February 16, 2011.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Malcolm Unsworth	61	President and Chief Executive Officer
Steven M. Helmbrecht	48	Sr. Vice President and Chief Financial Officer
John W. Holleran	56	Sr. Vice President, General Counsel and Corporate Secretary
Philip C. Mezey	51	Sr. Vice President and Chief Operating Officer - Itron North America
Marcel Regnier	54	Sr. Vice President and Chief Operating Officer - Itron International
Jared P. Serff	43	Vice President, Competitive Resources

Malcolm Unsworth is President and Chief Executive Officer, and a member of our Board of Directors. Mr. Unsworth joined Itron in July 2004 as Sr. Vice President, Hardware Solutions, upon our acquisition of Schlumberger's electricity metering business. In 2007, following our acquisition of Actaris (now known as Itron International), he was promoted to Sr. Vice President and Chief Operating Officer - Itron International. Mr. Unsworth was appointed President and Chief Operating Officer of Itron in April 2008, and promoted to President and Chief Executive Officer effective March 2009. Mr. Unsworth was elected to the Board of Directors in December 2008.

Steve Helmbrecht is Sr. Vice President and Chief Financial Officer. Mr. Helmbrecht joined Itron in 2002 as Vice President and General Manager, International, and was named Sr. Vice President and Chief Financial Officer in 2005. Previously, Mr. Helmbrecht was Chief Financial Officer of LineSoft Corporation, acquired by Itron in 2002.

John Holleran is Sr. Vice President, General Counsel, and Corporate Secretary. Mr. Holleran joined Itron in January 2007. In 2006, Mr. Holleran was associated with Holleran Law Offices PLLC, and in 2005 was Executive Vice President, Administration, and Chief Legal Officer for Boise Cascade, LLC, the paper and forest products company resulting from the reorganization of Boise Cascade Corporation, in 2004. While with Boise Cascade Corporation, Mr. Holleran most recently served as Sr. Vice President, Human Resources, and General Counsel.

Philip Mezey is Sr. Vice President and Chief Operating Officer - Itron North America. Mr. Mezey joined Itron in March 2003 as Managing Director of Software Development for Itron's Energy Management Solutions Group with Itron's acquisition of Silicon Energy Corp. Mr. Mezey was promoted to Group Vice President and Manager of Software Solutions in 2004. In 2005, Mr. Mezey became Sr. Vice President Software Solutions and was promoted to his current position in 2007.

Marcel Regnier is Sr. Vice President and Chief Operating Officer - Itron International. Mr. Regnier joined Itron in April 2007 as part of our acquisition of Actaris. Mr. Regnier served as Actaris' Managing Director of its water and heat business unit from 2001, when Actaris was created as a result of the reorganization of Schlumberger's operations, until April 2008, when he was promoted to his current position.

Jared Serff is Vice President, Competitive Resources. Mr. Serff joined Itron in July 2004 upon our acquisition of Schlumberger's electricity metering business. Mr. Serff spent six years with Schlumberger, the last four of which were as Director of Human Resources with Schlumberger's electricity metering business where he was in charge of personnel for all locations in Canada, Mexico, France, Taiwan, and the United States.

ITEM 1A: RISK FACTORS

We are dependent on the utility industry, which has experienced volatility in capital spending.

We derive the majority of our revenues from sales of products and services to utilities. Purchases of our products may be deferred as a result of many factors including economic downturns, slowdowns in new residential and commercial construction, customers' access to capital at acceptable terms, utility specific financial circumstances, mergers and acquisitions, regulatory decisions, weather conditions, and rising interest rates. We have experienced, and may in the future experience, variability in operating results on an annual and a quarterly basis as a result of these factors.

Utility industry sales cycles can be lengthy and unpredictable.

The utility industry is subject to substantial government regulation. Regulations have often influenced the frequency of meter replacements. Sales cycles for standalone meter products have typically been based on annual or bi-annual bid-based agreements. Utilities place purchase orders against these agreements as their inventories decline, which can create fluctuations in our sales volumes.

Sales cycles for advanced and smart metering systems are generally long and unpredictable due to several factors, including budgeting, purchasing, and regulatory approval processes that can take several years to complete. Our utility customers typically issue requests for quotes and proposals, establish evaluation committees, review different technical options with vendors, analyze performance and cost/benefit justifications, and perform a regulatory review, in addition to applying the normal budget approval process within a utility. Today, governments around the world are implementing new laws and regulations to promote increased energy efficiency, slow or reverse growth in the consumption of scarce resources, reduce carbon dioxide emissions, and protect the environment. Many of the legislative and regulatory initiatives encourage utilities to develop a smart grid infrastructure, and some of these initiatives provide for government subsidies, grants, or other incentives to utilities and other participants in their industry to promote transition to smart grid technologies.

Section 1252 of the U.S. Energy Policy Act of 2005 requires electric utilities to consider offering their customers time-based rates. The Act also directs these utilities and state utility commissions to study and evaluate methods for implementing demand response, to shift consumption away from peak hours, and to improve power generation.

The European Union has issued the EU Energy Package, which includes directives and regulations intended to strengthen consumer rights and protection in the EU energy market. The EU's 20-20-20 goals include a 20% increase in energy efficiency, a 20% reduction of carbon dioxide emissions compared with 1990 levels, and producing 20% of its energy from renewable sources by 2020. The package requires EU Member States to ensure the implementation of smart metering systems and outlines deployment by 2022, with 80% of electric consumers equipped with smart metering systems by 2020.

While we believe these initiatives will provide opportunities for sales of our products, the pace at which these markets will grow is unknown due to the timing of legislation, regulatory approvals related to the deployment of new technology, capital budgets of the utilities, and purchasing decisions by our customers. If government regulations regarding the smart grid and smart metering are delayed, revised to permit lower or different investment levels in metering infrastructure, or terminated altogether, this could have a material adverse effect on our results of operation, cash flow, and financial condition.

We are subject to international business uncertainties, obstacles to the repatriation of earnings, and foreign currency fluctuations.

A substantial portion of our revenues is derived from operations conducted outside the United States. International sales and operations may be subjected to risks such as the imposition of government controls, government expropriation of facilities, lack of a well-established system of laws and enforcement of those laws, access to a legal system free of undue influence or corruption, political instability, terrorist activities, restrictions on the import or export of critical technology, currency exchange rate fluctuations, adverse tax burdens, availability of qualified third-party financing, generally longer receivable collection periods than those commonly practiced in the United States, trade restrictions, changes in tariffs, labor disruptions, difficulties in staffing and managing international operations, difficulties in imposing and enforcing operational and financial controls at international locations, potential insolvency of international distributors, burdens of complying with different permitting standards and a wide variety of foreign laws, and obstacles to the repatriation of earnings and cash. Fluctuations in the value of international currencies may impact our operating results due to the translation to the U.S. dollar as well as our ability to compete in international markets. International expansion and market acceptance depend on our ability to modify our technology to take into account such factors as the applicable regulatory and business environment, labor costs, and other economic conditions. In addition, the laws of certain countries do not protect our products or technologies in the same

manner as the laws of the United States. There can be no assurance that these factors will not have a material adverse effect on our future international sales and, consequently, on our business, financial condition, and results of operations.

We depend on our ability to develop new competitive products.

Our future success will depend, in part, on our ability to continue to design and manufacture new competitive products and to enhance and sustain our existing products, keep pace with technological advances and changing customer requirements, gain international market acceptance, and manage other factors in the markets in which we sell our products. Product development will require continued investment in order to maintain our market position. We may not have the necessary capital, or access to capital at acceptable terms, to make these investments. We have made, and expect to continue to make, substantial investments in technology development. However, we may experience unforeseen problems in the development or performance of our technologies or products. In addition, we may not meet our product development schedules. New products often require certifications or regulatory approvals before the products can be used and we cannot be certain that our new products will be approved in a timely manner. Finally, we may not achieve market acceptance of our new products and services.

We may face product-failure exposure.

We provide product warranties for varying lengths of time and establish allowances in anticipation of warranty expenses. In addition, we record contingent liabilities for additional product-failure related costs. These warranty and related product-failure allowances may be inadequate due to undetected product defects, unanticipated component failures, as well as changes in various estimates for material, labor, and other costs we may incur to replace projected product failures. As a result, we may incur additional warranty and related expenses in the future with respect to new or established products. Systems that we sell could fail to perform as intended, resulting in potentially substantial claims against us that could materially and adversely affect our financial position. We sell vending and pre-payment systems with security features that if compromised, may lead to claims against us, which could materially and adversely affect our financial position.

Business interruptions could adversely affect our business.

Our worldwide operations could be subject to hurricanes, tornados, earthquakes, floods, fires, extreme weather conditions, medical epidemics or pandemics, or other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our business, financial condition, and results of operations.

Our key manufacturing facilities are concentrated and in the event of a significant interruption in production at any of our manufacturing facilities, considerable expense, time, and effort could be required to establish alternative production lines to meet contractual obligations, which would have a material adverse effect on our business, financial condition, and results of operations.

We are facing increasing competition.

We face competitive pressures from a variety of companies in each of the markets we serve. Some of our present and potential future competitors have, or may have, substantially greater financial, marketing, technical, or manufacturing resources and, in some cases, have greater name recognition and experience. Some competitors may enter markets we serve and sell products at lower prices in order to grow market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion, and sale of their products and services than we can. Some competitors have made, and others may make, strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Other companies may also drive technological innovation and develop products that are equal in quality and performance or superior to our products, which could put pressure on our market position, reduce our overall sales, and require us to invest additional funds in new technology development. In addition, there is a risk that low-cost providers will enter, or form alliances or cooperative relationships with our competitors, thereby contributing to future price erosion. Some of our products and services may become commoditized and we may have to adjust the prices of some of our products to stay competitive. Should we fail to compete successfully with current or future competitors, we could experience material adverse effects on our business, financial condition, results of operations, and cash flows.

We are affected by the availability and regulation of radio spectrum and interference with the radio spectrum that we use.

A significant number of our products use radio spectrum, which are subject to regulation by the Federal Communications Commission (FCC) in the United States. The FCC may adopt changes to the rules for our licensed and unlicensed frequency bands that are incompatible with our business. In the past, the FCC has adopted changes to the requirements for equipment using radio spectrum, and it is possible that the FCC or the U.S. Congress will adopt additional changes.

Although radio licenses are generally required for radio stations, Part 15 of the FCC's rules permits certain low-power radio devices (Part 15 devices) to operate on an unlicensed basis. Part 15 devices are designed for use on frequencies used by others. These other users may include licensed users, which have priority over Part 15 users. Part 15 devices cannot cause harmful interference to licensed users and must be designed to accept interference from licensed radio devices. In the United States, our advanced and smart metering systems are typically Part 15 devices that transmit information to (and receive information from, if applicable) handheld, mobile, or fixed network systems pursuant to these rules.

The FCC has initiated a rulemaking proceeding in which it is considering adopting "spectrum etiquette" requirements for unlicensed Part 15 devices operating in the 902-928 MHz band, which many of our advanced and smart metering systems utilize. The outcome of the proceeding may require us to make material changes to our equipment.

The FCC has also adopted service rules governing the use of the 1427-1432 MHz band. We use this band with various devices in our network solutions. Among other things, the rules reserve parts of the band for general telemetry, including utility telemetry, and provide that nonexclusive licenses will be issued in accordance with Part 90 rules and the recommendations of frequency coordinators. Telemetry licensees must comply with power limits and out-of-band emission requirements that are designed to avoid interference with other users of the band. The FCC issues licenses on a nonexclusive basis and it is possible that the demand for spectrum will exceed supply,

Our radio-based products primarily employ unlicensed radio frequencies. We depend upon sufficient radio spectrum to be allocated by the FCC for our intended uses. As to the licensed frequencies, there is some risk that there may be insufficient available frequencies in some markets to sustain our planned operations. The unlicensed frequencies are available for a wide variety of uses and may not be entitled to protection from interference by other users who operate in accordance with FCC rules. The unlicensed frequencies are also often the subject of proposals to the FCC requesting a change in the rules under which such frequencies may be used. If the unlicensed frequencies become crowded to unacceptable levels, restrictive, or subject to changed rules governing their use, our business could be materially adversely affected.

We have committed, and will continue to commit, significant resources to the development of products that use particular radio frequencies. Action by the FCC could require modifications to our products. The inability to modify our products to meet such requirements, the possible delays in completing such modifications, and the cost of such modifications all could have a material adverse effect on our future business, financial condition, and results of operations.

Outside of the United States, certain of our products require the use of RF and are subject to regulations in those jurisdictions where we have deployed such equipment. In some jurisdictions, radio station licensees are generally required to operate a radio transmitter and such licenses may be granted for a fixed term and must be periodically renewed. In other jurisdictions, the rules permit certain low power devices to operate on an unlicensed basis. Our advanced and smart metering systems typically transmit to (and receive information from, if applicable) handheld, mobile, or fixed network reading devices in unlicensed bands pursuant to rules regulating such use. Generally, we use the unlicensed Industrial, Scientific, and Medical (ISM) bands with the various reading devices in our solutions. In Europe, we generally use the 433 MHz and 868 MHz bands. In the rest of the world, we primarily use the 433 MHz and 2.4000-2.4835 GHz bands, as well as other local unlicensed bands. To the extent we introduce new products designed for use in the United States or another country into a new market, such products may require significant modification or redesign in order to meet frequency requirements and other regulatory specifications. In some countries, limitations on frequency availability or the cost of making necessary modifications may preclude us from selling our products in those countries. In addition, new consumer products may create interference with the performance of our products, which could lead to claims against us.

We may face liability associated with alleged adverse health effects from the use of our product.

We may be subject to claims that there are adverse health effects from the radio frequencies utilized in connection with our products. If these claims succeed, our customers could suspend implementation or purchase substitute products, which could cause a loss of sales.

We may be unable to adequately protect our intellectual property.

While we believe that our patents and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future will provide meaningful competitive advantages. There can be no assurance that our patents or pending applications will not be challenged, invalidated, or circumvented by competitors or that rights granted thereunder will provide meaningful proprietary protection. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To combat infringement or unauthorized use, we may need to commence litigation, which can be expensive and time-consuming. In addition, in an infringement proceeding a court may decide that a patent or other intellectual property right of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology or other intellectual property right at issue on the grounds that it is non-infringing or the legal requirements for an injunction have not been met. Policing unauthorized use of our intellectual property is difficult and expensive, and we cannot provide assurance that we will be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries that do not protect such rights in the same manner as they do in the United States.

A significant portion of our revenue is generated with a limited number of customers.

Historically, our revenues have been concentrated with a limited number of customers, which change over time. The 10 largest customers accounted for 34%, 17%, and 15% of revenues for 2010, 2009, and 2008, respectively. One customer represented 11% of total revenues for the year ended December 31, 2010. No single customer represented more than 10% of total Company revenues for each of the two years ended December 31, 2009 and 2008. We are often a party to large, multi-year contracts that are subject to cancellation or rescheduling by our customers due to many factors, such as extreme, unexpected weather conditions that cause our customers to redeploy resources, convenience, regulatory issues, or possible acts of terrorism. Cancellation or postponement of one or more of these significant contracts could have a material adverse effect on our financial and operating results. In addition, if a large customer contract is not replaced upon its expiration with new business of similar magnitude, our financial and operating results would be adversely affected.

As we enter into agreements related to the deployment of smart metering systems and technology, the value of these contracts is substantially larger than contracts we have had with our customers in the past. These deployments last several years and may exceed the length of prior deployment agreements. The terms and conditions of these smart metering system agreements related to testing, contractual liabilities, warranties, performance, and indemnities can be substantially different than the terms and conditions associated with our previous contracts.

We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of third party's intellectual property. An adverse outcome in any intellectual property litigation or negotiation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or the use of certain products or brands, or require us to redesign, re-engineer, or rebrand certain products or packaging, any of which could affect our business, financial condition, and results of operations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses at acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees, expenses, and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, financial condition, and results of operations.

If our products potentially infringe the intellectual property rights of others, we may be required to indemnify our customers for any damages they suffer. We generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

We depend on certain key vendors and components.

Certain of our products, subassemblies, and system components are procured from limited sources. Our reliance on such limited sources involves certain risks, including the possibility of shortages and reduced control over delivery schedules, quality and costs, and our vendors' access to capital at acceptable terms. Any adverse change in the supply, or price, of these

components could adversely affect our business, financial condition, and results of operations. In addition, we depend on a small number of contract manufacturing vendors for a large portion of our low-volume manufacturing business and all of our repair services for our domestic handheld meter reading units. Should any of these vendors become unable to perform up to their responsibilities, our operations could be materially disrupted.

A number of key personnel are critical to the success of our business.

Our success depends in large part on the efforts of our highly qualified technical and management personnel in all disciplines. The loss of one or more of these employees and the inability to attract and retain qualified replacements could have a material adverse effect on our business.

We may not realize the expected benefits from strategic alliances.

We have several strategic alliances with large and complex organizations and other companies with which we work to offer complementary products and services. There can be no assurance we will realize the expected benefits from these strategic alliances. If successful, these relationships may be mutually beneficial and result in shared growth. However, alliances carry an element of risk because, in most cases, we must both compete and collaborate with the same company from one market to the next. Should our strategic partnerships fail to perform, Itron could experience delays in product development or experience other operational difficulties.

Our acquisitions of and investments in third parties have risks.

We may complete additional acquisitions or make investments in the future, both within and outside of the United States. In order to finance future acquisitions, we may need to raise additional funds through public or private financings, and there are no assurances that such financing would be available at acceptable terms. Acquisitions and investments involve numerous risks such as the diversion of senior management's attention, unsuccessful integration of the acquired entity's personnel, operations, technologies, and products, lack of market acceptance of new services and technologies, or difficulties in operating businesses in foreign legal jurisdictions. We may experience difficulties that could affect our internal control over financial reporting, which could create a significant deficiency or material weakness in our overall internal controls under Section 404 of the Sarbanes-Oxley Act of 2002. Failure to properly or adequately address these issues could result in the diversion of management's attention and resources and materially and adversely impact our ability to manage our business. Impairment of an investment, goodwill, or an intangible asset may also result if these risks were to materialize. For investments in entities that are not wholly owned by Itron, such as joint ventures, a loss of control as defined by U.S. generally accepted accounting principles (GAAP) could result in a significant change in accounting treatment and a change in the carrying value of the entity. There can be no assurances that an acquired business will perform as expected, accomplish our strategic objective, or generate significant revenues, profits, or cash flows. During prior years, we have incurred impairments of noncontrolling interest investments. In addition, acquisitions and investments in third parties may involve the assumption of obligations, significant write-offs, or other charges associated with the acquisition.

Impairment of our intangible assets, long-lived assets, goodwill, or deferred tax assets could result in significant charges that would adversely impact our future operating results.

We have significant intangible assets, long-lived assets, goodwill, and deferred tax assets that are susceptible to valuation adjustments as a result of changes in various factors or conditions.

We assess impairment of amortizable intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment of such assets include the following:

- underperformance relative to projected future operating results;
- changes in the manner or use of the acquired assets or the strategy for our overall business;
- negative industry or economic trends;
- decline in our stock price for a sustained period or decline in our market capitalization below net book value; and
- changes in our organization or management reporting structure, which could result in additional reporting units, requiring greater aggregation or disaggregation in our analysis by reporting unit and potentially alternative methods/assumptions of estimating fair values.

We assess the potential impairment of goodwill each year as of October 1. We also assess the potential impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse

changes in economic conditions or our operations could affect the assumptions we use to calculate the fair value, which in turn could result in an impairment charge in future periods that would impact our results of operations and financial position in that period. Refer to Item 1: "Management's Discussion and Analysis of Financial Condition and Results of Operations; Critical Accounting Estimates" included in this Annual Report on Form 10-K for additional information regarding the results of our October 1, 2010 goodwill impairment assessment.

The realization of our deferred tax assets is supported in part by projections of future taxable income. We provide a valuation allowance based on estimates of future taxable income in the respective taxing jurisdiction and the amount of deferred taxes that are expected to be realizable. If future taxable income is different from that expected, we may not be able to realize some or all of the tax benefit, which could have a material adverse effect on our financial results and cash flows.

We are subject to regulatory compliance.

We are subject to various governmental regulations in all of the jurisdictions in which we conduct business. Failure to comply with current or future regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations, or other actions, which could materially and adversely affect our business, financial condition, and results of operations.

Changes in environmental regulations, violations of the regulations, or future environmental liabilities could cause us to incur significant costs and adversely affect our operations.

Our business and our facilities are subject to a number of laws, regulations, and ordinances governing, among other things, the storage, discharge, handling, emission, generation, manufacture, disposal, remediation of, and exposure to toxic or other hazardous substances, and certain waste products. Many of these environmental laws and regulations subject current or previous owners or operators of land to liability for the costs of investigation, removal, or remediation of hazardous materials. In addition, these laws and regulations typically impose liability regardless of whether the owner or operator knew of, or was responsible for, the presence of any hazardous materials and regardless of whether the actions that led to the presence were conducted in compliance with the law. In the ordinary course of our business, we use metals, solvents, and similar materials, which are stored on-site. The waste created by the use of these materials is transported off-site on a regular basis by unaffiliated waste haulers. Many environmental laws and regulations require generators of waste to take remedial actions at, or in relation to, the off-site disposal location even if the disposal was conducted in compliance with the law. The requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. Failure to comply with current or future environmental regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations, or other actions, which could materially and adversely affect our business, financial condition, and results of operations. There can be no assurance that a claim, investigation, or liability will not arise with respect to these activities, or that the cost of complying with governmental regulations in the future will not have a material adverse effect on us.

Our credit facility and the indenture related to our convertible senior subordinated notes limit our ability and the ability of most of our subsidiaries to take certain actions.

Our credit facility and convertible notes place restrictions on our ability and the ability of most of our subsidiaries to, among other things:

- incur more debt;
- make certain investments;
- redeem or repurchase capital stock;
- enter into transactions with affiliates;
- merge or consolidate;
- pay dividends and make distributions;
- incur capital expenditures above a set limit;
- create liens;
- enter into sale lease-back transactions;
- transfer or sell assets.

Our credit facility contains other customary covenants, including the requirement to meet specified financial ratios. Our ability to borrow under our credit facility will depend on the satisfaction of these covenants. Events beyond our control can affect our ability to meet those covenants. Our failure to comply with obligations under our borrowing arrangements may result in declaration of an event of default. An event of default, if not cured or waived, may permit acceleration of required payments against such indebtedness. We cannot be certain we will be able to remedy any such defaults. If our required payments are accelerated, we cannot be certain that we will have sufficient funds available to pay the indebtedness or that we will have the ability to raise sufficient capital to replace the indebtedness on terms favorable to us or at all. In addition, in the case of an event of default under our secured indebtedness such as our credit facility, the lenders may be permitted to foreclose on our assets securing that indebtedness.

Our credit facility is sensitive to interest rate and foreign currency exchange rate risks that could impact our financial position and results of operations.

Our ability to service our indebtedness is dependent on our ability to generate cash, which is influenced by many factors beyond our control.

Our ability to make payments on or refinance our indebtedness, fund planned capital expenditures, and continue research and development will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control, including counterparty risks with banks and other financial institutions. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

We are exposed to counterparty default risks with our financial institutions and insurance providers.

The financial strength of some depository institutions has diminished as a result of the recent financial crisis, and this trend may continue. If one or more of the depository institutions in which we maintain significant cash balances were to fail, our ability to access these funds might be temporarily or permanently limited, and we could face material liquidity problems and financial losses.

At December 31, 2010, we had outstanding standby letters of credit (LOC's) of \$43.5 million issued under our credit facility's \$240 million multicurrency revolver, resulting in \$196.5 million being available for additional borrowings. The lenders of our credit facility consist of several participating financial institutions. Our revolving line of credit allows us to provide LOC's in support of our obligations for customer contracts and provides additional liquidity, including an option for refinancing our convertible senior subordinated notes. Our convertible notes are classified as current due to the combination of put, call, and conversion options that are part of the terms, including the option of the holder to convert the notes between July 1, 2011 and August 1, 2011. If our lenders are not able to honor their line of credit commitments due to the loss of a participating financial institution or other circumstance, we would need to seek alternative financing, which may not be under acceptable terms, and therefore could adversely impact our ability to successfully bid on future sales contracts and adversely impact our liquidity and ability to fund some of our internal initiatives or future acquisitions.

As of December 31, 2010, approximately 93% of our outstanding term loans were at fixed London Interbank Offered Rate (LIBOR) rates as a result of interest rate swaps. These interest rate swaps protect us against the risk of adverse fluctuations in the borrowing's denominated LIBOR. Currently, our exposure to default risk on our interest rate swap agreements is minimal as we are in a liability position on all interest rate swaps. However, if the LIBOR rates were to significantly increase, there is a risk that one or more counterparties may be unable to meet its obligations under the swap agreement.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We have devoted significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. In addition, Section 404 under the Sarbanes-Oxley Act of 2002 requires that our auditors attest to the design and operating effectiveness of our controls over financial reporting. Our compliance with the annual internal control report requirement for each fiscal year will depend on the effectiveness of our financial reporting, data systems, and controls across our operating subsidiaries. Furthermore, an important part of our growth strategy has been, and will likely continue to be, the acquisition of complementary businesses, and we expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. Likewise, the complexity of our transactions, systems, and controls may become more difficult to manage. We cannot be certain that these measures will ensure that we design, implement, and maintain adequate controls over our financial processes and reporting in the future, especially for acquisition targets that may not have been required to be in compliance with Section 404 of the Sarbanes-Oxley Act of 2002 at the date of acquisition. Any failure to implement required new or improved controls, difficulties encountered in their implementation or operation, or difficulties in the assimilation of acquired businesses into our control system could harm our operating results or cause it to fail to meet our financial reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

We rely on information technology systems.

We are dependent on information technology systems, including, but not limited to, networks, applications, and outsourced services. We continually enhance and implement new systems and processes throughout our global operations. During 2011, we are upgrading our primary enterprise resource planning (ERP) systems to more compatible ERP systems that allow greater depth and breadth of functionality. System conversions are expensive and time consuming undertakings that impact all areas of the Company. While a successful implementation will provide many benefits to us, an unsuccessful or delayed implementation may cost us significant time and resources, as well as expense. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could materially and adversely affect our business, financial condition, and results of operations by harming our ability to accurately forecast sales demand, manage our supply chain and production facilities, achieve accuracy in the conversion of electronic data and records, and to report financial and management information on a timely and accurate basis. In addition, due to the systemic internal control features within ERP systems, we may experience difficulties that could affect our internal control over financial reporting, which could create a significant deficiency or material weakness in our overall internal controls under Section 404 of the Sarbanes-Oxley Act of 2002.

Changes in tax laws and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including: changes in the mix of earnings in countries with differing statutory tax rates, changes in the realization of deferred tax assets, changes in tax laws, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to significant discretion.

Our quarterly results may fluctuate substantially due to several additional factors.

We have experienced variability in quarterly results, including losses, and believe our quarterly results will continue to fluctuate as a result of many factors, including those risks and events previously mentioned. Additional factors that may cause the price of our common stock to decline include:

- a higher proportion of products sold with fewer features and functionality, resulting in lower revenues and gross margins;
- a shift in sales channel mix, which could impact the revenue received and commissions paid;
- a change in accounting standards or practices that may impact us to a greater degree than other companies due to our product mix, which would impact revenue recognition, or our borrowing structure, including our convertible notes; and
- a change in existing taxation rules or practices due to our specific operating structure that may not be comparable to other companies.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

The following table lists the number of factories and offices by region.

	Factories		Offices	
	Owned	Leased	Owned	Leased
North America	4	11	1	14
Europe	14	6	-	22
Asia/Pacific	2	6	-	17
Other (rest of world)	4	8	-	11
Total	24	31	1	64

Our major manufacturing facilities are owned, while smaller factories and sales offices may be leased. Our factory locations typically consist of manufacturing, assembly, service, and/or distribution, and may also include research and development and administrative functions. Our office locations consist primarily of sales and administration functions, and may also include research and development functions. Itron North America facilities are located primarily in the United States while Itron International's facilities are in Europe, Asia/Pacific, and throughout the rest of the world. We own our headquarters facility, which is located in Liberty Lake, Washington. Our other principal properties are owned and in good condition, and we believe our current facilities will be sufficient to support our operations for the foreseeable future.

Our U.S. operations for advanced metering communication modules are located in Waseca, Minnesota and our electricity meter operations are located in Oconee, South Carolina. Our international operations are more diversified. If any of our facilities are disrupted, our production capacity could be reduced, though most significantly in the United States.

ITEM 3: LEGAL PROCEEDINGS

There are no material pending legal proceedings, as defined by Item 103 of Regulation S-K, at December 31, 2010.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of shareholders of Itron, Inc. during the fourth quarter of 2010.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our common stock is traded on the NASDAQ Global Select Market. The following table reflects the range of high and low common stock sales prices for the four quarters of 2010 and 2009 as reported by the NASDAQ Global Select Market.

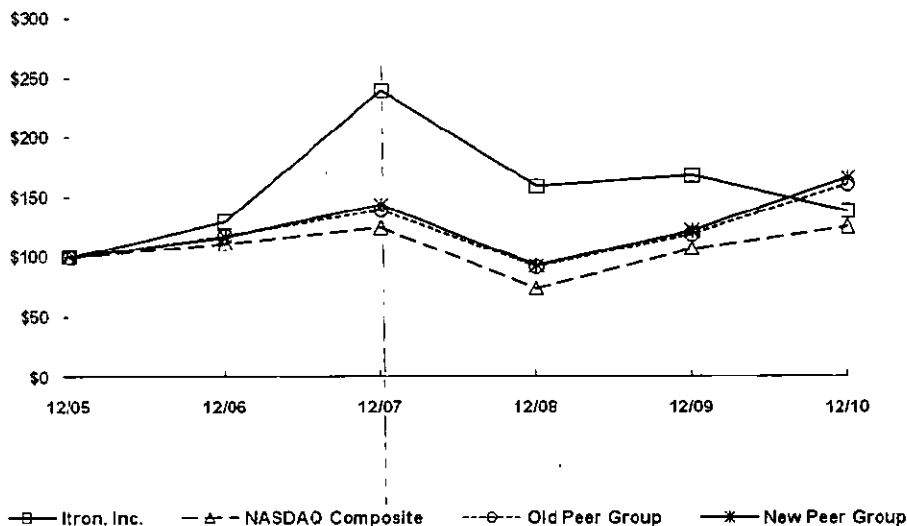
	2010		2009	
	High	Low	High	Low
First Quarter	\$ 75.96	\$ 59.12	\$ 66.66	\$ 40.10
Second Quarter	\$ 81.95	\$ 61.60	\$ 62.19	\$ 42.77
Third Quarter	\$ 66.87	\$ 52.05	\$ 67.89	\$ 50.15
Fourth Quarter	\$ 67.58	\$ 52.03	\$ 69.49	\$ 54.92

Performance Graph

The following graph compares the five-year cumulative total return to shareholders on our common stock with the five-year cumulative total return of the NASDAQ Composite Index, our peer group of companies used for the year ended December 31, 2010, and our previous peer group of companies used for the year ended December 31, 2009.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Itron, Inc., the NASDAQ Composite Index
and Two Peer Groups



*\$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31

The above presentation assumes \$100 invested on December 31, 2005 in the common stock of Itron, Inc., the NASDAQ Composite Index, and the peer groups, with all dividends reinvested. With respect to companies in the peer groups, the returns of each such corporation have been weighted to reflect relative stock market capitalization at the beginning of each annual period plotted. The stock prices shown above for our common stock are historical and not necessarily indicative of future price performance.

In 2010, we reassessed our peer group to identify global companies that are either direct competitors or have similar industry and business operating characteristics. Our new peer group includes the following publicly traded companies: Badger Meter, Inc., Cooper Industries, Ltd., Echelon Corporation, ESCO Technologies Inc., National Instruments Corporation, and Roper Industries, Inc. Our previous peer group included the following publicly traded companies: Badger Meter, Inc., Cooper Industries, Ltd., ESCO Technologies Inc., Mueller Water Products, LLC, National Instruments Corporation, and Roper Industries, Inc.

Holders

At January 31, 2011, there were 303 holders of record of our common stock.

Dividends

Since the inception of the Company, we have not declared or paid cash dividends. In addition, our credit facility dated April 18, 2007 prohibits the declaration or payment of a cash dividend as long as this facility is in place. Upon repayment of our borrowings, we intend to retain future earnings for the development of our business and do not anticipate paying cash dividends in the foreseeable future.

ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data below is derived from our consolidated financial statements, which have been audited by independent registered public accounting firms. This selected consolidated financial and other data represents portions of our financial statements. You should read this information together with Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8: "Financial Statements and Supplementary Data" included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of future performance.

	Year Ended December 31,				
	2010	2009	2008	2007 ⁽²⁾	2006 ⁽³⁾
	(in thousands, except per share data)				
Consolidated Statements of Operations Data					
Revenues	\$ 2,259,271	\$ 1,687,447	\$ 1,909,613	\$ 1,464,048	\$ 644,042
Cost of revenues	1,561,032	1,149,991	1,262,756	976,761	376,600
Gross profit	698,239	537,456	646,857	487,287	267,442
Operating income	184,197	45,027	109,822	46,473	61,743
Net income (loss)	104,770	(2,249)	19,811	(22,851)	33,759
Earnings (loss) per common share-Basic	\$ 2.60	\$ (0.06)	\$ 0.60	\$ (0.77)	\$ 1.33
Earnings (loss) per common share-Diluted	\$ 2.56	\$ (0.06)	\$ 0.57	\$ (0.77)	\$ 1.28
Weighted average common shares outstanding-Basic	40,337	38,539	33,096	29,584	25,414
Weighted average common shares outstanding-Diluted	40,947	38,539	34,951	29,584	26,283
Consolidated Balance Sheet Data					
Working capital ⁽¹⁾	\$ 178,483	\$ 282,532	\$ 293,296	\$ 249,579	\$ 492,861
Total assets	2,745,797	2,854,621	2,856,348	3,030,457	988,522
Total debt	610,941	781,764	1,151,767	1,538,799	469,324
Shareholders' equity	1,428,295	1,400,514	1,058,776	790,435	390,982
Other Financial Data					
Cash provided by operating activities	\$ 254,591	\$ 140,787	\$ 193,146	\$ 133,327	\$ 94,773
Cash used in investing activities	(56,274)	(53,994)	(67,075)	(1,714,416)	(85,499)
Cash (used in) provided by financing activities	(148,637)	(114,121)	(63,376)	1,310,360	318,493
Capital expenditures	(62,822)	(52,906)	(63,430)	(40,602)	(31,739)

(1) Working capital represents current assets less current liabilities.

(2) On April 18, 2007, we completed the acquisition of Actaris Metering Systems SA (Actaris). The Consolidated Statement of Operations for the year ended December 31, 2007 includes the operating activities of the Actaris acquisition from April 18, 2007 through December 31, 2007.

(3) On January 1, 2009, we adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP 14-1) relating to our convertible senior subordinate notes issued in August 2006. (The guidance in FSP 14-1 is now embedded within Accounting Standards Codification™ (ASC) 470-20). We used the SEC staff's Alternative A transition election for presenting prior financial information, and therefore the financial information as of and for the year ended December 31, 2006 has not been adjusted and is not comparable to the financial information as of and for the years ended December 31, 2010, 2009, 2008, and 2007.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Item 8: "Financial Statements and Supplementary Data."

Overview

We are a technology company, offering end-to-end smart metering solutions to electric, natural gas, and water utilities around the world. Our smart metering solutions, meter data management software, and knowledge application solutions bring additional value to a utility's metering and grid systems. Our professional services help our customers project-manage, install, implement, operate, and maintain their systems.

Revenues for 2010 increased 34%, compared with 2009, primarily due to the deployment of our smart metering contracts in Iron North America. Total backlog increased 9% and twelve month backlog increased 13% in 2010, compared with 2009.

Total company gross margin decreased one percentage point in 2010, compared with 2009, due to several additional costs in 2010, the most significant including increased warranty expense of \$14.4 million for arbitration claims in Sweden, which were settled in the third quarter of 2010.

Diluted earnings per share were \$2.56 in 2010, compared with a diluted loss per share of \$0.06 in 2009.

Total debt repayments in 2010 were \$155.2 million, bringing the total debt outstanding to \$610.9 million at December 31, 2010.

Total Company

	Year Ended December 31,				2008
	2010	% Change	2009	% Change	
	(in thousands)		(in thousands)		(in thousands)
Revenues	\$ 2,259,271	34%	\$ 1,687,447	(12%)	\$ 1,909,613
Gross Profit	698,239	30%	537,456	(17%)	646,857
Gross Margin	30.9%		31.9%		33.9%

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Revenues by region (origin)			
United States and Canada	\$ 1,168,523	\$ 606,472	\$ 647,966
Europe	756,013	806,540	916,288
Other	334,735	274,435	345,359
Total revenues	<u>\$ 2,259,271</u>	<u>\$ 1,687,447</u>	<u>\$ 1,909,613</u>

Revenues

Revenues increased 34%, or \$571.8 million in 2010, compared with 2009. Consolidated foreign currency fluctuations were minor in 2010, compared with 2009. Revenues decreased 12%, or \$222.2 million, in 2009, compared with 2008. A strengthening U.S. dollar against most foreign currencies accounted for 46% of the decrease in 2009 revenues. A more detailed analysis of these fluctuations is provided in *Operating Segment Results*.

One customer, Southern California Edison of our Itron North America operating segment, represented 11% of total Company revenues for the year ended December 31, 2010. No single customer represented more than 10% of total revenues for the years ended December 31, 2009 and 2008. Our 10 largest customers accounted for approximately 34%, 17%, and 15% of total revenues in 2010, 2009, and 2008.

Gross Margins

Gross margin was 30.9% in 2010, compared with 31.9% in 2009. While gross margins decreased for both operating segments in 2010, the growth in Itron North America's revenues, which are at higher average margins compared with Itron

International, moderated the decline in the consolidated margin. Approximately two-thirds of the two percentage point decline in gross margin in 2009, compared with 2008, was due to our North America operations and one-third was attributable to our International operations. A more detailed analysis of these fluctuations is provided in *Operating Segment Results*.

Meter and Module Summary

Meters can be broken down into three categories:

- Standard metering – no built-in remote reading communication capability
- Advanced metering – one-way communication of meter data
- Smart metering – two-way communication including remote meter configuration and upgrade (consisting primarily of our OpenWay® technology)

In addition, advanced and smart meter communication modules can be sold separately from the meter. Depending on customers' preferences, we also incorporate other vendors' technology in our meters. A summary of our meter and communication module shipments is as follows:

	Year Ended December 31,		
	2010	2009	2008
	(units in thousands)		
Total meters (standard, advanced, and smart)			
Itron North America			
Electricity	6,940	3,480	4,800
Gas	510	350	390
Itron International			
Electricity	7,870	7,790	7,840
Gas	4,020	4,980	5,400
Water	9,110	8,430	9,170
Total meters	<u>28,450</u>	<u>25,030</u>	<u>27,600</u>
Additional meter information (Total Company)			
Advanced meters	3,980	3,110	4,690
Smart meters	4,460	710	20
Standalone advanced and smart communication modules	<u>5,960</u>	<u>3,830</u>	<u>4,890</u>
Advanced and smart meters and communication modules	<u>14,400</u>	<u>7,650</u>	<u>9,600</u>
Meters with other vendors' advanced or smart communication modules	<u>510</u>	<u>630</u>	<u>840</u>

Operating Segment Results

For a description of our operating segments, refer to Item 8: "Financial Statements and Supplementary Data, Note 15: Segment Information" in this Annual Report on Form 10-K. The following tables and discussion highlight significant changes in trends or components of each operating segment.

	Year Ended December 31.					
	2010		2009		2008	
	(in thousands)	% Change	(in thousands)	% Change	(in thousands)	
Segment Revenues						
Itron North America	\$ 1,177,391	91%	\$ 615,731	(12%)	\$ 696,688	
Itron International	1,081,880	1%	1,071,716	(12%)	1,212,925	
Total revenues	<u>\$ 2,259,271</u>	<u>34%</u>	<u>\$ 1,687,447</u>	<u>(12%)</u>	<u>\$ 1,909,613</u>	

	Year Ended December 31.					
	2010		2009		2008	
	Gross Profit (in thousands)	Gross Margin	Gross Profit (in thousands)	Gross Margin	Gross Profit (in thousands)	Gross Margin
Segment Gross Profit and Margin						
Itron North America	\$ 394,247	33.5%	\$ 211,682	34.4%	\$ 263,645	37.8%
Itron International	303,992	28.1%	325,774	30.4%	383,212	31.6%
Total gross profit and margin	<u>\$ 698,239</u>	<u>30.9%</u>	<u>\$ 537,456</u>	<u>31.9%</u>	<u>\$ 646,857</u>	<u>33.9%</u>

	Year Ended December 31.					
	2010		2009		2008	
	Operating Income (Loss) (in thousands)	Operating Margin	Operating Income (Loss) (in thousands)	Operating Margin	Operating Income (Loss) (in thousands)	Operating Margin
Segment Operating Income (Loss) and Operating Margin						
Itron North America	\$ 201,410	17%	\$ 36,931	6%	\$ 78,046	11%
Itron International	26,363	2%	37,614	4%	69,458	6%
Corporate unallocated	(43,576)		(29,518)		(37,682)	
Total Company	<u>\$ 184,197</u>	<u>8%</u>	<u>\$ 45,027</u>	<u>3%</u>	<u>\$ 109,822</u>	<u>6%</u>

Itron North America

2010 vs. 2009 Revenues: Revenues increased \$561.7 million, or 91% in 2010, compared with 2009, primarily due to the deployment of our smart metering contracts in 2010. Our smart metering contracts accounted for 49% of operating segment revenues for 2010, compared with 17% in 2009. Revenues for standard and advanced meters, software, and services increased 18% in 2010, compared with 2009.

2009 vs. 2008 Revenues: Revenues decreased \$81.0 million, or 12%, in 2009, compared with 2008. Revenues in 2008 included standard electricity meter and advanced communication module shipments in support of a number of advanced metering and technology contracts that were substantially completed in 2008. During 2009, these revenues were lower as utilities delayed orders due to the spending environment and the uncertainty surrounding the announcement and disbursement of stimulus funds. Smart metering systems and technology revenues began increasing in the fourth quarter of 2009 and totaled \$104.4 million for the year.

2010 vs. 2009 Gross Margin: Gross margin decreased nearly one percentage point in 2010, compared with 2009, due to a higher mix of smart metering systems and technology, which currently have lower margins than advanced metering systems and technology. Gross margins on smart metering systems have improved during 2010, compared with 2009, as a result of newer generations.

2009 vs. 2008 Gross Margin: Gross margin decreased 3.4 percentage points in 2009, compared with 2008, primarily due to shipments of our first generation smart meter systems, which currently have higher costs, fewer advanced meter and communication module shipments, and reduced overhead absorption resulting from lower overall production levels.

Three customers each represented more than 10% of Itron North America operating segment revenues in 2010. No customer represented more than 10% of Itron North America operating segment revenues in 2009 and 2008.

2010 vs. 2009 Operating Expenses: Itron North America operating expenses increased \$18.1 million, or 10%, in 2010, compared with 2009, primarily due to increased compensation expense from the reinstatement of our bonus, profit sharing, and employee savings plan match, as well as increased product development costs for new and enhanced products. These

increased expenses were partially offset by a scheduled decrease in amortization of intangible assets. As a result of higher revenues, operating expenses as a percentage of revenues decreased to 16% in 2010, compared with 28% in 2009.

2009 vs. 2008 Operating Expenses: Itron North America operating expenses decreased \$10.8 million, or 6%, in 2009, compared with 2008, primarily due to lower sales expense and reduced compensation associated with our 2009 suspension of bonus, profit sharing, and employee savings plan match. Operating expenses as a percentage of revenues increased to 28% in 2009, compared with 27% in 2008, as a result of lower revenues in 2009.

Itron International

2010 vs. 2009 Revenues: Revenues increased \$10.2 million, or 1%, in 2010, net of a decrease of \$10.7 million as a result of a strengthening U.S. dollar against the euro, as compared with 2009. Itron International experiences variability in revenues as a result of the diverse economies in which it operates and sells its products. For this reason, during 2010 we experienced revenue growth for certain products in certain countries, but declines in others. For example, the revenues from our European-based entities experienced a decrease in export sales to the Middle East, while sales to Indonesia and India recognized significant growth. Revenue growth was also impacted by economic factors in parts of Europe and some delays in orders as customers evaluate advanced and smart metering systems and technology.

2009 vs. 2008 Revenues: Revenues decreased \$141.3 million, or 12% in 2009, compared 2008. A strengthening U.S. dollar against most foreign currencies, as compared with 2008, resulted in a revenue decline of \$96.5 million. The remaining decrease in revenues was the result of the completion of a smart metering project in 2008 and softening demand in some markets, such as Spain and the United Kingdom, which was due to those countries' financial and economic conditions.

Business line revenues for Itron International were as follows:

	Year Ended December 31,		
	2010	2009	2008
Electricity	39%	40%	40%
Gas	29%	30%	30%
Water	32%	30%	30%

No single customer represented more than 10% of Itron International operating segment revenues in 2010, 2009, or 2008.

2010 vs. 2009 Gross Margin: Gross margin decreased over two percentage points in 2010, compared with 2009. During 2010, we incurred warranty expense of \$14.4 million for arbitration claims in Sweden, which were settled in the third quarter of 2010. Gross margin in 2010 was also lower due to higher material costs, such as copper and brass.

2009 vs. 2008 Gross Margin: Gross margin decreased just over one percentage point in 2009, compared with 2008, primarily as a result of expenses for discontinuing certain product lines and streamlining our service operations in Brazil.

2010 vs. 2009 Operating Expenses: Operating expenses were \$277.6 million, or 26% of revenues, for 2010, compared with \$288.2 million or 27% of revenues, for 2009. The \$10.5 million decrease was the result of a scheduled reduction in amortization of intangible assets of \$20 million and a \$6.0 million decrease due to a stronger U.S. dollar against the euro, which was partially offset by increased sales and marketing and product development.

2009 vs. 2008 Operating Expenses: Operating expenses were \$288.2 million, or 27% of revenues, for 2009, compared with \$313.8 million, or 26% of revenues, in 2008. In 2009, decreased operating expense consisted of lower amortization expense of \$18.0 million and a \$16.5 million decrease due to a stronger U.S. dollar, which was partially offset by an increase in product development and administrative expense.

Corporate Unallocated

Operating expenses not directly associated with an operating segment are classified as "Corporate unallocated." Corporate unallocated expenses increased \$14.1 million in 2010, compared with 2009, primarily due to increased compensation expense from the reinstatement of our bonus and profit sharing plans. Corporate unallocated expenses decreased \$8.2 million in 2009, compared with 2008, due primarily from reduced compensation expense associated with our 2009 suspension of bonus and profit sharing and reduced consulting fees primarily for Sarbanes-Oxley Act of 2002 compliance. Corporate unallocated expenses, as a percentage of total Company revenues, have remained constant at 2% for 2010, 2009, and 2008.

Total Company

Operating Expenses

The following table details our total operating expenses in dollars and as a percentage of revenues:

	Year Ended December 31,					
	2010	% of	2009	% of	2008	% of
	(in thousands)	Revenue	(in thousands)	Revenue	(in thousands)	Revenue
Sales and marketing	\$ 171,676	8%	\$ 152,405	9%	\$ 167,457	9%
Product development	140,229	6%	122,314	7%	120,699	6%
General and administrative	133,086	6%	119,137	7%	128,515	7%
Amortization of intangible assets	69,051	3%	98,573	6%	120,364	6%
Total operating expenses	<u>\$ 514,042</u>	<u>23%</u>	<u>\$ 492,429</u>	<u>29%</u>	<u>\$ 537,035</u>	<u>28%</u>

2010 vs. 2009: Operating expenses increased \$21.6 million, or 4%, in 2010, compared with 2009, primarily as a result of increased compensation expense, which was partially offset by lower amortization of intangible assets of \$29.5 million and foreign exchange fluctuations of \$2.9 million.

2009 vs. 2008: Operating expenses decreased \$44.6 million, or 8%, in 2009, compared with 2008, as a result of lower amortization of intangible assets of \$21.7 million and foreign exchange rate fluctuations of \$17.0 million, with the remaining decrease primarily due to cost containment measures.

Other Income (Expense)

The following table shows the components of other income (expense):

	Year Ended December 31,		
	2010	2009	2008
		(in thousands)	
Interest income	\$ 592	\$ 1,186	\$ 5,970
Interest expense	(49,412)	(62,053)	(85,260)
Amortization of debt placement fees	(5,492)	(8,258)	(8,917)
Loss on extinguishment of debt, net	-	(12,800)	-
Other income (expense), net	(9,141)	(9,176)	(3,033)
Total other income (expense)	<u>\$ (63,453)</u>	<u>\$ (91,101)</u>	<u>\$ (91,240)</u>

Interest income: Interest income is generated from our cash and cash equivalents. We hold no investments. Interest rates have continued to decline from 2008 through 2010.

Interest expense: Interest expense continues to decrease year-over-year as a result of our declining principal balance of debt outstanding. Total debt was \$610.9 million, \$781.8 million and \$1.2 billion at December 31, 2010, 2009 and 2008, respectively. Inclusive of our interest rate swaps, our fixed rate borrowings were 93%, 85%, and 83% at December 31, 2010, 2009, and 2008.

Amortization of prepaid debt fees: During 2010 and 2009, we incurred prepaid debt fees associated with our multicurrency revolving line of credit. Amortization of prepaid debt fees fluctuate each year as debt is repaid early, the related portion of unamortized prepaid debt fees is written-off.

Loss on extinguishment of debt: During the second quarter of 2009, we paid the remaining \$109.2 million outstanding balance of our senior subordinated notes and recognized a loss on extinguishment of \$2.5 million.

During the first quarter of 2009, we entered into exchange agreements with certain holders of our convertible notes to issue, in the aggregate, approximately 2.3 million shares of common stock, valued at \$132.9 million, in exchange for, in the aggregate, \$121.0 million principal amount of the convertible notes, representing 35% of the aggregate principal outstanding at the date of the exchanges. As a result, we recognized a net loss on extinguishment of debt of \$10.3 million, calculated as the inducement loss, plus an allocation of advisory fees less the revaluation gain. For a description of the redemption of our

subordinated notes and the induced conversion of a portion of our convertible notes, refer to Item 8: "Financial Statements and Supplementary Data, Note 6: Debt" included in this Annual Report on Form 10-K.

Other income (expense), net: Other income (expense) consists primarily of realized and unrealized foreign currency gains and losses due to balances denominated in a currency other than the reporting entity's functional currency and other non-operating income (expenses). Expenses associated with foreign currency losses decreased to \$3.1 million during 2010, while the balance of \$6.0 million was due to other non-operating expenses. In 2009 and 2008 other income (expense) consisted primarily of foreign currency fluctuations.

Income Tax Provision (Benefit)

Our tax provision (benefit) as a percentage of income (loss) before tax typically differs from the U.S. federal statutory rate of 35%. Changes in our actual tax rate are subject to several factors, including fluctuations in operating results, new or revised tax legislation and accounting pronouncements, changes in the level of business in domestic and foreign jurisdictions, tax credits (including research and development and foreign tax), state income taxes, adjustments to valuation allowances, and interest expense and penalties related to uncertain tax positions, among other items. Changes in tax laws and unanticipated tax liabilities could significantly impact our tax rate.

Our tax expense as a percentage of income before tax was 13.2% for 2010. Our actual tax rate was lower than the 35% U.S. Federal statutory tax rate primarily due to: (1) earnings of our subsidiaries outside of the United States in jurisdictions where our effective tax rate is lower than in the United States; and (2) the de-recognition of a reserve for uncertain tax positions due to a change in the method of depreciation for certain foreign subsidiaries.

Our tax benefit as a percentage of loss before tax was 95.1% for 2009. Our actual tax benefit for 2009 was higher than the U.S. federal statutory rate due to a variety of factors, including: (1) lower effective tax rates on certain international earnings due to an election made under Internal Revenue Code Section 338 with respect to the Actaris acquisition in 2007; (2) benefit of foreign interest expense deductions; (3) tax planning and tax elections regarding the repatriation of foreign earnings and the associated foreign tax credits; (4) a decrease in pretax income in high tax jurisdictions for the year; and (5) a refund of taxes previously paid in foreign tax audits.

Our tax benefit as a percentage of income before tax was 6.6% for 2008. Our actual tax rate for 2008 was lower than the U.S. federal statutory rate due to a variety of factors, including lower effective tax rates on certain international earnings due to an election made under Internal Revenue Code Section 338 with respect to the Actaris acquisition in 2007. Additionally, our reduced foreign tax liability reflects the benefit of foreign interest expense deductions.

Our net deferred tax assets consist primarily of accumulated net operating loss carryforwards and tax credits that can be carried forward.

Our deferred tax assets at December 31, 2010 do not include the tax effect on \$55.5 million of tax benefits from employee stock plan exercises. Common stock will be increased by \$20.9 million when such excess tax benefits reduce cash taxes payable.

Our cash income tax payments for 2010, 2009, and 2008 were as follows:

	Years Ended December 31,		
	2010	2009	2008
	(in thousands)		
U.S. federal taxes paid	\$ 4,060	\$ -	\$ -
State income taxes paid	505	559	77
Foreign and local income taxes paid	25,577	31,161	26,300
Total income taxes paid	<u>\$ 30,142</u>	<u>\$ 31,720</u>	<u>\$ 26,377</u>

For 2009 and 2008, we had operating losses for U.S. federal income tax purposes and did not pay significant cash taxes. Based on current projections, we expect to pay, net of refunds, minimal U.S. federal taxes and approximately \$2.5 million in state taxes and \$17.6 million in foreign and local income taxes in 2011. Recent U.S. legislation related to depreciation could have a material impact on future cash taxes and cash flow planning.

Refer to Item 8: "Financial Statements and Supplementary Data, Note 11: Income Taxes" included in this Annual Report on Form 10-K for a discussion of our tax provision (benefit) and unrecognized tax benefits.

Financial Condition

Cash Flow Information:

	Year Ended December 31,		
	2010	2009	2008
		(in thousands)	
Operating activities	\$ 254,591	\$ 140,787	\$ 193,146
Investing activities	(56,274)	(53,994)	(67,075)
Financing activities	(148,637)	(114,121)	(63,376)
Effect of exchange rates on cash and cash equivalents	(2,096)	4,831	(10,293)
Increase (decrease) in cash and cash equivalents	\$ 47,584	\$ (22,497)	\$ 52,402

Cash and cash equivalents was \$169.5 million at December 31, 2010, compared with \$121.9 million at December 31, 2009. The increase was primarily due to improved operating results, partially offset by increased debt repayments. Cash and cash equivalents was \$121.9 million at December 31, 2009, compared with \$144.4 million at December 31, 2008. The decrease was primarily due to lower earnings and higher repayments of borrowings in excess of net proceeds from public offerings of common stock.

Operating activities:

The \$113.8 million increase in cash provided by operating activities for 2010 directly corresponds with the increase in our 2010 net income, compared with 2009. Cash provided by operating activities for 2009 was \$52.4 million lower, compared with 2008, primarily due to lower earnings.

Investing activities:

Net cash used in investing activities consists primarily of purchases of machinery and equipment. The 19% increase in acquisitions of property, plant, and equipment in 2010, compared with 2009, was the result of the timing of payments between the two years. The 17% decrease of cash used for property, plant, and equipment purchases in 2009, compared with 2008, was also related to the timing of payments. Contingent consideration of \$4.3 million was paid during 2009 to shareholders of three pre-2009 acquisitions for the achievement of certain earn-out thresholds.

Financing activities:

During 2010, we repaid \$155.2 million in borrowings, which utilized cash provided from operations. During 2009, we repaid \$275.8 million in borrowings, which included utilizing \$160.4 million in net proceeds from a public offering of approximately 3.2 million shares of common stock. In 2008, we repaid \$388.4 million in borrowings, which included \$310.9 million in net proceeds from a public offering of approximately 3.4 million shares of common stock.

Effect of exchange rates on cash and cash equivalents:

Our primary foreign currency exposure relates to non-U.S. dollar denominated transactions in our international subsidiary operations, the most significant of which is the euro. The effect of exchange rates on cash balances held in foreign currency denominations was \$2.1 million, \$4.8 million, and \$10.3 million in 2010, 2009, and 2008, respectively.

Non-cash transactions:

During 2009, we completed exchanges with certain holders of our convertible notes in which we issued, in the aggregate, approximately 2.3 million shares of common stock recorded at \$123.4 million, in exchange for \$107.8 million net carrying amount of the convertible notes and the reversal of deferred taxes of \$5.8 million. Refer to Item 8: "Financial Statements and Supplemental Data, Note 6: Debt" included in this Annual Report on Form 10-K for a further discussion associated with the exchange agreements and the derecognition requirement for induced conversions.

Off-balance sheet arrangements:

We have no off-balance sheet financing agreements or guarantees as defined by Item 303 of Regulation S-K at December 31, 2010 and 2009 that we believe are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows.

Disclosures about contractual obligations and commitments:

The following table summarizes our known obligations to make future payments pursuant to certain contracts as of December 31, 2010, as well as an estimate of the timing in which these obligations are expected to be satisfied.

	Total	Less than 1 year	1-3 years	3-5 years	Beyond 5 years
	(in thousands)				
Credit facility ⁽¹⁾					
USD denominated term loan	\$ 249,818	\$ 15,051	\$ 31,137	\$ 203,630	\$ -
EUR denominated term loan	202,771	12,818	26,379	163,574	-
Convertible senior subordinated notes ⁽¹⁾⁽²⁾	226,865	226,865	-	-	-
Operating lease obligations ⁽³⁾	22,555	8,617	9,501	3,154	1,283
Purchase and service commitments ⁽⁴⁾	247,519	245,614	1,905	-	-
Other long-term liabilities reflected on the balance sheet under generally accepted accounting principles ⁽⁵⁾	111,219	-	63,458	13,080	34,681
Total	<u>\$ 1,060,747</u>	<u>\$ 508,965</u>	<u>\$ 132,380</u>	<u>\$ 383,438</u>	<u>\$ 35,964</u>

- (1) Borrowings are disclosed within Item 8: "Financial Statements and Supplementary Data, Note 6: Debt" included in this Annual Report on Form 10-K, with the addition of estimated interest expense, not including the amortization of prepaid debt fees and debt discount.
- (2) Our convertible notes have a stated due date of August 2026. We reflected the principal repayment in 2011 due to the combination of put, call, and conversion options that are part of the terms of the convertible note agreement.
- (3) Operating lease obligations are disclosed in Item 8: "Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies" included in this Annual Report on Form 10-K and do not include common area maintenance charges, real estate taxes, and insurance charges for which we are obligated.
- (4) We enter into standard purchase orders in the ordinary course of business that typically obligate us to purchase materials and other items. Purchase orders can vary in terms, which include open-ended agreements that provide for estimated quantities over an extended shipment period, typically up to one year at an established unit cost. Our long-term executory purchase agreements that contain termination clauses have been classified as less than one year, as the commitments are the estimated amounts we would be required to pay at December 31, 2010 if the commitments were canceled.
- (5) Other long-term liabilities consist of warranty obligations, estimated pension benefit payments, and other obligations. Estimated pension benefit payments include amounts through 2020. Noncurrent unrecognized tax benefits totaling \$42.3 million recorded in other long-term liabilities, which include interest and penalties, are not included in the above contractual obligations and commitments table as we cannot reliably estimate the period of cash settlement with the respective taxing authorities.

Liquidity, Sources and Uses of Capital:

Our principal sources of liquidity are cash flows from operations, borrowings, and sales of common stock. Cash flows may fluctuate and are sensitive to many factors including changes in working capital and the timing and magnitude of capital expenditures and payments on debt.

On January 20, 2011, we increased our \$240 million multicurrency revolving line of credit to \$315 million as approved by the participating lenders, the issuing agents, the swingline lender, and the administrative agent and as permitted by section 2.19 of Amendment No. 1 of our Credit Facility dated April 24, 2009. There were no other changes to the credit facility. The expanded multicurrency revolving line of credit will provide us with increased flexibility and liquidity for general corporate purposes. At December 31, 2010, there were no borrowings outstanding under the revolver, and \$43.5 million was utilized by outstanding standby letters of credit.

Between July 1, 2011 and August 1, 2011, our convertible notes may be converted at the option of the holder at a conversion rate of 15.3478 shares of our common stock for each \$1,000 principal amount of the convertible notes, regardless if the closing sale price per share of our common stock exceeds \$78.19. In addition, the convertible notes contain purchase options, at the option of the holders, which if exercised would require us to repurchase all or a portion of the convertible notes on August 1, 2011 at 100% of the principal amount, plus accrued and unpaid interest. If the closing sale price per share of our common stock is below the conversion price of \$65.16, we anticipate some or all of the investors will exercise this option, requiring us to purchase the \$223.6 million convertible notes. With the expansion of our revolving line of credit from \$240 million to \$315 million on January 20, 2011, we believe we will have sufficient liquidity to purchase the convertible notes if required.

If we are required to purchase all of the outstanding \$223.6 million convertible notes as detailed above, we expect our cash taxes to increase by approximately \$22 million in 2011.

For a description of our credit facility and convertible senior subordinated notes, refer to Item 8: "Financial Statements and Supplementary Data, Note 6: Debt" included in this Annual Report on Form 10-K.

For a description of our letters of credit and performance bonds, refer to Item 8: "Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies" included in this Annual Report on Form 10-K.

For a description of our funded and unfunded non-U.S. defined benefit pension plans and our expected 2011 contributions, refer to Item 8: "Financial Statements and Supplementary Data, Note 8: Defined Benefit Pension Plans" included in this Annual Report on Form 10-K.

Working capital, which represents current assets less current liabilities, was \$178.5 million at December 31, 2010, compared with \$282.5 million at December 31, 2009.

At December 31, 2010, we have accrued \$45 million of bonus and profit sharing plans expense for the achievement of annual financial and nonfinancial targets. These awards will be paid in cash during the first quarter of 2011.

We expect to continue to expand our operations and grow our business through a combination of internal new product development, licensing technology from and to others, distribution agreements, partnership arrangements, and acquisitions of technology or other companies. We expect these activities to be funded with existing cash, cash flow from operations, borrowings, and the sale of common stock or other securities. We believe existing sources of liquidity will be sufficient to fund our existing operations and obligations for the next 12 months and into the foreseeable future, but offer no assurances. Our liquidity could be affected by the stability of the energy and water industries, competitive pressures, international risks, intellectual property claims, capital market fluctuations, and other factors described under Item 1A: "Risk Factors" included in this Annual Report on Form 10-K.

Contingencies

Refer to Item 8: "Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies" included in this Annual Report on Form 10-K.

Critical Accounting Estimates

Revenue Recognition

The majority of our revenue arrangements involve multiple deliverables, which require us to determine the fair value of each deliverable and then allocate the total arrangement consideration among the separate deliverables based on the relative fair value percentages. Revenues for each deliverable are then recognized based on the type of deliverable, such as 1) when the products are shipped, 2) services are delivered, 3) percentage-of-completion when implementation services are essential to other deliverables in the arrangements, 4) upon receipt of customer acceptance, or 5) transfer of title. A majority of our revenue is recognized when products are shipped to or received by a customer or when services are provided.

Fair value represents the estimated price charged if an item were sold separately. If the fair value of any undelivered deliverable included in a multiple deliverable arrangement cannot be objectively determined, revenue is deferred until all deliverables are delivered and services have been performed, or until the fair value can be objectively determined for any remaining undelivered deliverables. We review our fair values on an annual basis or more frequently if a significant trend is noted.

If implementation services are essential to a software arrangement, revenue is recognized using either the percentage-of-completion methodology if project costs can be estimated or the completed contract methodology if project costs cannot be reliably estimated. The estimation of costs through completion of a project is subject to many variables such as the length of time to complete, changes in wages, subcontractor performance, supplier information, and business volume assumptions. Changes in underlying assumptions/estimates may adversely or positively affect financial performance.

Certain of our revenue arrangements include an extended or noncustomary warranty provision which covers all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, a portion of the arrangement's total consideration is allocated to this extended warranty deliverable. This revenue is deferred and recognized over the extended warranty coverage period. Extended/noncustomary warranties do not represent a significant portion of our revenue.

On January 1, 2010, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Tax Force)* (ASU 2009-13) and ASU No. 2009-14, *Software (Topic 985), Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force)* (ASU 2009-14) on a prospective basis for new arrangements and arrangements that are materially modified. This new guidance did not have a material impact on our financial statements for the year ended December 31, 2010, as we already had the ability to divide the deliverables within our revenue arrangements into separate units of accounting. Further, there would have been no change to the amount of revenue recognized in the year ended December 31, 2009 if arrangements prior to the adoption of ASU 2009-13 and ASU 2009-14 had been subject to the measurement requirements of this new guidance.

We allocate consideration to each deliverable in an arrangement based on its relative selling price. We determine selling price using vendor specific objective evidence (VSOE), if it exists, otherwise third-party evidence (TPE). If neither VSOE nor TPE of selling price exists for a unit of accounting, we use estimated selling price (ESP).

VSOE is generally limited to the price charged when the same or similar product is sold separately or, if applicable, the stated renewal rate in the agreement. If a product or service is seldom sold separately, it is unlikely that we can determine VSOE for the product or service. We define VSOE as a median price of recent standalone transactions that are priced within a narrow range. TPE is determined based on the prices charged by our competitors for a similar deliverable when sold separately.

For arrangements entered into or materially modified after January 1, 2010, if we are unable to establish selling price using VSOE or TPE, we use ESP in the allocation of arrangement consideration. The objective of ESP is to determine the price at which we would transact if the product or service were sold by us on a standalone basis. Our determination of ESP involves a weighting of several factors based on the specific facts and circumstances of the arrangement. Specifically, we consider the cost to produce the deliverable, the anticipated margin on that deliverable, the selling price and profit margin for similar parts, our ongoing pricing strategy and policies (as evident in the price list established and updated by management on a regular basis), the value of any enhancements that have been built into the deliverable, and the characteristics of the varying markets in which the deliverable is sold. We analyze the selling prices used in our allocation of arrangement consideration on an annual basis. Selling prices are analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

Warranty

We offer standard warranties on our hardware products and large application software products. We accrue the estimated cost of warranty claims based on historical and projected product performance trends and costs. Testing of new products in the development stage helps identify and correct potential warranty issues prior to manufacturing. Continuing quality control efforts during manufacturing reduce our exposure to warranty claims. If our quality control efforts fail to detect a fault in one of our products, we could experience an increase in warranty claims. We track warranty claims to identify potential warranty trends. If an unusual trend is noted, an additional warranty accrual may be assessed and recorded when a failure event is probable and the cost can be reasonably estimated. When new products are introduced, our process relies on historical averages until sufficient data are available. As actual experience becomes available, it is used to modify the historical averages to ensure the expected warranty costs are within a range of likely outcomes. Management continually evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The warranty allowances may fluctuate due to changes in estimates for material, labor, and other costs we may incur to repair or replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products, which could adversely affect our gross margin. The long-term warranty balance includes estimated warranty claims beyond one year.

Income Taxes

We estimate income taxes in each of the taxing jurisdictions in which we operate. Changes in our actual tax rate are subject to several factors, including fluctuations in operating results, new or revised tax legislation and accounting pronouncements, changes in the level of business in domestic and foreign jurisdictions, tax credits (including research and development and foreign tax), state income taxes, adjustments to valuation allowances, and interest expense and penalties related to uncertain tax positions, among other items. Changes in tax laws and unanticipated tax liabilities could significantly impact our tax rate.

We record valuation allowances to reduce deferred tax assets to the extent we believe it is more likely than not that a portion of such assets will not be realized. In making such determinations, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and our ability to carry back losses to prior years. We are required to make assumptions and judgments about potential outcomes that lie outside management's control. Our most sensitive and critical factors are the projection, source, and character of future taxable income. Although realization is not assured, management believes it is more likely than not that deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced or current tax planning strategies are not implemented.

We are subject to audit in multiple taxing jurisdictions in which we operate. These audits may involve complex issues, which may require an extended period of time to resolve. We believe we have recorded adequate income tax provisions and reserves for uncertain tax positions.

In evaluating uncertain tax positions, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. We make assumptions and judgments about potential outcomes that lie outside management's control. To the extent the tax authorities disagree with our conclusions and depending on the final resolution of those disagreements, our actual tax rate may be materially affected in the period of final settlement with the tax authorities.

Inventories

Items are removed from inventory using the first-in, first-out method. Inventories include raw materials, sub-assemblies, and finished goods. Inventory amounts include the cost to manufacture the item, such as the cost of raw materials, labor, and other applied direct and indirect costs. We also review idle facility expense, freight, handling costs, and wasted materials to determine if abnormal amounts should be recognized as current-period charges. We review our inventory for obsolescence and marketability. If the estimated market value, which is based upon assumptions about future demand and market conditions, falls below the original cost, the inventory value is reduced to the market value. If technology rapidly changes or actual market conditions are less favorable than those projected by management, inventory write-downs may be required. Our inventory levels may vary period to period as a result of our factory scheduling and timing of contract fulfillments.

Goodwill and Intangible Assets

Goodwill and intangible assets result from our acquisitions. We use estimates, including estimates of useful lives of intangible assets, the amount and timing of related future cash flows, and fair values of the related operations, in determining the value assigned to goodwill and intangible assets. Our intangible assets have a finite life and are amortized over their estimated useful lives based on estimated discounted cash flows. Intangible assets are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

We test goodwill for impairment each year as of October 1, or more frequently should a significant impairment indicator occur. Our Itron North America operating segment represents one reporting unit, while our Itron International operating segment has three reporting units.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We forecast discounted future cash flows at the reporting unit level using risk-adjusted discount rates and estimated future revenues and operating costs, which take into consideration factors such as existing backlog, expected future orders, supplier contracts, and expectations of competitive and economic environments. We also identify similar publicly traded companies and develop a correlation, referred to as a multiple, to apply to the operating results of the reporting units. Our 2010 annual goodwill impairment analysis did not result in an impairment charge as the fair value of each reporting unit exceeded its carrying value. The percentage by which the fair value of each reporting unit exceeded its carrying value and the amount of goodwill allocated to each reporting unit at October 1, 2010 was as follows:

October 1, 2010		Fair Value Exceeded Carrying Value
Goodwill		
(in thousands)		
Itron North America	\$ 197,645	229%
Itron International - Electricity	347,299	14%
Itron International - Water	383,194	29%
Itron International - Gas	308,445	55%
	<u>\$ 1,236,583</u>	

Changes in market demand and the economies in which we operate across local markets, the volatility and decline in the worldwide equity markets, and the decline in our market capitalization could negatively impact our annual goodwill impairment test, which could have a significant effect on our current and future results of operations and financial condition.

Derivative Instruments

All derivative instruments, whether designated in hedging relationships or not, are recorded on the Consolidated Balance Sheets at fair value as either assets or liabilities. The components and fair values of our derivative instruments, which are primarily interest rate swaps, are determined using the fair value measurements of significant other observable inputs (also known as "Level 2"), as defined by FASB Accounting Standards Codification (ASC) 820-10-20, *Fair Value Measurements*. We include the effect of our counterparty credit risk based on current published credit default swap rates when the net fair value of our derivative instruments is in a net asset position and the effect of our own nonperformance risk when the net fair value of our derivative instruments is in a net liability position. Level 2 inputs consist of quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in non-active markets; and model-derived valuations in which significant inputs are corroborated by observable market data either directly or indirectly through correlation or other means (inputs may include yield curves, volatility, credit risks, and default rates). Derivatives are not used for trading or speculative purposes. Our derivatives are with major international financial institutions, with whom we have master netting agreements; however, our derivative positions are not disclosed on a net basis. There are no credit-risk-related contingent features within our derivative instruments.

Convertible Debt

Our convertible notes are separated into their liability and equity components in a manner that reflects our non-convertible debt borrowing rate, which we determined to be 7.38% at the time of the convertible notes issuance in August 2006. Upon derecognition of the convertible notes, we are required to remeasure the fair value of the liability and equity components using a borrowing rate for similar non-convertible debt that would be applicable to Itron at the date of the derecognition. Any increase or decrease in borrowing rates from the inception of the debt to the date of derecognition could result in a gain or loss, respectively, on extinguishment. Based on market conditions and our credit rating at the date of derecognition, the borrowing rate could be materially different from the rate determined at the inception of the convertible debt. At December 31, 2010, we classified the convertible notes as current due to the combination of put, call, and conversion options commencing on July 1, 2011.

Defined Benefit Pension Plans

We sponsor both funded and unfunded non-U.S. defined benefit pension plans. We recognize a liability for the projected benefit obligation in excess of plan assets or an asset for plan assets in excess of the projected benefit obligation. We also

recognize the funded status of our defined benefit pension plans on our Consolidated Balance Sheets and recognize as a component of other comprehensive income (OCI), net of tax, the actuarial gains or losses and prior service costs or credits, if any, that arise during the period but are not recognized as components of net periodic benefit cost.

Several economic assumptions and actuarial data are used in calculating the expense and obligations related to these plans. The assumptions are updated annually at December 31 and include the discount rate, the expected remaining service life, the expected rate of return on plan assets, and rate of future compensation increase. The discount rate is a significant assumption used to value our pension benefit obligation. We determine a discount rate for our plans based on the estimated duration of each plan's liabilities. For our euro denominated defined benefit pension plans, which represent 94% of our benefit obligation, we use two discount rates, (separated between shorter and longer duration plans), using a hypothetical yield curve developed from euro-denominated AA-rated corporate bond issues, partially weighted for market value, with minimum amounts outstanding of €250 million for bonds with less than 10 years to maturity and €50 million for bonds with 10 or more years to maturity, and excluding 10% of the highest and lowest yielding bonds within each maturity group. The discount rates derived for our shorter duration euro denominated plans (less than 10 years) and longer duration plans (greater than 10 years) were 4.50% and 5.25%, respectively. The weighted average discount rate used to measure the projected benefit obligation for all of the plans at December 31, 2010 was 5.35%. A change of 25 basis points in the discount rate would change our pension benefit obligation by approximately \$2.5 million. The financial and actuarial assumptions used at December 31, 2010 may differ materially from actual results due to changing market and economic conditions and other factors. These differences could result in a significant change in the amount of pension expense recorded in future periods. Gains and losses resulting from changes in actuarial assumptions, including the discount rate, are recognized in OCI in the period in which they occur.

Our general funding policy for these qualified pension plans is to contribute amounts at least sufficient to satisfy funding standards of the respective countries for each plan. Refer to Item 8: "Financial Statements and Supplementary Data, Note 8: Defined Benefit Pension Plans" for our expected contributions for 2011.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including awards of stock options, stock sold pursuant to our Employee Stock Purchase Plan (ESPP), and the issuance of restricted and unrestricted stock awards and units, based on estimated fair values. The fair values of stock options and ESPP awards are estimated at the date of grant using the Black-Scholes option-pricing model, which includes assumptions for the dividend yield, expected volatility, risk-free interest rate, and expected life. In valuing our stock-based awards, significant judgment is required in determining the expected volatility of our common stock and the expected life that individuals will hold their stock-based awards prior to exercising. Expected volatility is based on the historical and implied volatility of our own common stock. The expected life of stock option grants is derived from the historical actual term of option grants and an estimate of future exercises during the remaining contractual period of the option. While volatility and estimated life are assumptions that do not bear the risk of change subsequent to the grant date of stock-based awards, these assumptions may be difficult to measure as they represent future expectations based on historical experience. Further, our expected volatility and expected life may change in the future, which could substantially change the grant-date fair value of future awards of stock options and ultimately the expense we record. For restricted and unrestricted stock awards and units, the fair value is the market close price of our common stock on the date of grant. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results and future estimates may differ substantially from our current estimates. We expense stock-based compensation, adjusted for estimated forfeitures, using primarily the straight-line method over the required vesting period. For awards with a performance and service condition, we expense stock-based compensation, adjusted for estimated forfeitures, using graded vesting. Our excess tax benefit cannot be credited to common stock until the deduction reduces cash taxes payable. When we have tax deductions in excess of the compensation cost, they are classified as financing cash inflows in the Consolidated Statements of Cash Flows.

New Accounting Pronouncements

Refer to Item 8: "Financial Statements and Supplementary Data, Note 1: Summary of Significant Accounting Policies" included in this Annual Report on Form 10-K.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to interest rate and foreign currency exchange rate risks that could impact our financial position and results of operations. As part of our risk management strategy, we use derivative financial instruments to hedge certain foreign currency and interest rate exposures. Our objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, therefore reducing the impact of volatility on earnings or protecting the fair values of assets and liabilities. We use derivative contracts only to manage existing underlying exposures. Accordingly, we do not use derivative contracts for trading or speculative purposes.

Interest Rate Risk

The table below provides information about our financial instruments that are sensitive to changes in interest rates and the scheduled minimum repayment of principal and estimated cash interest payments over the remaining lives of our debt at December 31, 2010. Including the effect of our interest rate swaps at December 31, 2010, 93% of our borrowings are at fixed rates. Weighted average variable rates in the table are based on implied forward rates in the Bloomberg U.S. dollar yield curve as of December 31, 2010, our estimated leverage ratio, which determines our additional interest rate margin, and a static foreign exchange rate at December 31, 2010.

	2011	2012	2013	2014	Total
	(in thousands)				
<i>Fixed Rate Debt</i>					
Principal: Convertible notes ⁽¹⁾	\$ 223,604	\$ -	\$ -	\$ -	\$ 223,604
Interest rate	2.50%				
<i>Variable Rate Debt</i>					
Principal: U.S. dollar term loan	\$ 6,051	\$ 6,051	\$ 6,051	\$ 200,489	\$ 218,642
Average interest rate	4.12%	4.29%	4.76%	5.23%	
Principal: Euro term loan	\$ 4,402	\$ 4,402	\$ 4,402	\$ 160,825	\$ 174,031
Average interest rate	4.83%	5.06%	5.39%	5.70%	
Interest rate swaps on U.S. dollar term loan ⁽²⁾					
Average interest rate (Pay)	2.13%				
Average interest rate (Receive)	0.43%				
Net/Spread	(1.70%)				
Interest rate swap on euro term loan ⁽³⁾					
Average interest rate (Pay)	6.59%	6.59%			
Average interest rate (Receive)	3.28%	3.56%			
Net/Spread	(3.31%)	(3.03%)			

⁽¹⁾ The face value of our convertible notes is \$223.6 million, while the carrying value is \$218.3 million. (Refer to Item 8: "Financial Statements and Supplementary Data, Note 6: Debt" for a summary of our convertible note terms and a reconciliation between the face and carrying values). Our convertible notes mature in August 2026. We are amortizing the remaining \$5.3 million discount on the liability component of the convertible notes to interest expense over the next six months and have reflected the principal repayment in 2011 due to the combination of put, call, and conversion options.

⁽²⁾ The one-year interest rate swaps are used to convert \$200 million of our \$218.6 million U.S. dollar denominated variable rate term loan from a floating London Interbank Offered Rate interest rate, plus the applicable margin, to a fixed interest rate, plus the applicable margin (refer to Item 8: "Financial Statements and Supplementary Data, Note 7: Derivative Financial Instruments and Hedging Activities").

⁽³⁾ The amortizing euro denominated interest rate swap is used to convert \$147.7 million (€112.4 million) of our \$174.0 million (€132.4 million) euro denominated variable rate term loan from a floating Euro Interbank Offered Rate (EURIBOR), plus the applicable margin, to a fixed interest rate of 6.59%, through December 31, 2012, plus or minus the variance in the applicable margin from 2%. As a result of the amortization schedule, the interest rate swap

will terminate before the stated maturity of the term loan (Refer to Item 8: "Financial Statements and Supplementary Data, Note 7: Derivative Financial Instruments and Hedging Activities").

Based on a sensitivity analysis as of December 31, 2010, we estimate that if market interest rates average one percentage point higher in 2011 than in the table above, our earnings in 2011 would not be materially impacted due to our interest rate swaps in place at December 31, 2010.

We continually monitor and assess our interest rate risk and may institute additional interest rate swaps or other derivative instruments to manage such risk in the future.

Foreign Currency Exchange Rate Risk

We conduct business in a number of countries. As a result, the majority of our revenues and operating expenses are denominated in foreign currencies, which expose our account balances to movements in foreign currency exchange rates that could have a material effect on our financial results. Our primary foreign currency exposure relates to non-U.S. dollar denominated transactions in our international subsidiary operations, the most significant of which is the euro. Revenues denominated in functional currencies other than the U.S. dollar were 50% of total revenues for the year ended December 31, 2010, compared with 64% and 66% for years ended December 31, 2009 and 2008.

In conjunction with our acquisition of Actaris Metering Systems SA, we entered into a euro denominated term loan in 2007 that exposes us to fluctuations in the euro foreign exchange rate. We have designated this foreign currency denominated term loan as a hedge of our net investment in international operations. The non-functional currency term loan is revalued into U.S. dollar at each balance sheet date, and the changes in value associated with currency fluctuations are recorded as adjustments to long-term debt with offsetting gains and losses recorded in other comprehensive income. We had no hedge ineffectiveness (refer to Item 8: "Financial Statements and Supplementary Data, Note 7: Derivative Financial Instruments and Hedging Activities").

We are also exposed to foreign exchange risk when we enter into non-functional currency transactions, both intercompany and third-party. At each period-end, foreign currency monetary assets and liabilities are revalued with the change recorded to other income and expense. We enter into monthly foreign exchange forward contracts (a total of 164 contracts were entered into during the year ended December 31, 2010), not designated for hedge accounting, with the intent to reduce earnings volatility associated with certain of these balances. The notional amounts of the contracts ranged from \$200,000 to \$48 million, offsetting our exposures from the euro, British pound, Canadian dollar, Czech koruna, Hungarian forint, and various other currencies.

In future periods, we may use additional derivative contracts to protect against foreign currency exchange rate risks.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

To the Board of Directors and Shareholders of Itron, Inc.

Management is responsible for the preparation of our consolidated financial statements and related information appearing in this Annual Report on Form 10-K. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present our financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. Management has included in our financial statements amounts based on estimates and judgments that it believes are reasonable under the circumstances.

Management's explanation and interpretation of our overall operating results and financial position, with the basic financial statements presented, should be read in conjunction with the entire report. The notes to the consolidated financial statements, an integral part of the basic financial statements, provide additional detailed financial information. Our Board of Directors has an Audit and Finance Committee composed of independent directors. The Committee meets regularly with financial management and Ernst & Young LLP to review internal control, auditing, and financial reporting matters.

Malcolm Unsworth
President and Chief Executive Officer

Steven M. Helmbrecht
Sr. Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Itron, Inc.

We have audited the accompanying consolidated balance sheets of Itron, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Itron, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Itron, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Seattle, Washington
February 24, 2011

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2010	2009	2008
	(in thousands, except per share data)		
Revenues	\$ 2,259,271	\$ 1,687,447	\$ 1,909,613
Cost of revenues	<u>1,561,032</u>	<u>1,149,991</u>	<u>1,262,756</u>
Gross profit	698,239	537,456	646,857
Operating expenses			
Sales and marketing	171,676	152,405	167,457
Product development	140,229	122,314	120,699
General and administrative	133,086	119,137	128,515
Amortization of intangible assets	69,051	98,573	120,364
Total operating expenses	<u>514,042</u>	<u>492,429</u>	<u>537,035</u>
Operating income	184,197	45,027	109,822
Other income (expense)			
Interest income	592	1,186	5,970
Interest expense	(54,904)	(70,311)	(94,177)
Loss on extinguishment of debt, net	-	(12,800)	-
Other income (expense), net	(9,141)	(9,176)	(3,033)
Total other income (expense)	<u>(63,453)</u>	<u>(91,101)</u>	<u>(91,240)</u>
Income (loss) before income taxes	120,744	(46,074)	18,582
Income tax (provision) benefit	<u>(15,974)</u>	<u>43,825</u>	<u>1,229</u>
Net income (loss)	<u>\$ 104,770</u>	<u>\$ (2,249)</u>	<u>\$ 19,811</u>
Earnings (loss) per common share-Basic	<u>\$ 2.60</u>	<u>\$ (0.06)</u>	<u>\$ 0.60</u>
Earnings (loss) per common share-Diluted	<u>\$ 2.56</u>	<u>\$ (0.06)</u>	<u>\$ 0.57</u>
Weighted average common shares outstanding-Basic	40,337	38,539	33,096
Weighted average common shares outstanding-Diluted	40,947	38,539	34,951

The accompanying notes are an integral part of these consolidated financial statements.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

	December 31	
	2010	2009
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 169,477	\$ 121,893
Accounts receivable, net	371,662	337,948
Inventories	208,157	170,084
Deferred tax assets current, net	55,351	20,762
Other current assets	77,570	75,229
Total current assets	882,217	725,916
Property, plant, and equipment, net	299,242	318,217
Prepaid debt fees	4,483	8,628
Deferred tax assets noncurrent, net	35,050	89,932
Other noncurrent assets	23,759	18,117
Intangible assets, net	291,670	388,212
Goodwill	1,209,376	1,305,599
Total assets	\$ 2,745,797	\$ 2,854,621
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 241,949	\$ 219,255
Other current liabilities	49,243	64,583
Wages and benefits payable	110,479	71,592
Taxes payable	19,725	14,377
Current portion of debt	228,721	10,871
Current portion of warranty	24,912	20,941
Unearned revenue	28,258	40,140
Deferred tax liabilities current, net	447	1,625
Total current liabilities	703,734	443,384
Long-term debt	382,220	770,893
Long-term warranty	26,371	12,932
Pension plan benefit liability	61,450	63,040
Deferred tax liabilities noncurrent, net	54,412	80,695
Other long-term obligations	89,315	83,163
Total liabilities	1,317,502	1,454,107
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value, 10 million shares authorized, no shares issued or outstanding	-	-
Common stock, no par value, 75 million shares authorized, 40,431 and 40,143 shares issued and outstanding	1,328,249	1,299,134
Accumulated other comprehensive income (loss), net	(34,974)	71,130
Retained earnings	135,020	30,250
Total shareholders' equity	1,428,295	1,400,514
Total liabilities and shareholders' equity	\$ 2,745,797	\$ 2,854,621

The accompanying notes are an integral part of these consolidated financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Shares	Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balances at December 31, 2007	30,636	\$ 651,079	\$ 126,668	\$ 12,688	\$ 790,435
Net income				19,811	19,811
Foreign currency translation adjustment, net of income tax benefit of \$10,740			(92,069)		(92,069)
Net unrealized loss on derivative instruments, designated as cash flow hedges, net of income tax benefit of \$5,736			(9,239)		(9,239)
Net unrealized gain on nonderivative hedging instrument, net of income tax provision of \$3,875			6,485		6,485
Net hedging gain reclassified into net income, net of income tax benefit of \$296			(477)		(477)
Pension plan benefit liability adjustment, net of income tax provision of \$1.164			2,725		2,725
Total comprehensive loss					(72,764)
Stock issues:					
Options exercised	415	10,822			10,822
Issuance of stock-based compensation awards	4	269			269
Employee stock purchase plan	32	2,629			2,629
Stock-based compensation expense		16,313			16,313
Issuance of common stock	3,399	311,072			311,072
Balances at December 31, 2008	34,486	\$ 992,184	\$ 34,093	\$ 32,499	\$ 1,058,776
Net loss				(2,249)	(2,249)
Foreign currency translation adjustment, net of income tax provision of \$6,714			40,992		40,992
Net unrealized loss on derivative instruments, designated as cash flow hedges, net of income tax benefit of \$4,247			(6,776)		(6,776)
Net unrealized loss on nonderivative hedging instrument, net of income tax benefit of \$1,502			(2,364)		(2,364)
Net hedging loss reclassified into net loss, net of income tax provision of \$5,363			8,612		8,612
Pension plan benefit liability adjustment, net of income tax benefit of \$1,106			(3,427)		(3,427)
Total comprehensive income					34,788
Stock issues:					
Options exercised	146	3,168			3,168
Restricted stock awards released	30	-			-
Issuance of stock-based compensation awards	4	254			254
Employee stock purchase plan	62	2,934			2,934
Stock-based compensation expense		16,728			16,728
Exchange of debt for common stock	2,252	123,442			123,442
Issuance of common stock	3,163	160,424			160,424
Balances at December 31, 2009	40,143	\$ 1,299,134	\$ 71,130	\$ 30,250	\$ 1,400,514
Net income				104,770	104,770
Foreign currency translation adjustment, net of income tax provision of \$3,160			(124,191)		(124,191)
Net unrealized loss on derivative instruments, designated as cash flow hedges, net of income tax benefit of \$1,611			(2,930)		(2,930)
Net unrealized loss on nonderivative hedging instrument, net of income tax provision of \$9,935			15,825		15,825
Net hedging loss reclassified into net income, net of income tax provision of \$4,458			7,371		7,371
Pension plan benefit liability adjustment, net of income tax benefit of \$895			(2,179)		(2,179)
Total comprehensive loss					(1,334)
Stock issues:					
Options exercised	148	5,933			5,933
Restricted stock awards released	84	-			-
Issuance of stock-based compensation awards	5	364			364
Employee stock purchase plan	51	2,843			2,843
Stock-based compensation expense		18,743			18,743
Employee stock plans income tax benefits		1,232			1,232
Balances at December 31, 2010	40,431	\$ 1,328,249	\$ (34,974)	\$ 135,020	\$ 1,428,295

The accompanying notes are an integral part of these consolidated financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Operating activities			
Net income (loss)	\$ 104,770	\$ (2,249)	\$ 19,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	131,205	155,737	173,673
Stock-based compensation	19,107	16,982	16,582
Excess tax benefits from stock-based compensation	(1,232)	-	-
Amortization of prepaid debt fees	5,492	8,258	8,917
Amortization of convertible debt discount	10,099	9,673	13,442
Loss on extinguishment of debt, net	-	9,960	-
Deferred taxes, net	(17,992)	(64,216)	(43,317)
Other adjustments, net	6,797	3,102	(2,177)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(45,612)	(2,962)	19,864
Inventories	(41,417)	3,535	4,914
Accounts payables, other current liabilities, and taxes payable	40,884	9,873	(6,549)
Wages and benefits payable	42,245	(8,261)	7,708
Unearned revenue	(2,356)	14,836	3,936
Warranty	14,656	(5,273)	(2,242)
Other operating, net	(12,055)	(8,208)	(21,416)
Net cash provided by operating activities	<u>254,591</u>	<u>140,787</u>	<u>193,146</u>
Investing activities			
Acquisitions of property, plant, and equipment	(62,822)	(52,906)	(63,430)
Business acquisitions & contingent consideration, net of cash equivalents acquired	-	(4,317)	(6,897)
Other investing, net	6,548	3,229	3,252
Net cash used in investing activities	<u>(56,274)</u>	<u>(53,994)</u>	<u>(67,075)</u>
Financing activities			
Payments on debt	(155,163)	(275,796)	(388,371)
Issuance of common stock	8,776	166,372	324,494
Prepaid debt fees	(1,347)	(3,936)	(214)
Excess tax benefits from stock-based compensation	1,232	-	-
Other financing, net	(2,135)	(761)	715
Net cash used in financing activities	<u>(148,637)</u>	<u>(114,121)</u>	<u>(63,376)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(2,096)	4,831	(10,293)
Increase (decrease) in cash and cash equivalents	47,584	(22,497)	52,402
Cash and cash equivalents at beginning of period	121,893	144,390	91,988
Cash and cash equivalents at end of period	<u>\$ 169,477</u>	<u>\$ 121,893</u>	<u>\$ 144,390</u>
Non-cash transactions:			
Property, plant, and equipment purchased but not yet paid, net	\$ (5,921)	\$ 3,719	\$ 2,796
Exchange of debt (face value) for common stock (see Note 6)	-	120,984	29
Contingent consideration payable for previous acquisitions	-	-	1,295
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ 30,142	\$ 31,720	\$ 26,377
Interest, net of amounts capitalized	39,315	54,503	72,304

The accompanying notes are an integral part of these consolidated financial statements.

ITRON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

In this Annual Report on Form 10-K, the terms “we,” “us,” “our,” “Itron,” and the “Company” refer to Itron, Inc.

Note 1: Summary of Significant Accounting Policies

We were incorporated in the state of Washington in 1977. We provide a portfolio of products and services to utilities for the energy and water markets throughout the world.

Financial Statement Preparation

The consolidated financial statements presented in this Annual Report on Form 10-K include the Consolidated Statements of Operations, Shareholders' Equity, and Cash Flows for the years ended December 31, 2010, 2009, and 2008 and the Consolidated Balance Sheets as of December 31, 2010 and 2009 of Itron, Inc. and its subsidiaries.

Basis of Consolidation

We consolidate all entities in which we have a greater than 50% ownership interest or in which we exercise control over the operations. We use the equity method of accounting for entities in which we have a 50% or less investment and exercise significant influence. Entities in which we have less than a 20% investment and where we do not exercise significant influence are accounted for under the cost method. We consider for consolidation any variable interest entity of which we are the primary beneficiary. At December 31, 2010, our investments in variable interest entities and noncontrolling interests were not material. Intercompany transactions and balances have been eliminated upon consolidation.

Cash and Cash Equivalents

We consider all highly liquid instruments with remaining maturities of three months or less at the date of acquisition to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers in accordance with our contractual arrangements. Interest and late payment fees are minimal. Unbilled receivables are recorded when revenues are recognized upon product shipment or service delivery and invoicing occurs at a later date. The allowance for doubtful accounts is based on our historical experience of bad debts and our specific review of outstanding receivables at period-end. Accounts receivable are written-off against the allowance when we believe an account, or a portion thereof, is no longer collectible.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Cost includes raw materials and labor, plus applied direct and indirect costs.

Derivative Instruments

All derivative instruments, whether designated in hedging relationships or not, are recorded on the Consolidated Balance Sheets at fair value as either assets or liabilities. The components and fair values of our derivative instruments, which are primarily interest rate swaps, are determined using the fair value measurements of significant other observable inputs (Level 2), as defined by generally accepted accounting principles (GAAP). The net fair value of our derivative instruments may switch between a net asset and a net liability depending on market circumstances at the end of the period. We include the effect of our counterparty credit risk based on current published credit default swap rates when the net fair value of our derivative instruments are in a net asset position and the effect of our own nonperformance risk when the net fair value of our derivative instruments are in a net liability position.

For any derivative designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. For any derivative designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded as a component of other comprehensive income (OCI) and are recognized in earnings when the hedged item affects earnings. For our hedge of a net investment, the effective portion of any unrealized gain or loss from the foreign currency revaluation of the hedging instrument is reported in OCI as a net unrealized gain or loss on derivative instruments. Ineffective portions of fair value changes or the changes in fair value of derivative instruments that do not qualify for hedging activities are recognized in other income (expense) in the Consolidated Statements of Operations. We classify cash flows from our derivative programs as cash flows from operating activities in the Consolidated Statements of Cash Flows.

Derivatives are not used for trading or speculative purposes. Our derivatives are with major international financial institutions, with whom we have master netting agreements; however, our derivative positions are not disclosed on a net basis. There are no credit-risk-related contingent features within our derivative instruments. Refer to Note 7 for further disclosures of our derivative instruments and their impact on OCI.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally thirty years for buildings and improvements and three to five years for machinery and equipment, computers and purchased software, and furniture. Leasehold improvements are capitalized and amortized over the term of the applicable lease, including renewable periods if reasonably assured, or over the useful lives, whichever is shorter. Construction in process represents capital expenditures incurred for assets not yet placed in service. Costs related to internally developed software and software purchased for internal uses are capitalized and are amortized over the estimated useful lives of the assets. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities.

We review long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset or asset group may not be recoverable. We have had no significant impairments of long-lived assets. Assets held for sale are classified within other current assets in the Consolidated Balance Sheets, are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. We had no assets held for sale at December 31, 2010 or 2009.

Prepaid Debt Fees

Prepaid debt fees represent the capitalized direct costs incurred related to the issuance of debt and are recorded as noncurrent assets. These costs are amortized to interest expense over the lives of the respective borrowings, including contingent maturity or call features, using the effective interest method, or straight-line method when associated with a revolving credit facility. When debt is repaid early, the related portion of unamortized prepaid debt fees is written-off and included in interest expense.

Business Combinations

On the date of acquisition, the assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree are recorded at their fair values. The acquiree results of operations are also included as of the date of acquisition in the consolidated results. Intangible assets that arise from contractual/legal rights, or are capable of being separated, as well as in-process research and development, are measured and recorded at fair value, and amortized over the estimated useful life. If practicable, assets acquired and liabilities assumed arising from contingencies are measured and recorded at fair value. If not practicable, such assets and liabilities are measured and recorded when it is probable that a gain or loss has occurred and the amount can be reasonably estimated. The residual balance of the purchase price, after fair value allocations to all identified assets and liabilities, represents goodwill. Acquisition-related costs are expensed as incurred. Restructuring costs are generally expensed in periods subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and acquired income tax uncertainties, including penalties and interest, after the measurement period are recognized as a component of provision for income taxes.

Goodwill and Intangible Assets

Goodwill and intangible assets have resulted from our acquisitions. We use estimates in determining and assigning the fair value of goodwill and intangible assets at acquisition, including estimates of useful lives of intangible assets, the amount and timing of related future cash flows, and fair values of the related operations. Our intangible assets have finite lives, are amortized over their estimated useful lives based on estimated discounted cash flows, and are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill is assigned to our reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics, including the forecasted discounted cash flows associated with each reporting unit. Goodwill is tested for impairment as of October 1 of each year, or more frequently if a significant impairment indicator occurs. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We forecast discounted future cash flows at the reporting unit level using risk-adjusted discount rates and estimated future revenues and operating costs, which take into consideration factors such as existing backlog, expected future orders, supplier contracts, and expectations of competitive and economic environments. We also identify similar publicly traded companies and develop a correlation, referred to as a multiple, to apply to the operating results of our reporting units.

Contingencies

A loss contingency is recorded if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We evaluate, among other factors, the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of the ultimate loss. Loss contingencies that we determine to be reasonably possible, but not probable, are disclosed. Changes in these factors and related estimates could materially affect our financial position and results of operations.

Bonus and Profit Sharing

We have various employee bonus and profit sharing plans, which provide award amounts for the achievement of annual financial and nonfinancial targets. If management determines it is probable that the targets will be achieved, and the amounts can be reasonably estimated, a compensation accrual is recorded based on the proportional achievement of the financial and nonfinancial targets. Although we monitor and accrue expenses quarterly based on our progress toward the achievement of the annual targets, the actual results at the end of the year may require awards that are significantly greater or less than the estimates made in earlier quarters.

Warranty

We offer standard warranties on our hardware products and large application software products. We accrue the estimated cost of warranty claims based on historical and projected product performance trends and costs. Testing of new products in the development stage helps identify and correct potential warranty issues prior to manufacturing. Continuing quality control efforts during manufacturing reduce our exposure to warranty claims. If our quality control efforts fail to detect a fault in one of our products, we could experience an increase in warranty claims. We track warranty claims to identify potential warranty trends. If an unusual trend is noted, an additional warranty accrual may be assessed and recorded when a failure event is probable and the cost can be reasonably estimated. Management continually evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The warranty allowances may fluctuate due to changes in estimates for material, labor, and other costs we may incur to repair or replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products, which could adversely affect our financial position and results of operations. The long-term warranty balance includes estimated warranty claims beyond one year. Warranty expense is classified within cost of revenues.

Defined Benefit Pension Plans

We sponsor both funded and unfunded non-U.S. defined benefit pension plans. We recognize a liability for the projected benefit obligation in excess of plan assets or an asset for plan assets in excess of the projected benefit obligation. We also recognize the funded status of our defined benefit pension plans on our Consolidated Balance Sheets and recognize as a component of OCI, net of tax, the actuarial gains or losses and prior service costs or credits, if any, that arise during the period but that are not recognized as components of net periodic benefit cost.

Revenue Recognition

Revenues consist primarily of hardware sales, software license fees, software implementation, project management services, installation, consulting, and post-sale maintenance support. Revenues are recognized when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured.

The majority of our revenue arrangements involve multiple deliverables, which combine two or more of the following: hardware, meter reading system software, installation, and project management services. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the delivered item(s) has value to the customer on a standalone basis and delivery/performance of the undelivered item(s) is probable. The total arrangement consideration is allocated among the separate units of accounting based on their relative fair values and the applicable revenue recognition criteria considered for each unit of accounting. The amount allocable to a delivered item is limited to the amount that we are entitled to collect and that is not contingent upon the delivery/performance of additional items. Revenues for each deliverable are then recognized based on the type of deliverable, such as 1) when the products are shipped, 2) services are delivered, 3) percentage-of-completion when implementation services are essential to other deliverables in the arrangements, 4) upon receipt of customer acceptance, or 5) transfer of title. The majority of our revenue is recognized when products are shipped to or received by a customer or when services are provided.

We primarily enter into two types of multiple deliverable arrangements, which include a combination of hardware and associated software and services:

- Arrangements that do not include the deployment of our smart metering systems and technology are recognized as follows:
 - Hardware revenues are recognized at the time of shipment, receipt by customer, or, if applicable, upon completion of customer acceptance provisions.
 - If implementation services are essential to the functionality of the associated software, software and implementation revenues are recognized using either the percentage-of-completion methodology of contract accounting if project costs can be estimated, or the completed contract methodology if project costs cannot be reliably estimated.
- Arrangements to deploy our smart metering systems and technology are recognized as follows:
 - Hardware revenues are recognized at the time of shipment, receipt by customer, or, if applicable, upon completion of customer acceptance provisions.
 - Revenue from associated software and services is recognized using the units-of-delivery method of contract accounting, as the software is essential to the functionality of the related hardware. This methodology often results in the deferral of costs and revenues as professional services and software implementation typically commence prior to deployment of hardware.

We also enter into multiple deliverable software arrangements that do not include hardware. For this type of arrangement, revenue recognition is dependent upon the availability of vendor specific objective evidence (VSOE) for fair value for each of the deliverables. The lack of VSOE, or the existence of extended payment terms or other inherent risks, may affect the timing of revenue recognition for software arrangements.

Certain of our revenue arrangements include an extended or noncustomary warranty provision which covers all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, a portion of the arrangement's total consideration is allocated to this extended warranty deliverable. This revenue is deferred and recognized over the extended warranty coverage period. Extended/noncustomary warranties do not represent a significant portion of our revenue.

On January 1, 2010, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-13, *Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Tax Force)* and ASU 2009-14, *Software (Topic 985), Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force)* on a prospective basis for new arrangements and arrangements that are materially modified. This new guidance did not have a material impact on our financial statements for the year ended December 31, 2010, as we already had the ability to divide the deliverables within our revenue arrangements into separate units of accounting. Further, there would have been no change to the amount of revenue recognized in the years ended December 31, 2009 or 2008 if arrangements prior to the adoption of ASU 2009-13 and ASU 2009-14 had been subject to the measurement requirements of this new guidance.

We allocate consideration to each deliverable in an arrangement based on its relative selling price. We determine selling price using VSOE, if it exists, otherwise we use third-party evidence (TPE). If neither VSOE nor TPE of selling price exists for a unit of accounting, we use estimated selling price (ESP).

VSOE is generally limited to the price charged when the same or similar product is sold separately or, if applicable, the stated renewal rate in the agreement. If a product or service is seldom sold separately, it is unlikely that we can determine VSOE for the product or service. We define VSOE as a median price of recent standalone transactions that are priced within a narrow range. TPE is determined based on the prices charged by our competitors for a similar deliverable when sold separately.

For arrangements entered into or materially modified after January 1, 2010, if we are unable to establish selling price using VSOE or TPE, we use ESP in the allocation of arrangement consideration. The objective of ESP is to determine the price at which we would transact if the product or service were sold by us on a standalone basis. Our determination of ESP involves a weighting of several factors based on the specific facts and circumstances of the arrangement. Specifically, we consider the cost to produce the deliverable, the anticipated margin on that deliverable, the selling price and profit margin for similar parts, our ongoing pricing strategy and policies (as evident in the price list established and updated by management on a regular basis), the value of any enhancements that have been built into the deliverable, and the characteristics of the varying

markets in which the deliverable is sold. We analyze the selling prices used in our allocation of arrangement consideration on an annual basis. Selling prices are analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

Unearned revenue is recorded when a customer pays for products or services, but the criteria for revenue recognition have not been met as of the balance sheet date. Unearned revenues of \$42.8 million and \$45.4 million at December 31, 2010 and 2009, related primarily to professional services and software associated with our smart metering contracts, extended warranty, and prepaid post-contract support. Deferred cost is recorded for products or services for which ownership (typically defined as title and risk of loss) has transferred to the customer, but the criteria for revenue recognition have not been met as of the balance sheet date. Deferred costs were \$10.0 million and \$19.7 million at December 31, 2010 and 2009 and are recorded within other assets in the Consolidated Balance Sheets.

In all cases, hardware and software post-sale maintenance support fees are recognized ratably over the life of the related service contract. Shipping and handling costs and incidental expenses billed to customers are recorded as revenue, with the associated cost charged to cost of revenues. We record sales, use, and value added taxes billed to our customers on a net basis.

Product and Software Development Costs

Product and software development costs primarily include employee compensation and third party contracting fees. For software we develop to be marketed or sold, we capitalize development costs after technological feasibility is established. Due to the relatively short period of time between technological feasibility and the completion of product and software development, and the immaterial nature of these costs, we generally do not capitalize product and software development expenses.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options, stock sold pursuant to our Employee Stock Purchase Plan (ESPP), and the issuance of restricted and unrestricted stock awards and units, based on estimated fair values. The fair values of stock options and ESPP awards are estimated at the date of grant using the Black-Scholes option-pricing model, which includes assumptions for the dividend yield, expected volatility, risk-free interest rate, and expected life. For restricted and unrestricted stock awards and units, the fair value is the market close price of our common stock on the date of grant. We expense stock-based compensation, adjusted for estimated forfeitures, using the straight-line method over the required vesting period. Excess tax benefits are credited to common stock when the deduction reduces cash taxes payable. When we have tax deductions in excess of the compensation cost, they are classified as financing cash inflows in the Consolidated Statements of Cash Flows.

Loss on Extinguishment of Debt, Net

Upon partial or full redemption of our borrowings, we recognize a gain or loss for the difference between the cash paid and the net carrying amount of the debt redeemed. Included in the net carrying amount is any unamortized premium or discount from the original issuance of the debt. Due to the particular characteristics of our convertible notes, we recognize a gain or loss upon conversion or derecognition for the difference between the net carrying amount of the liability component (including any unamortized discount and debt issuance costs) and the fair value of the consideration transferred to the holder that is allocated to the liability component, which is equal to the fair value of the liability component immediately prior to extinguishment. In the case of an induced conversion, a loss is recognized for the amount of the fair value of the securities or other consideration transferred to the holder in excess of fair value of the consideration issuable in accordance with the original conversion terms of the debt.

Income Taxes

We account for income taxes using the asset and liability method of accounting. Deferred tax assets and liabilities are recognized based upon anticipated future tax consequences, in each of the jurisdictions that we operate, attributable to: (1) the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases; and (2) operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of our tax liabilities involves applying complex tax regulations in different tax jurisdictions to our tax positions. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is not more likely than not that such assets will be realized. We do not record tax liabilities on undistributed earnings of international subsidiaries that are permanently reinvested.

Foreign Exchange

Our consolidated financial statements are reported in U.S. dollars. Assets and liabilities of international subsidiaries with a non-U.S. dollar functional currency are translated to U.S. dollars at the exchange rates in effect on the balance sheet date, or the last business day of the period, if applicable. Revenues and expenses for these subsidiaries are translated to U.S. dollars using a weighted average rate for the relevant reporting period. Translation adjustments resulting from this process are included, net of tax, in OCI. Gains and losses that arise from exchange rate fluctuations for monetary asset and liability balances that are not denominated in an entity's functional currency are included within other income (expense), net in the Consolidated Statements of Operations. Currency gains and losses of intercompany balances deemed to be long-term in nature or designated as a hedge of the net investment in international subsidiaries are included, net of tax, in OCI.

Fair Value Measurements

For assets and liabilities measured at fair value, the GAAP fair value hierarchy prioritizes the inputs used in different valuation methodologies, assigning the highest priority to unadjusted quoted prices for identical assets and liabilities in actively traded markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs consist of quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in non-active markets; and model-derived valuations in which significant inputs are corroborated by observable market data either directly or indirectly through correlation or other means (inputs may include yield curves, volatility, credit risks, and default rates). We hold no assets or liabilities measured using Level 1 fair value inputs.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to various factors affecting future costs and operations, actual results could differ materially from these estimates.

New Accounting Pronouncements

In April 2010, the FASB issued ASU 2010-13, *Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Primarily Trades*, to eliminate disparity in practice. ASU 2010-13 clarifies that differences between currencies of the underlying equity securities of the share-based payment award and the functional currency of the employer entity or the employee's payroll currency should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This pronouncement will be effective on January 1, 2011 and will not have an impact on our consolidated financial statements as we treat this type of share-based payment award as equity.

Note 2: Earnings Per Share and Capital Structure

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	Year Ended December 31,		
	2010	2009	2008
	(in thousands, except per share data)		
Net income (loss) available to common shareholders	\$ 104,770	\$ (2,249)	\$ 19,811
Weighted average common shares outstanding-Basic	40,337	38,539	33,096
Dilutive effect of convertible notes	103	-	1,198
Dilutive effect of stock-based awards	507	-	657
Weighted average common shares outstanding-Diluted	40,947	38,539	34,951
Earnings (loss) per common share-Basic	\$ 2.60	\$ (0.06)	\$ 0.60
Earnings (loss) per common share-Diluted	\$ 2.56	\$ (0.06)	\$ 0.57

Convertible Notes

We are required, pursuant to the indenture for the convertible notes, to settle the principal amount of the convertible notes in cash and may elect to settle the remaining conversion obligation (stock price in excess of conversion price) in cash, shares, or a combination. We include in the EPS calculation the amount of shares it would take to satisfy the conversion obligation, assuming that all of the convertible notes are converted. The average quarterly closing prices of our common stock were used as the basis for determining the dilutive effect on EPS. During two fiscal quarters in the year ended December 31, 2010 and three fiscal quarters in the year ended December 31, 2008, the average prices of our common stock exceeded the conversion price of \$65.16 and, therefore, 103,000 and 1.2 million shares have been included in the diluted EPS calculation for those years. For the year ended December 31, 2009, there was no effect on diluted shares outstanding as a result of our net loss for the year. In addition, for the year ended December 31, 2009, the quarterly average closing prices of our common stock did not exceed the conversion price of \$65.16.

Stock-based Awards

For stock-based awards, the dilutive effect is calculated using the treasury stock method. Under this method, the dilutive effect is computed as if the awards were exercised at the beginning of the period (or at time of issuance, if later) and assumes the related proceeds were used to repurchase common stock at the average market price during the period. Related proceeds include the amount the employee must pay upon exercise, future compensation cost associated with the stock award, and the amount of excess tax benefits, if any. As a result of our net loss for 2009, there was no dilutive effect to the weighted average common shares outstanding. Approximately 456,000, 1.0 million, and 283,000 stock-based awards were excluded from the calculation of diluted EPS for the years ended December 31, 2010, 2009, and 2008 because they were anti-dilutive. These stock-based awards could be dilutive in future periods.

Preferred Stock

We have authorized the issuance of 10 million shares of preferred stock with no par value. In the event of a liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary, the holders of any outstanding preferred stock will be entitled to be paid a preferential amount per share to be determined by the Board of Directors prior to any payment to holders of common stock. Shares of preferred stock may be converted into common stock based on terms, conditions, and rates as defined in the Rights Agreement, which may be adjusted by the Board of Directors. There was no preferred stock sold or outstanding at December 31, 2010, 2009, and 2008.

Note 3: Certain Balance Sheet Components*Accounts receivable, net*

	At December 31,	
	2010	2009
	(in thousands)	
Trade receivables (net of allowance of \$9,045 and \$6,339)	\$ 328,811	\$ 319,237
Unbilled revenue	42,851	18,711
Total accounts receivable, net	<u>\$ 371,662</u>	<u>\$ 337,948</u>

At December 31, 2010, \$12.5 million was billed but not yet paid by customers in accordance with long-term contract retainage provisions. These retainage amounts are expected to be collected within the next 12 months.

A summary of the allowance for doubtful accounts activity is as follows:

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Beginning balance	\$ 6,339	\$ 5,954
Provision for doubtful accounts, net	3,357	1,188
Accounts written off	(456)	(1,025)
Effects of change in exchange rates	(195)	222
Ending balance	<u>\$ 9,045</u>	<u>\$ 6,339</u>

Inventories

	At December 31,	
	2010	2009
	(in thousands)	
Materials	\$ 106,021	\$ 85,358
Work in process	18,389	17,668
Finished goods	83,747	67,058
Total inventories	<u>\$ 208,157</u>	<u>\$ 170,084</u>

Our inventory levels may vary period to period as a result of our factory scheduling and timing of contract fulfillments.

Consigned inventory is held at third-party locations; however, we retain title to the inventory until purchased by the third-party. Consigned inventory, consisting of raw materials and finished goods, was \$17.6 million and \$10.6 million at December 31, 2010 and 2009, respectively.

Property, plant, and equipment, net

	At December 31,	
	2010	2009
	(in thousands)	
Machinery and equipment	\$ 265,113	\$ 243,652
Computers and purchased software	63,077	66,787
Buildings, furniture, and improvements	146,661	144,639
Land	35,968	37,738
Construction in progress, including purchased equipment	20,531	22,009
Total cost	531,350	514,825
Accumulated depreciation	(232,108)	(196,608)
Property, plant, and equipment, net	<u>\$ 299,242</u>	<u>\$ 318,217</u>

Depreciation expense and capitalized interest were as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Depreciation expense	\$ 62,154	\$ 57,164	\$ 53,309
Capitalized interest	-	293	187

Note 4: Intangible Assets

The gross carrying amount and accumulated amortization of our intangible assets, other than goodwill, are as follows:

	At December 31, 2010			At December 31, 2009		
	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
	(in thousands)					
Core-developed technology	\$ 378,705	\$ (274,198)	\$ 104,507	\$ 398,043	\$ (244,545)	\$ 153,498
Customer contracts and relationships	282,997	(110,539)	172,458	306,061	(92,187)	213,874
Trademarks and trade names	73,194	(59,235)	13,959	77,439	(57,957)	19,482
Other	24,256	(23,510)	746	24,713	(23,355)	1,358
Total intangible assets	<u>\$ 759,152</u>	<u>\$ (467,482)</u>	<u>\$ 291,670</u>	<u>\$ 806,256</u>	<u>\$ (418,044)</u>	<u>\$ 388,212</u>

A summary of the intangible asset account activity is as follows:

	Year Ended December 31	
	2010	2009
	(in thousands)	
Beginning balance, intangible assets, gross	\$ 806,256	\$ 796,236
Effect of change in exchange rates	(47,104)	10,020
Ending balance, intangible assets, gross	<u>\$ 759,152</u>	<u>\$ 806,256</u>

Intangible assets of our international subsidiaries are recorded in their respective functional currency; therefore, the carrying amounts of intangible assets increase or decrease, with a corresponding change in accumulated OCI, due to changes in foreign currency exchange rates.

Intangible asset amortization expense is as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Amortization of intangible assets	\$ 69,051	\$ 98,573	\$ 120,364

Estimated future annual amortization expense is as follows:

Years ending December 31,	Estimated Annual Amortization
	(in thousands)
2011	\$ 58,688
2012	45,122
2013	36,471
2014	29,927
2015	24,472
Beyond 2015	96,990
Total intangible assets, net	<u>\$ 291,670</u>

Note 5: Goodwill

The following table reflects goodwill allocated to each reporting segment at December 31, 2010 and 2009:

	<u>Itron North America</u>	<u>Itron International</u>	<u>Total Company</u>
		(in thousands)	
Goodwill balance at January 1, 2009	\$ 193,598	\$ 1,092,255	\$ 1,285,853
Adjustment of previous acquisitions	2,100	-	2,100
Effect of change in exchange rates	1,817	15,829	17,646
Goodwill balance at December 31, 2009	<u>\$ 197,515</u>	<u>\$ 1,108,084</u>	<u>\$ 1,305,599</u>
Effect of change in exchange rates	533	(96,756)	(96,223)
Goodwill balance at December 31, 2010	<u>\$ 198,048</u>	<u>\$ 1,011,328</u>	<u>\$ 1,209,376</u>

Due to continued refinements of our management and geographic reporting structures, minor amounts of goodwill have been reallocated between our reporting segments. Historical segment information has been revised to conform to our current segment reporting structure.

Adjustment of previous acquisitions in 2009 represents contingent consideration that became payable associated with two acquisitions completed in 2006.

Note 6: Debt

The components of our borrowings are as follows:

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(in thousands)	
Term loans		
USD denominated term loan	\$ 218,642	\$ 284,693
EUR denominated term loan	174,031	288,902
Convertible senior subordinated notes	218,268	208,169
Total debt	610,941	781,764
Current portion of long-term debt	(228,721)	(10,871)
Long-term debt	<u>\$ 382,220</u>	<u>\$ 770,893</u>

Credit Facility

Our credit facility is dated April 18, 2007 and includes two amendments dated April 24, 2009 and February 10, 2010. The principal balance of our euro denominated term loan at December 31, 2010 and December 31, 2009 was €132.4 million and €200.8 million, respectively. Interest rates on the credit facility are based on the respective borrowing's denominated London Interbank Offered Rate (LIBOR) or the Wells Fargo Bank, National Association's prime rate, plus an additional margin subject to our consolidated leverage ratio. The additional interest rate margin was 3.50% at December 31, 2010. Our interest rates were 3.76% for the U.S. dollar denominated and 4.38% for the euro denominated term loans at December 31, 2010. Scheduled amortization of principal payments is 1% per year (0.25% quarterly) with an excess cash flow provision for additional annual principal repayment requirements. The amount of the excess cash flow provision payment varies according to our consolidated leverage ratio. We repaid \$155.2 million, \$166.5 million, and \$372.7 million of the term loans during the years ended December 31, 2010, 2009, and 2008, respectively, resulting in no excess cash flow provision payment requirement for those respective years. Maturities of the term loans and the multicurrency revolving line of credit are in April 2014 and 2013, respectively. The credit facility is secured by substantially all of the assets of Itron, Inc. and our U.S. domestic operating subsidiaries and includes covenants, which contain certain financial ratios and place restrictions on the incurrence of debt, the payment of dividends, certain investments, incurrence of capital expenditures above a set limit, and mergers. We were in compliance with the debt covenants under the credit facility at December 31, 2010.

The credit facility includes a multicurrency revolving line of credit of \$240 million. At December 31, 2010, there were no borrowings outstanding under the revolving line of credit, and \$43.5 million was utilized by outstanding standby letters of credit, resulting in \$196.5 million being available for additional borrowings.

Convertible Senior Subordinated Notes

On August 4, 2006, we issued \$345 million of 2.50% convertible notes due August 2026. Fixed interest payments are required every six months, in February and August of each year. For each six month period beginning August 2011, contingent interest payments of approximately 0.19% of the average trading price of the convertible notes will be made if certain thresholds are met or events occur, as outlined in the indenture. The convertible notes are registered with the SEC and are generally transferable. Our convertible notes are not considered conventional convertible debt as the number of shares, or cash, to be received by the holders was not fixed at the inception of the obligation. We have concluded that the conversion feature of our convertible notes does not need to be bifurcated from the host contract and accounted for as a freestanding derivative, as the conversion feature is indexed to our own stock and would be classified within stockholders' equity if it were a freestanding instrument.

The convertible notes may be converted at the option of the holder at a conversion rate of 15.3478 shares of our common stock for each \$1,000 principal amount of the convertible notes, under the following circumstances, as defined in the indenture:

- if the closing sale price per share of our common stock exceeds \$78.19, which is 120% of the conversion price of \$65.16, for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding fiscal quarter;
- between July 1, 2011 and August 1, 2011, and any time after August 1, 2024;
- during the five business days after any five consecutive trading day period in which the trading price of the convertible notes for each day was less than 98% of the average conversion value of the convertible notes;
- if the convertible notes are called for redemption;
- if a fundamental change occurs; or
- upon the occurrence of defined corporate events.

The amount payable upon conversion is the result of a formula based on the closing prices of our common stock for 20 consecutive trading days following the date of the conversion notice. Based on the conversion ratio of 15.3478 shares per \$1,000 principal amount of the convertible notes, if our stock price is lower than the conversion price of \$65.16, the amount payable will be less than the \$1,000 principal amount and will be settled in cash. Our closing stock price at December 31, 2010 was \$55.45 per share.

Upon conversion, the principal amount of the convertible notes will be settled in cash and, at our option, the remaining conversion obligation (stock price in excess of conversion price) may be settled in cash, shares, or a combination. The conversion rate for the convertible notes is subject to adjustment upon the occurrence of certain corporate events, as defined in the indenture, to ensure that the economic rights of the convertible note holders are preserved.

The convertible notes also contain purchase options, at the option of the holders, which if exercised would require us to repurchase all or a portion of the convertible notes on August 1, 2011, August 1, 2016, and August 1, 2021 at 100% of the principal amount, plus accrued and unpaid interest.

On or after August 1, 2011, we have the option to redeem all or a portion of the convertible notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The convertible notes are unsecured, subordinated to our credit facility (senior secured borrowings), and are guaranteed by one U.S. subsidiary, which is 100% owned. The convertible notes contain covenants, which place restrictions on the incurrence of debt and certain mergers. We were in compliance with these debt covenants at December 31, 2010.

At December 31, 2010, the convertible notes are classified as current on the Consolidated Balance Sheet due to the combination of put, call, and conversion options occurring in 2011.

Our convertible notes are separated between the liability and equity components using our estimated non-convertible debt borrowing rate at the time our convertible notes were issued, which was determined to be 7.38%. This rate also reflects the effective interest rate on the liability component. The carrying amounts of the debt and equity components are as follows:

	At December 31,	
	2010	2009
	(in thousands)	
Face value of convertible notes	\$ 223,604	\$ 223,604
Unamortized discount	(5,336)	(15,435)
Net carrying amount of debt component	<u>\$ 218,268</u>	<u>\$ 208,169</u>
Carrying amount of equity component	<u>\$ 31,831</u>	<u>\$ 31,831</u>

The interest expense relating to both the contractual interest coupon and amortization of the discount on the liability component are as follows:

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Contractual interest coupon	\$ 5,590	\$ 5,839
Amortization of the discount on the liability component	10,099	9,673
Total interest expense on convertible notes	<u>\$ 15,689</u>	<u>\$ 15,512</u>

Due to the combination of put, call, and conversion options that are part of the terms of the convertible note agreement, as of December 31, 2010 the remaining discount on the liability component will be amortized over the next six months.

During the first quarter of 2009, we entered into exchange agreements with certain holders of our convertible notes to issue, in the aggregate, approximately 2.3 million shares of common stock, valued at \$132.9 million, in exchange for, in the aggregate, \$121.0 million principal amount of the convertible notes, representing 35% of the aggregate principal outstanding at the date of the exchanges. All of the convertible notes we acquired pursuant to the exchange agreements were retired upon the closing of the exchanges.

The exchange agreements were treated as induced conversions as the holders received a greater number of shares of common stock than would have been issued under the original conversion terms of the convertible notes. At the time of the exchange agreements, none of the conversion contingencies were met. Under the original terms of the convertible notes, the amount payable on conversion was to be paid in cash, and the remaining conversion obligation (stock price in excess of conversion price) was payable in cash or shares of common stock, at our option. Under the terms of the exchange agreements, all of the settlement was paid in shares. The difference in the value of the shares of common stock issued under the exchange agreement and the value of the shares of common stock used to derive the amount payable under the original conversion agreement resulted in a loss on extinguishment of debt of \$23.3 million (the inducement loss). Upon derecognition of the convertible notes, we remeasured the fair value of the liability and equity components using a borrowing rate for similar non-convertible debt that would be applicable to us at the date of the exchange agreements. Because borrowing rates increased, the remeasurement of the components of the convertible notes resulted in a gain on extinguishment of \$13.4 million (the revaluation gain). As a result, we recognized a net loss on extinguishment of debt of \$10.3 million, calculated as the inducement loss, plus an allocation of advisory fees, less the revaluation gain. The remaining settlement consideration of \$9.5 million, including an allocation of advisory fees, was recorded as a reduction of common stock.

Senior Subordinated Notes

On July 17, 2009, we paid the remaining \$109.2 million outstanding balance on our 7.75% senior subordinated notes and recognized a loss on extinguishment of \$2.5 million, which included the remaining unamortized debt discount of \$336,000. Unamortized prepaid debt fees of \$2.0 million were recorded to interest expense.

Minimum Payments on Debt

	<u>Minimum Payments</u> (in thousands)
2011	\$ 234,057
2012	10,453
2013	10,453
2014	<u>361,314</u>
Total minimum payments on debt	616,277
Convertible notes unamortized discount	<u>(5,336)</u>
Total debt	<u>\$ 610,941</u>

Note 7: Derivative Financial Instruments and Hedging Activities

As part of our risk management strategy, we use derivative instruments to hedge certain foreign currency and interest rate exposures. Refer to Note 1, Note 13, and Note 14 for additional disclosures on our derivative instruments.

The fair values of our derivative instruments are determined using the income approach and significant other observable inputs (also known as "Level 2"), as defined by Accounting Standards Codification (ASC) 820-10-20, *Fair Value Measurements*. We have used observable market inputs based on the type of derivative and the nature of the underlying instrument. The key inputs used at December 31, 2010 included interest rate yield curves (swap rates and futures) and foreign exchange spot and forward rates, all of which are available in an active market. We have utilized the mid-market pricing convention for these inputs at December 31, 2010. We include the effect of our counterparty credit risk based on current published credit default swap rates when the net fair value of our derivative instruments is in a net asset position. We consider our own nonperformance risk when the net fair value of our derivative instruments is in a net liability position by discounting our derivative liabilities to reflect the potential credit risk to our counterparty through applying a current market indicative credit spread to all cash flows.

The fair values of our derivative instruments determined using the fair value measurement of significant other observable inputs (Level 2) at December 31, 2010 and 2009 are as follows:

		<u>Fair Value at December 31,</u>	
		<u>2010</u>	<u>2009</u>
		(in thousands)	
<u>Asset Derivatives</u>			
Derivatives not designated as hedging instruments under ASC 815-20			
Foreign exchange forward contracts	Other current assets	\$ 63	\$ 3,986
<u>Liability Derivatives</u>			
Derivatives designated as hedging instruments under ASC 815-20			
Interest rate swap contracts	Other current liabilities	\$ (5,845)	\$ (11,478)
Interest rate swap contracts	Other long-term obligations	(975)	(3,676)
Euro denominated term loan *	Current portion of debt	(4,402)	(4,820)
Euro denominated term loan *	Long-term debt	<u>(169,629)</u>	<u>(284,082)</u>
Total derivatives designated as hedging instruments under ASC 815-20		<u>\$ (180,851)</u>	<u>\$ (304,056)</u>
Derivatives not designated as hedging instruments under ASC 815-20			
Foreign exchange forward contracts	Other current liabilities	\$ (457)	\$ (2,442)
Total liability derivatives		<u>\$ (181,308)</u>	<u>\$ (306,498)</u>

* The euro denominated term loan is a nonderivative financial instrument designated as a hedge of our net investment in international operations. It is recorded at its carrying value in the Consolidated Balance Sheets and is not recorded at fair value.

Other comprehensive income (loss) during the reporting period for our derivative and nonderivative instruments designated as hedging instruments (collectively, hedging instruments), net of tax, was as follows:

	2010	2009
	(in thousands)	
Net unrealized loss on hedging instruments at January 1,	\$ (30,300)	\$ (29,772)
Unrealized gain (loss) on derivative instruments	(2,930)	(6,776)
Unrealized gain (loss) on a nonderivative net investment hedging instrument	15,825	(2,364)
Realized (gains) losses reclassified into net income (loss)	7,371	8,612
Net unrealized loss on hedging instruments at December 31,	<u>\$ (10,034)</u>	<u>\$ (30,300)</u>

Cash Flow Hedges

We are exposed to interest rate risk through our credit facility. We enter into swaps to achieve a fixed rate of interest on the hedged portion of debt in order to increase our ability to forecast interest expense. The objective of these swaps is to protect us from increases in the LIBOR base borrowing rates on our floating rate credit facility. The swaps do not protect us from changes to the applicable margin under our credit facility.

We have entered into one-year pay-fixed receive one-month LIBOR interest rate swaps to convert \$200 million of our U.S. dollar term loan from a floating LIBOR interest rate to a fixed interest rate. Our outstanding swaps are as follows:

Transaction Date	Effective Date of Swap	Notional amount	Fixed Interest Rate
		(in thousands)	
July 1, 2009	June 30, 2010 - June 30, 2011	\$ 100,000	2.15%
July 1, 2009	June 30, 2010 - June 30, 2011	\$ 100,000	2.11%

At December 31, 2010 and 2009, our U.S. dollar term loan had a balance of \$218.6 million and \$284.7 million, respectively. The cash flow hedges have been and are expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk through the term of the hedge. Consequently, effective changes in the fair value of the interest rate swap are recorded as a component of OCI and are recognized in earnings when the hedged item affects earnings. The amounts paid or received on the hedge are recognized as adjustments to interest expense. The amount of net losses expected to be reclassified into earnings in the next 12 months is approximately \$1.8 million, which was based on the Bloomberg U.S. dollar swap yield curve as of December 31, 2010.

In 2007, we entered into a pay fixed 6.59% receive three-month Euro Interbank Offered Rate (EURIBOR), plus 2%, amortizing interest rate swap to convert a significant portion of our euro denominated variable-rate term loan to fixed-rate debt, plus or minus the variance in the applicable margin from 2%, through December 31, 2012. The cash flow hedge is currently, and is expected to be, highly effective in achieving offsetting cash flows attributable to the hedged risk through the term of the hedge. Consequently, effective changes in the fair value of the interest rate swap are recorded as a component of OCI and are recognized in earnings when the hedged item affects earnings. The amounts paid or received on the hedge are recognized as adjustments to interest expense. The notional amount of the swap is reduced each quarter and was \$147.7 million (€112.4 million) and \$252.9 million (€175.8 million) as of December 31, 2010 and 2009, respectively. The amount of net losses expected to be reclassified into earnings in the next 12 months is approximately \$3.9 million (€3.0 million), which was based on the Bloomberg euro swap yield curve as of December 31, 2010.

We will continue to monitor and assess our interest rate risk and may institute additional interest rate swaps or other derivative instruments to manage such risk in the future.

The before tax effect of our cash flow derivative instruments on the Consolidated Balance Sheets and the Consolidated Statements of Operations for the years ended December 31 are as follows:

Derivatives in ASC 815-20 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)				
	2010	2009	2008	Location	Amount		Location	Amount			
					2010	2009	2008	2010	2009	2008	
Interest rate swap contracts	\$ (4,542)	\$ (11,023)	\$ (14,945)	Interest expense	\$ (11,829)	\$ (13,975)	\$ 804	Interest expense	\$ (100)	\$ (302)	\$ -

Net Investment Hedges

We are exposed to foreign exchange risk through our international subsidiaries. As a result of our acquisition of an international company in 2007, we entered into a euro-denominated term loan, which exposes us to fluctuations in the euro foreign exchange rate. Therefore, we have designated this foreign currency denominated term loan as a hedge of our net investment in international operations. The non-functional currency term loan is revalued into U.S. dollars at each balance sheet date, and the changes in value associated with currency fluctuations are recorded as adjustments to long-term debt with offsetting gains and losses recorded in OCI. The notional amount of the term loan declines each quarter due to repayments and was \$174.0 million (€132.4 million) and \$288.9 million (€200.8 million) as of December 31, 2010 and 2009, respectively. We had no hedge ineffectiveness.

The before tax and net of tax effect of our net investment hedge nonderivative financial instrument on OCI for the years ended December 31 are as follows:

Nonderivative Financial Instruments in ASC 815-20 Net Investment Hedging Relationships	Euro Denominated Term Loan Designated as a Hedge of Our Net Investment in International Operations		
	2010	2009	2008
	(in thousands)		
Gain (loss) recognized in OCI on derivative (Effective Portion)			
Before tax	\$ 25,760	\$ (3,866)	\$ 10,360
Net of tax	\$ 15,825	\$ (2,364)	\$ 6,485

Derivatives Not Designated as Hedging Relationships

We are also exposed to foreign exchange risk when we enter into non-functional currency transactions, both intercompany and third-party. At each period-end, foreign currency monetary assets and liabilities are revalued with the change recorded to other income and expense. We enter into monthly foreign exchange forward contracts (a total of 164 contracts were entered into during the year ended December 31, 2010), not designated for hedge accounting, with the intent to reduce earnings volatility associated with certain of these balances. The notional amounts of the contracts ranged from \$200,000 to \$48 million, offsetting our exposures from the euro, British pound, Canadian dollar, Czech koruna, Hungarian forint, and various other currencies.

The effect of our foreign exchange option and forward derivative instruments on the Consolidated Statements of Operations for the years ended December 31 is as follows:

Derivatives Not Designated as Hedging Instrument under ASC 815-20	Gain (Loss) Recognized on Derivatives in Other Income (Expense)		
	2010	2009	2008
	(in thousands)		
Foreign exchange forward contracts	\$ 665	\$ (1,656)	\$ 98
Cross currency interest rate swap	-	-	(1,709)
	\$ 665	\$ (1,656)	\$ (1,611)

Note 8: Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit pension plans for our employees in Germany, France, Spain, Italy, Belgium, Chile, Hungary, and Indonesia offering death and disability, retirement, and special termination benefits. The defined benefit obligation is calculated annually by using the projected unit credit method. The measurement date for the pension plans was December 31, 2010.

Our general funding policy for these qualified pension plans is to contribute amounts sufficient to satisfy regulatory funding standards of the respective countries for each plan. We contributed \$519,000 and \$397,000 to the defined benefit pension plans for the years ended December 31, 2010 and 2009, respectively. Assuming that actual plan asset returns are consistent with our expected rate of return in 2011 and beyond, and that interest rates remain constant, we expect to contribute approximately \$500,000 in 2011 to our defined benefit pension plans.

The following tables summarize the benefit obligation, plan assets, and funded status of the defined benefit plans, amounts recognized in accumulated other comprehensive income, and amounts recognized in the Consolidated Balance Sheets at December 31, 2010 and 2009.

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Change in benefit obligation:		
Benefit obligation at January 1,	\$ 73,262	\$ 66,823
Service cost	1,980	1,753
Interest cost	3,490	3,450
Amendments	1,209	-
Actuarial loss	1,710	3,830
Benefits paid	(4,403)	(4,400)
Other – foreign currency exchange rate changes	(5,860)	1,806
Benefit obligation at December 31,	<u>\$ 71,388</u>	<u>\$ 73,262</u>
Change in plan assets:		
Fair value of plan assets at January 1,	\$ 7,860	\$ 7,449
Actual return on plan assets	210	65
Company contributions	519	397
Benefits paid	(283)	(259)
Other – foreign currency exchange rate changes	(612)	208
Fair value of plan assets at December 31,	<u>7,694</u>	<u>7,860</u>
Ending balance at fair value (net pension plan benefit liability)	<u>\$ 63,694</u>	<u>\$ 65,402</u>

Amounts recognized on the Consolidated Balance Sheets consist of:

	At December 31,	
	2010	2009
	(in thousands)	
Current portion of pension plan liability in wages and benefits payable	\$ 2,656	\$ 2,975
Long-term portion of pension plan liability	61,450	63,040
Plan assets in other long term assets	(412)	(613)
Net pension plan benefit liability	<u>\$ 63,694</u>	<u>\$ 65,402</u>

Amounts in accumulated other comprehensive income (pre-tax) that have not yet been recognized as components of net periodic benefit costs consist of:

	At December 31,	
	2010	2009
	(in thousands)	
Net actuarial gain	\$ (3,108)	\$ (4,976)
Net prior service cost	1,206	-
Amount included in accumulated other comprehensive income	<u>\$ (1,902)</u>	<u>\$ (4,976)</u>

The total accumulated benefit obligation for our defined benefit pension plans was \$65.9 million and \$68.9 million at December 31, 2010 and 2009, respectively.

Amounts recognized in other comprehensive income (pre-tax) are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Net actuarial (gain) loss	\$ 1,710	\$ 4,049	\$ (4,048)
Settlement gain	80	-	-
Plan asset loss	85	-	-
Prior service cost	1,209	-	83
Amortization of net actuarial gain (loss)	(26)	509	132
Amortization of prior service cost	(3)	(25)	(56)
Other	19	-	-
Other comprehensive (income) loss	\$ 3,074	\$ 4,533	\$ (3,889)

The estimated net actuarial gain and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2011 is \$124,000.

Net periodic pension benefit costs for our plans include the following components:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Service cost	\$ 1,980	\$ 1,753	\$ 2,009
Interest cost	3,490	3,450	3,697
Expected return on plan assets	(295)	(282)	(306)
Settlements and curtailments	(80)	-	-
Amortization of actuarial net (gain) loss	26	(509)	(132)
Amortization of unrecognized prior service costs	3	25	56
Net periodic benefit cost	\$ 5,124	\$ 4,437	\$ 5,324

The significant actuarial weighted average assumptions used in determining the benefit obligations and net periodic benefit cost for our benefit plans are as follows:

	At December 31,		
	2010	2009	2008
Actuarial assumptions used to determine benefit obligations at end of period:			
Discount rate	5.35%	5.60%	6.12%
Expected annual rate of compensation increase	3.35%	3.24%	3.18%
Actuarial assumptions used to determine net periodic benefit cost for the period:			
Discount rate	5.60%	6.12%	5.41%
Expected rate of return on plan assets	3.96%	4.06%	4.10%
Expected annual rate of compensation increase	3.24%	3.18%	3.04%

We determine a discount rate for our plans based on the estimated duration of each plan's liabilities. For our euro denominated defined benefit pension plans, which represent 94% of our benefit obligation, we use two discount rates, (separated between shorter and longer duration plans); using a hypothetical yield curve developed from euro-denominated AA-rated corporate bond issues, partially weighted for market value, with minimum amounts outstanding of €250 million for bonds with less than 10 years to maturity and €50 million for bonds with 10 or more years to maturity, and excluding 10% of the highest and lowest yielding bonds within each maturity group. The discount rates derived for our shorter duration euro denominated plans (less than 10 years) and longer duration plans (greater than 10 years) were 4.50% and 5.25%, respectively.

Our expected rate of return on plan assets is derived from a study of actual historic returns achieved and anticipated future long-term performance of plan assets. While the study primarily gives consideration to recent insurers' performance and historical returns, the assumption represents a long-term prospective return.

We have one plan in which the fair value of plan assets exceeds the projected benefit obligation and the accumulated benefit obligation. Therefore, for the pension plans in which the accumulated benefit obligations exceeds the fair value of plan assets, our total obligation and the fair value of plan assets are as follows:

	At December 31,	
	2010	2009
	(in thousands)	
Projected benefit obligation	\$ 69,966	\$ 71,799
Accumulated benefit obligation	64,671	67,576
Fair value of plan assets	5,860	5,798

Our asset investment strategy focuses on maintaining a portfolio using primarily insurance funds, which are accounted for as investments and measured at fair value, in order to achieve our long-term investment objectives on a risk adjusted basis. Strategic pension plan asset allocations are determined by the objective to achieve an investment return, which together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans.

The fair values of our plan investments by asset category as of December 31, 2010 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets	Significant Unobservable Inputs
		(Level 1)	(Level 3)
		(in thousands)	
Cash	\$ 814	\$ 814	\$ -
Insurance funds	6,880	-	6,880
Total fair value of plan assets	\$ 7,694	\$ 814	\$ 6,880

As the plan assets are not significant to our total company assets, no further breakdown is provided.

Annual benefit payments, including amounts to be paid from our assets for unfunded plans, and reflecting expected future service, as appropriate, are expected to be paid as follows:

Year Ending December 31,	Estimated Annual Benefit Payments
	(in thousands)
2011	\$ 3,406
2012	3,147
2013	4,114
2014	3,781
2015	4,398
2016 - 2020	22,383

Note 9: Stock-Based Compensation

We record stock-based compensation expense for awards of stock options, stock sold pursuant to our ESPP, and the issuance of restricted and unrestricted stock awards and units. We expense stock-based compensation using the straight-line method over the vesting requirement period. For the years ended December 31, stock-based compensation expense and the related tax benefit were as follows:

	2010	2009	2008
		(in thousands)	
Stock options	\$ 3,994	\$ 6,903	\$ 8,839
Restricted stock awards and units	14,230	9,306	6,885
Unrestricted stock awards	364	254	269
ESPP	519	519	589
Total stock-based compensation	<u>\$ 19,107</u>	<u>\$ 16,982</u>	<u>\$ 16,582</u>
Related tax benefit	<u>\$ 5,402</u>	<u>\$ 4,329</u>	<u>\$ 3,519</u>

We issue new shares of common stock upon the exercise of stock options or when vesting conditions on restricted awards are fully satisfied.

The fair value of stock options and ESPP awards issued were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Employee Stock Options			ESPP		
	Year Ended December 31,			Year Ended December 31,		
	2010	2009	2008	2010	2009	2008
Dividend yield	-	-	-	-	-	-
Expected volatility	48.7%	50.2%	44.8%	33.1%	64.1%	48.5%
Risk-free interest rate	2.3%	1.8%	3.0%	0.1%	0.3%	1.8%
Expected life (years)	4.6	4.9	4.5	0.25	0.25	0.25

Expected volatility is based on a combination of historical volatility of our common stock and the implied volatility of our traded options for the related expected life period. We believe this combined approach is reflective of current and historical market conditions and an appropriate indicator of expected volatility. The risk-free interest rate is the rate available as of the award date on zero-coupon U.S. government issues with a term equal to the expected life of the award. The expected life is the weighted average expected life of an award based on the period of time between the date the award is granted and the date an estimate of the award is fully exercised. Factors considered in estimating the expected life include historical experience of similar awards, contractual terms, vesting schedules, and expectations of future employee behavior. We have not paid dividends in the past and do not plan to pay dividends in the foreseeable future.

Subject to stock splits, dividends, and other similar events, 3,500,000 shares of common stock are reserved and authorized for issuance under our 2010 Stock Incentive Plan (Stock Incentive Plan). Awards consist of stock options, restricted stock units, restricted stock awards, and unrestricted stock awards. At December 31, 2010, 2,812,078 shares were available for issuance under the Stock Incentive Plan.

Stock Options

Options to purchase our common stock are granted to employees and the Board of Directors with an exercise price equal to the market close price of the stock on the date the Board of Directors approves the grant. Options generally become exercisable in three equal annual installments beginning one year from the date of grant and generally expire 10 years from the date of grant. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on our historical experience and future expectations.

A summary of our stock option activity for the years ended December 31, 2010, 2009, and 2008 is as follows:

	Shares (in thousands)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value ⁽¹⁾ (in thousands)	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2008	1,561	\$ 37.81	6.98	\$ 90,769	
Granted	247	95.79			\$ 39.07
Exercised	(415)	26.42		\$ 28,543	
Forfeited	(18)	47.70			
Expired	(1)	21.30			
Outstanding, December 31, 2008	<u>1,374</u>	<u>\$ 51.53</u>	<u>6.99</u>	<u>\$ 25,809</u>	
Exercisable and expected to vest, December 31, 2008	<u>1,325</u>	<u>\$ 50.50</u>	<u>6.92</u>	<u>\$ 25,673</u>	
Exercisable, December 31, 2008	<u>805</u>	<u>\$ 35.71</u>	<u>5.89</u>	<u>\$ 23,253</u>	
Granted	50	\$ 57.96			\$ 25.94
Exercised	(146)	21.68		\$ 4,889	
Forfeited	(92)	84.33			
Expired	(7)	57.23			
Outstanding, December 31, 2009	<u>1,179</u>	<u>\$ 52.93</u>	<u>5.90</u>	<u>\$ 22,863</u>	
Exercisable and expected to vest, December 31, 2009	<u>1,168</u>	<u>\$ 52.67</u>	<u>5.88</u>	<u>\$ 22,826</u>	
Exercisable, December 31, 2009	<u>972</u>	<u>\$ 47.39</u>	<u>5.40</u>	<u>\$ 22,343</u>	
Granted	71	\$ 61.97			\$ 27.18
Exercised	(148)	40.51		\$ 4,532	
Forfeited	-	-			
Expired	-	-			
Outstanding, December 31, 2010	<u>1,102</u>	<u>\$ 55.21</u>	<u>5.58</u>	<u>\$ 10,883</u>	
Exercisable and expected to vest, December 31, 2010	<u>1,096</u>	<u>\$ 55.15</u>	<u>5.57</u>	<u>\$ 10,883</u>	
Exercisable, December 31, 2010	<u>958</u>	<u>\$ 52.63</u>	<u>5.18</u>	<u>\$ 10,883</u>	

⁽¹⁾ The aggregate intrinsic value represents amounts that would have been received by the optionees had all options been exercised on that date. Specifically, it is the amount by which the market value of Itron's stock exceeded the exercise price of the outstanding options before applicable income taxes, based on our closing stock price on the last business day of the period.

As of December 31, 2010, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$2.1 million, which is expected to be recognized over a weighted average period of approximately 17 months.

Restricted Stock Awards

Certain employees and senior management receive restricted stock units or restricted stock awards (collectively, restricted awards) as a component of their total compensation. The fair value of a restricted award is the market close price of our common stock on the date of grant. Restricted awards generally vest over a three year period. Compensation expense, net of forfeitures, is recognized over the vesting period.

Subsequent to vesting, the restricted awards are converted into shares of our common stock on a one-for-one basis and issued to employees. We are entitled to an income tax deduction in an amount equal to the taxable income reported by the employees upon vesting of the restricted awards.

The restricted awards issued under the Long Term Performance Restricted Stock Unit Award Agreement (Performance Award Agreement) are determined based on the attainment of annual performance goals after the end of the calendar year performance period. During the year, if management determines that it is probable that the targets will be achieved, compensation expense, net of forfeitures, is recognized on a straight-line basis over the annual performance and subsequent vesting period. Performance Awards typically vest and are released in three equal installments at the beginning of each year

following attainment of the performance goals. For U.S. participants who retire during the performance period, a pro-rated number of restricted awards (based on the number of days of employment during the performance period) immediately vest based on the attainment of the performance goals as assessed after the end of the performance period. During the vesting period, unvested restricted awards immediately vest at the date of retirement for U.S. participants who retire during that period. For U.S. participants who are or will become retirement eligible during either the annual performance or vesting period, compensation expense is accelerated and recognized over the greater of the performance period (one year) or the participant's retirement eligible date. For the 2010 Performance Awards, the maximum awards that became eligible for vesting is 132,980 with a grant date fair value of \$61.49.

The following tables summarize restricted award activity for the years ended December 31, 2010, 2009, and 2008:

	Number of Restricted Awards (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value ⁽¹⁾ (in thousands)
Outstanding, January 1, 2008	111		
Granted	215	\$ 84.26	
Released	(1)		\$ 84
Forfeited	(12)		
Outstanding, December 31, 2008	<u>313</u>		
Granted	60	\$ 69.39	
Released	(30)		\$ 1,956
Forfeited	(17)		
Outstanding, December 31, 2009	<u>326</u>		
Granted ⁽²⁾	360	\$ 62.45	
Released	(84)		\$ 5,733
Forfeited	(14)		
Outstanding, December 31, 2010	<u>588</u>		
Vested, December 31, 2010	<u>2</u>		<u>\$ 88</u>
Expected to vest, December 31, 2010	<u>515</u>		<u>\$ 28,544</u>

⁽¹⁾ The aggregate intrinsic value is the market value of the stock released, vested, or expected to vest, before applicable income taxes, based on the closing price on the stock release dates or at the end of the period for stock vested but not released.

⁽²⁾ These restricted awards include 132,980 shares for the 2010 awards under the Performance Award Agreement, which are eligible for vesting at December 31, 2010.

At December 31, 2010, unrecognized compensation expense was \$15.8 million, which is expected to be recognized over a weighted average period of approximately 26 months.

Unrestricted Stock Awards

We issue unrestricted stock awards to our Board of Directors as part of their compensation. Awards are fully vested and expensed when issued. The fair value of unrestricted stock awards is the market close price of our common stock on the date of grant.

The following table summarizes unrestricted stock award activity for the years ended December 31:

	2010	2009	2008
Shares of unrestricted stock issued	5,662	4,284	2,744
Weighted average grant date fair value	\$. 64.35	\$ 59.40	\$ 97.94

Employee Stock Purchase Plan

Under the terms of the ESPP, eligible employees can elect to deduct up to 10% of their regular cash compensation to purchase our common stock at a discounted price. The purchase price of the common stock is 85% of the fair market value of the stock at the end of each fiscal quarter. The sale of the stock occurs at the beginning of the subsequent quarter.

The following table summarizes ESPP activity for the years ended December 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Shares of stock sold to employees ⁽¹⁾	51,210	61,407	33,149
Weighted average fair value per ESPP award ⁽²⁾	\$ 9.27	\$ 8.54	\$ 15.36

⁽¹⁾ Stock sold to employees during each fiscal quarter under the ESPP is associated with the offering period ending on the last day of the previous fiscal quarter.

⁽²⁾ Relating to awards associated with the offering periods during the years ended December 31.

The fair value of ESPP awards is estimated using the Black-Scholes option-pricing model. At December 31, 2010, all compensation cost associated with the ESPP had been recognized. There were approximately 196,000 shares of common stock available for future issuance under the ESPP at December 31, 2010.

Note 10: Defined Contribution, Bonus, and Profit Sharing Plans

Defined Contribution Plans

In the United States, United Kingdom, Brazil, and certain other countries, we make contributions to defined contribution plans. For our U.S. employee savings plan, which represents a majority of our contribution expense, we provide a 50% match on the first 6% of the employee salary deferral, subject to statutory limitations. In 2009, we temporarily suspended the U.S. employee savings plan match from April 1 through December 31. For our international defined contribution plans, we provide various levels of contributions, based on salary, subject to stipulated or statutory limitations. The expense for our defined contribution plans was as follows:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in thousands)		
Defined contribution plans expense	\$ 6,217	\$ 3,380	\$ 5,204

Bonus and Profit Sharing Plans

We have employee bonus and profit sharing plans in which many of our employees participate. These plans provide award amounts for the achievement of annual performance and financial targets. Actual award amounts are determined at the end of the year if the performance and financial targets are met. As the bonuses are being earned during the year, we estimate a compensation accrual each quarter based on the progress towards achieving the goals, the estimated financial forecast for the year, and the probability of achieving results. Bonus and profit sharing plans expense was as follows:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in thousands)		
Bonus and profit sharing plans expense	\$ 46,782	\$ 13,316	\$ 15,201

Note 11: Income Taxes

The following table summarizes the provision (benefit) for U.S. federal, state, and foreign taxes on income from continuing operations:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Current:			
Federal	\$ 10,486	\$ -	\$ -
State and local	765	-	(82)
Foreign	22,715	20,392	42,120
Total current	33,966	20,392	42,038
Deferred:			
Federal	7,216	(39,311)	(8,081)
State and local	3,340	(3,341)	(1,807)
Foreign	(31,743)	(28,118)	(33,429)
Total deferred	(21,187)	(70,770)	(43,317)
Change in valuation allowance	3,195	6,553	50
Total provision (benefit) for income taxes	\$ 15,974	\$ (43,825)	\$ (1,229)

A reconciliation of income taxes at the U.S. federal statutory rate of 35% to the consolidated actual tax rate is as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Income (loss) before income taxes			
Domestic	\$ 173,032	\$ 34,946	\$ 68,968
Foreign	(52,288)	(81,020)	(50,386)
Total income (loss) before income taxes	\$ 120,744	\$ (46,074)	\$ 18,582
Expected federal income tax provision (benefit)	\$ 42,260	\$ (16,126)	\$ 6,504
Tax credits	(9,746)	(23,224)	(4,341)
State income tax provision (benefit), net of federal effect	1,968	(3,193)	(1,391)
Change in valuation allowance	3,195	6,553	50
Uncertain tax positions, including interest and penalties	(10,242)	12,053	5,555
Change in tax rates	(1,428)	482	(1,222)
Stock-based compensation	1,541	1,648	1,212
Foreign earnings	(14,986)	(18,224)	(24,822)
U.S. tax provision on foreign earnings	279	7,932	15,470
U.S. tax provision (benefit) of foreign branch income (loss)	333	(6,262)	-
Other, net	2,800	(5,464)	1,756
Total provision (benefit) for income taxes	\$ 15,974	\$ (43,825)	\$ (1,229)

Our tax provision for 2010 and tax benefits for 2009 and 2008 reflect benefits associated with lower statutory tax rates on foreign earnings as compared with our U.S. federal statutory rate, and the benefit of foreign interest expense deductions. We made an election under Internal Revenue Code Section 338 with respect to the Actaris acquisition, which resulted in a reduced global effective tax rate. During 2009, we recorded deferred tax assets for foreign tax credit carryforwards resulting from the election to claim foreign taxes as a credit instead of a deduction on our 2007 and 2008 U.S. tax returns. Furthermore, during 2010 we de-recognized a reserve for uncertain tax positions due to a change in the method of depreciation for certain foreign subsidiaries.

Deferred tax assets and liabilities consist of the following:

	At December 31,	
	2010	2009
	(in thousands)	
Deferred tax assets		
Loss carryforwards ⁽¹⁾	\$ 53,213	\$ 70,897
Tax credits ⁽²⁾	46,801	51,835
Accrued expenses	30,798	19,346
Equity compensation	11,206	8,979
Depreciation and amortization	10,916	12,638
Warranty reserves	10,332	9,222
Pension plan benefits expense	6,897	6,372
Inventory valuation	5,254	3,714
Derivatives	1,135	12,728
Other deferred tax assets, net	3,027	2,740
Total deferred tax assets	179,579	198,471
Valuation allowance	(24,600)	(22,425)
Total deferred tax assets, net of valuation allowance	154,979	176,046
Deferred tax liabilities		
Depreciation and amortization	(89,166)	(119,246)
Convertible debt	(19,844)	(18,524)
Tax effect of accumulated translation	(2,782)	(1,676)
Other deferred tax liabilities, net	(7,645)	(8,226)
Total deferred tax liabilities	(119,437)	(147,672)
Net deferred tax assets	\$ 35,542	\$ 28,374

(1) For tax return purposes at December 31, 2010, we had U.S. federal loss carryforwards of \$33.8 million that expire during the years 2020 through 2029. The remaining portion of the loss carryforwards are composed primarily of losses in various foreign jurisdictions. The majority of these losses can be carried forward indefinitely. At December 31, 2010, there was a valuation allowance of \$24.6 million primarily associated with foreign loss carryforwards.

(2) For tax return purposes at December 31, 2010, we had: (1) federal research and development tax credits of \$28.0 million, which begin to expire in 2019; (2) alternative minimum tax credits of \$3.6 million that are carried forward indefinitely; and (3) foreign tax credits of \$27.9 million, which begin to expire in 2017; and (4) an investment tax credit of \$5.2 million, which expires in 2019.

We record valuation allowances to reduce deferred tax assets to the extent we believe it is more likely than not that a portion of such assets will not be realized. In making such determinations, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and our ability to carry back losses to prior years. We are required to make assumptions and judgments about potential outcomes that lie outside management's control. Our most sensitive and critical factors are the projection, source, and character of future taxable income. Although realization is not assured, management believes it is more likely than not that deferred tax assets, net of valuation allowance, will be realized. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced or current tax planning strategies are not implemented.

Our deferred tax assets at December 31, 2010 do not include the tax effect on \$55.5 million of excess tax benefits from employee stock plan exercises. Common stock will be increased by \$20.9 million when such excess tax benefits reduce cash taxes payable.

We do not provide U.S. deferred taxes on temporary differences related to our foreign investments that are considered permanent in duration. These temporary differences consist primarily of undistributed foreign earnings of \$21.3 million and

\$53.1 million at December 31, 2010 and 2009, respectively. Foreign taxes have been provided on these undistributed foreign earnings. Determination of the amount of deferred taxes on these temporary differences is not practicable due to foreign tax credits and exclusions.

We are subject to income tax in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve positions and changes to reserves that are considered appropriate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Unrecognized tax benefits at January 1, 2008	\$ 34,779			
Gross increase to positions in prior years	2,037			
Gross decrease to positions in prior years	(798)			
Gross increases to current period tax positions	3,267			
Audit settlements	(391)			
Effect of change in exchange rates	<u>(1,250)</u>			
Unrecognized tax benefits at December 31, 2008	\$ 37,644			
Gross increase to positions in prior years	8,958			
Gross decrease to positions in prior years	(4,360)			
Gross increases to current period tax positions	5,471			
Audit settlements	(2,032)			
Effect of change in exchange rates	<u>525</u>			
Unrecognized tax benefits at December 31, 2009	\$ 46,206			
Gross increase to positions in prior years	2,037			
Gross decrease to positions in prior years	(11,700)			
Gross increases to current period tax positions	13,743			
Audit settlements	(2,049)			
Decrease related to lapsing of statute of limitations	(4,002)			
Effect of change in exchange rates	<u>(2,060)</u>			
Unrecognized tax benefits at December 31, 2010	<u>\$ 42,175</u>			
		<u>At December 31,</u>		
		<u>2010</u>	<u>2009</u>	
			<u>2008</u>	
		(in thousands)		
The amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate	\$ 30,832	\$ 46,206	\$ 37,644	

We classify interest expense and penalties related to unrecognized tax liabilities and interest income on tax overpayments as components of income tax expense. Interest and penalties recognized, and accrued interest and penalties recorded, are as follows:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in thousands)		
Net interest and penalties expense	\$ 498	\$ 1,476	\$ 1,332

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(in thousands)	
Accrued interest	\$ 4,403	\$ 4,134
Accrued penalties	3,233	3,385

At December 31, 2010, we expect to pay \$1.1 million in income taxes, interest, and penalties related to uncertain tax positions over the next twelve months. We are not able to reasonably estimate the timing of future cash flows relating to the remaining balance.

We believe it reasonably possible that our unrecognized tax benefits may decrease by approximately \$20.1 million within the next twelve months due to a change in the method of accounting for uncertain expense accruals, expiration of statute of limitations, and a final ruling related to an audit.

We file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. We are subject to income tax examination by tax authorities in our major tax jurisdictions as follows:

<u>Tax Jurisdiction</u>	<u>Years Subject to Audit</u>
U.S. federal	Subsequent to 1998
France	Subsequent to 2007
Germany	Subsequent to 2004
Spain	Subsequent to 2005
United Kingdom	Subsequent to 2004

Note 12: Commitments and Contingencies

Commitments

Operating lease rental expense for factories, office facilities, and equipment was as follows:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in thousands)		
Rental expense	\$ 15,530	\$ 15,882	\$ 15,646

Future minimum lease payments at December 31, 2010, under noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

	Minimum Payments	
	<i>(in thousands)</i>	
2011	\$	8,617
2012		5,901
2013		3,600
2014		2,214
2015		940
Beyond 2015		1,283
Future minimum lease payments	\$	<u>22,555</u>

Rent expense is recognized straight-line over the lease term, including renewal periods if reasonably assured. We lease most of our sales and administration offices. Our leases typically contain renewal options similar to the original terms with lease payments that increase based on the consumer price index.

Guarantees and Indemnifications

We are often required to obtain standby letters of credit (LOC's) or bonds in support of our obligations for customer contracts. These standby LOC's or bonds typically provide a guarantee to the customer for future performance, which usually covers the installation phase of a contract and may on occasion cover the operations and maintenance phase of outsourcing contracts.

Our available lines of credit, outstanding standby LOC's, and bonds are as follows:

	At December 31,	
	2010	2009
	<i>(in thousands)</i>	
Credit facility ⁽¹⁾		
Multicurrency revolving line of credit	\$ 240,000	\$ 115,000
Standby LOC's issued and outstanding	(43,540)	(39,907)
Net available for additional borrowings and LOC's	<u>\$ 196,460</u>	<u>\$ 75,093</u>
Unsecured multicurrency revolving lines of credit with various financial institutions		
Total lines of credit	\$ 49,122	\$ 38,704
Standby LOC's issued and outstanding	(21,784)	(10,878)
Short-term borrowings ⁽²⁾	(66)	(2,106)
Net available for additional borrowings and LOC's	<u>\$ 27,272</u>	<u>\$ 25,720</u>
Unsecured surety bonds in force	\$ 120,109	\$ 71,362

⁽¹⁾ See Note 6 for details regarding our credit facility, which is secured.

⁽²⁾ Short-term borrowings are included in "other current liabilities" on the Consolidated Balance Sheets.

In the event any such standby LOC or bond is called, we would be obligated to reimburse the issuer of the standby LOC or bond; however, we do not believe that any currently outstanding LOC or bond will be called.

We generally provide an indemnification related to the infringement of any patent, copyright, trademark, or other intellectual property right on software or equipment within our sales contracts, which indemnifies the customer from and pays the resulting costs, damages, and attorney's fees awarded against a customer with respect to such a claim provided that (a) the customer promptly notifies us in writing of the claim and (b) we have the sole control of the defense and all related settlement negotiations. We also provide an indemnification to our customers for third party claims resulting from damages caused by the negligence or willful misconduct of our employees/agents in connection with the performance of certain contracts. The terms of our indemnifications generally do not limit the maximum potential payments. It is not possible to predict the maximum potential amount of future payments under these or similar agreements.

Legal Matters

We are subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. Our policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recorded and charged to operating expense when we determine that a loss is probable and the amount can be reasonably estimated. Additionally, we disclose contingencies for which a material loss is reasonably possible, but not probable. Liabilities recorded for legal contingencies at December 31, 2010 were not material to our financial condition or results of operations.

In April 2010, Acoustic Technologies Incorporated (Acoustic) filed a complaint in the U.S. District Court for the District of Massachusetts against Itron alleging infringement of two patents owned by Acoustic related to the use of concentrator meters to relay information between meters and a collection point. The complaint seeks unspecified damages as well as injunctive relief. Itron has denied all of the allegations. We believe these claims are without merit and we intend to vigorously defend our interests. We do not believe this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which such a loss is recognized.

In October, 2010, Transdata Incorporated (Transdata) filed a complaint in the U.S. District Court for the Eastern District of Texas against CenterPoint Energy, one of our customers, and several other utilities alleging infringement of three patents owned by Transdata related to the use of an antenna in a meter. Pursuant to its contract with CenterPoint, we agreed to indemnify and defend CenterPoint in this lawsuit. The complaint seeks unspecified damages as well as injunctive relief. CenterPoint has denied all of the allegations. We believe these claims are without merit and we intend to vigorously defend our interests. We do not believe this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which such a loss is recognized.

In November, 2010, we received notice from Dialight BLP Limited (Dialight), that it had been awarded a patent by the U.S. Patent and Trademark Office and that a feature contained in one of our products could be infringing upon their patents rights. We are engaged in discussions with Dialight and believe that this issue will be resolved. We do not believe this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which the claim is resolved.

On February 23, 2011, a class action lawsuit was filed in U.S. Federal Court for the Eastern District of Washington alleging a violation of federal securities laws relating to a restatement of our financial results for the quarters ended March 31, June 30, and September 30, 2010. These revisions were made primarily to defer revenue that had been incorrectly recognized on one contract due to a misinterpretation of an extended warranty obligation. The effect was to reduce revenue and earnings in each of the first three quarters of the year. For the first nine months of 2010, total revenue was reduced by \$6.1 million and diluted EPS was reduced by 11 cents. We intend to vigorously defend our interests.

Standard Warranty

A summary of the warranty accrual account activity is as follows:

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Beginning balance, January 1	\$ 33,873	\$ 38,255
New product warranties	12,981	7,437
Other changes/adjustments to warranties	25,598	7,612
Reclassification from other current liabilities	2,878	-
Claims activity	(24,040)	(20,222)
Effect of change in exchange rates	(7)	791
Ending balance, December 31	51,283	33,873
Less: current portion of warranty	24,912	20,941
Long-term warranty	<u>\$ 26,371</u>	<u>\$ 12,932</u>

Total warranty expense, which is classified within cost of revenues and consists of new product warranties issued and other changes and adjustments to warranties, is as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Warranty expense	\$ 38,579	\$ 15,049	\$ 14,150

Warranty expense associated with our segments was as follows:

	Year Ended December 31,		
	2010	2009	2008
Itron North America	46%	81%	91%
Itron International	54%	19%	9%

The increase in Itron International's warranty expense in 2010 was primarily the result of \$14.4 million recorded for arbitration claims in Sweden, which were settled in the third quarter of 2010.

Extended Warranty

A summary of changes to unearned revenue for extended warranty contracts is as follows:

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Beginning balance, January 1	\$ 5,870	\$ 5,986
Unearned revenue for new extended warranties	10,308	1,251
Unearned revenue recognized	(1,541)	(1,367)
Ending balance, December 31	14,637	5,870
Less: current portion of unearned revenue for extended warranty	1,130	1,488
Long-term unearned revenue for extended warranty	\$ 13,507	\$ 4,382

Health Benefits

We are self insured for a substantial portion of the cost of our U.S. employee group health insurance. We purchase insurance from a third party, which provides individual and aggregate stop loss protection for these costs. Each reporting period, we expense the costs of our health insurance plan including paid claims, the change in the estimate of incurred but not reported (IBNR) claims, taxes, and administrative fees (collectively, the plan costs). Plan costs and the IBNR accrual, which is included in wages and benefits payable, are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Plan costs	\$ 20,548	\$ 19,802	\$ 20,001
	At December 31,		
	2010	2009	
	(in thousands)		
IBNR accrual	\$ 2,056	\$ 3,343	

Our IBNR accrual and expenses may fluctuate due to the number of plan participants, claims activity, and deductible limits. Due to a change in our medical plan administrator, we have reduced our claims processing time. Therefore, the IBNR accrual is lower at December 31, 2010 compared with December 31, 2009. For our employees located outside of the United States,









Less paper, but more information.



In an effort to be more environmentally conscious, we print fewer copies of a condensed version of the annual report and provide enhanced information and statistics in the annual review on our website.

🖱️ Look for this icon in this report as an indicator that additional information is available online. Please visit us at www.itron.com/2010annualreview.



The savings below are achieved when postconsumer recycled fiber is used in place of virgin fiber. This annual report uses 3,754 lbs. of paper. Of this paper, 1,854 lbs. has a postconsumer recycled percentage of 100%; 1,900 lbs. has a postconsumer recycled percentage of 10%.

-  20 trees preserved for the future
-  56 lbs. waterborne waste not created
-  8,336 gallons wastewater flow saved
-  923 lbs. solid waste not generated
-  1,816 lbs. net greenhouse gases prevented
-  13,899,200 BTUs energy not consumed

Savings derived from choosing a paper created with emission-free, wind-generated electricity:

-  1,593 lbs. air emissions not generated
-  14,095 cubic feet natural gas unused

This amount of wind-generated electricity is equivalent to:

-  not driving 1,676 miles OR
-  planting 115 trees



SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of period	Other adjustments	Additions charged to costs and expenses	Balance at end of period Noncurrent
	(in thousands)			
<i>Year ended December 31, 2010:</i>				
Deferred tax assets valuation allowance	\$ 22,425	\$ (1,020)	\$ 3,195	\$ 24,600
<i>Year ended December 31, 2009:</i>				
Deferred tax assets valuation allowance	\$ 16,219	\$ (347)	\$ 6,553	\$ 22,425

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Liberty Lake, State of Washington, on the 24th day of February, 2011.

ITRON, INC.

By: /s/ STEVEN M. HELMBRECHT
Steven M. Helmbrecht
Sr. Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 24th day of February, 2011.

<u>Signature</u>	<u>Title</u>
<u> /s/ MALCOLM UNSWORTH </u> Malcolm Unsworth	President and Chief Executive Officer (Principal Executive Officer), Director
<u> /s/ STEVEN M. HELMBRECHT </u> Steven M. Helmbrecht	Sr. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
<u> /s/ MICHAEL B. BRACY </u> Michael B. Bracy	Director
<u> /s/ KIRBY A. DYESS </u> Kirby A. Dyess	Director
<u> /s/ JON E. ELIASSEN </u> Jon E. Eliassen	Chairman of the Board
<u> /s/ CHARLES H. GAYLORD, JR. </u> Charles H. Gaylord, Jr.	Director
<u> /s/ THOMAS S. GLANVILLE </u> Thomas S. Glanville	Director
<u> /s/ SHARON L. NELSON </u> Sharon L. Nelson	Director
<u> /s/ GARY E. PRUITT </u> Gary E. Pruitt	Director
<u> /s/ GRAHAM M. WILSON </u> Graham M. Wilson	Director

Exhibit Number	Description of Exhibits
10.20	Form of Long Term Performance RSU Award Notice and Agreement for Participants in France for use in connection with the Company's 2010 Stock Incentive Plan.* (attached hereto)
10.21	Form of RSU Award Notice and Agreement for all Participants (excluding France) for use in connection with the Company's 2010 Stock Incentive Plan.* (attached hereto)
10.22	Form of RSU Award Notice and Agreement for Participants in France for use in connection with the Company's 2010 Stock Incentive Plan.* (attached hereto)
10.23	Form of Stock Option Grant Notice and Agreement for use in connection with both incentive and non-qualified stock options granted under the Company's 2010 Stock Incentive Plan.* (Filed as Exhibit 10.6 to Itron, Inc.'s Quarterly Report on Form 10-Q, filed on May 5, 2010 - File No. 0-22418)
10.24	Executive Deferred Compensation Plan.* (Filed as Exhibit 10.19 to Itron, Inc.'s Annual Report on form 10-K. Filed on February 26, 2009 - File No. 0-22418)
10.25	Amended and Restated 2002 Employee Stock Purchase Plan. (Filed as Exhibit 10.20 to Itron's Annual Report on Form 10-K, filed on February 26, 2009 - File No. 0-22418)
10.26	Stock Option Plan for Nonemployee Directors. (Filed as Exhibit 10.11 to Itron, Inc.'s Registration Statement on Form S-1 dated July 22, 1992)
12.1	Statement re Computation of Ratios. (attached hereto)
21.1	Subsidiaries of Itron, Inc. (attached hereto)
23.1	Consent of Ernst & Young LLP Independent Registered Public Accounting Firm. (attached hereto)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (attached hereto)
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (attached hereto)
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (attached hereto)
101.INS**	XBRL Instance Document. (attached hereto)
101.SCH**	XBRL Taxonomy Extension Schema. (attached hereto)
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase. (attached hereto)
101.LAB**	XBRL Taxonomy Extension Label Linkbase. (attached hereto)
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase. (attached hereto)

* Management contract or compensatory plan or arrangement.

** Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

Exhibit
Number

Description of Exhibits

- 10.3 First Amendment to Change in Control Agreement between Itron, Inc. and Marcel Regnier.* (Filed as Exhibit 10.2 to Itron, Inc.'s Current Report on Form 8-K, filed on December 17, 2008 - File No. 0-22418)
- 10.4 Employee Agreement between Actaris Management Services S.A. and Marcel Regnier.* (Filed as Exhibit 10.1 to Itron, Inc.'s Current Report on Form 8-K, filed on December 17, 2008 - File No. 0-22418)
- 10.5 Form of Indemnification Agreements between Itron, Inc. and certain directors and officers.* (Filed as Exhibit 10.9 to Itron, Inc.'s Annual Report on Form 10-K, filed on March 30, 2009 - File No. 0-22418)
- 10.6 Schedule of directors and executive officers who are parties to Indemnification Agreements with Itron, Inc. * (attached hereto)
- 10.7 Amended and Restated 2000 Stock Incentive Plan. (Filed as Appendix A to Itron, Inc.'s Proxy Statement for the 2007 Annual Meeting of Shareholders, filed on March 26, 2007 - File No. 0-22418)
- 10.8 2010 Stock Incentive Plan. (Filed as Appendix A to Itron, Inc.'s Proxy Statement for the 2010 Annual Meeting of Shareholders, filed on March 17, 2010 - File No. 0-22418)
- 10.9 Executive Management Incentive Plan.* (Filed as Appendix B to Itron, Inc.'s Proxy Statement for the 2010 Annual Meeting of Shareholders, filed on March 17, 2010 - File No. 0-22418)
- 10.10 Terms of the Amended and Restated Equity Grant Program for Nonemployee Directors under the Itron, Inc. Amended and Restated 2000 Stock Incentive Plan. (Filed as Exhibit 10.4 to Itron, Inc.'s Annual Report on Form 10-K, filed on February 26, 2008 - File No. 0-22418)
- 10.11 Form of Non-Qualified Stock Option Grant Notice and Agreement for Nonemployee Directors under the Itron, Inc. Amended and Restated 2000 Stock Incentive Plan. (Filed as Exhibit 10.9 to Itron, Inc.'s Annual Report on Form 10-K, filed on February 26, 2009 - File No. 0-22418)
- 10.12 Form of Stock Option Grant Notice and Agreement for use in connection with both incentive and non-qualified stock options granted under the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.6 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.13 Form of Restricted Stock Unit Award Notice and Agreement for U.S. Participants for use in connection with the Company's Long-Term Performance Plan (LTPP) and issued under the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.1 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.14 Form of Restricted Stock Unit Award Notice and Agreement for International Participants (excluding France) for use in connection with the Company's LTPP and issued under the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.2 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.15 Form of Restricted Stock Unit Award Notice and Agreement for Participants in France for use in connection with the Company's LTPP and issued under the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.3 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.16 Form of Restricted Stock Unit Award Notice and Agreement for all Participants (excluding France) for use in connection with the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.4 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.17 Form of Restricted Stock Unit Award Notice and Agreement for Participants in France for use in connection with the Company's Amended and Restated 2000 Stock Incentive Plan.* (Filed as Exhibit 10.5 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
- 10.18 Form of Long Term Performance Restricted Stock Unit (RSU) Award Notice and Agreement for U.S. Participants for use in connection with the Company's 2010 Stock Incentive Plan.* (attached hereto)
- 10.19 Form of Long Term Performance RSU Award Notice and Agreement for International Participants (excluding France) for use in connection with the Company's 2010 Stock Incentive Plan.* (attached hereto)

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULE

(a) (1) Financial Statement:

The financial statements required by this item are submitted in Item 8 of this Annual Report on Form 10-K.

(a) (2) Financial Statement Schedule:

Schedule II: Valuation and Qualifying Accounts

(a) (3) Exhibits:

Exhibit Number	Description of Exhibits
2.1	Stock purchase agreement between the stockholders of Actaris Metering Systems SA, LBO France Gestion SAS and Itron, Inc. (Filed as Exhibit 2.1 to Itron, Inc.'s Current Report on Form 8-K, filed on April 24, 2007 - File No. 0-22418)
2.2	Amendment No. 1 to Stock Purchase Agreement between the stockholders of Actaris Metering Systems SA, LBO France Gestion SAS and Itron, Inc. (Filed as Exhibit 2.2 to Itron, Inc.'s Current Report on Form 8-K, filed on April 24, 2007 - File No. 0-22418)
3.1	Amended and Restated Articles of Incorporation of Itron, Inc. (Filed as Exhibit 3.1 to Itron, Inc.'s Annual Report on Form 10-K, filed on March 27, 2003 - File No. 0-22418)
3.2	Amended and Restated Bylaws of Itron, Inc. (Filed as Exhibit 3.2 to Itron, Inc.'s Annual Report on Form 10-K, filed on February 26, 2008 - File No. 0-22418)
4.1	Rights Agreement between Itron, Inc. and Mellon Investor Services LLC, as Rights Agent, dated December 11, 2002. (Filed as Exhibit 4.1 to Itron, Inc.'s Registration of Securities on Form 8-A, filed on December 16, 2002 - File No. 0-22418)
4.2	Amendment To Rights Agreement (originally dated December 11, 2002) between Itron, Inc. and Mellon Investor Services LLC, as Rights Agent, dated September 22, 2010 (Filed as Exhibit 4.1 to Itron, Inc.'s Current Report on Form 8-K, filed on September 22, 2010 - File No. 0-22418)
4.3	Indenture relating to Itron, Inc.'s 2.50% convertible senior subordinated notes due 2026, dated August 4, 2006. (Filed as Exhibit 4.16 to Itron, Inc.'s Quarterly Report on Form 10-Q, filed on November 6, 2006 - File No. 0-22418)
4.4	Credit Agreement dated April 18, 2007, among Itron, Inc. and the subsidiary guarantors and UBS Securities LLC, Wells Fargo Bank, National Association and Mizuho Corporate Bank, Ltd. (Filed as Exhibit 4.1 to Itron, Inc.'s Current Report on Form 8-K, filed on April 24, 2007 - File No. 0-22418)
4.5	Security Agreement dated April 18, 2007, among Itron, Inc. and the subsidiary guarantors and Wells Fargo Bank, National Association as Collateral Agent. (Filed as Exhibit 4.2 to Itron, Inc.'s Current Report on Form 8-K, filed on April 24, 2007 - File No. 0-22418)
4.6	Amendment No. 1 dated April 24, 2009 to the Credit Agreement dated April 18, 2007 among Itron, Inc. and the subsidiary guarantors, the lenders, and issuing banks, and Wells Fargo Bank, National Association (Filed as Exhibit 4.1 to Itron, Inc.'s Current Report on Form 8-K, filed on April 27, 2009 - File No. 0-22418)
4.7	Amendment No. 2 dated February 12, 2010 to the Credit Agreement dated April 18, 2007 among Itron, Inc. and the subsidiary guarantors, and the lenders. (Filed as Exhibit 4.6 to Itron, Inc.'s Annual Report on Form 10-K, filed on February 25, 2010 - File No. 0-22418)
10.1	Form of Change in Control Severance Agreement for Executive Officers. * (Filed as Exhibit 10.7 to Itron, Inc.'s Current Report on Form 8-K, filed on February 18, 2010 - File No. 0-22418)
10.2	Schedule of certain executive officers who are parties to Change in Control Severance Agreements with Itron, Inc. * (attached hereto)

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The section entitled "Proposal 1 – Election of Directors" appearing in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2011 (the 2011 Proxy Statement) sets forth certain information with regard to our directors as required by Item 401 of Regulation S-K and is incorporated herein by reference.

Certain information with respect to persons who are or may be deemed to be executive officers of Itron, Inc. as required by Item 401 of Regulation S-K is set forth under the caption "Management" in Part I of this Annual Report on Form 10-K.

The section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in the 2011 Proxy Statement sets forth certain information as required by Item 405 of Regulation S-K and is incorporated herein by reference.

The section entitled "Corporate Governance" appearing in the 2011 Proxy Statement sets forth certain information with respect to the Registrant's code of conduct and ethics as required by Item 406 of Regulation S-K and is incorporate herein by reference. Our code of ethics can be accessed on our website, at www.itron.com under the investor relations section.

There were no material changes to the procedures by which security holders may recommend nominees to the registrant's board of directors during 2011, as set forth by Item 407(c)(3) of Regulation S-K.

The section entitled "Corporate Governance" appearing in the 2011 Proxy Statement sets forth certain information regarding the Audit/Finance Committee, including the members of the Committee and the Audit/Finance Committee financial experts, as set forth by Item 407(d)(4) and (d)(5) of Regulation S-K and is incorporate herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

The sections entitled "Compensation of Directors" and "Executive Compensation" appearing in the 2011 Proxy Statement set forth certain information with respect to the compensation of directors and management of Itron as required by Item 402 of Regulation S-K and are incorporated herein by reference.

The section entitled "Corporate Governance" appearing in the 2011 Proxy Statement sets forth certain information regarding members of the Compensation Committee required by Item 407(e)(4) of Regulation S-K and is incorporated herein by reference.

The section entitled "Compensation Committee Report" appearing in the 2011 Proxy Statement sets forth certain information required by Item 407(e)(5) of Regulation S-K and is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The section entitled "Equity Compensation Plan Information" appearing in the 2011 Proxy Statement sets forth certain information required by Item 201(d) of Regulation S-K and is incorporated herein by reference.

The section entitled "Security Ownership of Certain Beneficial Owners and Management" appearing in the 2011 Proxy Statement sets forth certain information with respect to the ownership of our common stock as required by Item 403 of Regulation S-K and is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The section entitled "Corporate Governance" appearing in the 2011 Proxy Statement sets forth certain information required by Item 404 of Regulation S-K and is incorporate herein by reference.

The section entitled "Corporate Governance" appearing in the 2011 Proxy Statement sets forth certain information with respect to director independence as required by Item 407(a) of Regulation S-K and is incorporated herein by reference.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

The section entitled "Independent Registered Public Accounting Firm's Audit Fees and Services" appearing in the 2011 Proxy Statement sets forth certain information with respect to the principal accounting fees and services and the Audit/Finance Committee's policy on pre-approval of audit and permissible non-audit services performed by our independent auditors as required by Item 9(e) of Schedule 14A and is incorporated herein by reference.

(c) *Report of Independent Registered Public Accounting Firm.*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Itron, Inc.

We have audited Itron, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Itron, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Itron, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Itron, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Seattle, Washington
February 24, 2011

ITEM 9B: OTHER INFORMATION

No information was required to be disclosed in a report on Form 8-K during the fourth quarter of 2010 that was not reported.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with our independent accountants on accounting and financial disclosure matters within the three year period ended December 31, 2010, or in any period subsequent to such date, through the date of this report.

ITEM 9A: CONTROLS AND PROCEDURES

(i) Evaluation of disclosure controls and procedures.

An evaluation was performed under the supervision and with the participation of our Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934 as amended. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that as of December 31, 2010, the Company's disclosure controls and procedures were effective to ensure the information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

(ii) Internal Control Over Financial Reporting.

(a) *Management's Annual Report on Internal Control Over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that is included in this Annual Report on Form 10-K.

(b) *Changes in internal control over financial reporting.* The Company's disclosure controls, including the Company's internal controls, are designed to provide a reasonable level of assurance that the stated objectives are met. We concluded, as stated in (a) above, that the Company's internal control over financial reporting was effective in providing this reasonable level of assurance as of December 31, 2010. The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls or internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the fact that judgments in decision-making can be faulty. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be prevented or detected.

There have been no changes in internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Consolidated balance sheets restatement

	<u>March 31, 2010</u>	<u>June 30, 2010</u> (in thousands)	<u>September 30, 2010</u>
Accounts receivable, net			
As previously reported	\$ 333,141	\$ 366,476	\$ 383,814
As restated	333,030	366,240	383,431
Restatement effect	<u>\$ (111)</u>	<u>\$ (236)</u>	<u>\$ (383)</u>
Deferred tax assets noncurrent, net			
As previously reported	\$ 86,728	\$ 67,684	\$ 49,612
As restated	87,022	68,657	51,560
Restatement effect	<u>\$ 294</u>	<u>\$ 973</u>	<u>\$ 1,948</u>
Long-term warranty			
As previously reported	\$ 12,389	\$ 22,953	\$ 24,993
As restated	12,563	23,274	25,441
Restatement effect	<u>\$ 174</u>	<u>\$ 321</u>	<u>\$ 448</u>
Other long-term obligations			
As previously reported	\$ 71,904	\$ 67,908	\$ 68,417
As restated	73,462	71,478	74,167
Restatement effect	<u>\$ 1,558</u>	<u>\$ 3,570</u>	<u>\$ 5,750</u>
Accumulated other comprehensive loss, net			
As previously reported	\$ (15,283)	\$ (116,019)	\$ (1,688)
As restated	(15,295)	(116,047)	(1,726)
Restatement effect	<u>\$ (12)</u>	<u>\$ (28)</u>	<u>\$ (38)</u>
Retained earnings			
As previously reported	\$ 57,037	\$ 83,937	\$ 113,045
As restated	55,500	80,811	108,450
Restatement effect	<u>\$ (1,537)</u>	<u>\$ (3,126)</u>	<u>\$ (4,595)</u>

Note 18: Subsequent Events

On January 20, 2011, we increased our \$240 million multicurrency revolving line of credit to \$315 million as approved by the participating lenders, the issuing agents, the swingline lender, and the administrative agent and as permitted by section 2.19 of Amendment No. 1 of our Credit Facility dated April 24, 2009. There were no other changes to the credit facility. The expanded multicurrency revolving line of credit will provide us with increased flexibility and liquidity for general corporate purposes.

On February 23, 2011, a class action lawsuit was filed in U.S. Federal Court for the Eastern District of Washington alleging a violation of federal securities laws relating to a restatement of our financial results for the quarters ended March 31, June 30, and September 30, 2010. These revisions were made primarily to defer revenue that had been incorrectly recognized on one contract due to a misinterpretation of an extended warranty obligation. The effect was to reduce revenue and earnings in each of the first three quarters of the year. For the first nine months of 2010, total revenue was reduced by \$6.1 million and diluted EPS was reduced by 11 cents. We intend to vigorously defend our interests.

Accordingly, the restatement impacted the consolidated financial statements in the previously filed Quarterly Reports on Form 10-Q for each of the first three quarters of 2010. While certain captions within *cash provided by operating activities* in the consolidated statements of cash flows were impacted by the correction, *total cash provided by operating activities* did not change from amounts previously reported. The consolidated statements of operations and consolidated balance sheets have been restated, as follows:

Consolidated statements of operations restatement

	Three Months Ended March 31, 2010	Three Months Ended June 30, 2010	Six Months Ended	Three Months Ended September 30, 2010	Nine Months Ended
	(in thousands, except per common share data)				
Revenues					
As previously reported	\$ 499,280	\$ 569,460	\$ 1,068,740	\$ 575,968	\$ 1,644,708
As restated	497,623	567,339	1,064,962	573,651	1,638,613
Restatement effect	<u>\$ (1,657)</u>	<u>\$ (2,121)</u>	<u>\$ (3,778)</u>	<u>\$ (2,317)</u>	<u>\$ (6,095)</u>
Cost of revenue					
As previously reported	\$ 340,385	\$ 393,136	\$ 733,521	\$ 391,761	\$ 1,125,282
As restated	340,559	393,283	733,842	391,888	1,125,730
Restatement effect	<u>\$ 174</u>	<u>\$ 147</u>	<u>\$ 321</u>	<u>\$ 127</u>	<u>\$ 448</u>
Gross Profit					
As previously reported	\$ 158,895	\$ 176,324	\$ 335,219	\$ 184,207	\$ 519,426
As restated	157,064	174,056	331,120	181,763	512,883
Restatement effect	<u>\$ (1,831)</u>	<u>\$ (2,268)</u>	<u>\$ (4,099)</u>	<u>\$ (2,444)</u>	<u>\$ (6,543)</u>
Operating income					
As previously reported	\$ 33,450	\$ 52,277	\$ 85,727	\$ 61,380	\$ 147,107
As restated	31,619	50,009	81,628	58,936	140,564
Restatement effect	<u>\$ (1,831)</u>	<u>\$ (2,268)</u>	<u>\$ (4,099)</u>	<u>\$ (2,444)</u>	<u>\$ (6,543)</u>
Income before income taxes					
As previously reported	\$ 18,102	\$ 37,998	\$ 56,100	\$ 43,795	\$ 99,895
As restated	16,271	35,730	52,001	41,351	93,352
Restatement effect	<u>\$ (1,831)</u>	<u>\$ (2,268)</u>	<u>\$ (4,099)</u>	<u>\$ (2,444)</u>	<u>\$ (6,543)</u>
Income tax benefit (provision)					
As previously reported	\$ 8,685	\$ (11,098)	\$ (2,413)	\$ (14,687)	\$ (17,100)
As restated	8,979	(10,419)	(1,440)	(13,712)	(15,152)
Restatement effect	<u>\$ 294</u>	<u>\$ 679</u>	<u>\$ 973</u>	<u>\$ 975</u>	<u>\$ 1,948</u>
Net income					
As previously reported	\$ 26,787	\$ 26,900	\$ 53,687	\$ 29,108	\$ 82,795
As restated	25,250	25,311	50,561	27,639	78,200
Restatement effect	<u>\$ (1,537)</u>	<u>\$ (1,589)</u>	<u>\$ (3,126)</u>	<u>\$ (1,469)</u>	<u>\$ (4,595)</u>
Earnings per common share-Basic					
As previously reported	\$ 0.67	\$ 0.67	\$ 1.33	\$ 0.72	\$ 2.05
As restated	0.63	0.63	1.26	0.68	1.94
Restatement effect	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.04)</u>	<u>\$ (0.11)</u>
Earnings per common share-Diluted					
As previously reported	\$ 0.66	\$ 0.65	\$ 1.31	\$ 0.71	\$ 2.02
As restated	0.62	0.61	1.23	0.68	1.91
Restatement effect	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>

Note 17: Quarterly Results (Unaudited)

	First Quarter ⁽¹⁾	Second Quarter ⁽¹⁾	Third Quarter ⁽¹⁾	Fourth Quarter	Total Year
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(in thousands, except per common share and stock price data)

2010

Statement of operations data:

Revenues	\$ 497,623	\$ 567,339	\$ 573,651	\$ 620,658	\$ 2,259,271
Gross profit	157,064	174,056	181,763	185,356	698,239
Net income	25,250	25,311	27,639	26,570	104,770
Basic earnings per common share	\$ 0.63	\$ 0.63	\$ 0.68	\$ 0.66	\$ 2.60
Diluted earnings per common share	\$ 0.62	\$ 0.61	\$ 0.68	\$ 0.65	\$ 2.56

Stock Price:

High	\$ 75.96	\$ 81.95	\$ 66.87	\$ 67.58	\$ 81.95
Low	\$ 59.12	\$ 61.60	\$ 52.05	\$ 52.03	\$ 52.03

2009

Statement of operations data:

Revenues	\$ 388,518	\$ 413,748	\$ 408,358	\$ 476,823	\$ 1,687,447
Gross profit	129,584	133,109	129,479	145,284	537,456
Net income (loss)	(19,729)	15,289	(2,962)	5,153	(2,249)
Basic earnings per common share	\$ (0.55)	\$ 0.40	\$ (0.07)	\$ 0.13	\$ (0.06)
Diluted earnings per common share	\$ (0.55)	\$ 0.40	\$ (0.07)	\$ 0.13	\$ (0.06)

Stock Price:

High	\$ 66.66	\$ 62.19	\$ 67.89	\$ 69.49	\$ 69.49
Low	\$ 40.10	\$ 42.77	\$ 50.15	\$ 54.92	\$ 40.10

(1) The financial information for the first three quarters of 2010 have been restated from that previously reported on our Quarterly Reports on Form 10-Q. See below for restatement and correction information.

Restatement and correction

The unaudited quarterly financial information for the first three quarters of 2010 has been restated. The restatement was made primarily to defer revenue previously recognized on one contract due to a misinterpretation of an extended warranty provision. While the restatement was not deemed material to the first three quarters of 2010, we concluded that the aggregate correction of such amounts would be material to the fourth quarter of 2010.

Consolidating Statement of Cash Flows
Year Ended December 31, 2008

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
			<i>(in thousands)</i>		
Operating activities					
Net income (loss)	\$ 19,811	\$ (543)	\$ (56,751)	\$ 57,294	\$ 19,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	41,276	2,181	130,216	-	173,673
Stock-based compensation	16,582	-	-	-	16,582
Amortization of prepaid debt fees	8,917	-	-	-	8,917
Amortization of convertible debt discount	13,442	-	-	-	13,442
Deferred income taxes, net	(140)	7,949	(51,126)	-	(43,317)
Equity in losses of guarantor and non-guarantor subsidiaries, net	56,418	876	-	(57,294)	-
Other adjustments, net	(131)	113	(2,159)	-	(2,177)
<i>Changes in operating assets and liabilities, net of acquisitions:</i>					
Accounts receivable	6,450	(717)	14,131	-	19,864
Inventories	(2,804)	(692)	8,410	-	4,914
Accounts payables, other current liabilities, and taxes payable	7,407	3,810	(17,766)	-	(6,549)
Wages and benefits payable	7,852	222	(366)	-	7,708
Unearned revenue	2,723	2	1,211	-	3,936
Warranty	1,194	330	(3,766)	-	(2,242)
Intercompany transactions, net	(225)	2,645	(2,420)	-	-
Other operating, net	(6,220)	(44,659)	29,463	-	(21,416)
Net cash provided by (used in) operating activities	<u>172,552</u>	<u>(28,483)</u>	<u>49,077</u>	<u>-</u>	<u>193,146</u>
Investing activities					
Acquisitions of property, plant, and equipment	(31,625)	(5,763)	(26,042)	-	(63,430)
Business acquisitions & contingent consideration, net of cash equivalents acquired	(6,897)	-	-	-	(6,897)
Cash transferred to parent	-	7,806	-	(7,806)	-
Cash transferred to guarantor subsidiaries	1,938	-	7,806	(9,744)	-
Cash transferred to non-guarantor subsidiaries	908	-	-	(908)	-
Current intercompany notes, net	(5,352)	3,282	6,302	(4,232)	-
Other investing, net	(21,159)	36,936	(12,525)	-	3,252
Net cash provided by (used in) investing activities	<u>(62,187)</u>	<u>42,261</u>	<u>(24,459)</u>	<u>(22,690)</u>	<u>(67,075)</u>
Financing activities					
Payments on debt	(388,371)	-	-	-	(388,371)
Issuance of common stock	324,494	-	-	-	324,494
Prepaid debt fees	(214)	-	-	-	(214)
Cash received from parent	-	(1,938)	(908)	2,846	-
Cash received from guarantor subsidiaries	(7,806)	-	-	7,806	-
Cash received from non-guarantor subsidiaries	-	(7,806)	-	7,806	-
Intercompany notes payable	284	(2,518)	(1,998)	4,232	-
Other financing, net	715	-	-	-	715
Net cash used in financing activities	<u>(70,898)</u>	<u>(12,262)</u>	<u>(2,906)</u>	<u>22,690</u>	<u>(63,376)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	-	-	(10,293)	-	(10,293)
Increase in cash and cash equivalents	39,467	1,516	11,419	-	52,402
Cash and cash equivalents at beginning of period	27,937	1,664	62,387	-	91,988
Cash and cash equivalents at end of period	<u>\$ 67,404</u>	<u>\$ 3,180</u>	<u>\$ 73,806</u>	<u>\$ -</u>	<u>\$ 144,390</u>
Non-cash transactions:					
Property, plant, and equipment purchased but not yet paid, net	\$ 19	\$ -	\$ 2,777	\$ -	\$ 2,796
Exchange of debt for common stock	29	-	-	-	29
Contingent consideration payable for previous acquisitions	1,295	-	-	-	1,295
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Income taxes	\$ 77	\$ -	\$ 26,300	\$ -	\$ 26,377
Interest, net of amounts capitalized	71,842	3	459	-	72,304

Consolidating Statement of Cash Flows
Year Ended December 31, 2009

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
Operating activities					
Net loss	\$ (2,249)	\$ (15,665)	\$ (80,075)	\$ 95,740	\$ (2,249)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	48,089	-	107,648	-	155,737
Stock-based compensation	16,982	-	-	-	16,982
Amortization of prepaid debt fees	8,258	-	-	-	8,258
Amortization of convertible debt discount	9,673	-	-	-	9,673
Loss on extinguishment of debt, net	9,960	-	-	-	9,960
Deferred income taxes, net	(48,503)	32	(15,745)	-	(64,216)
Equity in losses of guarantor and non-guarantor subsidiaries, net	76,377	19,363	-	(95,740)	-
Other adjustments, net	(1,424)	-	4,526	-	3,102
Changes in operating assets and liabilities, net of acquisitions:					
Accounts receivable	(21,190)	(904)	19,132	-	(2,962)
Inventories	(12,273)	-	15,808	-	3,535
Accounts payables, other current liabilities, and taxes payable	18,904	(299)	(8,732)	-	9,873
Wages and benefits payable	(6,449)	(71)	(1,741)	-	(8,261)
Unearned revenue	18,704	-	(3,868)	-	14,836
Warranty	(1,953)	-	(3,320)	-	(5,273)
Intercompany transactions, net	(2,081)	1,227	854	-	-
Other operating, net	(7,370)	115	(953)	-	(8,208)
Net cash provided by operating activities	<u>103,455</u>	<u>3,798</u>	<u>33,534</u>	<u>-</u>	<u>140,787</u>
Investing activities					
Acquisitions of property, plant, and equipment	(21,679)	-	(31,227)	-	(52,906)
Business acquisitions & contingent consideration, net of cash equivalents acquired	(4,317)	-	-	-	(4,317)
Current intercompany notes, net	(19,837)	(3,658)	1,217	22,278	-
Long-term intercompany notes receivable, net	4,765	(975)	1,135	(4,925)	-
Other investing, net	(792)	974	3,047	-	3,229
Net cash used in investing activities	<u>(41,860)</u>	<u>(3,659)</u>	<u>(25,828)</u>	<u>17,353</u>	<u>(53,994)</u>
Financing activities					
Payments on debt	(275,796)	-	-	-	(275,796)
Issuance of common stock	166,372	-	-	-	166,372
Prepaid debt fees	(3,936)	-	-	-	(3,936)
Current intercompany notes, net	2,441	-	19,837	(22,278)	-
Long-term intercompany notes payable, net	(4,635)	-	(290)	4,925	-
Other financing, net	-	-	(761)	-	(761)
Net cash provided by (used in) financing activities	<u>(115,554)</u>	<u>-</u>	<u>18,786</u>	<u>(17,353)</u>	<u>(114,121)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	-	-	4,831	-	4,831
Increase (decrease) in cash and cash equivalents	(53,959)	139	31,323	-	(22,497)
Cash and cash equivalents at beginning of period	67,404	3,180	73,806	-	144,390
Cash transferred from guarantor to parent	2,940	(2,940)	-	-	-
Cash and cash equivalents at end of period	<u>\$ 16,385</u>	<u>\$ 379</u>	<u>\$ 105,129</u>	<u>\$ -</u>	<u>\$ 121,893</u>
Non-cash transactions:					
Property, plant, and equipment purchased but not yet paid, net	\$ 4,287	\$ -	\$ (568)	\$ -	\$ 3,719
Exchange of debt for common stock	120,984	-	-	-	120,984
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Income taxes	\$ 559	\$ -	\$ 31,161	\$ -	\$ 31,720
Interest, net of amounts capitalized	54,157	115	231	-	54,503

Consolidating Statement of Cash Flows
Year Ended December 31, 2010

	Parent	Guarantor Subsidiary	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
Operating activities					
Net income (loss)	\$ 104,770	\$ 3,248	\$ (43,966)	\$ 40,718	\$ 104,770
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	45,775	-	85,430	-	131,205
Stock-based compensation	19,107	-	-	-	19,107
Excess tax benefits from stock-based compensation	(1,232)	-	-	-	(1,232)
Amortization of prepaid debt fees	5,492	-	-	-	5,492
Amortization of convertible debt discount	10,099	-	-	-	10,099
Deferred taxes, net	11,162	-	(29,154)	-	(17,992)
Equity in losses of guarantor and non-guarantor subsidiaries, net	40,718	-	-	(40,718)	-
Other adjustments, net	1,841	-	4,956	-	6,797
Changes in operating assets and liabilities, net of acquisitions:					
Accounts receivable	(46,654)	-	1,042	-	(45,612)
Inventories	(27,746)	-	(13,671)	-	(41,417)
Accounts payables, other current liabilities, and taxes payable	19,347	-	21,537	-	40,884
Wages and benefits payable	34,183	-	8,062	-	42,245
Unearned revenue	(5,250)	-	2,894	-	(2,356)
Warranty	4,197	-	10,459	-	14,656
Intercompany transactions, net	1,419	-	(1,419)	-	-
Other operating, net	5,621	(1)	(17,675)	-	(12,055)
Net cash provided by operating activities	222,849	3,247	28,495	-	254,591
Investing activities					
Acquisitions of property, plant, and equipment	(33,139)	-	(29,683)	-	(62,822)
Current intercompany notes, net	28,541	(3,247)	4,999	(30,293)	-
Other investing, net	(67,236)	-	73,784	-	6,548
Net cash provided by (used in) investing activities	(71,834)	(3,247)	49,100	(30,293)	(56,274)
Financing activities					
Payments on debt	(155,163)	-	-	-	(155,163)
Issuance of common stock	8,776	-	-	-	8,776
Prepaid debt fees	(1,347)	-	-	-	(1,347)
Excess tax benefits from stock-based compensation	1,232	-	-	-	1,232
Current intercompany notes, net	(1,752)	-	(28,541)	30,293	-
Other financing, net	-	-	(2,135)	-	(2,135)
Net cash used in financing activities	(148,254)	-	(30,676)	30,293	(148,637)
Effect of foreign exchange rate changes on cash and cash equivalents	-	-	(2,096)	-	(2,096)
Increase in cash and cash equivalents	2,761	-	44,823	-	47,584
Cash and cash equivalents at beginning of period	16,385	-	105,508	-	121,893
Cash and cash equivalents at end of period	\$ 19,146	\$ -	\$ 150,331	\$ -	\$ 169,477
Non-cash transactions:					
Property, plant, and equipment purchased but not yet paid, net	\$ (3,184)	\$ -	\$ (2,737)	\$ -	\$ (5,921)
Supplemental disclosure of cash flow information:					
Cash paid during the period for:					
Income taxes	\$ 4,565	\$ -	\$ 25,577	\$ -	\$ 30,142
Interest, net of amounts capitalized	39,225	-	90	-	39,315

Consolidating Balance Sheet
December 31, 2009

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 16,385	\$ 379	\$ 105,129	\$ -	\$ 121,893
Accounts receivable, net	117,104	2,316	218,528	-	337,948
Intercompany accounts receivable	9,524	52	1,572	(11,148)	-
Inventories	71,581	-	98,881	(378)	170,084
Deferred tax assets current, net	13,085	(44)	7,721	-	20,762
Other current assets	32,349	108	42,772	-	75,229
Intercompany other	32,456	3,658	4,999	(41,113)	-
Total current assets	<u>292,484</u>	<u>6,469</u>	<u>479,602</u>	<u>(52,639)</u>	<u>725,916</u>
Property, plant, and equipment, net	116,081	-	202,136	-	318,217
Prepaid debt fees	8,628	-	-	-	8,628
Deferred tax assets noncurrent, net	67,195	-	22,737	-	89,932
Other noncurrent assets	5,625	-	12,492	-	18,117
Intangible assets, net	58,168	-	330,044	-	388,212
Goodwill	174,781	-	1,130,818	-	1,305,599
Investment in subsidiaries	(9,081)	(12,444)	-	21,525	-
Intercompany notes receivable	1,723,587	94,511	-	(1,818,098)	-
Total assets	<u>\$ 2,437,468</u>	<u>\$ 88,536</u>	<u>\$ 2,177,829</u>	<u>\$ (1,849,212)</u>	<u>\$ 2,854,621</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$ 67,480	\$ 66	\$ 151,709	\$ -	\$ 219,255
Other current liabilities	21,147	-	43,436	-	64,583
Intercompany accounts payable	1,674	184	9,290	(11,148)	-
Wages and benefits payable	20,621	102	50,869	-	71,592
Taxes payable	1,776	(43)	12,644	-	14,377
Current portion of debt	10,871	-	-	-	10,871
Current portion of warranty	8,418	-	12,523	-	20,941
Unearned revenue	36,421	-	3,719	-	40,140
Deferred tax liabilities current, net	(1,550)	-	3,175	-	1,625
Short-term intercompany advances	8,661	2,450	30,002	(41,113)	-
Total current liabilities	<u>175,519</u>	<u>2,759</u>	<u>317,367</u>	<u>(52,261)</u>	<u>443,384</u>
Long-term debt	770,893	-	-	-	770,893
Long-term warranty	9,919	-	3,013	-	12,932
Pension plan benefit liability	-	-	63,040	-	63,040
Intercompany notes payable	94,512	-	1,723,586	(1,818,098)	-
Deferred tax liabilities noncurrent, net	(37,176)	-	117,871	-	80,695
Other long-term obligations	23,287	-	59,876	-	83,163
Total liabilities	<u>1,036,954</u>	<u>2,759</u>	<u>2,284,753</u>	<u>(1,870,359)</u>	<u>1,454,107</u>
Shareholders' equity					
Preferred stock	-	-	-	-	-
Common stock	1,299,134	107,165	80,723	(187,888)	1,299,134
Accumulated other comprehensive income (loss), net	71,130	(9,200)	19,689	(10,489)	71,130
Retained earnings (accumulated deficit)	30,250	(12,188)	(207,336)	219,524	30,250
Total shareholders' equity	<u>1,400,514</u>	<u>85,777</u>	<u>(106,924)</u>	<u>21,147</u>	<u>1,400,514</u>
Total liabilities and shareholders' equity	<u>\$ 2,437,468</u>	<u>\$ 88,536</u>	<u>\$ 2,177,829</u>	<u>\$ (1,849,212)</u>	<u>\$ 2,854,621</u>

Consolidating Balance Sheet
December 31, 2010

	Parent	Guarantor Subsidiary	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 19,146	\$ -	\$ 150,331	\$ -	\$ 169,477
Accounts receivable, net	163,758	-	207,904	-	371,662
Intercompany accounts receivable	10,106	-	3,675	(13,781)	-
Inventories	99,846	-	109,208	(897)	208,157
Deferred tax assets current, net	40,344	-	15,007	-	55,351
Other current assets	23,962	-	53,608	-	77,570
Intercompany other	1,997	-	-	(1,997)	-
Total current assets	<u>359,159</u>	<u>-</u>	<u>539,733</u>	<u>(16,675)</u>	<u>882,217</u>
Property, plant, and equipment, net	115,499	-	183,743	-	299,242
Prepaid debt fees	4,483	-	-	-	4,483
Deferred tax assets noncurrent, net	7,684	-	27,366	-	35,050
Other noncurrent assets	9,651	-	14,108	-	23,759
Intangible assets, net	41,828	-	249,842	-	291,670
Goodwill	184,750	-	1,024,626	-	1,209,376
Investment in subsidiaries	324,104	-	-	(324,104)	-
Intercompany notes receivable	1,283,139	101,418	-	(1,384,557)	-
Total assets	<u>\$ 2,330,297</u>	<u>\$ 101,418</u>	<u>\$ 2,039,418</u>	<u>\$ (1,725,336)</u>	<u>\$ 2,745,797</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$ 75,027	\$ -	\$ 166,922	\$ -	\$ 241,949
Other current liabilities	12,644	-	36,599	-	49,243
Intercompany accounts payable	3,675	-	10,106	(13,781)	-
Wages and benefits payable	54,804	-	55,675	-	110,479
Taxes payable	3,368	-	16,357	-	19,725
Current portion of debt	228,721	-	-	-	228,721
Current portion of warranty	8,813	-	16,099	-	24,912
Unearned revenue	21,926	-	6,332	-	28,258
Deferred tax liabilities current, net	(421)	-	868	-	447
Short-term intercompany advances	-	-	1,997	(1,997)	-
Total current liabilities	<u>408,557</u>	<u>-</u>	<u>310,955</u>	<u>(15,778)</u>	<u>703,734</u>
Long-term debt	382,220	-	-	-	382,220
Long-term warranty	13,721	-	12,650	-	26,371
Pension plan benefit liability	-	-	61,450	-	61,450
Intercompany notes payable	101,418	-	1,283,139	(1,384,557)	-
Deferred tax liabilities noncurrent, net	(38,400)	-	92,812	-	54,412
Other long-term obligations	34,486	-	54,829	-	89,315
Total liabilities	<u>902,002</u>	<u>-</u>	<u>1,815,835</u>	<u>(1,400,335)</u>	<u>1,317,502</u>
Shareholders' equity					
Preferred stock	-	-	-	-	-
Common stock	1,328,249	97,377	136,441	(233,818)	1,328,249
Accumulated other comprehensive income (loss), net	(34,974)	(7,786)	41,778	(33,992)	(34,974)
Retained earnings	135,020	11,827	45,364	(57,191)	135,020
Total shareholders' equity	<u>1,428,295</u>	<u>101,418</u>	<u>223,583</u>	<u>(325,001)</u>	<u>1,428,295</u>
Total liabilities and shareholders' equity	<u>\$ 2,330,297</u>	<u>\$ 101,418</u>	<u>\$ 2,039,418</u>	<u>\$ (1,725,336)</u>	<u>\$ 2,745,797</u>

Consolidating Statement of Operations
Year Ended December 31, 2009

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
Revenues	\$ 603,426	\$ 4,095	\$ 1,124,562	\$ (44,636)	\$ 1,687,447
Cost of revenues	399,179	3,994	791,454	(44,636)	1,149,991
Gross profit	<u>204,247</u>	<u>101</u>	<u>333,108</u>	<u>-</u>	<u>537,456</u>
Operating expenses					
Sales and marketing	55,552	-	96,853	-	152,405
Product development	76,957	-	45,357	-	122,314
General and administrative	41,821	-	77,316	-	119,137
Amortization of intangible assets	23,506	-	75,067	-	98,573
Total operating expenses	<u>197,836</u>	<u>-</u>	<u>294,593</u>	<u>-</u>	<u>492,429</u>
Operating income	6,411	101	38,515	-	45,027
Other income (expense)					
Interest income	113,850	3,659	725	(117,048)	1,186
Interest expense	(73,441)	-	(114,137)	117,267	(70,311)
Loss on extinguishment of debt, net	(12,800)	-	-	-	(12,800)
Other income (expense), net	(2,799)	(30)	(6,128)	(219)	(9,176)
Total other income (expense)	<u>24,810</u>	<u>3,629</u>	<u>(119,540)</u>	<u>-</u>	<u>(91,101)</u>
Income (loss) before income taxes	31,221	3,730	(81,025)	-	(46,074)
Income tax benefit (provision)	42,907	(32)	950	-	43,825
Equity in losses of guarantor and non-guarantor subsidiaries, net	(76,377)	(19,363)	-	95,740	-
Net loss	<u>\$ (2,249)</u>	<u>\$ (15,665)</u>	<u>\$ (80,075)</u>	<u>\$ 95,740</u>	<u>\$ (2,249)</u>

Consolidating Statement of Operations
Year Ended December 31, 2008

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
Revenues	\$ 606,741	\$ 77,828	\$ 1,264,845	\$ (39,801)	\$ 1,909,613
Cost of revenues	368,275	61,170	873,052	(39,741)	1,262,756
Gross profit	<u>238,466</u>	<u>16,658</u>	<u>391,793</u>	<u>(60)</u>	<u>646,857</u>
Operating expenses					
Sales and marketing	54,180	8,853	104,424	-	167,457
Product development	73,572	3,513	43,674	(60)	120,699
General and administrative	49,797	2,826	75,892	-	128,515
Amortization of intangible assets	22,648	-	97,716	-	120,364
Total operating expenses	<u>200,197</u>	<u>15,192</u>	<u>321,706</u>	<u>(60)</u>	<u>537,035</u>
Operating income	38,269	1,466	70,087	-	109,822
Other income (expense)					
Interest income	121,864	(11)	4,766	(120,649)	5,970
Interest expense	(93,706)	(183)	(120,937)	120,649	(94,177)
Other income (expense), net	2,023	(808)	(4,248)	-	(3,033)
Total other income (expense)	<u>30,181</u>	<u>(1,002)</u>	<u>(120,419)</u>	<u>-</u>	<u>(91,240)</u>
Income (loss) before income taxes	68,450	464	(50,332)	-	18,582
Income tax benefit (provision)	7,779	(131)	(6,419)	-	1,229
Equity in losses of guarantor and non-guarantor subsidiaries, net	(56,418)	(876)	-	57,294	-
Net income (loss)	<u>\$ 19,811</u>	<u>\$ (543)</u>	<u>\$ (56,751)</u>	<u>\$ 57,294</u>	<u>\$ 19,811</u>

Note 16: Consolidating Financial Information

Our convertible notes, issued by Itron, Inc., are guaranteed by one U.S. subsidiary, which is 100% owned. Our senior subordinated notes issued in May 2004, which were redeemed in 2009, were guaranteed by multiple U.S. operating subsidiaries. We have not restated the comparative prior period results to reflect the change in certain U.S. subsidiaries from guarantors to non-guarantors as they are not material.

The guaranty by our U.S. subsidiary is joint and several, full, complete, and unconditional. There are currently no restrictions on the ability of the subsidiary guarantor to transfer funds to the parent company.

Consolidating Statement of Operations
Year Ended December 31, 2010

	Parent	Guarantor Subsidiary	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Revenues	\$ 1,170,615	\$ -	\$ 1,141,789	\$ (53,133)	\$ 2,259,271
Cost of revenues	786,330	-	827,835	(53,133)	1,561,032
Gross profit	384,285	-	313,954	-	698,239
Operating expenses					
Sales and marketing	65,044	-	106,632	-	171,676
Product development	90,209	-	50,020	-	140,229
General and administrative	54,685	-	78,401	-	133,086
Amortization of intangible assets	16,341	-	52,710	-	69,051
Total operating expenses	226,279	-	287,763	-	514,042
Operating income	158,006	-	26,191	-	184,197
Other income (expense)					
Interest income	70,351	3,248	482	(73,489)	592
Interest expense	(58,063)	-	(70,330)	73,489	(54,904)
Other income (expense), net	(585)	-	(8,556)	-	(9,141)
Total other income (expense)	11,703	3,248	(78,404)	-	(63,453)
Income (loss) before income taxes	169,709	3,248	(52,213)	-	120,744
Income tax (provision) benefit	(24,221)	-	8,247	-	(15,974)
Equity in earnings (losses) of guarantor and non-guarantor subsidiaries, net	(40,718)	-	-	40,718	-
Net income (loss)	\$ 104,770	\$ 3,248	\$ (43,966)	\$ 40,718	\$ 104,770

Revenues by region were as follows:

	Year Ended December 31,		
	2010	2009	2008
		(in thousands)	
United States and Canada	\$ 1,168,523	\$ 606,472	\$ 647,966
Europe	756,013	806,540	916,288
Other	334,735	274,435	345,359
Total revenues	<u>\$ 2,259,271</u>	<u>\$ 1,687,447</u>	<u>\$ 1,909,613</u>

Property, plant, and equipment, net, by geographic area were as follows:

	At December 31,		
	2010	2009	2008
		(in thousands)	
United States	\$ 115,499	\$ 116,081	\$ 96,952
Outside United States	183,743	202,136	210,765
Total property, plant, and equipment, net	<u>\$ 299,242</u>	<u>\$ 318,217</u>	<u>\$ 307,717</u>

Depreciation and amortization expense associated with our segments was as follows:

	Year ended December 31,		
	2010	2009	2008
		(in thousands)	
Itron North America	\$ 45,960	\$ 48,215	\$ 43,552
Itron International	85,243	107,513	130,105
Corporate Unallocated	2	9	16
Total Company	<u>\$ 131,205</u>	<u>\$ 155,737</u>	<u>\$ 173,673</u>

Itron International Standard electricity (electromechanical and electronic), gas, and water meters; advanced electricity, gas, and water meters; advanced water communication modules; smart electricity meters and communication modules; prepayment systems, including smart key, keypad, and smart card communication technologies; advanced systems including handheld, mobile, and fixed network collection technologies; smart network technologies; meter data management software; knowledge application solutions; professional services including implementation, installation and system management.

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Revenues			
Itron North America	\$ 1,177,391	\$ 615,731	\$ 696,688
Itron International	1,081,880	1,071,716	1,212,925
Total Company	<u>\$ 2,259,271</u>	<u>\$ 1,687,447</u>	<u>\$ 1,909,613</u>
Gross profit			
Itron North America	\$ 394,247	\$ 211,682	\$ 263,645
Itron International	303,992	325,774	383,212
Total Company	<u>\$ 698,239</u>	<u>\$ 537,456</u>	<u>\$ 646,857</u>
Operating income (loss)			
Itron North America	\$ 201,410	\$ 36,931	\$ 78,046
Itron International	26,363	37,614	69,458
Corporate unallocated	(43,576)	(29,518)	(37,682)
Total Company	184,197	45,027	109,822
Total other income (expense)	(63,453)	(91,101)	(91,240)
Income (loss) before income taxes	<u>\$ 120,744</u>	<u>\$ (46,074)</u>	<u>\$ 18,582</u>

For the year ended December 31, 2010, one Itron North America customer represented 11% of total Company revenues. Three customers each accounted for more than 10% of Itron North America revenues during 2010. No single customer represented more than 10% of Itron International revenues in 2010.

No single customer represented more than 10% of total Company or operating segment revenues for the years ended December 31, 2009, and 2008.

Total assets by operating segment were as follows:

	At December 31,		
	2010	2009	2008
	(in thousands)		
Itron North America/Corporate ⁽¹⁾	\$ 754,974	\$ 752,008	\$ 843,260
Itron International	2,002,944	2,139,137	2,027,094
Eliminations	(12,121)	(36,524)	(14,006)
Total assets	<u>\$ 2,745,797</u>	<u>\$ 2,854,621</u>	<u>\$ 2,856,348</u>

⁽¹⁾ We do not allocate assets between the Itron North America operating segment and Corporate.

Note 14: Fair Values of Financial Instruments

The fair values at December 31, 2010 and 2009 do not reflect subsequent changes in the economy, interest rates, tax rates, and other variables that may affect the determination of fair value.

	At December 31, 2010		At December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Assets				
Cash and cash equivalents	\$ 169,477	\$ 169,477	\$ 121,893	\$ 121,893
Foreign exchange forwards	63	63	3,986	3,986
Liabilities				
Term loans				
USD denominated term loan	\$ 218,642	\$ 219,462	\$ 284,693	\$ 284,693
EUR denominated term loan	174,031	174,684	288,902	288,902
Convertible senior subordinated notes	218,268	236,461	208,169	282,859
Interest rate swaps	6,820	6,820	15,154	15,154
Foreign exchange forwards	457	457	2,442	2,442

The following methods and assumptions were used in estimating fair values:

Cash and cash equivalents: Due to the liquid nature of these instruments, the carrying value approximates fair value.

Term loans: The term loans are not registered with the SEC but are generally transferable through banks that hold the debt and make a market. The fair value is based on quoted prices from recent trades of the term loans.

Convertible senior subordinated notes: The convertible notes are registered with the SEC and are generally transferable. The fair value is based on quoted prices from recent broker trades of the convertible notes. The carrying value is lower than the face value of the convertible notes as a result of separating the liability and equity components. The face value of the convertible notes was \$223.6 million at December 31, 2010 and 2009. See Note 6 for further discussion.

Derivatives: See Note 7 for a description of our methods and assumptions in determining the fair value of our derivatives, which were determined using fair value measurements of significant other observable inputs (Level 2).

Note 15: Segment Information

We have two operating segments: Itron North America and Itron International. Itron North America generates the majority of its revenues in the United States and Canada, while Itron International generates the majority of its revenues in Europe, and the balance primarily in Africa, South America, and Asia/Pacific. Due to the continued refinement of our management and geographic reporting structures, as of January 1, 2010, Itron International includes our Taiwan operations, which were previously part of Itron North America. Historical segment information has been revised to conform to our current segment reporting structure.

We have three measures of segment performance: revenue, gross profit (margin), and operating income (margin). Intersegment revenues were minimal. Corporate operating expenses, interest income, interest expense, gain (loss) on extinguishment of debt, other income (expense), and income tax provision (benefit) are not allocated to the segments, nor included in the measure of segment profit or loss.

Segment Products

Itron North America Standard electricity (electronic), gas, and water meters; advanced and smart electricity and water meters and communication modules; advanced and smart gas communication modules; advanced systems including handheld, mobile, and fixed network collection technologies; smart network technologies; meter data management software; knowledge application solutions; professional services including implementation, installation, consulting, and analysis.

health benefits are provided primarily through governmental social plans, which are funded through employee and employer tax withholdings.

Note 13: Shareholders' Equity

Shareholder Rights Plan

On November 4, 2002, the Board of Directors authorized the implementation of a Shareholder Rights Plan and declared a dividend of one preferred share purchase right (Right) for each outstanding share of common stock, without par value. The Rights will separate from the common stock and become exercisable following the earlier of (i) the close of business on the tenth business day after a public announcement that a person or group (including any affiliate or associate of such person or group) has acquired beneficial ownership of 15% or more of the outstanding common shares and (ii) the close of business on such date, if any, as may be designated by the Board of Directors following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for outstanding common shares, which could result in the offeror becoming the beneficial owner of 15% or more of the outstanding common shares (the earlier of such dates being the distribution date). After the distribution date, each Right will entitle the holder to purchase, for \$160, one one-hundredth (1/100) of a share of Series R Cumulative Participating Preferred Stock of the Company (a Preferred Share) with economic terms similar to that of one common share.

In the event a person or group becomes an acquiring person, the Rights will entitle each holder of a Right to purchase, for the purchase price, that number of common shares equivalent to the number of common shares, which at the time of the transaction would have a market value of twice the purchase price. Any Rights that are at any time beneficially owned by an acquiring person will be null and void and nontransferable and any holder of any such Right will be unable to exercise or transfer any such Right. If, at any time after any person or group becomes an acquiring person, we are acquired in a merger or other business combination with another entity, or if 50% or more of its assets or assets accounting for 50% or more of its net income or revenues are transferred, each Right will entitle its holder to purchase, for the purchase price, that number of shares of common stock of the person or group engaging in the transaction having a then current market value of twice the purchase price. At any time after any person or group becomes an acquiring person, but before a person or group becomes the beneficial owner of more than 50% of the common shares, the Board of Directors may elect to exchange each Right for consideration per Right consisting of one-half of the number of common shares that would be issuable at such time on the exercise of one Right and without payment of the purchase price. At any time prior to any person or group becoming an acquiring person, the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$0.01 per Right, subject to adjustment as provided in the Rights Agreement. The Rights are not exercisable until the distribution date and will expire on December 11, 2012, unless earlier redeemed or exchanged by us.

The terms of the Rights and the Rights Agreement may be amended without the approval of any holder of the Rights, at any time prior to the distribution date. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the Company, including, without limitation, the right to vote or receive dividends. In order to preserve the actual or potential economic value of the Rights, the number of Preferred Shares or other securities issuable upon exercise of the Right, the purchase price, the redemption price, and the number of Rights associated with each outstanding common share are all subject to adjustment by the Board of Directors pursuant to certain customary antidilution provisions. The Rights distribution should not be taxable for federal income tax purposes. Following an event that renders the Rights exercisable or upon redemption of the Rights, shareholders may recognize taxable income.

Other Comprehensive Income

Other comprehensive income is reflected as a net increase to shareholders' equity and is not reflected in our results of operations. Accumulated balances within other comprehensive income, net of tax, were as follows:

	At December 31,	
	2010	2009
	(in thousands)	
Foreign currency translation adjustment	\$ (26,026)	\$ 98,165
Net unrealized gain (loss) on derivative instruments	(20,007)	(17,077)
Net unrealized gain (loss) on nonderivative hedging instrument	(5,514)	(21,339)
Net hedging (gains) losses reclassified into net income (loss)	15,487	8,116
Pension plan benefits liability adjustment	1,086	3,265
Total accumulated other comprehensive income (loss)	<u>\$ (34,974)</u>	<u>\$ 71,130</u>



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/20/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Marsh USA, Inc. 1301 5th Avenue, Suite 1900 Seattle, WA 98101 Attn: Seattle.CertRequest@marsh.com / FAX 212-948-4226 429106-GAWX-Cas-10-12	CONTACT NAME: PHONE (A/C, No, Ext): E-MAIL: ADDRESS:		FAX (A/C, No):
	INSURER(S) AFFORDING COVERAGE		
INSURED Ittron, Inc. 2111 N. Moller Road Liberty Lake, WA 99019-9469	INSURER A: National Union Fire Ins Co Pittsburgh PA		NAIC # 19445100
	INSURER B: Travelers Property Casualty Co. Of America		25674
	INSURER C: Phoenix Insurance Company		25623
	INSURER D:		
	INSURER E:		
	INSURER F:		

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NOV 15 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

COVERAGES **CERTIFICATE NUMBER:** SEA-002262389-01 **REVISION NUMBER:** 2

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC			GL 348 19 89	08/31/2011	08/31/2012	EACH OCCURRENCE	\$ 2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 1,000,000
							MED EXP (Any one person)	\$ 10,000
							PERSONAL & ADV INJURY	\$ 2,000,000
							GENERAL AGGREGATE	\$ 4,000,000
							PRODUCTS - COMP/OP AGG	\$ 4,000,000
								\$
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS			HJ-CAP-158D4460-TIL-11	08/31/2011	08/31/2012	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE	\$
							AGGREGATE	\$
								\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N	HC2NUB-7119C73-7-11 (AOS)	10/01/2011	10/01/2012	<input checked="" type="checkbox"/> WC STATUTORY LIMITS	OTHER
B			N/A	HRJUB-117D252-1-11 (AZ,MA,OR,WI)	10/01/2011	10/01/2012	E.L. EACH ACCIDENT	\$ 1,000,000
				'SIR \$250,000'			E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
A	ERRORS AND OMISSIONS			04-970-31-87	08/31/2011	08/31/2012		1,000,000
							SIR	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER PENNSYLVANIA PUBLIC UTILITY COMMISSION COMMONWEALTH KEYSTONE BUILDING 400 NORTH ST. HARRISBURG, PA 17120	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE of Marsh USA Inc. Michelle D. LaRocca
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Your immediate attention to these materials is greatly appreciated.

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

March 15, 2011

Dear Shareholder:

On behalf of the Board of Directors, I invite you to attend the Itron, Inc. 2011 Annual Meeting of Shareholders. We hope you can join us. The annual meeting will be held:

At: Principal Executive Offices of the Company
Itron, Inc. — in the Atrium
2111 N. Molter Road
Liberty Lake, Washington 99019

On: Tuesday, May 3, 2011

Time: 8:00 a.m., local time

For our shareholders' convenience, we will provide a continental breakfast beginning at 7:30 a.m. At that time, shareholders will also have an opportunity to meet personally with our directors and officers to discuss any questions they may have. The annual meeting will begin promptly at 8:00 a.m.

This year we are delivering our proxy materials to all of our shareholders over the Internet to conserve natural resources and lower printing and delivery costs. On or about March 22, 2011, we will mail to you a Notice of Internet Availability of Proxy Materials (Notice) that provides instructions on how to access via the Internet, our Notice of Annual Meeting of Shareholders, the proxy statement, and our Annual Report to Shareholders. On the date of mailing, we will make these materials accessible on the Internet according to the instructions in the Notice. The Notice also contains instructions on how to vote via the Internet or by telephone, and includes instructions on how to receive a printed copy of the proxy materials by mail, if desired, including a paper proxy for voting purposes. You may revoke your proxy at any time before it is voted at the meeting.

Whether or not you plan to attend the annual meeting, please take the time now to read the proxy statement and vote by telephone or the Internet (or by mail if you request printed materials) so that you are assured of an opportunity to participate in the overall governance of our Company by voting on the matters scheduled to come before the meeting. Regardless of the number of Itron shares you own, your presence in person or by proxy is important for quorum purposes and your vote is important for proper corporate action.

Thank you for your continuing interest in Itron. We look forward to seeing you at our annual meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Malcolm Unsworth". The signature is fluid and cursive, written over a white background.

Malcolm Unsworth
President and Chief Executive Officer

ITRON, INC.
2111 N. Molter Road
Liberty Lake, Washington 99019

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 3, 2011**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Itron, Inc. will be held at the principal executive offices of Itron, Inc., in the Atrium, at 2111 N. Molter Road, Liberty Lake, Washington, at 8:00 a.m., local time, on Tuesday, May 3, 2011, for the following purposes:

- (1) to elect three directors to the Itron, Inc. Board of Directors;
- (2) to hold an advisory vote (non-binding) on the compensation we pay our named executive officers, as disclosed in these materials;
- (3) to hold an advisory vote (non-binding) on whether an advisory vote on the compensation we pay our named executive officers should be held every one, two or three years;
- (4) to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2011 fiscal year; and
- (5) to transact any other business that may properly come before the annual meeting.

The Board of Directors has established the close of business on February 25, 2011 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting.

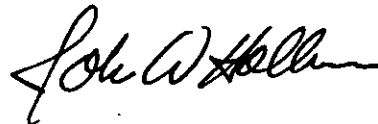
All shareholders are cordially invited to attend the annual meeting in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER ANNUAL MEETING TO BE HELD ON MAY 3, 2011:

Our proxy statement and our Annual Report to Shareholders are available for all shareholders at <http://bnymellon.mobular.net/bnymellon/itri>.

Your vote is very important. To ensure representation at the annual meeting, shareholders are urged to vote as promptly as possible. To vote your shares, please refer to the voting instruction form on the website noted above, or review the section titled "Voting" beginning on page one of the accompanying proxy statement. Any shareholder attending the annual meeting may vote in person even if that shareholder has returned a proxy.

By order of the Board of Directors,



John W. Holleran
Corporate Secretary

Liberty Lake, Washington
March 15, 2011

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PROXY STATEMENT

This proxy statement is being furnished to shareholders of Itron, Inc. in connection with the solicitation by our Board of Directors of proxies for use at the 2011 Annual Meeting of Shareholders. The meeting will be held at the principal executive offices of Itron, Inc. (Itron, or the Company), in the Atrium, at 2111 N. Molter Road, Liberty Lake, Washington, at 8:00 a.m., local time, on Tuesday, May 3, 2011, for the purposes listed in the accompanying Notice of Annual Meeting of Shareholders. We expect to mail to all of our shareholders a Notice of Internet Availability of Proxy Materials, as described below, on or about March 22, 2011.

Internet Availability of Annual Meeting Materials

Our proxy materials will be available over the Internet in lieu of mailing paper copies to our shareholders. On or about March 22, 2011, we will mail to our shareholders a Notice of Internet Availability of Proxy Materials (Notice) directing shareholders to the web site noted below where they can access our proxy materials and view instructions on how to vote via the Internet or by phone. The Notice will also provide instructions for obtaining paper copies of the proxy materials and a proxy card, if requested by a shareholder.

The following proxy materials are available for you to review online at <http://bnymellon.mobular.net/bnymellon/itri>:

- The Company's Notice of Annual Meeting of Shareholders;
- The Company's 2011 Proxy Statement;
- The Company's Annual Report to Shareholders for the year ended December 31, 2010 (which is not deemed to be part of the official proxy soliciting materials); and
- Any amendments to the foregoing materials that may be required to be furnished to the shareholders by the SEC.

Proposals to Be Voted On at the Annual Meeting

At the annual meeting, we will consider and vote on the following proposals:

- (1) to elect three directors to the Itron, Inc. Board of Directors for terms of three years (until our 2014 annual meeting of shareholders);
- (2) to hold an advisory vote (non-binding) on the compensation we pay to our named executive officers (the "Say-on-Pay" vote);
- (3) to hold an advisory vote (non-binding) to determine shareholder preferences on whether future Say-on-Pay votes on the compensation we pay to our named executive officers should occur every one, two or three years (the "Say-When-on-Pay" vote);
- (4) to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2011 fiscal year; and
- (5) to transact any other business that may properly come before the annual meeting.

Record Date and Outstanding Shares

Holders of record of our common stock at the close of business on February 25, 2011, are entitled to notice of, and to vote at, the annual meeting. On the record date, there were 40,596,407 shares of our common stock

outstanding. Each outstanding share of our common stock will entitle its holder to one vote on each of the three directors to be elected and one vote on each other matter to be voted on at the annual meeting. Each of our directors and executive officers intends to vote or direct the vote of all shares of common stock over which he or she has voting control in favor of (a) the election of the nominees for director, (b) the advisory approval of the compensation we pay our named executive officers, (c) the advisory approval of holding an advisory shareholder vote on an annual basis on the compensation we pay our named executive officers, and (d) the ratification of Ernst & Young LLP as our independent registered public accounting firm.

Quorum and Voting

Each shareholder is entitled to one vote per share of common stock held on each matter to be voted on. The presence at the annual meeting, in person or by proxy, of holders of a majority of the outstanding shares of common stock on the record date will constitute a quorum. Abstentions and "broker non-votes" (shares held by a broker or nominee who does not have the authority, express or discretionary, to vote on a particular matter) on any of the proposals to be voted on will be counted only for purposes of determining the presence of a quorum.

You may vote your shares in one of several ways, depending on how you own your shares.

Registered Shareholders

If your shares are held in your name, you may vote by Internet (by going to <http://www.proxyvoting.com/itri> and following the voting instructions) or by toll-free telephone (by calling 1-866-540-5760 and following the voting instructions). You may also vote by mail *but only if* you request paper copies of the proxy materials pursuant to the instructions in the Notice, and you mark, sign, date, and mail the proxy card enclosed with the printed material in the postage-paid envelope provided. You may also vote by attending the annual meeting.

Beneficial Shareholders

If your shares are held in the name of a broker, bank, or other nominee, follow the voting instructions on the voting instruction form provided by the holder of record, to vote your shares.

Proposal One – Election of Directors: Each nominee for director is elected by the vote of the majority of the votes cast with respect to that director's election. Holders of common stock are not entitled to cumulative votes in the election of directors. Abstentions from voting on this matter will not be counted. Brokers and other holders of record do not have discretionary voting authority to vote your shares in the election of directors, absent voting instructions from you. Therefore, if you do not provide voting instructions on proposal number one to the holder of record for your shares, they will *not* be voted in the election of directors.

Proposal Two – Say-on-Pay Vote (non-binding): The affirmative vote of the majority of our shares represented at the meeting, either in person or by proxy, is required for advisory (non-binding) approval of this proposal. Brokers and other holders of record do not have discretionary voting authority to vote your shares for this proposal, absent voting instructions from you. Therefore, if you do not provide voting instructions on proposal number two to the holder of record for your shares, they will *not* be voted on this proposal.

Proposal Three – Say-When-On-Pay Vote (non-binding): This proposal asks shareholders to choose one of four options to indicate their preference on the frequency of future Say-on-Pay votes (every one, two, or three years, or you may abstain from voting). Brokers and other holders of record do not have discretionary voting authority to vote your shares for this proposal, absent voting instructions from you. Therefore, if you do not provide voting instructions on proposal number three to the holder of record for your shares, they will *not* be voted on this proposal.

Proposal Four – Ratification of Appointment of Independent Auditor: The appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011 will be ratified if the majority of the votes

cast, either in person or by proxy, are in favor of the proposal. Abstentions from voting will not be counted. There will be no broker non-votes on the ratification of the Company's independent registered public accounting firm because brokers who hold shares for the accounts of their clients have discretionary authority to vote such shares in this matter.

Unless contrary instructions are specified, if the proxy is completed and submitted (and not revoked) prior to the annual meeting, the shares represented by the proxy will be voted as follows: (i) FOR proposals one, two and four; (ii) FOR an annual vote on future Say-on-Pay votes; and (iii) in accordance with the best judgment of the named proxies on any other matters properly brought before the annual meeting.

Revocability of Proxies

Shares represented at the annual meeting by properly signed proxies will be voted at the annual meeting in accordance with the instructions given in the proxy. A shareholder may revoke a proxy at any time before the vote. Mere attendance at the annual meeting will not revoke a proxy. A proxy may be revoked only by:

- submitting a later-dated proxy for the same shares at any time before the proxy is voted;
- delivering written notice of revocation to the Corporate Secretary of Itron at any time before the vote;
or
- attending the annual meeting *and* voting in person.

If you voted by telephone or the Internet and wish to change your vote, you may call the toll-free number or go to the Internet site, whichever is applicable to your earlier vote, and follow the directions for changing your vote. If the annual meeting is postponed or adjourned for any reason, at any subsequent reconvening of the annual meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the annual meeting (except for any proxies that have at that time effectively been revoked or withdrawn).

Proxy Solicitation Costs

We have retained Laurel Hill Advisory Group, LLC, 100 Wall Street, 22nd Floor, New York, NY 10005, to aid in the solicitation of proxies. We will bear the cost of such solicitation of proxies, which we estimate will be approximately \$6,500 plus expenses. Proxies may be solicited by personal contact, mail, email, telephone, or facsimile. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of our common stock for their reasonable expenses in forwarding solicitation materials to the beneficial owners. Our directors, officers, and employees may also solicit proxies personally or by telephone, without additional compensation.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Board of Directors (Board) is divided into three classes, with each director holding office for a three-year term or until his or her successor has been elected and qualified. At the annual meeting, three directors are to be elected for a term of three years or until his or her successor is duly elected and qualified. Unless authority is withheld, the persons named as proxies in the proxy card will vote for the election of the nominees listed below. If any of the nominees become unavailable to serve, the persons named as proxies will have discretionary authority to vote for a substitute nominee.

Our Board has nominated each of the following persons for election as a director to serve until our 2014 annual meeting of shareholders. Each nominee is currently a director and has indicated that he is willing and able to continue to serve as a director. In addition, Mr. Eliassen is currently serving a three-year term as our Chairman of the Board.

Jon E. Eliassen
Charles H. Gaylord, Jr.
Gary E. Pruitt

We have concluded that each of the nominees for re-election, as well as the other directors who will continue in office, have the skills, experience, knowledge, and personal attributes that are necessary to effectively serve on our Board. As described below in their biographies and the section “*Director and Director Nominee Qualifications*” that follows, the qualifications of our directors and director nominees support our conclusion that each of the individuals should serve as a director in light of our current business operations and structure.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE THREE NOMINEES FOR DIRECTOR.

Nominees to Serve until 2014 (Class 1)

Jon E. Eliassen (age 64) has been a director since 1987, and has served as our Chairman of the Board since January 1, 2010. He also currently serves as the president and chief executive officer of Red Lion Hotels Corporation, a NYSE traded company headquartered in Spokane, Washington, a position he has held since January 2010. Mr. Eliassen is managing director of Terrapin Capital Group, LLC, a privately-held business consulting and private equity firm. From 2003 until 2007, he was president and chief executive officer of the Spokane Area Economic Development Council, and from 1970 until 2003, he held numerous positions within Avista Corporation, a company involved in the production, transmission, and distribution of electricity and natural gas, before retiring in 2003 as senior vice president and chief financial officer, a position he had held since 1986. In addition, Mr. Eliassen is a member of the board of directors of IT Lifeline, a privately held technology company, Red Lion Hotels Corporation, and the Washington Technology Center, a state science and technology agency that facilitates and funds industry-university research collaborations.

Mr. Eliassen has an extensive background with public utilities and the utility industry in general. He contributes to our Board the knowledge gained from his association with a public utility that includes extensive financial experience with accounting, audit, strategic planning, business development, and financing strategy, as well as merger and acquisition involvement that has included due diligence processes, company and business valuation techniques, and financial analyses. In addition, Mr. Eliassen has been a principal or general partner in venture capital firms with expertise in evaluating businesses, and has several years’ experience as an expert witness before utility regulatory commissions in matters relating to financial strategy and policy, credit ratings, cost of capital, and capital structure.

Charles H. Gaylord, Jr. (age 65) has been a director since 2006. Mr. Gaylord has been a private technology investor focusing on software and communications since 1994. Until his retirement in 1994, Mr. Gaylord was executive vice president for Intuit Inc., a leading developer of personal and small business finance software

programs such as "Quicken" and "QuickBooks." From 1990 to 1993, he served as chairman and chief executive officer of ChipSoft, Inc., the original publisher of the tax preparation software program "TurboTax". Mr. Gaylord is a member of the board of directors and a member of the compensation committee of Proximity Inc., a privately-held company, and a member of the advisory board of Technology Crossover Ventures I, an investment firm that invests primarily in private and public information technology companies.

During various periods from 1990 to approximately 2002, Mr. Gaylord was a member of the boards of directors and served on the compensation committees of the following public companies: Stac, Inc.; HNC Software, Inc.; Maxis, Inc.; and Retek, Inc.; and also served as a director of a number of private technology companies. His wealth of knowledge of software services, brand marketing, IT technology, and business development adds to the diverse business backgrounds of our other members of the Board.

Gary E. Pruitt (age 61) has been a director since 2006. Prior to his retirement in 2009, Mr. Pruitt was chairman and chief executive officer of Univar N.V., a chemical distribution company with distribution centers in the U.S., Canada, and Europe, from 2002 to October 2009. He had been associated with Univar and related entities since 1978 and held a variety of senior management positions within Univar and Van Waters & Rogers, Inc., which ultimately became Vopak USA Inc. Mr. Pruitt worked at Arthur Andersen & Co. as a chartered accountant from 1973 through 1977. He serves on the boards of directors of Public Storage, Inc., a NYSE traded company, Esterline Technologies Corporation, a NYSE traded technology company, and Premera Blue Cross.

Mr. Pruitt brings to the Board his experience as a chief executive officer of a multi-national company and all the business attributes required of that position, along with operational and manufacturing expertise through his various other management positions held with Univar. His public accounting financial background and other public board experiences provide strategic and global perspectives on our business as well.

Directors Continuing in Office until 2013 (Class 3)

Thomas S. Glanville (age 52) has been a director since 2001. Mr. Glanville has been managing partner of both Eschelon Energy Partners, LP, an energy industry private equity firm, and Eschelon Advisors, a financial and strategic consulting firm to energy/utility industry principals, since 2003. From 1999-2002, Mr. Glanville served as vice president of technology and new ventures for Reliant Energy, Inc., one of the world's largest international energy services companies, and its affiliate, Reliant Resources, Inc. He currently serves on the boards of directors of the following privately-held oil and gas exploration and production companies: Chroma Exploration and Production, Inc.; Strand Energy, L.L.C.; and Passenger Energy Partners, LLC. He is currently president of the Texas Tri-Cities branch (Houston, Austin, San Antonio) of the National Association of Corporate Directors (NACD).

Mr. Glanville brings to the Board financial expertise, industry-related experience through his association with Reliant Energy, energy sector exposure through the Eschelon entities, and technology skills that include his involvement with electric metering studies and research while he was vice president of technology for Reliant Energy.

Sharon L. Nelson (age 64) has been a director since 2003. Ms. Nelson is an attorney and served as chief of the Consumer Protection Division of the Washington State Attorney General's Office from 2003 to 2006, and as director of the Shidler Center for Law, Commerce, and Technology at the University of Washington from 2000 to 2003. In addition, Ms. Nelson has been a consultant to both corporations and nonprofit organizations specializing in advice on public policy and regulation. In the past she has served as chair of the Washington Utilities and Transportation Commission and as president of the National Association of Regulatory Utility Commissioners. She served as a commissioner on the National Commission on Energy Policy from 2002 to 2010, and is co-chair of the U.S.-China Clean Energy Forum and the State Energy Strategy Advisory Committee for the State of Washington. Previously, she served as chair of the board of directors of Consumers Union, publisher of *Consumer Reports*. She also served previously as a member of the Board of Trustees of the North

en the Corporate Governance Committee considers candidates to be recommended to the Board for inclusion in the slate of director nominees for the next annual meeting of shareholders; it creates a matrix for each candidate to address our criteria. In addition to the qualities described previously in the individual director biographies, the following matrix summarizes the skills and attributes of our directors and director nominees for 2011 that we believe are essential to our business:

Director Qualifications and Attributes

	Mike Bracy	Kirby Dyess	Jon Eliassen	Charles Gaylord	Thomas Glanville	Sharon Nelson	Gary Pruitt	Malcolm Unsworth	Graham Wilson
Senior leadership/CEO/COO experience	√	√	√	√	√	√	√	√	√
Business development experience		√	√	√	√		√	√	√
Financial expertise/CFO	√		√	√	√		√	√	√
Public board experience	√	√	√	√	√	√	√	√	√
Independence	√	√	√	√	√	√	√		√
Industry expertise	√		√		√	√		√	√
Industry expertise – international		√			√		√	√	√
Operational – manufacturing expertise							√	√	
IT/technology/R&D/Telecom expertise	√	√	√	√	√	√	√	√	√
Marketing/sales expertise		√					√	√	
Hardware/software services expertise				√				√	
Government expertise						√			
Legal expertise						√			
Mergers and Acquisitions	√	√	√	√	√	√	√	√	√
Demonstrated integrity-personal and professional	√	√	√	√	√	√	√	√	√

We have concluded that all of our directors, including the nominees for re-election, have the skills, experience, knowledge, and personal attributes that are necessary to effectively serve on our Board and to contribute to the overall success of our Company. We believe that the diverse background of each of our Board members ensures that we have a Board that has a broad range of industry-related knowledge, experience, and business acumen. See also "CORPORATE GOVERNANCE – Director Nominations by Shareholders" in this proxy statement.

MORE INFORMATION ABOUT OUR DIRECTORS

COMPENSATION OF DIRECTORS

During the 2010 fiscal year, directors who were not officers of the Company received an annual retainer of \$90,000, with \$50,000 paid in cash and \$40,000 paid in shares of our common stock, with the exception of our Chairman of the Board, whose annual retainer totaled \$150,000, with \$80,000 paid in cash and \$70,000 paid in shares of our common stock. Members of the Audit/Finance Committee received an additional annual retainer of \$8,000, paid in cash, and members of our Compensation and Corporate Governance Committees received an additional annual retainer of \$5,000, paid in cash. Each of our committee chairs received an additional annual retainer of \$10,000, paid half in cash and half in shares of our common stock. The Chairman of the Board receives no additional retainers for serving on any of our committees.

Each non-employee director also receives annually on the first trading day of January, a non-qualified stock option to purchase shares of our common stock equal in value to \$30,000, based on the fair value of our stock on the first trading day of each January. The number of options is determined by dividing the Black Scholes adjusted share price at the close of market on the first trading day of January into \$30,000. For our Chairman of the Board, we annually grant a non-qualified stock option to purchase shares of our common stock equal in value to \$50,000, also based on the fair value of our stock on the first trading day of January with the number of options determined in the same manner. All of these stock options are fully vested on the date of grant and have ten year terms. Shares of our common stock and options granted to non-employee directors that are issued as compensation are issued under our 2010 Stock Incentive Plan.

We have adopted stock ownership guidelines for our non-employee directors. We expect our directors to purchase (or hold) shares equal to three times the annual cash retainer fee within three years from their initial appointment or election as a director. For our Chairman of the Board, we expect him to hold shares equal to four times his cash retainer fee within three years from his appointment as Chairman.

New non-employee directors receive an initial option grant to purchase 5,000 shares of our common stock as of the date of the director's initial election or appointment to the Board, with vesting over a three-year period.

2010 Director Compensation Table

Director Compensation							
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(6)	Option Awards (\$)(7)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mike Bracy	60,000	39,922	29,460	—	—	—	129,382
Kirby Dyess (1)	60,000	44,894	29,460	—	—	—	134,354
Jon Eliassen (2) (3)	80,000	69,951	49,109	—	—	—	199,060
Charles Gaylord	57,500	39,922	29,460	—	—	—	126,882
Thomas Glanville (2)	58,000	39,922	29,460	—	—	—	127,382
Sharon Nelson (2)	58,000	39,922	29,460	—	—	—	127,382
Gary Pruitt (4)	65,000	44,894	29,460	—	—	—	139,354
Graham Wilson (2) (5)	68,000	44,894	29,460	—	—	—	142,354

(1) Chairman of the Compensation Committee.

(2) Member of the Audit/Finance Committee.

(3) Chairman of the Board

(4) Chairman of the Corporate Governance Committee.

(5) Chairman of the Audit/Finance Committee.

- (6) The amounts in this column reflect the aggregate grant date fair value of the awards determined in accordance with FASB ASC Topic 718; awards are fully vested at grant.
- (7) The amounts in this column reflect the aggregate grant date fair value of awards determined in accordance with FASB ASC Topic 718. As of December 31, 2010 the following directors had the following options outstanding: M. Bracy – 18,602; K. Dyess – 7,102; J. Eliassen – 5,337; C. Gaylord – 7,102; T. Glanville – 15,102; S. Nelson – 4,602; G. Pruitt – 7,102; G. Wilson – 20,352.

LEADERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Effective January 1, 2010, we modified the leadership structure of our Board so that the roles of Chairman of the Board (Chairman) and Chief Executive Officer (CEO) are separate. In previous years, the roles of Chairman and CEO have been held by the same individual and the Company had a Lead Independent Director. Under our current leadership structure, the role of Chairman must be held by an independent director who meets the independence requirements of NASDAQ. The Board decided to separate the roles of Chairman and CEO to allow for a more balanced workload between the Chairman and the CEO, especially in light of the increased duties and responsibilities of the Chairman, which include the following:

- Preside over all meetings of the Board (including executive sessions of the Board) and meetings of the shareholders;
- Review the agendas of each Board and committee meeting;
- Prepare agendas as needed for executive sessions of the independent directors;
- Perform the responsibilities of the Lead Independent Director as set forth in the Corporate Governance Guiding Principles;
- Serve as a liaison between the independent directors and the CEO;
- In consultation with the CEO, make recommendations to the Corporate Governance Committee as to membership of Board committees and appointment of Board committee chairs; and
- Perform such other duties as the Board may require.

Pursuant to the Company's Corporate Governance Guiding Principles, which may be found online at www.itron.com, the Chairman must be an independent director, unless the Board determines that the best interests of shareholders would otherwise be better served. The Chairman is elected by the members of the Board following the annual meeting of shareholders (or at such other time as a vacancy for the role of Chairman may occur). The Chairman serves for a term of three years (provided such director is re-elected by shareholders if his or her term as a director does not coincide with his or her term as Chairman). The Chairman does not serve more than two consecutive terms, unless the Board approves an extended term. Our current Chairman, Jon Eliassen, is up for re-election at the 2011 annual meeting.

If the Board determines that it is in the best interests of the shareholders to combine the roles of CEO and Chairman, the Board will appoint a Lead Independent Director with the duties set forth in the Corporate Governance Guiding Principles.

See "CORPORATE GOVERNANCE" in this proxy statement for additional information on our Board of Directors.

PROPOSAL 2 — APPROVAL OF EXECUTIVE COMPENSATION (Say-on-Pay)

We are asking our shareholders to approve a non-binding advisory resolution on the compensation of our named executive officers or NEOs (commonly known as “say-on-pay”) as we have described it in this proxy statement. The say-on-pay vote is required by the provisions of Section 14A (a) (1) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Because your vote is advisory, it will not be binding upon the Board of Directors or the Company; however, the Board values the opinions of our shareholders and will take the outcome of the vote into consideration when determining future executive compensation arrangements.

We urge you to consider the various factors regarding compensation matters discussed at length in the Compensation Discussion and Analysis, beginning on page 18 with an Executive Summary. We believe that our executive compensation programs are reasonable, competitive, and strongly focused on pay for performance principles that will result in the creation of sustainable, long-term shareholder value. We create both short-term (annual) and long-term compensation opportunities that reward our NEOs when they deliver targeted financial results. The compensation of our NEOs varies depending upon the achievement of pre-established performance goals. Through stock ownership guidelines and equity incentives, we also align the interests of our executives with those of our shareholders and the long-term success of the Company. We believe our executive compensation policies have enabled us to attract and retain exceptional senior executives whose talent and experience have helped Itron become a leader in our industry. In addition, our Compensation Committee, which provides overall direction for our compensation programs, believes the fiscal year 2010 compensation paid to our NEOs was reasonable and appropriate, and is justified by the Company’s overall performance in 2010.

The say-on-pay vote gives you, as a shareholder, the opportunity to endorse or not endorse our NEO compensation by voting for or against the following resolution:

RESOLVED, that the shareholders of Itron, Inc. (the “Company”) approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in the Company’s proxy statement for the 2011 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K of the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the Executive Compensation Tables, and the accompanying footnotes and narratives within the Executive Compensation section of this proxy statement).

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE EXECUTIVE COMPENSATION OF OUR NEOs.

**PROPOSAL 3 — ADVISORY VOTE ON FREQUENCY OF ADVISORY VOTE ON EXECUTIVE
COMPENSATION (Say-When-on-Pay)**

In addition to the non-binding advisory vote on say-on-pay, Section 14A of the Exchange Act also enables our shareholders to express their preference for having a say-on-pay vote every one, two, or three years, or a shareholder may abstain from the vote. This non-binding frequency vote is required at least once every six years beginning with our 2011 annual meeting and is commonly referred to as "say-when-on-pay".

The Board has considered the frequency of the say-on-pay vote and after considering the benefits and consequences of each option, the Board recommends submitting the say-on-pay vote to our shareholders every year. We believe an annual say-on-pay vote will provide the Board and our Compensation Committee with more frequent input from shareholders on our compensation philosophy, policies, and programs, and it will correlate the say-on-pay vote with the most recent executive compensation information presented in our proxy statement for our annual meeting. Setting a one-year period for holding this vote provides a clear, simple means for the Company to obtain information on our shareholder sentiment about our executive compensation programs.

We request your vote to determine whether the say-on-pay vote to approve the compensation of our NEOs should occur every one, two, or three years. You will be able to cast your vote on your preferred voting frequency by choosing one of the following options set forth in the following resolution and in your voting instructions or proxy card:

RESOLVED, that the shareholders of Itron, Inc. (the "Company") determine, on an advisory basis, that the frequency with which the shareholders of the Company will have an advisory vote on the compensation of the Company's named executive officers set forth in the Company's proxy statement is:

Choice 1 – every year;

Choice 2 – every two years;

Choice 3 – every three years; or

Choice 4 – abstain from voting

This advisory vote on say-when-on-pay is not binding on the Company or its Board of Directors; however, the Board will take into account the results of the vote when determining the frequency of future say-on-pay votes. The frequency choice which receives the highest number of votes will be deemed the choice of the shareholders. **Shareholders are not voting to approve or disapprove the Board's recommendation. Instead, shareholders vote by choosing among the four choices set forth above and provided in the voting instructions or proxy card.**

***THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO HOLD THE ADVISORY VOTE
ON EXECUTIVE COMPENSATION EVERY YEAR.***

PROPOSAL 4 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board, upon the recommendation of its Audit/Finance Committee, has selected Ernst & Young LLP to serve as the Company's independent registered public accounting firm for 2011, subject to ratification by our shareholders. Although not required to do so, the Board is submitting the selection of Ernst & Young LLP for ratification by the Company's shareholders for their views on the Company's independent registered public accounting firm and as a matter of good corporate practice. Ernst & Young LLP has advised the Company that it has no direct, nor any material indirect, financial interest in the Company or any of its subsidiaries. Representatives of Ernst & Young LLP will be present at the annual meeting to answer questions and will have the opportunity to make a statement if they desire to do so.

In the event that our shareholders fail to ratify the selection, it will be considered as a direction to the Board and the Audit/Finance Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit/Finance Committee in its discretion may select a different independent registered public accounting firm, subject to ratification by the Board, at any time during the year if it determines that such a change would be in the best interest of the Company and our shareholders.

***THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION
OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM FOR 2011***

CORPORATE GOVERNANCE

Corporate Governance Principles

The Company has adopted Corporate Governance Principles, which are available on the Company's website, www.itron.com, by selecting "Investors" and then "Corporate Governance".

Board Matters – Meeting Attendance

Our business, property, and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our CEO and other officers, by reviewing materials provided to them, by visiting our offices, and by participating in meetings of the Board and its committees.

In accordance with our Corporate Governance Principles, directors are expected to attend the Company's annual meeting of shareholders. All of our directors attended the 2010 annual meeting of shareholders. During 2010, the Board met six times. Each of the directors attended at least 83% of the meetings of the Board and 75% of the meetings of each committee of which he or she was a member during the periods in which they were directors or members of such committees.

Also in accordance with our Corporate Governance Principles, our independent directors meet in an executive session as often as necessary, but no less than four times annually.

Independent Chairman of the Board

Effective January 1, 2010, the Board elected Jon Eliassen as our independent Chairman of the Board. Mr. Eliassen had served for several years as our lead independent director while the position of Chairman of the Board was held simultaneously by our CEO. However, the Board decided to modify the Board structure by separating the positions of Chairman and CEO which, among other things, would balance responsibilities between the two positions. See also "MORE INFORMATION ABOUT OUR DIRECTORS – Leadership Structure of the Board of Directors" in this proxy statement. Our Corporate Governance Guiding Principles require that an Independent Lead Director must be appointed in the event the Board later determines it to be in the best interests of our shareholders to once again combine the offices of CEO and Chairman. Mr. Eliassen is one of the nominees for election to the Board at our 2011 annual meeting.

Committees of the Board

We have three committees to assist the Board in fulfilling its responsibilities: Corporate Governance, Audit/ Finance, and Compensation. Each of the three committees operates under a written charter that has been approved by the Board. The charters are available on our website, www.itron.com, by selecting "Investors" and then "Corporate Governance". The committee charters are reviewed annually and are updated as necessary to reflect changes in regulatory requirements and evolving oversight practices.

Corporate Governance Committee. The Corporate Governance Committee is responsible for developing and implementing our Corporate Governance Guiding Principles, evaluating the performance of our Chairman of the Board and the CEO, soliciting recommendations for candidates for the Board, determining the qualification and independence of the directors serving on the Board, making recommendations to the Board regarding candidates to serve on the Board, and reviewing and making recommendations to the Board with respect to candidates for directors proposed by shareholders. The members of the Corporate Governance Committee are Graham Wilson, Mike Bracy, Jon Eliassen, Charles Gaylord, and Gary Pruitt, who serves as Chair.

The Corporate Governance Committee has determined that all of the non-employee directors of the Board are independent under SEC rules and NASDAQ listing standards. The Corporate Governance Committee held four meetings during 2010.

Audit/Finance Committee. The Audit/Finance Committee monitors our accounting practices, internal accounting controls, and financial results, and reviews at least quarterly our business financial risks to determine if management and our internal controls are identifying and mitigating risks associated with our business operations. In addition, the Committee has sole authority to retain, compensate, and terminate our independent auditors. The Audit/Finance Committee members are Sharon Nelson, Jon Eliassen, Tom Glanville, and Graham Wilson, who serves as Chair.

The Corporate Governance Committee has determined that all members of the Audit/Finance Committee are independent under SEC rules and NASDAQ listing standards. The Corporate Governance Committee has also determined that all members of the Audit/Finance Committee are financially literate in accordance with the Standards of NASDAQ Rule 5605(c) (2) (A) (iv), and that Messrs. Eliassen, Glanville, and Wilson are each an "audit committee financial expert" as defined in Item 407(d) (5) of Regulation S-K promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit/Finance Committee held ten meetings during 2010.

Compensation Committee. The Compensation Committee is responsible for making recommendations to the Board for our CEO's total annual and long-term incentive compensation and setting compensation levels for our other executive officers. It also oversees the administration of various incentive compensation and benefit plans, which includes an annual evaluation of our compensation plans and policies and an annual survey of possible risks associated with the compensation structure of those plans and policies. In addition, the Committee performs any other functions regarding compensation that the Board may delegate to it. The members of the Compensation Committee are Charles Gaylord, Gary Pruitt, Mike Bracy, and Kirby Dyess, who serves as Chair.

The Corporate Governance Committee has determined that all members of the Compensation Committee are independent under SEC rules and NASDAQ listing standards. The Compensation Committee held four meetings during 2010. See "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis*" in this proxy statement for more information on the Compensation Committee's responsibilities regarding the compensation of our executives.

Compensation Committee Interlocks and Insider Participation

No member of our Board's Compensation Committee has served as an officer or employee of the Company. None of our executive officers serve as a member of the compensation committee of any other company that has an executive officer serving as a member of our Board. None of our executive officers serve as a member of the board of directors of any other company that has an executive officer serving as a member of our Board's Compensation Committee.

Transactions with Related Persons

There were no related person transactions required to be disclosed pursuant to Item 404(a) of Regulation S-K in fiscal year 2010. Under its charter, the Corporate Governance Committee of the Board is responsible for reviewing and approving any related person transactions.

Board Risk Oversight

The Board's role in overseeing the Company's risk is to satisfy itself, directly or through Board committees, that (i) there are adequate processes designed and implemented by Company management such that risks have been identified and are being managed, (ii) the risk management processes function as intended to ensure that Company risks are taken into account in corporate decision-making, and (iii) the risk management system is designed to ensure that material risks to the Company are brought to the attention of the Board or an appropriate committee of the Board. Each of the Company's risk management processes are reviewed periodically (but at least once a year) by either the Board or an appropriate committee. Throughout the year, the Board and each committee spend a portion of their time reviewing and discussing specific risk topics. Committee chairs regularly

report on committee meetings at the meetings of the full Board. At least annually, the Board conducts a review of our long-term strategic plans, and at each of our quarterly meetings, our General Counsel updates the Board on material legal and regulatory matters.

The Audit/Finance Committee is responsible for reviewing our major financial risk exposures, financial reporting, internal controls, credit and liquidity risk, compliance risk, and key operational risks. It meets regularly with our independent auditors and in executive session to facilitate a full and candid discussion of risk and other issues. Our Compensation Committee is responsible for overseeing compensation risks, including assessing possible risks from our compensation plans and policies for all employees and ensuring that our executive compensation is aligned with Company performance. Our Corporate Governance Committee oversees risks related to our overall corporate governance, including Board and committee composition, Board size and structure, and our director independence. This committee is also involved with succession planning for the Board and management.

Following a review of the Company's current risk management systems and processes, the Board has concluded that the current allocation of oversight responsibilities between the Board and its committees is adequate, provided that the committees continue to coordinate their risk oversight responsibilities, share information appropriately with the other Board members, and provide timely and adequate reports to the full Board. The Board will continually evaluate its risk oversight role.

Code of Conduct

The Company has adopted a Code of Conduct that applies to all directors, officers, and employees of the Company and any subsidiary of the Company, including the CEO and chief financial officer, and is available on the Company's website, www.itron.com, by selecting "Investors" and then "Corporate Governance". In addition, we have adopted policies and procedures for reporting and investigating suspected violations of the Code of Conduct. The Company intends to satisfy any future disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to or waiver from application of the code of ethics or provisions of the Code of Conduct, that applies to the CEO or the chief financial officer, by posting such information on its website, www.itron.com.

Anti-Hedging Policy

The Company has adopted a Hedging Policy that prohibits our directors, officers, and employees from entering into transactions involving our securities that are designed to hedge or offset any decrease in the market value of Itron securities. See "EXECUTIVE COMPENSATION – Anti-Hedging Policy" in this proxy statement for more information on this policy.

Director Nominations by Shareholders

In accordance with the Company's Amended and Restated Bylaws, in order to nominate a director for election to the Board at an annual meeting of shareholders, a shareholder must deliver written notice of such nomination to the Corporate Secretary of the Company at the Company's executive offices no fewer than 60 days nor more than 90 days prior to the date of the annual meeting (or if less than 60 days' notice or prior public disclosure of the date of such annual meeting is given or made to the shareholders, not later than the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure was made). The notice of a shareholder's intention to nominate a director must include:

- the name and address of the shareholder;
- a representation that the shareholder is entitled to vote at the meeting at which directors will be elected;
- a statement of the number of shares of the Company that are beneficially owned by the shareholder;
- a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

and the following information with respect to the person nominated by the shareholder:

- name and address;
- other information regarding such nominee as would be required in a proxy statement filed pursuant to applicable SEC rules;
- a description of any arrangements or understandings between the shareholder and the nominee and any other persons (including their names), pursuant to which the nomination is made; and
- the consent of such nominee to serve as a director, if elected.

Other directors and senior management of the Company may also recommend director nominees for consideration by the Corporate Governance Committee. The Corporate Governance Committee evaluates director nominees, including nominees that are submitted to the Company by a shareholder, taking into consideration the qualification criteria set forth under "*ELECTION OF DIRECTORS – Director and Director Nominee Qualifications*" in this proxy statement. In the event of a shareholder recommendation, the Corporate Governance Committee screens and evaluates the person recommended in the same manner as other candidates. In addition, the Corporate Governance Committee determines if the proposed director nominee will have sufficient time available to carry out his or her Board duties and responsibilities effectively. The Corporate Governance Committee may then recommend the director candidate to the Board for its consideration, if deemed appropriate.

Shareholder Communications with the Board

The Company's Board provides a process whereby shareholders may contact the Board or any committee as a group or any committee chair or individual director, by email addressed to boardofdirectors@itron.com. Shareholders should clearly specify in each communication the name of the director to whom the communication is addressed. Shareholders may also write to the Board or any committee as a group or any committee chair or individual director, by sending the communication to: Itron, Inc., Attn: Corporate Secretary, 2111 N. Molter Road, Liberty Lake, WA 99019. Communications may also be submitted through our website at www.itron.com by selecting "Investors", "Corporate Governance", and then "Contact the Board".

Shareholder communications are delivered directly to the Corporate Secretary of the Company, who then determines whether to forward such communications to the specified director addressees. You can access a description of the process that the Corporate Secretary uses for determining whether to forward shareholders' communications to directors at our website, www.itron.com, by selecting "Investors", "Corporate Governance", and then "Contact the Board".

Shareholders wishing to submit proposals for inclusion in the proxy statement relating to the 2012 annual shareholders meeting should follow the procedures specified under "*SHAREHOLDER PROPOSALS FOR 2012*" in this proxy statement. Shareholders wishing to nominate directors should follow the procedures specified under "*CORPORATE GOVERNANCE – Director Nominations by Shareholders*" in this proxy statement.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis describes the Company's philosophy and objectives for its executive compensation program, explains the compensation decision-making process, and details the individual components of the total compensation we paid to our named executive officers in 2010. Our 2010 named executive officers (NEOs), as determined by SEC rules, are as follows:

- Malcolm Unsworth – President and Chief Executive Officer;
- Steven M. Helmbrecht – Senior Vice President and Chief Financial Officer;
- John W. Holleran – Senior Vice President, General Counsel, and Corporate Secretary;
- Philip Mezey – Senior Vice President and Chief Operating Officer of Itron North America; and
- Marcel Regnier – Senior Vice President and Chief Operating Officer of Itron International.

Executive Summary

We design our compensation programs to attract, motivate, and retain exceptional people who can drive success for our Company. Our programs provide a competitive package of annual base pay, annual cash incentives, and long-term equity based incentives. Annual and long-term incentives are based on a "pay for performance" philosophy and are directly tied to the Company's financial performance. The following is a summary of the important aspects of our executive compensation programs:

- In 2010, following a difficult fiscal year in 2009, the Company reinstated its annual and long-term incentive plans that had been suspended in 2009, and increased base salaries after freezing 2009 base salaries at 2008 levels (except for promotions).
- The main objectives of our compensation programs are paying for performance, aligning our NEOs' interests with those of our shareholders, and attracting, motivating, and retaining qualified executives. Our plans are designed to discourage excessive or unnecessary risk-taking.
- The Compensation Committee (Committee) of the Board of Directors (Board) makes all final compensation and equity award decisions regarding our NEOs, except for the CEO, whose compensation is determined by the Board upon recommendation of the Committee. The Committee engages a compensation consultant to provide expertise on competitive pay practices, program design, and implementation.
- We provide the following elements of compensation for our NEOs: (i) base salary; (ii) annual cash incentives; (iii) long-term equity-based incentives; (iv) executive deferred compensation plans for our U.S. based executives, and, in the case of Marcel Regnier, who resides in Belgium, a group insurance plan which provides for retirement and death benefits; and (v) certain other benefits generally available to all employees such as medical and life insurance. We also provide a change-in-control agreement (as described under "*Potential Payments upon Change-in-Control*" in this section of the proxy statement) to each of our NEOs. Effective January 1, 2011, we do not provide any perquisites to our NEOs, with the exception of certain limited perquisites that are provided to Marcel Regnier, who resides in Brussels, Belgium.
- We generally target plus or minus 15% of the median level of the market for all elements of compensation and take into account each executive's responsibilities, experience, performance, and contributions to the Company. We believe the total compensation package must be competitive.
- We implement our pay for performance philosophy with an annual cash award based on the Company's achievement of certain financial goals. For Messrs. Unsworth, Helmbrecht, and Holleran, their 2010 awards were based on total Company revenue (30%), total Company consolidated non-GAAP net

income (40%), and total Company consolidated cash flow from operations (30%). For Messrs. Regnier and Mezey, their 2010 awards were based on total Company revenue (7.5%), revenues of their respective business segments (22.5%), total Company consolidated non-GAAP operating income (10%), non-GAAP operating income of their respective business segments (30%), and total Company consolidated cash flow from operations (30%). As a result of strong financial performance during 2010, payouts to Messrs. Unsworth, Helmbrecht, Holleran, and Mezey under the annual cash award plan were made at 200% (maximum) of their target amounts, and the award for Mr. Regnier was paid at 114% of his target amount.

- We encourage alignment of our NEOs' interests with those of our shareholders through the implementation of stock ownership guideline requirements and the award of equity-based long-term incentive grants. In 2010, we used a mix of equity-based compensation which, at target, consisted of 25% stock option awards vesting ratably over three years, 25% time-based restricted stock awards with a three-year ratable vesting period, and 50% performance-based restricted stock unit awards with a one-year performance period and a subsequent three-year ratable vesting period. (Mr. Regnier did not receive stock options but received more time-based restricted stock units in lieu of options because of the adverse tax consequences in Belgium on stock options.) Because of our pay-for-performance objectives, we overweight our executives' long-term incentive opportunity towards performance-based RSUs relative to our peer group of companies. The performance-based restricted stock units were based on the following mix of financial objectives: 40% total Company revenue, 20% total Company non-GAAP consolidated net income, and 40% total Company consolidated cash flow from operations. As a result of strong financial performance during 2010, the performance-based restricted stock units were earned at 200% (maximum) of target amounts.
- Each of our NEOs has entered into a Change-in-Control Agreement that provides for certain benefits if they are terminated by the Company or they terminate for good reason following a change-in-control of the Company. See "EXECUTIVE COMPENSATION TABLES – Potential Payments upon Change-in-Control" in this proxy statement.

Overview of Our Business Performance in 2010

At the beginning of 2010, Malcolm Unsworth, our President and Chief Executive Officer, identified three operational objectives for the Company: successfully implement our North American smart metering contracts; grow our worldwide smart metering opportunities; and improve our non-GAAP operating margins. Consistent with these operational objectives, the Committee established performance metrics and performance targets under the Company's 2010 Executive Management Incentive Plan and the 2010 Long-Term Performance Plan which were designed to reward exceptional performance.

In 2010, we generated a record \$2.26 billion in revenue, a 34% increase over revenues in 2009. We had new order bookings of \$2.4 billion for a book-to-bill ratio of 1.06 to 1. Non-GAAP operating margin increased to 11.2% from 8.5% in 2009. Consolidated non-GAAP net income was a record \$159.5 million, an increase of 93% over 2009. We also paid down \$155 million of our debt. Finally, we generated a record \$254.6 million in consolidated cash flow from operations, an increase of 81% over 2009.

Much of the growth in revenue came from sales of products and systems that are less than three years old. In 2010 we installed over 4.8 million OpenWay endpoints pursuant to our North American smart metering contracts, and we are deploying smart metering systems in a number of pilot projects throughout the world.

Overall, we had an exceptional performance in 2010 and our performance level resulted in achievement of maximum bonus payouts for Messrs. Unsworth, Mezey, Helmbrecht, and Holleran. Mr. Regnier's bonus was above target but less than maximum because some of his performance targets related to our International business segment were not achieved. Our annual and long-term incentive payments are considerably higher than 2009 because we did not have a bonus or long-term incentive program in 2009 (with the exception of a stock option award made to Mr. Unsworth in connection with his promotion to Chief Executive Officer).

Executive Compensation Philosophy and Objectives

Itron is widely recognized as a world leader in our industry. Consequently, we strive to attract, motivate, and retain exceptional people who can continue to drive our success. We focus on creating a "pay for performance" culture, but one that does not encourage excessive or unnecessary risk-taking. We design our compensation programs to achieve the following objectives through a combination of fixed and variable cash and equity-based elements:

- **Performance** – motivating performance by creating a direct link between compensation that can be earned by an executive and the Company's performance, as measured against our pre-set financial goals;
- **Alignment** – aligning our NEOs' interests with those of our shareholders by fostering stock ownership and including a significant portion of compensation payable with equity awards, to encourage our leaders to act as owners of the Company; and
- **Retention** – providing a competitive total compensation package of annual base pay, annual incentives, and long-term incentives so we can attract and retain qualified executives.

Our compensation plans are also designed so that we minimize the risk that our plans and policies could create risks reasonably likely to have a materially adverse effect on the Company.

Role of Compensation Committee and Executive Officers

The Committee provides overall direction for our executive compensation plans, policies, and programs, and determines the components of compensation for each of our executive officers. Each member of the Committee qualifies as an independent director under SEC rules and NASDAQ listing standards, as well as the independence requirements established by the Board. In addition, each member is a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code (Code).

The Committee approves the compensation of our NEOs, except for our CEO, whose compensation is recommended by the Committee for approval by the Board. Pursuant to authority granted to it under its charter, the Committee has hired Frederic W. Cook & Co. as its independent consultant. Our consultant reports directly to the Committee and does not provide any additional services to management. Members of our management team typically attend meetings where executive compensation, Company and individual performances, and competitive compensation levels and practices are discussed and evaluated; however, only the Committee members are allowed to vote on decisions regarding executive compensation. The Committee also receives recommendations from the CEO regarding the compensation of our other executive officers. In addition, the Committee routinely meets in executive session to further discuss executive compensation.

Role of Compensation Consultant; Peer Data Information

To determine market-based competitive pay packages, the Committee reviews compensation paid to executives in other comparable companies with respect to base pay, annual incentive compensation, and long-term incentive opportunities. To establish a relevant group of comparable companies, we identify companies that are size appropriate (meaning that the comparable company has both revenues and a market capitalization ranging from 25% to 300% of our revenue and market capitalization), have significant international revenues like Itron, are within the same broad Standard & Poor industry classification as Itron (Technology Hardware and Equipment Industry), and who have had financial and stock performance comparable to Itron (strong earnings, cash flow, and revenue growth).

The Committee received assistance from its compensation consulting firm, Frederic W. Cook & Co., to determine a representative list of our peer or comparable companies for 2010 compensation. The Committee concluded that five companies in the peer group for 2009 compensation no longer appeared to be comparable to Itron, including Badger Meter, Inc. (revenues not comparable), Mueller Water Products, Inc. (financial performance not comparable), Quanta Services, Inc. (not in the same industry as Itron), Tecktronix, Inc.

(acquired and no longer reporting data), and Valmont Industries, Inc. (not in the same industry as Itron). Six new companies were added to the group (identified below), all of which are in the same industry classification as Itron and derive a significant part of their revenues from international sales. The list of comparable companies used by the Committee to assist it in making its 2010 compensation decisions (Comparable Companies) is set forth below. Note that the report used to determine 2010 pay included the companies listed below plus 3Com Corporation, which was later acquired and thus eliminated from the analysis prepared in the fall of 2010 that was used to set compensation for 2011.

Cooper Industries Ltd.	Trimble Navigation Limited*
Ametek, Inc.	Amphenol Corporation*
AVX Corporation*	Diebold Inc.
ESCO Technologies, Inc.	Esterline Technologies Corp.
FLIR Systems, Inc.*	Intermec, Inc.*
Molex, Inc.	National Instruments Corp.
NCR Corporation*	PerkinElmer, Inc.
Roper Industries, Inc.	

*Added in 2010

For each of the Comparable Companies, the Committee's compensation consultant obtained data regarding base salaries, annual incentives, and long-term incentives from the Comparable Companies' annual proxy statements. The Comparable Company data was supplemented with other survey information provided by our compensation consultant. This additional survey data was prepared by Radford Survey & Consulting, a unit of Aon Consulting, and provides compensation market information on more than 650 technology companies. Itron participates in this survey. The Radford survey is well-known within the technology industry, and it provides total direct compensation levels for specific executive-level positions, including base salary, annual short-term incentive compensation, and long-term incentive compensation. The survey data was narrowed to those technology companies with revenues similar to Itron's.

The Committee uses the Comparable Company data and the supplemental survey data as a benchmark to establish competitive compensation for our executives. For each of the executives, the Committee determined the *mid-point of a salary range, annual incentive target, and long-term incentive based upon the 50th percentile of the market data for the position being evaluated.* Then, taking into account the experience, performance, responsibilities, and contributions to the Company of each executive, the Committee made a decision for each executive (other than the CEO) on base pay, annual incentive pay opportunity, and long-term incentive opportunity. For the CEO, the Committee made recommendations to the Board and the Board approved the compensation for the CEO.

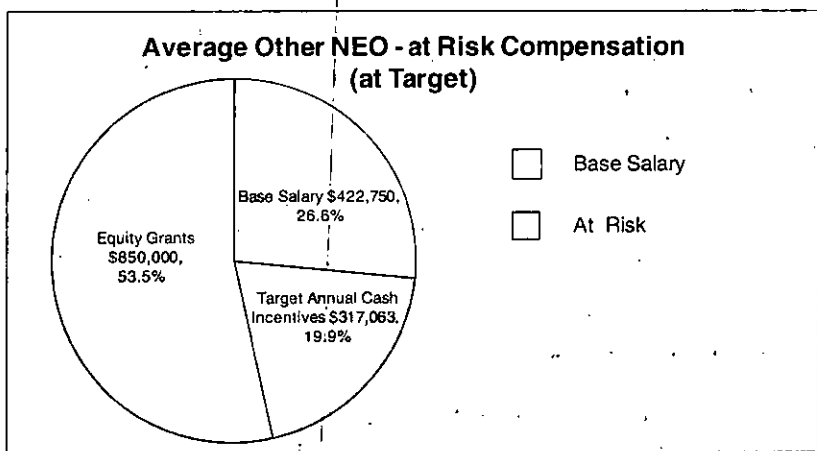
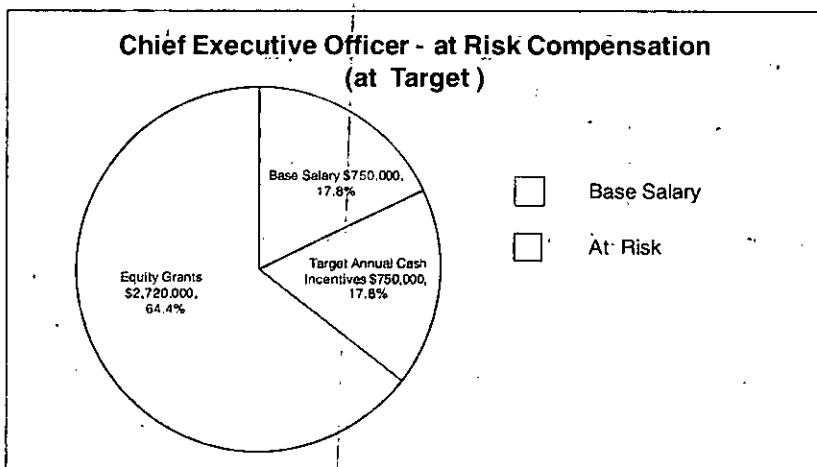
Our consultant also provides the Committee with information related to competitive pay practices, benchmarking information regarding best practices in compensation oversight, and information related to current topics of interest to shareholders regarding executive compensation.

Components of Our Compensation Program

Total Compensation. The Committee oversees the various forms of compensation to reward performance and encourage the achievement of the Company's near-term objectives and long-term strategic goals. Base salary provides a stable amount of fixed compensation to the executive, while annual cash incentive awards are used to reward the achievement of the Company's annual financial performance objectives. The Committee uses long-term equity-based compensation to reward our NEOs for overall Company performance and to align a significant portion of their overall compensation with the long-term interests of our shareholders. Because of our pay-for-performance objectives, we overweight the executive's long-term incentive opportunity towards performance-based RSUs when compared to that of our Comparable Companies. Finally, the Committee oversees severance, retirement, and other benefits intended to promote the objectives of our compensation plans.

Risk and Incentive Compensation. It is our belief that a majority of an executive's total compensation should be variable "at risk" compensation which is tied to the Company's financial performance. However, because performance-based incentives play a large role in our compensation program, we strive to ensure that incentives do not result in actions that may conflict with the long-term best interests of the Company and our shareholders. Therefore, the Committee evaluated all of our plans and policies in 2010 for attributes that could cause excessive risk-taking by our executives, and concluded that our programs and policies do not encourage excessive risk-taking, due to the following factors: (a) the salary component of our program is a fixed amount; (b) the majority of the compensation paid to our executives is delivered in the form of equity ownership, which aligns the interest of our executives with those of our shareholders; (c) executive officers are subject to our executive stock ownership guidelines; and (d) the annual cash-based incentive plan and long-term incentive plans are designed with risk-mitigating characteristics such as (i) maximum award payouts based on the attainment of various Company financial objectives which diversifies risks associated with a single indicator of performance, (ii) time-based restricted stock unit awards and stock options are fixed awards of shares, (iii) vesting of most equity awards occurs over three-year periods, which discourages executives from taking short-term excessive risks, and (iv) final awards are reviewed and approved by our Committee (and the Board in the case of the CEO), which is composed entirely of independent directors who have discretion under our plans to approve, modify, or eliminate any award earned. See also "CORPORATE GOVERNANCE – Board Risk Oversight" in this proxy statement.

The following charts set forth for our CEO and the other NEOs on average, the amount and percentage of the total compensation for each major element of fiscal 2010 compensation, including the percentage of fiscal 2010 direct compensation that was at risk. The amounts and percentages are based on the fiscal 2010 target levels for each element at the time of approval.



Base Salary. We believe that an executive's compensation should have an element of their total compensation that provides a stable, base salary which enables the Company to attract, motivate, reward, and retain the executive. The Committee reviews base salaries annually, and at the time of promotions or other changes in responsibilities. In December 2009, the Committee reviewed the Comparable Company data available and in consultation with its compensation consultant, determined the 2010 salaries for our NEOs that are set forth in the "Summary Compensation Table" in this section of the proxy statement. Mr. Unsworth's base pay was increased as a result of his performance in leading the Company through a very difficult 2009 year, from \$650,000 to \$750,000, which is approximately at the median of the 2010 Comparable Company data. The 2010 base salaries of the other NEOs were also increased at that time to reflect their performance and scope of responsibilities. We believe these salaries are competitive for each of our NEOs.

Annual Cash Incentives. The Committee provides the NEOs with annual variable cash compensation under the Itron Executive Management Incentive Plan (EMIP). Awards are based on the Company's annual financial performance, excluding costs and financial effects of acquisitions and dispositions, and normalized for the effects of foreign currency translation. In the first quarter of each year, the Committee identifies objective financial performance criteria that the Company must meet for any awards to become payable under the EMIP, and establishes threshold, target, and maximum payout levels for each performance element. A target incentive payout is established for each executive, based on a percentage of the executive's salary. Depending on the executive's position, the performance measures in 2010 were based on the annual achievement of performance measures worldwide (the entire Company) or in the case of our two Senior Vice Presidents and Chief Operating Officers, the measures included a portion from the entire Company and a portion from the executive's respective division, Itron International or Itron North America. If the threshold level of performance for any element of the EMIP during the performance period is not achieved, management is not entitled to any award for that element. Awards under the EMIP are paid in cash and are designed to incentivize and reward attainment of annual business and financial goals.

We use certain non-GAAP financial measures when setting performance targets because we believe they provide greater transparency and represent information that more clearly reflects the ongoing core performance of the Company in a manner that shareholders understand and consider important. We believe these measures are a better measurement of our core business. We define non-GAAP operating income as GAAP operating income, exclusive of amortization expenses related to intangible assets. We define non-GAAP net income as GAAP income that excludes amortization expenses (generally, taxes) related to intangible assets, debt placement fees, convertible debt discounts, and non-cash net loss on the extinguishment of debt. We believe these non-GAAP income metrics, when included with consolidated revenue and consolidated cash flow from operations, provide a more balanced illustration of our financial performance. In addition, by including these metrics in the EMIP, we strive to encourage performance that will drive growth in our revenue and earnings, and generate increased cash flow. For Messrs. Regnier and Mezey, their performance targets were based on worldwide consolidated non-GAAP operating income to better align the income with their business segments, but with less weight attributed to the entire Company's metric and instead, additional operational metrics related to their respective International and North American business segments were used to more accurately measure their respective segments' financial performances over which they have more control. Performance targets for 2010 were set at a level that represents significant improvement over the prior fiscal year. Achievement at the maximum level represents a superior performance outcome, which we believe is fully deserving of a maximum incentive payout.

The first table below shows for each NEO the fiscal 2010 financial and operational performance targets and actual results, and the second table shows the actual awards and bonus paid for each NEO's attained results.

**2010 EXECUTIVE MANAGEMENT INCENTIVE PLAN (EMIP)
Metrics, Weighting, Targets, Actual Results**

Named Executive Officer	Metrics	Payout Factor	Weighting Factor	Results Required to Achieve Bonus (in millions)			2010 Actual Results (millions)	Actual 2010 Payout Factor (% of Target Bonus)
				Threshold (50%)	Target (100%)	Maximum (200%)		
Malcolm Unsworth, Steve Helmbrecht, John Holleran	Consolidated Revenue		30.0%	\$1,687.5	\$2,009.0	\$2,151.0	\$2,259.3	200.0%
	Consolidated Non-GAAP Net Income		40.0%	\$ 82.5	\$ 116.0	\$ 145.0	\$ 159.5	200.0%
	Consolidated Cash Flow from Operations		30.0%	\$ 175.0	\$ 195.0	\$ 225.0	\$ 254.6	200.0%
Philip Mézey	Consolidated Revenue		7.5%	\$1,687.5	\$2,009.0	\$2,151.0	\$2,259.3	200.0%
	Consolidated Non-GAAP Operating Income		10.0%	\$ 143.6	\$ 202.0	\$ 236.0	\$ 253.2	200.0%
	Consolidated Cash Flow from Operations		30.0%	\$ 175.0	\$ 195.0	\$ 225.0	\$ 254.6	200.0%
	North America Revenue		22.5%	\$ 615.8	\$ 828.0	\$ 911.0	\$1,177.0	200.0%
	North America Non-GAAP Operating Income		30.0%	\$ 60.4	\$ 108.0	\$ 128.0	\$ 218.0	200.0%
Marcel Regnier	Consolidated Revenue		7.5%	\$1,687.5	\$2,009.0	\$2,151.0	\$2,259.3	200.0%
	Consolidated Non-GAAP Operating Income		10.0%	\$ 143.6	\$ 202.0	\$ 236.0	\$ 253.2	200.0%
	Consolidated Cash Flow from Operations		30.0%	\$ 175.0	\$ 195.0	\$ 225.0	\$ 254.6	200.0%
	International Revenue		22.5%	\$1,028.1	\$1,091.4	\$1,209.9	\$1,069.7	83.0%
	International Non-GAAP Operating Income		30.0%	\$ 112.7	\$ 132.0	\$ 150.0	\$ 83.9	0.0%

2010 EMIP - NEO Actual Awards

NEO	EMIP Target, % of Base Salary	Actual Payout, % of Base Salary	Cash Award
Malcolm Unsworth	100%	200%	\$1,500,000
Steve Helmbrecht	75%	150%	\$ 637,500
John Holleran	75%	150%	\$ 637,500
Philip Mézey	75%	150%	\$ 637,500
Marcel Regnier	75%	86%	€ 273,600

Long-Term Incentives. We use equity awards as long-term incentives for our NEOs to help create a strong alignment between the compensation provided to our executives and the investment objectives of our shareholders, which is to create long-term, sustainable value. In addition, vesting provisions imposed on the equity awards help retain eligible executives and reward achievement of long-term business objectives that also benefit our shareholders. When determining the size and mix of equity to be awarded, the Committee considers market data for the respective position and the scope of the individual executive's responsibilities.

Until its termination in May 2010, our Amended and Restated 2000 Stock Incentive Plan (2000 SIP) provided for a variety of equity-based awards, including but not limited to, stock options, time-based restricted stock units, stock appreciation rights, restricted stock awards, and performance-based restricted stock units. Our 2010 Stock Incentive Plan (2010 SIP), adopted by shareholders at our 2010 annual meeting, provides for similar awards.

Stock Options. Stock options are granted with an exercise price equal to the fair market value of our common stock on the date of grant, generally provide for ratable vesting over a three-year period, and expire ten years from the date of grant.

Summary. We believe the above combination of base salary, annual incentives, and long-term incentives provides a well-balanced mix of base pay, retention value, equity interest, and variable compensation, all of which support the Company's short-term and long-term financial performance objectives while mitigating excessive risk exposure. See also "*Risk and Incentive Compensation*" under this section and "*CORPORATE GOVERNANCE – Board Risk Oversight*" in this proxy statement.

Other Benefits

The following paragraphs describe other compensation and perquisites offered to our executives in 2010. It should be noted that we eliminated our perquisite programs in 2011. The other benefits support our overall goal to attract, motivate, and retain our key executives. See "*EXECUTIVE COMPENSATION TABLES – Summary Compensation Table*" in this proxy statement for specific amounts paid to our NEOs in 2010.

Executive Deferred Compensation Plan.

NEOs located in the U.S. are eligible to participate in our Executive Deferred Compensation Plan. The plan allows executives to defer up to 50% of their base salary and 50% of their annual incentive into a nonqualified account. Executives are also permitted to elect to defer an additional portion of their base salary equal to the amount of any contributions returned to them during the year from the Company's 401(k) Plan so that such plan could satisfy the nondiscrimination requirements applicable to it. In 2010, the Company made matching contributions to the account of each participating executive at the rate of 50% of the first 6% of base salary and annual incentive deferred by the executive during that year. The executives' account balances are adjusted for hypothetical investment earnings or losses according to the returns of the specified "measurement funds" selected by the executives. The measurement funds correspond to the mutual funds available for investment under the 401(k) Plan (but currently do not include a Company stock fund). Refer also to the narrative following the "*2010 Nonqualified Deferred Compensation Table*" in this section under "*EXECUTIVE COMPENSATION TABLES*".

Flexible Benefit Plan

In 2010, NEOs located in the U.S. were provided an annual allowance not to exceed 3% of the executive's base salary for:

- Financial planning
- Tax preparation
- Legal counseling
- Medical costs
- Additional life insurance premiums
- Long-term disability insurance premiums
- Home office or security

The Committee elected to discontinue this Plan after 2010. In lieu thereof, the base salaries of the NEOs were increased by 3%, effective January 1, 2011. No other base salary adjustments were made.

401(k) Plan

Executives located in the United States are eligible to participate in our 401(k) Plan which provides our employees, including executives, with a 50% Company match on the first 6% of compensation deferred, subject to qualified plan limits. Similarly, executives located in the United States may participate in the Company's employee stock purchase plan, along with our other U.S. employees. For Mr. Regnier, our NEO based in Brussels, the Company makes contributions to the Itron Management Services S.A. Plan on his behalf as described in the paragraph that follows below.

We do not maintain any defined benefit or supplemental retirement programs for our NEOs, with the exception of Mr. Regnier, who resides in Belgium and whose plan is customary for executives in that country. We provide

Performance-Based Restricted Stock Units (RSUs). Performance-based RSUs are granted to provide equity award opportunities to our executives, based on the Company attaining certain annual pre-determined financial performance criteria. The criteria are established each year by the Committee pursuant to our long-term performance plan or LTPP. Once actual performance is determined, RSU awards are issued. Typically, these awards have a ratable three-year vesting period.

Time-Based RSUs. Time-based RSUs are granted as part of the executive's compensation to reinforce our emphasis on equity ownership in the Company and to help us retain our talented leadership. Typically, these RSUs vest ratably over a period of three years.

In the first quarter of 2010, the Committee granted to our NEOs three types of long-term equity awards: stock options, time-based RSUs awarded pursuant to our 2000 SIP, and performance-based RSUs awarded under the 2010 LTPP. Target award values were based on the median of the survey data. The mix of options, time-based RSUs, and performance-based RSUs was also based on the survey data and was heavily weighted towards the performance-based RSUs in order to focus our executives on the Company's financial performance goals for 2010. Individual award amounts for stock options were calculated based on Black-Scholes values, and award amounts for time-based RSUs and LTPP RSUs were determined based on the closing price of our common stock on the date of grant, which was February 11, 2010 for our NEOs other than our CEO (\$61.56 per share), the date the awards were approved by the Committee, and February 12, 2010 for our CEO (\$61.34 per share), the date the awards were approved by the Board. In February 2011, the Committee and the Board (for the CEO) reviewed our performance for 2010 and determined that long-term equity awards were earned by our NEOs under the 2010 LTPP.

The LTPP awards were issued based on the performance metrics established by the Committee and as set forth in the first table below, with actual LTPP awards issued set forth in the subsequent table.

**2010 LONG-TERM PERFORMANCE PLAN (LTPP)
Metrics, Weighting, Targets, Actual Results**

Named Executive Officers	Payout Factor	Weighting Factor	Results Required to Achieve LTPP (in millions)			2010 Actual Results (millions)	Actual 2010 Payout Factor (% of Target LTPP)
			Threshold (50%)	Target (100%)	Maximum (200%)		
Malcolm Unsworth,	Consolidated Revenue	40.0%	\$1,687.5	\$2,009.0	\$2,151.0	\$2,259.3	200.0%
Steve Helmbrecht,	Consolidated Non-GAAP Net						
John Holleran,	Income	20.0%	\$ 82.5	\$ 116.0	\$ 145.0	\$ 159.5	200.0%
Philip Mezey, and Marcel Regnier	Consolidated Cash Flow from Operations	40.0%	\$ 175.0	\$ 195.0	\$ 225.0	\$ 254.6	200.0%

2010 LTPP – NEO Actual Awards

NEO	Target Award (RSUs) *	Attainment %	Actual Award (RSUs) *
Malcolm Unsworth	22,100	200%	44,200
Steve Helmbrecht	6,910	200%	13,820
John Holleran	6,910	200%	13,820
Philip Mezey	6,910	200%	13,820
Marcel Regnier	6,910	200%	13,820

* Based on the closing price on the grant date: \$61.34 for M Unsworth, and \$61.56 for all other NEOs

Pro-Rata Annual Incentive for Year of Termination. The 2009 CIC Agreements provided for an annual incentive payment for the year of termination based on the maximum bonus opportunity, prorated for the time worked during the year of termination. The 2010 Agreements provide for a payment based on the greater of target opportunity or actual performance (as determined by the Board), prorated for the time worked during the year of termination.

Welfare Benefit Continuation. The 2009 CIC Agreements provided for 18 months of COBRA health care coverage for the NEOs and their families, and two additional years of life insurance with a tax gross-up on the life insurance premiums. The 2010 CIC Agreements provide for three years of life and disability insurance coverage (with no tax gross-up) for the CEO and 2.5 years of life and disability insurance coverage (with no tax gross-up) for the other NEOs. The 2010 CIC Agreements provide for three years of health care coverage for the CEO and his dependents and the other NEOs and their dependents would receive 2.5 years of health care coverage.

Equity Award Vesting and Acceleration. Like the 2009 CIC Agreements, the 2010 CIC Agreements provide for accelerated vesting of stock options and restricted stock or other equity-based awards at the time of the change in control. The 2009 CIC Agreements provided for accelerated vesting of performance shares at the time of the change in control with payouts based on the maximum opportunity. The 2010 CIC Agreements provide for accelerated vesting of the performance shares at the time of the change in control with payouts based on the greater of target opportunity or actual performance, as determined by the Board of Directors, prorated for the portion of the performance year as of the date of the change in control.

Excise Tax Gross-Up. The 2009 CIC Agreements provided for an excise tax gross-up if parachute payments exceed 105% of the IRS safe harbor amount. Otherwise, the payments are reduced to the safe harbor amount. The 2010 CIC Agreements likewise provide for an excise tax gross-up to the NEOs except that the tax gross-up will “sunset” after three years (i.e., the excise tax gross-up will expire by its terms three years from the date of the 2010 CIC Agreements or in March 2013). We believe that mitigation of the cost of the excise tax is necessary to preserve the benefits to which the NEOs are entitled. However, we also recognize the negative implications sometimes construed with this benefit and as a result, we included a sunset of this benefit in the 2010 CIC Agreements.

Legal Fees. The 2009 CIC Agreements did not include a legal fees provision if the NEO had to enforce the agreement. The 2010 CIC Agreements provide that NEOs will be reimbursed for legal fees and expenses incurred in seeking to enforce the agreement.

Restrictive Covenants. The 2010 Agreements include restrictive covenants relating to non-solicitation and non-disparagement. The 2010 CIC Agreements also require a release of all claims against the Company.

As described, the change-in-control severance benefits for the NEOs were reduced substantially under the new 2010 CIC Agreements; however, the Committee believes that the 2010 CIC Agreements are in line with current competitive practices. See also “EXECUTIVE COMPENSATION TABLES – Potential Payments upon Change-in-Control” and “Termination Payment Tables for NEOs” in this proxy statement.

Stock Ownership Guidelines & Policies

Since 2006 we have had stock ownership guidelines to encourage our key executives to own our stock at least equal in value to three to four times each NEO’s base salary. The current guidelines for our NEOs are four times base salary for our CEO and Chairman of the Board, and three times base salary for all Senior Vice Presidents. Common stock, restricted stock awards, restricted stock units, and stock held in the 401(k) Plan and the Employee Stock Purchase Plan all count towards satisfaction of the guidelines; however, unexercised stock options do not. We believe that when our executives hold an equity interest in the Company, they will be less inclined to take excessive business risks. We annually review the levels of stock ownership of our executives, and based on a rolling 12-month average of our stock price as of the record date for our 2011 annual meeting, all of the NEOs have met the guidelines.

additional benefits to Mr. Regnier while he resides in Belgium, including the use of a Company vehicle and an annual housing allowance as described in the paragraphs that follow. See also “*EXECUTIVE COMPENSATION TABLES – Summary Compensation Table*” in this proxy statement for more information on these benefits.

Itron International Management Services S.A. Plan – Marcel Regnier

Since his promotion in 2008 to Senior Vice President and COO – Itron International, Mr. Regnier has resided in Brussels, Belgium and has participated in the Itron International Management Services SA Plan, a supplemental Belgium group retirement, death, and disability insurance plan. The Company contributes 12% of Mr. Regnier’s base salary and Mr. Regnier defers 2% of his base salary into the Plan. The funds earn a legal minimum interest rate of 3.25%. The retirement benefit is payable in a lump sum or as an annuity at age 65. The Company contributions are allocated between retirement and death benefits, as determined by the participant. In addition, a lump sum payment equal to 100% of Mr. Marcel’s salary is payable upon total and permanent disability.

Employment Agreements

We do not have employment agreements with our executives other than with Mr. Regnier. Because Mr. Regnier resides in Belgium as a result of his position with the Company, we are required under Belgium law to document the terms of Mr. Regnier’s employment in a written agreement. Mr. Regnier’s agreement was entered into in 2008 and generally sets forth compensation and other employment provisions applicable to all of our executives. It also stipulates, however, that his base salary include payment of expenses related to Mr. Regnier’s residing in Belgium, including a cost of living allowance, a tax equalization allowance, the use of a Company car, and an allowance compensating for the differential of housing costs between his country of origin and his housing costs in Belgium. The amount of such allowances is determined by formulas established by the Belgian tax authorities. Mr. Regnier’s agreement provides that he is entitled to a severance payment equal to the payment determined under the formula prescribed by statute in Belgium (which is based on age, service, and level of remuneration), not to exceed one year’s total compensation (including bonuses), in the event his employment is involuntarily terminated other than for cause, as defined in his agreement). See also “*EXECUTIVE COMPENSATION TABLES – Potential Payments upon Change-in-Control*” and “*Termination Payment Tables for NEOs*” in this proxy statement.

Change-in-Control Agreements

In 2010 we entered into new Change-in-Control (CIC) Agreements with our executives to encourage their full attention and dedication to the Company during a change-in-control of the Company, and to provide them with reasonable compensation and benefits in the event of a change-in-control and a subsequent loss of employment. The agreements entered into in 2010 replace previously existing agreements (2009 CIC Agreements) and provide executives with substantially reduced benefits. These new agreements were discussed extensively in the Compensation Discussion and Analysis section of the 2010 proxy statement since the agreement terms were known at the time of the filing of the 2010 proxy statement. A similar discussion is provided below.

As part of the comprehensive review of the Company’s compensation plans and policies begun in August 2009 by our Compensation Committee, with advice from its compensation consultant Frederic W. Cook & Co., the Committee reviewed the 2009 CIC Agreements and concluded that significant amendments should be made to bring the contracts closer in line with current competitive practices. The Committee recognized that the benefits being provided were well above market. As a result, Itron entered into 2010 CIC Agreements with its NEOs which substantially reduce the level of severance benefits that are payable upon an involuntary termination without cause or a voluntary termination for “good reason” within a two-year period following a change in control of the Company.

Severance Benefit. The 2009 CIC Agreements for all of the NEOs provided for a severance benefit of 3 times the sum of (i) base salary, (ii) maximum annual incentive, and (iii) payout of outstanding awards received as long-term incentives for the year in which the change in control occurred. The 2010 CIC Agreements provide the CEO with a severance benefit of 3 times the sum of base salary and target annual incentive opportunity. For the other NEOs, the severance benefit is 2.5 times the sum of base salary and target annual incentive opportunity.

Anti-Hedging Policy

Since a primary objective of our compensation programs is to create a strong alignment between our officers and directors and the interests of our shareholders, we consider it inappropriate for our officers and directors to engage in transactions designed to insulate them from changes in the Company's stock price. Therefore, the Company has adopted a Hedging Policy that prohibits our directors, officers, and employees from entering into transactions that include (without limitation) equity swaps or short sales of our securities, margin accounts or pledges of our securities, and hedges or monetization transactions involving our securities that are designed to hedge or offset any decrease in the market value of Itron securities. In addition, the purchase or sale of puts, calls, options or other derivative securities based on the Company's securities is prohibited, and our directors, officers and employees may not purchase our securities on margin or borrow against any account in which our stock is held.

Financial Restatement and Mandatory Clawbacks

We do not have any plans, policies, or agreements that specifically require recoupment of awards if performance measures are not achieved. Under Section 304 of Sarbanes-Oxley, if we are required to restate our financials due to material noncompliance with any financial reporting requirement as a result of misconduct, the CEO and CFO must reimburse the Company for (1) any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance or filing of the non-complying document (whichever first occurs), and (2) any profits realized from the sale of securities of the Company during those 12 months.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Financial Reform Act) requires the SEC to promulgate new rules for companies listed on national securities exchanges regarding the recoupment from executives of compensation that was "erroneously awarded" if there is an accounting restatement. Clawbacks under the Financial Reform Act will be different from the clawbacks required under Section 304 of Sarbanes-Oxley. The SEC is expected to adopt new rules in fiscal year 2011 and the Company intends to adopt a mandatory clawback policy to comply with those rules once issued.

Impact of Tax and Accounting

We regularly consider the various tax and accounting implications of the compensation vehicles we use. When determining the amount of long-term incentives and equity grants to executives and employees, the compensation costs associated with the grants are reviewed, as required by Accounting Standards Codification Topic 718 (ASC 718), formerly Statement of Financial Accounting Standards No. 123(R).

We generally seek to maximize the tax deductibility for all elements of compensation. For example, Section 162(m) of the Code generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of \$1 million in any taxable year to the CEO and the next three highest compensated officers (other than the CFO). Under the current tax laws, exceptions are made for qualified performance-based compensation. Our annual cash-based awards payable under the EMIP, in addition to our stock options and LTPP awards, are all designed to meet the definition of performance-based compensation under Section 162(m) of the Code. The Committee retains the right to grant awards that do not qualify for the performance-based compensation exception if the Committee determines further compensation is appropriate in order to support our compensation philosophy with respect to our executives.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with Itron's management. Based on the review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2011 Proxy Statement.

Compensation Committee

Kirby Dyess, Chair
Gary Pruitt
Michael Bracy
Charles Gaylord

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table provides information regarding compensation of the Company's NEOs. The amounts shown include amounts deferred at the executives' election. All numbers are rounded to the nearest dollar. In 2008 and 2009, we did not pay any non-equity incentive plan compensation to our NEOs, and except for an award of stock options granted to Mr. Unsworth in connection with his promotion to CEO, we did not grant any long-term equity awards in 2009.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards		Option Awards (\$ (1))	Non-Equity Incentive Plan Compensation (\$ (3))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
			(1)	(2)					
Malcolm Unsworth	2010	748,461	2,033,421	747,467	1,500,000	0	74,854(4)	5,104,203	
President and Chief Executive Officer	2009	617,000	0	1,297,020	0	0	592,476	2,506,496	
	2008	493,615	288,804	1,176,276	0	0	657,330	2,616,026	
Steve Helmbrecht	2010	424,615	638,377	234,916	637,500	0	32,838(4)	1,968,246	
Senior Vice President and CFO	2009	400,000	0	0	0	0	16,311	416,311	
	2008	399,615	196,838	784,184	0	0	31,590	1,412,227	
Philip Mezey	2010	424,615	638,377	234,916	637,500	0	32,838(4)	1,968,246	
Senior Vice President, COO - Itron North America	2009	400,000	0	0	0	0	17,372	417,372	
	2008	400,000	187,276	784,184	0	0	25,926	1,397,386	
John Holleran	2010	423,846	638,377	234,916	637,500	0	20,100(4)	1,954,739	
Senior Vice President, General Counsel and Corporate Secretary	2009	350,000	0	0	0	0	12,921	362,921	
	2008	349,807	782,190	784,184	0	0	17,400	1,933,581	
Marcel Regnier (5)	2010	432,024	727,639	0	369,360	0	66,394(4)	1,595,417	
Senior Vice President, COO - Itron International	2009	438,000	0	0	0	0	107,039	545,039	

- (1) These columns reflect the aggregate grant date fair value of awards granted under our Long-Term Performance Plan and Amended and Restated 2000 Stock Incentive Plan determined in accordance with FASB ASC Topic 718. See Note 9 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010 regarding assumptions underlying the valuation of these equity awards.
- (2) Includes grant date fair value of 2010 Long-Term Performance Plan awards assuming target performance achievement. Grant date fair values assuming maximum performance achievement for the Long-Term Performance Plan awards would be: M. Unsworth - \$2,711,228; S. Helmbrecht - \$850,759; P. Mezey - \$850,759; J. Holleran - \$850,759 and Regnier - \$850,759.
- (3) This column reflects the cash awards earned by the NEO's under our annual incentive program.
- (4) We value these benefits based on the actual costs or charges incurred by us for the benefits. The amounts shown under "All Other Compensation" consist of the following:

Name	Financial Planning (6)	Tax Preparation (6)	Medical Costs (6)	Additional Life Insurance (6)	Long-Term Disability (6)	Home Office (6)	401(k) Company Contributions
Malcolm Unsworth			\$4,879	\$10,518	\$ 65	\$3,942	\$7,350
Steve Helmbrecht			5,485	6,375	890		7,350
Philip Mezey		3,500	6,375	1,466	101	1,308	7,350
John Holleran	2,320	3,555	387	6,375		113	7,350
Marcel Regnier							

Name	Executive Deferred Comp. Plan Company Match (7)	Housing Allowance	Cost of Living Allowance	Company Car	Expatriate Tax Reimbursement (8)	Group Insurance Retirement Contribution (9)
Malcolm Unsworth	\$22,454				\$25,646	
Steve Helmbrecht	12,738					
Philip Mezey	12,738					
John Holleran						
Marcel Regnier		31,995	3,375	2,867		28,157

- (5) Mr. Regnier's compensation is paid in Euros and has been converted to US dollars (\$USD) using an exchange rate of 1 Euro to 1.35 \$USD. This exchange rate represents the approximate average exchange rate of 2010 Q4, and is the rate used by the Company for 2011 budgeting purposes.
- (6) Represents amounts reimbursed by Itron under our Executive Flex Benefit Plan, which allows executives to be reimbursed for certain services not to exceed in the aggregate 3% of the executive's base salary. Effective January 1, 2011, this Plan has been terminated.
- (7) Deferred compensation plan details are discussed following the Nonqualified Deferred Compensation Table.
- (8) Represents reimbursement paid in 2010 for taxes on equalization payments received for additional Belgium or US income and social taxes incurred as a result of Mr. Unsworth's assignment in Belgium for the time he was living abroad before his promotion to President and COO (4/15/2008).
- (9) Represents Company contributions to a group insurance arrangement which provides retirement and death benefits for our executives in Belgium.

2010 Grants of Plan-Based Awards Table

The following table provides information regarding grants of plan-based awards to the NEOS during 2010.

Grants of Plan - Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock or Units (#) (3)	All Other Option Awards: Number of Securities Underlying Options (#) (4)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)				
Malcolm Unsworth	n/a	\$375,000	\$750,000	\$1,500,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2/12/2010	n/a	n/a	n/a	11,050	22,100	44,200	n/a	n/a	n/a	\$1,355,614(5)
	2/12/2010	n/a	n/a	n/a	n/a	n/a	n/a	11,050	n/a	n/a	\$ 677,807
	2/12/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	27,530	\$61.34	\$ 747,467
Steve Helmbrecht	n/a	\$159,375	\$318,750	\$ 637,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2/11/2010	n/a	n/a	n/a	3,455	6,910	13,820	n/a	n/a	n/a	\$ 425,380(5)
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	3,460	n/a	n/a	\$ 212,998
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,610	\$61.56	\$ 234,916
Philip Mezey	n/a	\$159,375	\$318,750	\$ 637,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2/11/2010	n/a	n/a	n/a	3,455	6,910	13,820	n/a	n/a	n/a	\$ 425,380(5)
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	3,460	n/a	n/a	\$ 212,998
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,610	\$61.56	\$ 234,916
John Holleran	n/a	\$159,375	\$318,750	\$ 637,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2/11/2010	n/a	n/a	n/a	3,455	6,910	13,820	n/a	n/a	n/a	\$ 425,380(5)
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	3,460	n/a	n/a	\$ 212,998
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,610	\$61.56	\$ 234,916
Marcel Regnier	n/a	\$162,000	\$324,000	\$ 648,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2/11/2010	n/a	n/a	n/a	3,455	6,910	13,820	n/a	n/a	n/a	\$ 425,380(5)
	2/11/2010	n/a	n/a	n/a	n/a	n/a	n/a	4,910	n/a	n/a	\$ 302,260

- (1) Represents threshold, target and maximum opportunity under the Company's annual incentive program for fiscal 2010. Our annual incentive program is discussed under the caption "Annual Cash Incentives" in the Compensation Discussion and Analysis.
- (2) Represents range of possible payouts under the Long-Term Performance Plan for fiscal 2010 performance cycle; awards earned under the Long-Term Performance Plan are paid in restricted stock units. Payout ranges were approved by the Compensation Committee on February 11, 2010 for the NEOs other than the CEO, whose payout ranges were approved by the Board on February 12, 2010. The actual number of RSUs issued was determined by the Compensation Committee on February 24, 2011 for the following executives: S. Helmbrecht - 13,820, P. Mezey - 13,820, J. Holleran - 13,820, M. Regnier - 13,820, and by the Board on February 25, 2011 for M. Unsworth - 44,200. Our Long-Term Performance Plan is discussed under the caption "Long-Term Incentives" in the Compensation Discussion and Analysis.

- (3) Amounts shown in this column reflect the number of time-based RSUs granted to each named executive under our Amended and Restated 2000 Stock Incentive Plan (2000 SIP).
- (4) Amounts shown in this column reflect the number of options granted to each named executive officer under our 2000 SIP.
- (5) Amounts shown are based on target performance achievement.

The non-equity incentive awards included in this table and also set forth in the Summary Compensation Table represent the annual incentive component of our executives' compensation. These potential payout awards are paid in cash as a percentage of each of the NEO's salary, based upon achievement of certain pre-determined performance criteria. For more details, refer to the "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis – Components of our Compensation Programs*" section of the proxy statement.

The equity incentive plan awards are awards issued under the Company's 2010 LTTP for the 2010 performance period. The awards were made in February 2011 in the form of RSUs that are subject to three-year ratable vesting. The number of RSUs granted is determined in accordance with the pre-determined performance criteria set forth in the 2010 LTTP. For more details, refer to the "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis – Components of our Compensation Programs*" section of the proxy statement. Each RSU represents one share of our common stock.

The amounts included in the 'all other stock awards' column represent time-based RSUs issued under the Company's Amended and Restated 2000 Stock Incentive Plan (2000 SIP). Because of the adverse tax consequences in Belgium on stock options, Mr. Regnier received additional time-based RSUs in lieu of the options granted to the other NEOs. For further details on the benefits paid to our NEO residing in Belgium, Marcel Regnier, refer to the "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis – Employment Agreements*" section of this proxy statement.

2010 Outstanding Equity Awards at Fiscal Year End Table

The following table provides information regarding outstanding equity awards held by each NEO as of December 31, 2010.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (4)
Malcolm Unsworth	7/1/2004	4,397		\$22.74	7/1/2014		
	5/3/2005	2,673		\$37.40	5/3/2015		
	8/7/2006	20,000		\$48.51	8/7/2016		
	5/14/2007	20,000		\$67.43	5/14/2017		
	2/14/2008					3,136(2)	\$ 173,891
	5/5/2008	20,000	10,000	\$95.78	5/5/2018		
	2/12/2009					3,715(2)	\$ 205,997
	2/13/2009	16,667	33,333	\$57.96	2/13/2019		
	2/12/2010		27,530	\$61.34	2/12/2020		
	2/12/2010					11,050(3)	\$ 612,723
2/12/2010					44,200(5)	\$2,450,890	
Steve Helmbrecht	3/8/2004	2,792		\$19.20	3/8/2014		
	5/28/2004	2,247		\$20.64	5/28/2014		
	12/6/2004	8,333		\$21.18	12/6/2014		
	5/3/2005	2,327		\$37.40	5/3/2015		
	8/7/2006	13,333		\$48.51	8/7/2016		
	5/14/2007	20,000		\$67.43	5/14/2017		
	2/14/2008					1,459(2)	\$ 80,902
	5/5/2008	13,334	6,666	\$95.78	5/5/2018		
	2/12/2009					2,532(2)	\$ 140,399
	2/11/2010		8,610	\$61.56	2/11/2020		
2/11/2010					3,460(3)	\$ 191,857	
2/11/2010					13,820(5)	\$ 766,319	
Philip Mezey	5/3/2005	5,000		\$37.40	5/3/2015		
	8/7/2006	16,000		\$48.51	8/7/2016		
	5/14/2007	20,000		\$67.43	5/14/2017		
	2/14/2008					2,235(2)	\$ 123,931
	5/5/2008	13,334	6,666	\$95.78	5/5/2018		
	2/12/2009					2,409(2)	\$ 133,579
	2/11/2010		8,610	\$61.56	2/11/2020		
2/11/2010					3,460(3)	\$ 191,857	
2/11/2010					13,820(5)	\$ 766,319	
John Holleran	2/22/2007	20,000		\$62.52	2/22/2017		
	5/14/2007	20,000		\$67.43	5/14/2017		
	2/14/2008					1,459(2)	\$ 80,902
	5/5/2008	13,334	6,666	\$95.78	5/5/2018		
	8/26/2008					2,000(3)	\$ 110,900
	2/12/2009					2,217(2)	\$ 122,933
	2/11/2010		8,610	\$61.56	2/11/2020		
2/11/2010					3,460(3)	\$ 191,857	
2/11/2010					13,820(5)	\$ 766,319	
Marcel Regnier	5/5/2008					10,000(3)	\$ 554,500
	2/12/2009					1,960(2)	\$ 108,682
	2/11/2010					4,910(3)	\$ 272,260
	2/11/2010					13,820(5)	\$ 766,319

(1) One third of the options granted on May 5, 2008 vest on each of May 5, 2009, 2010, and 2011. One third of the options granted on February 13, 2009 vest on each of February 13, 2010, 2011 and 2012. One third of the options granted on February 11, 2010 vest on each of February 11, 2011, 2012 and 2013. One third of the options granted on February 12, 2010 vest on each of February 12, 2011, 2012 and 2013.

(2) Represents RSUs granted under the Long-Term Performance Plan for the 2007 and 2008 performance cycles, as applicable. RSUs granted on February 14, 2008 will vest on February 14, 2011. RSUs granted on February 12, 2009 will vest on February 12, 2012.

- (3) Represents RSUs granted under the 2000 SIP. One third of the RSUs granted August 26, 2008 vest on each of August 26, 2009, 2010 and 2011. RSUs granted on May 5, 2008 vest on May 5, 2011. One third of the RSUs granted on February 11, 2010 vest on each of February 11, 2011, 2012 and 2013. One third of the RSUs granted on February 12, 2010 vest on each of February 12, 2011, 2012 and 2013.
- (4) Based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (5) Represents RSUs granted under the Long-Term Performance Plan for the 2010 performance cycle, attained at maximum performance.

2010 Option Exercises and Stock Vested Table

The following table provides information regarding stock option exercises and shares acquired upon the vesting of stock awards by the NEOs during the 2010 fiscal year.

Name	Option Exercises and Stock Vested			
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(2)
Malcolm Unsworth			2,327	153,722
Steve Helmbrecht	2,673	44,773	2,327	153,722
Philip Mezey			2,327	153,722
John Holleran			2,000	108,040
Marcel Regnier			8,000 (3)	512,400 (3)

- (1) Represents the difference between the exercise price and the fair market value of our common stock on the date of exercise.
- (2) Based on the fair market value of our common stock on the vest date.
- (3) Represents the number and value of RSUs vested on January 22, 2010. Shares vesting are subject to an additional two-year restriction on sale or transfer.

2010 Nonqualified Deferred Compensation Table

The following table provides information regarding the nonqualified deferred compensation of each of the NEOs for the 2010 fiscal year.

Name	Nonqualified Deferred Compensation				
	Executive Contributions in Last Fiscal Year (\$)(1)	Registrant Contributions in Last Fiscal Year (\$)(2)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Malcolm Unsworth	99,545	22,454	54,304		757,532
Steve Helmbrecht	28,273	12,738	5,187		132,723
Philip Mezey	25,477	12,738	34,608		343,636
John Holleran	n/a	n/a	n/a		n/a
Marcel Regnier	n/a	n/a	n/a		n/a

- (1) This deferred compensation represents amounts that are reported as compensation earned in 2010 in the *Summary Compensation Table*.
- (2) These amounts have been included in the *Summary Compensation Table* in the "All Other Compensation" column.

Executive Deferred Compensation Plan

Executives located in the U.S. are eligible to participate in the Company's Executive Deferred Compensation Plan. Under this plan, participants may defer up to 50% of their base salary and 50% of their annual incentive to a non-qualified account. Participants may also defer an additional portion of their base salary equal to the amount of any contributions returned to them during the year from the Company's 401(k) plan so that the 401(k) plan can satisfy the nondiscrimination requirements applicable to it. Annually, (unless suspended by the Board as it did for

the first quarter of 2009), the Company makes matching contributions to the account of each participating executive at the rate of 50% of the first 6% of base salary and annual incentive deferred by the executive during that year.

Each participant's account is adjusted for hypothetical investment earnings or losses based on the performance of the "measurement funds" in which the account is deemed to be invested. Participants allocate their accounts among the measurement funds available under the plan and can change their allocation at any time. These measurement funds are the same as the mutual funds offered for investment purposes under the Company's 401(k) plan (but do not include a Company stock fund). Measurement funds are used solely to determine the amount of the hypothetical investment earnings or losses to be allocated to the participant's account. The Company is not obligated to invest any assets in these funds.

Accounts are distributed (or commence to be distributed) to participants upon termination of employment with the Company and its affiliates. Distribution will generally be made (or commence to be made) within 90 days after termination. However, distribution will be delayed until six months after termination to the extent necessary to comply with the requirements of Internal Revenue Code Section 409A. In-service distributions are not generally permitted. However, participants may elect to withdraw amounts from their accounts prior to termination to satisfy emergency needs in the event of an unforeseeable emergency (as determined by the plan administrator).

A participant's account will be distributed in a lump sum, unless the participant elects to have it distributed in substantially equal annual installments over a period of not more than 10 years. This election must be made at the time the participant is first eligible to participate in the plan.

Potential Payments upon Termination

Termination for Cause

The executive is entitled to receive any accrued and unpaid base salary through the date of termination. All options granted automatically expire when terminated for cause and all unvested time-based RSUs and all unvested awards under the LTPP and the EMIP are forfeited in the event of termination for cause.

Termination due to Death, Disability, or Retirement

Base Salary: The executive or his or her estate is entitled to any accrued and unpaid base salary through the date of termination.

Time-based RSUs: If termination is due to death, disability, or retirement, any unvested RSUs granted under the 2000 SIP would vest pro-rata based on the number of calendar days employed during the vesting period. For RSUs granted under the 2010 SIP, all unvested awards would be forfeited.

Stock Options: All unvested options automatically expire when termination is due to death, disability or retirement. If termination is due to death or disability, any vested stock options would remain exercisable until the earlier of one year following the date of termination, or the date on which the options expire by their terms. If termination is due to retirement, any vested stock options granted prior to 2008 under the 2000 SIP would remain exercisable until the earlier of one year following the date of termination or the date on which the options expire by their terms. For options granted in 2008 or later under the 2000 SIP, and for options granted under the 2010 SIP, if termination is due to retirement, any vested stock options would remain exercisable until the earlier of three years following the date of termination or the date on which the options expire by their terms.

LTPP: For awards issued for the 2007 and 2008 performance periods, if termination occurs during the three-year cliff vesting period the award will vest pro-rata based on the number of calendar days employed during the vesting period. There were no LTPP awards for the 2009 performance period. For awards under the 2010 LTPP, if termination occurs during the performance period by reason of death, disability, or retirement, the number of

RSUs that become eligible for vesting, based on attainment of performance goals assessed at the end of the performance period, will be determined pro-rata based on the number of calendar days employed during the performance period and will vest as of the date of death, disability or retirement. If termination occurs during the three-year ratable vesting period by reason of death, disability, or retirement, all unvested units will vest as of the date of termination. Vested units generally will be settled at the original vesting date set forth in the award agreement, and in accordance with the provisions of Section 409A of the Code.

Annual Incentive Plan: For awards under the EMIP, participants would receive a prorated award (assuming an award is earned) based on the number of calendar days employed during the performance period and such payout, if any, will be made at the same time as the other participants.

Definition of Retirement: For purposes of stock options granted since 2008 as well as all awards granted under the 2010 SIP to NEOs located in the U.S., "retirement" means the earlier of age 65 or age 55 with at least 10 years of service with Itron. For awards under the 2000 SIP, other than stock options granted in 2008 or later, "retirement" means attainment of age 65.

Voluntary Termination or Termination without Cause

Base Salary: The executive is entitled to any accrued and unpaid base salary through the date of termination.

Time-based RSUs: All unvested RSUs are forfeited upon voluntary termination or termination without cause.

Stock Options: All unvested options automatically expire due to voluntary termination or termination by the Company without cause. Any vested options would remain exercisable until the earlier of 90 days following termination of employment or the date on which the options expire by their terms.

LTPP: For awards issued for the 2007 and 2008 performance periods, if termination occurs during the three-year cliff vesting period, the award will vest pro-rata based on the number of calendar days employed during the vesting period. There were no LTPP awards for the 2009 performance period. For awards under the 2010 LTPP, if termination occurs during the performance period or the three-year ratable vesting period, any unvested awards are forfeited. Vested units will be settled in accordance with the provisions of Section 409A of the Code.

Annual Incentive Plan: The bonus under the 2010 EMIP would be forfeited in its entirety if the NEO is not employed by the Company at the time of the payout.

Potential Payments upon Change-in-Control

The following describes the material provisions of the CIC Agreements that we entered into with our NEOs in 2010. For a comparison of these provisions to the CIC Agreements in effect prior to 2010, refer to the "Change-in-Control Agreements" section under the "Compensation Discussion and Analysis" section of this Proxy Statement. The Agreements provide for the following benefits if there is a change-in-control and the NEO's employment is terminated by the Company without cause or by the NEO for "good reason":

Severance Benefit. The CIC Agreements provide the CEO with a severance benefit of 3 times the sum of base salary and target annual incentive opportunity established for the year in which the change-in-control occurs. For the other NEOs, the severance benefit is 2.5 times the sum of base salary and target annual incentive opportunity. The benefit is paid in cash in one lump sum.

Pro-Rata Annual Incentive for Year of Termination. The Agreements provide for a payment based on the greater of target opportunity or actual performance (as determined by the Board), prorated for the time worked during the year of termination.

Welfare Benefit Continuation. The CIC Agreements provide for three years of life and disability insurance coverage (with no tax gross-up) for the CEO and 2.5 years of life and disability insurance coverage (with no tax

The definition of change-in-control for those RSUs granted for the 2007 and 2008 performance periods is either a corporate transaction (other than a related party transaction) as defined in our 2000 SIP, as described above, or a change-in-control as defined in the standard change-in-control agreements that we have in effect at the time of a transaction, but in any event, the transaction must constitute a change-in-control event within the meaning of Section 409A of the Code. The definition of change-in-control for those RSUs granted under the 2010 LTPP is defined in the 2010 SIP, as described above, and the transaction must constitute a change-in-control event within the meaning of Section 409A of the Code.

Time-based RSUs: In the event of a change-in-control, any unvested RSUs will accelerate and become vested immediately prior to such transaction.

Termination Payment Tables for NEOs

The tables below reflect the estimated amount of incremental compensation payable to each of our NEOs in the event of termination of employment or change-in-control. The tables do not include benefits generally available to all employees on a non-discriminatory basis or payments and benefits that the NEOs would have already earned during their employment with us, whether or not a termination or change-in-control event had occurred. The amounts shown assume that such termination or change-in-control was effective as of December 31, 2010. The actual amounts to be paid out can only be determined at the time of such executive's termination or upon a change-in-control, as applicable.

Summary of Termination Payments
Malcolm Unsworth

Executive Benefits (1)	Termination for Cause	Voluntary Termination	Death	Disability	Retirement	Termination Without Cause	Change-in-Control	Termination Without Cause or by Executive for Good Reason Following a Change-in-Control
Annual Incentive (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accelerated Stock Options (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance (4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$4,500,000
Benefit Continuation	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,512(8)
Accelerated RSUs (5)	\$ —	\$296,269	\$296,269	\$296,269	\$296,269	\$296,269	\$992,610	\$ 992,610
Accelerated Long-Term Performance Plan Award (6)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross-Up (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,724,948

- (1) The above table does not include amounts under our Executive Deferred Compensation Plan, stock option awards that are fully vested, earned salary, and accrued vacation as those items are earned and due to the employee regardless of such termination or change-in-control events. It also does not include amounts payable under life insurance coverage, our accidental death & dismemberment coverage or our business travel, accident coverage, which are programs available to all employees. Under the change-in-control agreement with this executive the term is 24 months following a change-in-control and the severance payment is equal to three times the sum of the executive's base salary and target annual bonus. Each form of payment is mutually exclusive based on the individual circumstances or events and therefore represents a single payment and should not be added together.
- (2) Pursuant to our change-in-control agreement with this executive the annual bonus payable in the event of termination following a change-in-control is the greater of target or the actual amount earned. For 2010, the actual amount earned was greater than target, resulting in no additional amount payable.
- (3) Represents in-the-money value of accelerated stock options based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (4) Represents three times the sum of base salary and target annual bonus.
- (5) Represents the pro-rata vested value of RSUs granted February 14, 2008 and February 12, 2009 under the LTPP, based on number of calendar days of employment during the three year vesting period and the closing price of our common stock on December 31, 2010 (\$55.45). Change-in-control amounts represent the accelerated value of all outstanding unvested RSU awards based on the closing price of our stock on December 31, 2010 (\$55.45).
- (6) Pursuant to our change-in-control agreement with this executive the LTPP awards outstanding as of the change-in-control will be vested at the greater of target or actual performance for the year. For 2010, the actual performance achieved was greater than target, resulting in no additional amount vesting.

- (7) In the event that payments under the change-in-control agreement result in imposition of excise taxes to the executive, we will pay the executive an additional amount ("gross-up") equal to the excise tax and other related taxes on the excise tax gross-up (federal and state income taxes), unless reducing the amount of severance by up to five percent would not subject the executive to the excise tax, in which case the amount of severance may be reduced by such amount. The executive pays basic federal and state income taxes incurred on payments that are not a result of the imposition of the excise tax.
- (8) Mr. Unsworth does not subscribe to the Company's healthcare benefits plan.

**Summary of Termination Payments
- Steve Héimbrecht**

Executive Benefits (1)	Termination for Cause	Voluntary Termination	Death	Disability	Retirement	Termination Without Cause	Change-in- Control	Termination Without Cause or by Executive for Good Reason Following a Change-in- Control
Annual Incentive (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accelerated Stock Options (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance (4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,859,375
Benefit Continuation	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35,258
Accelerated RSUs (5)	\$ —	\$ 165,851	\$ 165,851	\$ 165,851	\$ 165,851	\$ 165,851	\$ 413,158	\$ 413,158
Accelerated Long-Term Performance Plan Award (6)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross-Up (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 605,028

- (1) The above table does not include amounts under our Executive Deferred Compensation Plan, stock option awards that are fully vested, earned salary, and accrued vacation as those items are earned and due to the employee regardless of such termination or change-in-control events. It also does not include amounts payable under life insurance coverage, our accidental death & dismemberment coverage or our business travel accident coverage, which are programs available to all employees. Under the change-in-control agreement with this executive the term is 24 months following a change-in-control and the severance payment is equal to 2.5 times the sum of the executive's base salary and target annual bonus. Each form of payment is mutually exclusive based on the individual circumstances or events and therefore represents a single payment and should not be added together.
- (2) Pursuant to our change-in-control agreement with this executive the annual bonus payable in the event of termination following a change-in-control is the greater of target or the actual amount earned. For 2010, the actual amount earned was greater than target, resulting in no additional amount payable.
- (3) Represents in-the-money value of accelerated stock options based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (4) Represents 2.5 times the sum of base salary and target annual bonus.
- (5) Represents the pro-rata vested value of RSUs granted February 14, 2008 and February 12, 2009 under the LTPP, based on number of calendar days of employment during the three year vesting period and the closing price of our common stock on December 31, 2010 (\$55.45). Change-in-control amounts represent the accelerated value of all outstanding unvested RSU awards based on the closing price of our stock on December 31, 2010 (\$55.45).
- (6) Pursuant to our change-in-control agreement with this executive the LTPP awards outstanding as of the change-in-control will be vested at the greater of target or actual performance for the year. For 2010, the actual performance achieved was greater than target, resulting in no additional amount vesting.
- (7) In the event that payments under the change-in-control agreement result in imposition of excise taxes to the executive, we will pay the executive an additional amount ("gross-up") equal to the excise tax and other related taxes on the excise tax gross-up (federal and state income taxes), unless reducing the amount of severance by up to five percent would not subject the executive to the excise tax, in which case the amount of severance may be reduced by such amount. The executive pays basic federal and state income taxes incurred on payments that are not a result of the imposition of the excise tax.

**Summary of Termination Payments
Phillip Mezey**

<u>Executive Benefits (1)</u>	<u>Termination for Cause</u>	<u>Voluntary Termination</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Termination Without Cause</u>	<u>Change-in- Control</u>	<u>Termination Without Cause or by Executive for Good Reason Following a Change-in- Control</u>
Annual Incentive (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accelerated Stock Options (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance (4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,859,375
Benefit Continuation	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35,258
Accelerated RSUs (5)	\$ —	\$ 202,836	\$ 202,836	\$ 202,836	\$ 202,836	\$ 202,836	\$ 449,367	\$ 449,367
Accelerated Long-Term Performance Plan Award (6) ...	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross-Up (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

- (1) The above table does not include amounts under our Executive Deferred Compensation Plan, stock option awards that are fully vested, earned salary, and accrued vacation as those items are earned and due to the employee regardless of such termination or change-in-control events. It also does not include amounts payable under life insurance coverage, our accidental death & dismemberment coverage or our business travel accident coverage, which are programs available to all employees. Under the change-in-control agreement with this executive the term is 24 months following a change-in-control and the severance payment is equal to 2.5 times the sum of the executive's base salary and target annual bonus. Each form of payment is mutually exclusive based on the individual circumstances or events and therefore represents a single payment and should not be added together.
- (2) Pursuant to our change-in-control agreement with this executive the annual bonus payable in the event of termination following a change-in-control is the greater of target or the actual amount earned. For 2010, the actual amount earned was greater than target, resulting in no additional amount payable.
- (3) Represents in-the-money value of accelerated stock options based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (4) Represents 2.5 times the sum of base salary and target annual bonus.
- (5) Represents the pro-rata vested value of RSUs granted February 14, 2008 and February 12, 2009 under the LTTP, based on number of calendar days of employment during the three year vesting period and the closing price of our common stock on December 31, 2010 (\$55.45). Change-in-control amounts represent the accelerated value of all outstanding unvested RSU awards based on the closing price of our stock on December 31, 2010 (\$55.45).
- (6) Pursuant to our change-in-control agreement with this executive the LTTP awards outstanding as of the change-in-control will be vested at the greater of target or actual performance for the year. For 2010, the actual performance achieved was greater than target, resulting in no additional amount vesting.
- (7) In the event that payments under the change-in-control agreement result in imposition of excise taxes to the executive, we will pay the executive an additional amount ("gross-up") equal to the excise tax and other related taxes on the excise tax gross-up (federal and state income taxes), unless reducing the amount of severance by up to five percent would not subject the executive to the excise tax, in which case the amount of severance may be reduced by such amount. The executive pays basic federal and state income taxes incurred on payments that are not a result of the imposition of the excise tax.

Summary of Termination Payments
John Holleran

Executive Benefits (1)	Termination for Cause	Voluntary Termination	Death	Disability	Retirement	Termination Without Cause	Change-in- Control	Termination Without Cause or by Executive for Good Reason Following a Change-in- Control
Annual Incentive (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accelerated Stock Options (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Severance (4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,859,375
Benefit Continuation	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,383
Accelerated RSUs (5)	\$ —	\$ 154,872	\$ 154,872	\$ 154,872	\$ 154,872	\$ 154,872	\$ 506,591	\$ 506,591
Accelerated Long-Term Performance Plan Award (6) ...	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross-Up (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 894,483

- (1) The above table does not include amounts under our Executive Deferred Compensation Plan, stock option awards that are fully vested, earned salary, and accrued vacation as those items are earned and due to the employee regardless of such termination or change-in-control events. It also does not include amounts payable under life insurance coverage, our accidental death & dismemberment coverage or our business travel accident coverage, which are programs available to all employees. Under the change-in-control agreement with this executive the term is 24 months following a change-in-control and the severance payment is equal to 2.5 times the sum of the executive's base salary and target annual bonus. Each form of payment is mutually exclusive based on the individual circumstances or events and therefore represents a single payment and should not be added together.
- (2) Pursuant to our change-in-control agreement with this executive the annual bonus payable in the event of termination following a change-in-control is the greater of target or the actual amount earned. For 2010, the actual amount earned was greater than target, resulting in no additional amount payable.
- (3) Represents in-the-money value of accelerated stock options based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (4) Represents 2.5 times the sum of base salary and target annual bonus.
- (5) Represents the pro-rata vested value of RSUs granted February 14, 2008 and February 12, 2009 under the LTPP, based on number of calendar days of employment during the three year vesting period and the closing price of our common stock on December 31, 2010 (\$55.45). Change-in-control amounts represent the accelerated value of all outstanding unvested RSU awards based on the closing price of our stock on December 31, 2010 (\$55.45).
- (6) Pursuant to our change-in-control agreement with this executive the LTPP awards outstanding as of the change-in-control will be vested at the greater of target or actual performance for the year. For 2010, the actual performance achieved was greater than target, resulting in no additional amount vesting.
- (7) In the event that payments under the change-in-control agreement result in imposition of excise taxes to the executive, we will pay the executive an additional amount ("gross-up") equal to the excise tax and other related taxes on the excise tax gross-up (federal and state income taxes), unless reducing the amount of severance by up to five percent would not subject the executive to the excise tax, in which case the amount of severance may be reduced by such amount. The executive pays basic federal and state income taxes incurred on payments that are not a result of the imposition of the excise tax.

**Summary of Termination Payments
Marcel Regnier**

Executive Benefits (1)							Termination	Change-in- Control	Termination
	Termination for Cause	Voluntary Termination	Death	Disability	Retirement	Without Cause	Without Cause Following a Change-in- Control		
Annual Incentive (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Accelerated Stock Options (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Severance (4)	\$ —	\$ —	\$432,000	\$432,000	\$432,000	\$432,000	\$ —	\$1,860,000	
Benefit Continuation	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,432	
Accelerated RSUs (5)	\$ —	\$68,314	\$ 68,314	\$ 68,314	\$ 68,314	\$ 68,314	\$663,182	\$ 663,182	
Accelerated Long-Term Performance Plan Award (6) ...	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Gross-Up (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

- (1) The above table does not include amounts under our Executive Deferred Compensation Plan, stock option awards that are fully vested; earned salary, and accrued vacation as those items are earned and due to the employee regardless of such termination or change-in-control events. It also does not include amounts payable under life insurance coverage, our accidental death & dismemberment coverage or our business travel accident coverage, which are programs available to all employees. Under the change-in-control agreement with this executive the term is 24 months following a change-in-control and the severance payment is equal to 2.5 times the sum of the executive's base salary and target annual bonus. Each form of payment is mutually exclusive based on the individual circumstances or events and therefore represents a single payment and should not be added together.
- (2) Pursuant to our change-in-control agreement with this executive the annual bonus payable in the event of termination following a change-in-control is the greater of target or the actual amount earned. For 2010, the actual amount earned was greater than target, resulting in no additional amount payable.
- (3) Represents in-the-money value of accelerated stock options based on the closing price of our common stock on December 31, 2010 (\$55.45).
- (4) Represents 2.5 times the sum of base salary and target annual bonus.
- (5) Represents the pro-rata vested value of RSUs granted February 12, 2009 under the LTPP, based on number of calendar days employment during the three year vesting period and the closing price of our common stock on December 31, 2010 (\$55.45). Change-In-Control amounts represent the accelerated value of all outstanding unvested RSU awards based on the closing price of our stock on December 31, 2010 (\$55.45).
- (6) Pursuant to our change-in-control agreement with this executive the LTPP awards outstanding as of the change-in-control will be vested at the greater of target or actual performance for the year. For 2010, the actual performance achieved was greater than target, resulting in no additional amount vesting.
- (7) Mr. Regnier did not have any U.S. sourced income in 2010 and therefore is not subject to 280G regulations or excise taxes on potential termination payments.

2010 AUDIT/FINANCE COMMITTEE REPORT

The Audit/Finance Committee is composed of independent directors as defined by Rule 5605(a)(2) of the NASDAQ rules and acts under a written charter developed by the Committee and approved by the Board. Management is responsible for the Company's internal controls and the financial reporting process. Ernst & Young LLP, the Company's independent registered public accounting firm, is responsible for performing an independent audit of the Company's consolidated financial statements and internal control over financial reporting in accordance with auditing standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The Committee's responsibility is to monitor and oversee these processes on behalf of our Board of Directors.

In connection with the December 31, 2010 financial statements, the Audit/Finance Committee hereby reports as follows:

- (1) The Audit/Finance Committee has reviewed and discussed the audited financial statements and report on internal control over financial reporting with management.
- (2) The Audit/Finance Committee has discussed with the independent auditors the matters required by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1.AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and SEC Regulation S-X, Rule 2-07.
- (3) The Audit/Finance Committee has received the written disclosures and the letter from the auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit/Finance Committee concerning independence, and discussed with the auditors the auditors' independence.
- (4) Based upon these reviews and discussions, the Audit/Finance Committee has recommended to the Board of Directors and the Board has approved, that the Company's audited financial statements be included in the Securities and Exchange Commission Annual Report on Form 10-K for the year ended December 31, 2010.

Audit/Finance Committee

Graham Wilson, Chairman
Sharon Nelson
Jon Eliassen
Thomas Glanville

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S AUDIT FEES AND SERVICES

For the years ended December 31, 2009 and December 31, 2010, professional services were performed by Ernst & Young LLP and their respective affiliates (collectively, Ernst & Young LLP). The aggregate fees billed by Ernst & Young LLP for the years ended December 31, 2009 and 2010 were as follows:

Services Rendered	2009	2010
Audit Fees (1)	\$5,471,271	\$5,974,951
Audit-Related Fees (2)	134,623	223,251
Total Audit and Audit-Related Fees	5,605,894	6,198,202
Tax Fees (3)	9,497	208,841
Other Fees (4)	—	98,505
Total Fees	\$5,615,391	\$6,505,548

- (1) Audit services include fees for professional services rendered for the audit of the Company's annual financial statements and internal controls over financial reporting for the years ended December 31, 2009 and 2010, and reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q. In addition, services include procedures regarding registration statements, statutory audits required internationally, and accounting consultations on matters related to the annual audits or interim reviews.
- (2) Audit-related services primarily include fees for acquisition due diligence services performed during the years ended December 31, 2009 and 2010.
- (3) Tax services include fees for consultation and assistance with tax preparation and compliance during the years ended December 31, 2009 and 2010. No other tax services were performed by Ernst & Young LLP.
- (4) The Company did not engage Ernst & Young for other fees or services in 2009. For 2010, other fees include the following additional services: (i) review of changes in local country GAAP; (ii) provide compliance testing of an enterprise resource planning (ERP) system; and (iii) evaluate data migration controls for an upgraded financial reporting system.

The Audit/Finance Committee has considered and concluded that the non-audit services provided to the Company by Ernst & Young LLP are compatible with maintaining the auditors' independence.

The Audit/Finance Committee has adopted policies and procedures that require the Company to obtain the Committee's pre-approval of all audit and permissible non-audit services to be provided by the Company's independent registered public accounting firm. Pre-approval is generally granted on a quarterly basis, is detailed as to the particular service or category of services to be provided, and is granted after consideration of the estimated fees for each service or category of service. Actual fees and any changes to estimated fees for pre-approved services are reported to the Committee on a quarterly basis. In 2009 and 2010, all services were pre-approved in accordance with the charter of the Audit/Finance Committee.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives certain information about our equity compensation plans in effect as of December 31, 2010.

<u>Plan Category</u>	<u>Number of Shares to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Shares Remaining Available for Issuance Under Equity Compensation Plans (excluding shares reflected in column (a)) (c)</u>
Equity Compensation Plans Approved by Shareholders (1)	1,689,429	\$55.21(2)	3,008,319 (1) (3)
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	<u>1,689,429</u>	<u>\$55.21(2)</u>	<u>3,008,319 (1) (3)</u>

- (1) Under the provisions of the Iron 2010 Stock Incentive Plan (2010 Plan), the Company may grant stock awards, stock units, performance shares, stock appreciation rights, and performance units (collectively Awards) in addition to stock options.
- (2) The weighted-average exercise price pertains only to outstanding options and excludes 586,166 shares issuable upon vesting of outstanding Awards.
- (3) This number includes 2,812,078 shares available for issuance under the 2010 Plan and 196,241 shares available for issuance under the 2002 Employee Stock Purchase Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information with respect to the beneficial ownership of our common stock as of February 25, 2011 by:

- each of our directors;
- each of our executive officers for whom compensation is reported in this proxy statement;
- all of our directors and executive officers as a group; and
- each person that we know beneficially owns more than 5% of our common stock.

The percentage ownership data is based on 40,596,407 shares of our common stock outstanding as of February 25, 2011. Under SEC rules, beneficial ownership includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of common stock subject to options that are currently exercisable or will become exercisable within 60 days are deemed outstanding for computing the number of shares and the percentage ownership of the person holding the option, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except as otherwise noted, we believe that the beneficial owners of the shares of common stock listed below have sole voting and investment power with respect to all shares beneficially owned, subject to applicable community property laws.

<u>Name</u>	Shares Beneficially Owned	
	Number	Percent
Directors and Executive Officers:		
Malcolm Unsworth (1)	190,423	*
Philip C. Mezey (2)	93,956	*
Steven M. Helmbrecht (3)	106,729	*
John Holleran (4)	87,143	*
Marcel Regnier (5)	47,130	*
Michael B. Bracy (6)	42,277	*
Kirby Dyess (7)	12,893	*
Jon E. Eliassen (8)	16,463	*
Charles H. Gaylord, Jr. (7)	13,077	*
Thomas S. Glanville (9)	46,990	*
Sharon L. Nelson (10)	11,732	*
Gary Pruitt (11)	14,957	*
Graham M. Wilson (12)	28,565	*
All directors and executive officers as a group (14 persons) (13)	785,495	1.9%
Greater-Than-5% Shareholders:		
BlackRock, Inc. (14)	4,113,775	10.18%
40 East 52 nd Street		
New York, NY 10022		

* Less than 1%.

- (1) Includes 109,580 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$63.23 per share.
- (2) Includes 57,204 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$65.83 per share.
- (3) Includes 65,236 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$58.44 per share.
- (4) Includes 56,204 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$72.11 per share.

- (5) 3,100 of these shares are held in the name of a company owned equally by Mr. Regnier and his spouse, who share voting and investment power over the shares.
- (6) Includes 18,986 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$31.72 per share.
- (7) Includes 8,486 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$70.92 per share. Also includes 2,000 shares held in the name of a trust of which Mr. Gaylord and his spouse are co-trustees who share voting and investment power over these shares.
- (8) Includes 7,644 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$57.69 per share.
- (9) Includes 16,486 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$33.85 per share.
- (10) Includes 5,986 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$56.86 per share.
- (11) Includes 8,486 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$61.97 per share.
- (12) Includes 21,736 shares issuable on exercise of outstanding options exercisable within 60 days at a weighted average exercise price of \$29.36 per share.
- (13) Includes 439,793 shares issuable on exercise of outstanding options that are held by all directors and executive officers and are exercisable within 60 days.
- (14) Information is based on Amendment No. 6 to a Schedule 13G filed with the SEC on January 10, 2011 by BlackRock, Inc., on behalf of its investment advisory subsidiaries, BlackRock Advisors LLC, BlackRock Advisors (UK) Limited, BlackRock Asset Management Australia Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Japan Co., Ltd, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management, LLC, BlackRock (Luxembourg) S.A., BlackRock International Ltd, and BlackRock Investment Management UK Ltd. The Schedule 13G indicates that BlackRock, Inc. has sole voting power and sole dispositive power over all of these shares:

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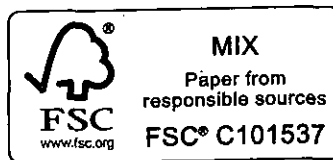
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Driving Directions to Iron Annual Meeting of Shareholders:

From the West: Take Interstate 90 East to Liberty Lake, Washington Exit (No. 296). Exit the Interstate and continue straight onto East Appleway Avenue. Proceed one mile and turn right onto North Molter Road. Turn right into Itron driveway at 2111 North Molter Road.

From the East: Take Interstate 90 West to Liberty Lake, Washington Exit (No. 296). Exit the Interstate and at stop sign, turn left onto North Harvard Rd. Proceed to stoplight and turn left onto East Appleway Avenue. Proceed one mile and turn right onto North Molter Road. Turn right into Itron driveway at 2111 North Molter Road.

For questions, call 509-924-9900.



Principal Itron Consulting & Analysis Staff

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Name	Title	Business Address	Tel. Number	E-mail
Mike Rufo	Managing Director, Consulting & Analysis	1111 Broadway, Suite 1800 Oakland, CA 94607	510-844-2881	Mike.Rufo@itron.com
John Cavalli	Director, Consulting & Analysis	1111 Broadway, Suite 1800 Oakland, CA 94607	510-844-2876	John.Cavalli@itron.com
Rachel Harcharik	Director, Consulting & Analysis	11236 El Camino Real, San Diego, CA 92130	858-724-2620	Rachel.Harcharik@itron.com
Kris Bradley	Director, Consulting & Analysis	1111 Broadway, Suite 1800 Oakland, CA 94607	510-844-2818	Kris.Bradley@itron.com
Al Lutz	Director, Consulting & Analysis	1111 Broadway, Suite 1800 Oakland, CA 94607	510-844-2831	Al.Lutz@itron.com
George Simons	Director, Consulting & Analysis	2800 Fifth Street, Suite 110, Davis, CA 95618	509-891-3180	George.Simons@itron.com
Sharyn Barata	Senior Principal Energy Consultant	11236 El Camino Real San Diego, CA 92130	858-724-2642	Sharyn.Barata@itron.com
Mike Messenger	Senior Principal Energy Consultant	2800 Fifth Street, Suite 110, Davis, CA 95618	510-844-2899 509-891-3186	Mike.Messenger@itron.com
Bill Golemboski	Principal Energy Consultant	57 Grand Boulevard, Binghamton, NY 13905-3323	607-770-1409	Bill.Golemboski@itron.com

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Michael W. Rufo

Managing Director

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Education

- M.A., Technology and Human Affairs, Washington University, 1986
- B.A., Full Honors, Environmental Studies and Planning, Emphasis on Energy Management Design, California State University, Sonoma
- One-year intensive program in International Development, Uppsala University, Sweden, 1982–1983

Employment History

- Managing Director, Itron, Inc., 2006–Present
- Senior Vice President, Quantum Consulting, Inc., 2001–2006
- Vice President, Consulting Services, Western Region, Xenergy, Inc., 1987–2002
- Research Assistant, Washington University, Dept. of Engineering & Policy, 1986
- Energy Analyst, California State University, Sonoma, 1984–1985

Selected Expertise

Mr. Rufo has more than 20 years of experience in virtually all aspects of energy efficiency and demand response consulting. Mr. Rufo is a highly regarded national energy expert and is known for his ability to effectively manage high-profile studies in challenging stakeholder environments. His work has been widely cited and is the basis for energy efficiency goals, program designs, and evaluation approaches throughout North America. His areas of expertise include:

- Energy Efficiency, Demand Response, and Renewable Program Evaluation
- Technology and New Product and Service Assessment Studies
- Net to Gross Analysis
- Energy Efficiency, Demand Response, and Distributed Generation Potential Studies
- Market Effects, Baseline, and Assessment Analysis
- Strategic Planning and Energy Policy
- Technology Database Creation and Management

Selected Project Experience (Additional Projects Available Upon Request)

Planning and Policy

- **California Energy Efficiency Goals Study – California Public Utilities Commission (CPUC).** Mr. Rufo directed this study that provided technical analysis and support to the CPUC in its development of energy efficiency goals for the California investor-owned utilities for 2009-2020. The approach used scenario analysis to address a variety of policy instruments. Itron staff also participated extensively in CPUC workshops and provided support on CPUC reply comments to stakeholders.
- **2008 Texas Energy Efficiency Potential and Goals Study – Public Utilities Commission of Texas (PUCT).** Mr. Rufo directed this study required by the Texas Legislature. The study estimated the potential for energy efficiency potential in Texas (with participation from seven Texas IOUs), responded directly to questions from the Legislature, and provided recommendations on energy efficiency goals and policies. The project included briefings of results and recommendations to PUCT Commissioners.
- **2008-2009 Florida Energy Efficiency, Demand Response (DR), and Distributed Generation (DG) Potential Study – Group of Seven Largest Electric Utilities in Florida (contract managed by FPL).** Mr. Rufo directed this study to update EE, DR, and DG potential for major utilities in Florida. The study reviewers include Collaborative members from environmental organizations and the FL PSC. Study includes workshop presentations to PSC Commissioners.
- **2006-2008 California Long-Term Energy-Efficiency Scenario Analysis Study – California Energy Commission (CEC), Public Interest Energy Research (PIER) Climate Change Research Effort.** Mr. Rufo directed an initial, exploratory study that developed a long-term forecast of electricity consumption and energy efficiency potential in California's residential sector to the year 2050. The focus of this work was on the interaction among key drivers of future electricity use, including population, energy efficiency, and end-use service demand. This study used scenario analysis to address several key dimensions of uncertainty.
- **2007-2009 DEER Update Study – CPUC.** Mr. Rufo co-directed, with JJ Hirsch and Associates, this comprehensive update of the California Database of Energy Efficiency Resources (DEER). DEER is the most extensive source of energy efficiency savings, cost, and net effects information in the industry. This update of DEER has several policy applications, including CA IOU 2009-2011 Energy Efficiency Program Applications and CPUC Energy Division's estimation of CA IOU 2006-2008 ex ante program accomplishment claims.

- **2003-2008 National Best Practices Study – California IOUs, CPUC, and CEC.** Mr. Rufo designed and directed this first of its kind assessment of energy efficiency program and portfolio best practices. The study compares energy efficiency programs, identifies best practices, and delivers the analysis and recommendations through a popular website (www.eebestpractices.com). Fourteen best practice reports and one hundred individual program profiles are provided on the web site. The latest phase provides a Portfolio Best Practices Report and a “What’s New” update of program best practices and issues.
- **DEER (Database of Energy Efficiency Resources) 2001 Update Study (Measure Costs and Savings).** Principal-in-charge and designer of this project that developed detailed databases of energy-efficiency measure costs. The methods employed to develop the data included interviews and surveys of wholesalers and contractors, analysis of utility cost data available in program tracking databases and hard-copy invoices, and development of innovative cost models to explain observed price variations. Also managed the development of per unit residential energy and peak demand impacts.
- **Greenhouse Gas Mitigation Supply Curve Roadmap.** Developed an R&D roadmap for the California Energy Commission’s Public Interest Energy Research Program (PIER) Environmental Area. Roadmap identified weaknesses in existing GHG supply curve studies and recommended projects to develop GHG mitigation curves for California and advance the state-of-the-art of supply curve research.

Program Evaluation and Market Assessment

- **Evaluation of 2006-2008 Industrial Programs – California Public Utilities Commission (CPUC).** Mr. Rufo directed comprehensive impact evaluations of industrial efficiency programs in the PG&E, SCE, and Sempra Utilities service territories. The impact evaluations involved intensive measurement and verification of gross savings and in-depth analysis of net-to-gross ratios for a large sample of efficiency projects. Mr. Rufo oversaw all aspects of the projects and worked closely with Energy Division and its support consultants to anticipate and address issues and ensure project quality and value. Mr. Rufo also led the development of the projects’ findings and recommendations which focused on areas of improvement needed to more effectively capture industrial sector efficiency opportunities.
- **Evaluations of California’s Nonresidential Standard Performance Contracting Programs/Baseline Assessment of Large Nonresidential Markets, 1998-2005.** Managed comprehensive evaluation studies of California’s SPC programs for 1998, 1999, 2000-2001, 2002-2003, and 2004-2005. These studies included the application of a theory-based evaluation approach, development of market effects indicators,

assessment of baseline demand for energy efficient services such as performance contracting, assessment of market effects achieved, development of process evaluation results, estimation ex post impact savings realization rates, and recommendations for improving program performance.

- **2004 and 2005 Large C&I Demand Response Evaluation – California IOUs, CPUC, and CEC.** Led a two-year comprehensive impact, process, and market evaluation of all large customer (>200 kW) demand response programs in California (voluntary CPP, demand bidding, and interruptible programs). Impact analysis included in-depth quantitative comparison and assessment of a variety of representative day baseline load shape methods as well as customer-specific regression methods.
- **Market Assessment and Evaluation Studies for California’s Small/Medium Nonresidential Markets.** Managed sequential, comprehensive studies of small/medium nonresidential market structures and baseline conditions and evaluated program interventions for program years 1999, 2000, and 2001. Conducted studies measuring end user attitudes, actions, and awareness (cross-sectional and longitudinal); managed development of program theory; evaluations of the Small Business Standard Performance Contracting and Express Rebate programs; tracking analyses of program accomplishments; and an assessment of remaining energy efficiency potential.
- **Commercial End-Use Load Shape Development, Portland General Electric.** Managed a comprehensive study that developed end-use load shapes for six key customer segments. The study included calibration of DOE-2 models to sub-metered data for 22 sites and to whole-premise, hourly data for several hundred other sites for which on-site surveys were conducted.
- **Gap Analysis of California’s Baseline Information Sources.** Directed and designed a comprehensive process to collect, database, and assess over 100 potential sources of baseline and market transformation information on California’s energy efficiency markets. Developed reliability and value rating system to score available information and identify gaps. Recommendations for further research were developed to focus baseline and evaluation resources on filling high-priority gaps and improve upon weakness areas.
- **Title 24 Monitoring Project.** Conducted statistical billing data analysis, using the Princeton Scorekeeping Method (PRISM), of the heating and cooling consumption of a sample of new homes in California, which must meet the State of California’s Title 24 energy performance standards. Provided analytic support in explaining differences in energy consumption for new homes as estimated by PRISM, conditional demand analysis, and building simulation.

Memberships/Associations

- Board Member, Clean Power Campaign (CPC)
- Board Member, Center for Energy Efficiency and Renewable Technologies (CEERT), 2002-2007
- Member, Association of Energy Service Professionals

Selected Publications, Presentations, and Testimony

“Evaluation and Performance Incentives: Seeking Paths to (Relatively) Peaceful Coexistence .” Proceedings 2009 International Energy Evaluation Conference. Portland, Oregon, August 2009.

“Energy Efficiency as the First Resource: Opportunities, Challenges, and Beating the Next Bust,” with M. Ting, M. Messenger, and M. Wheeler. Proceedings of the American Council for an Energy Efficient Economy (ACEEE) 2008 Summer Study on Energy Efficiency in Buildings. Washington, D.C. August 2008.

“The Practical Realities of Implementing Energy Efficiency,” with L. Nosbaum. National Regulatory Utility Commissioner (NARUC) Consumer Affairs and Electricity Joint Committee Meeting Panel, Portland, OR. July 2008.

“Energy Efficiency Potential Studies and Goals,” American Council for an Energy Efficient Economy, Energy Efficiency as a Resource Conference. October 1, 2007.

“Comments on CA Energy Commission Draft Efficiency Goals: Statewide Energy Efficiency Potential Estimates and Targets for California Utilities,” California Energy Commission Integrated Energy Policy Report Workshop on AB2021 Energy Efficiency Goals. Invited Panelist. September 14, 2007.

Testimony on Behalf of PNM’s 2007 Electric Energy Efficiency Application to the Public Regulation Commission of New Mexico. January 2007.

“Issues and Best Practices for Efficiency Programs Targeted at Large Nonresidential End Users,” Minnesota Department of Commerce, Energy Savings Evaluation Forum. 2007.

“Using Scenario Analysis to Forecast Long-term Residential Electric Energy Consumption in California,” with A. North. Proceedings of the American Council for an Energy Efficient Economy (ACEEE) 2006 Summer Study on Energy Efficiency in Buildings. Washington, D.C. August 2006.

“Net Impacts of Efficiency Programs: A Few Thoughts.” Panel Presentation at the 2005 International Energy Evaluation Conference. Chicago, IL. August 2005.

“Understanding Demand Response Opportunities and Barriers: Results from a Comprehensive Market Analysis.” Proceedings 16th National Energy Services Conference. Boca Raton, FL. 2005.

“What a Realization: An Ex Post Impact Evaluation of a Performance-Based Program.” Proceedings 2005 International Energy Evaluation Conference. New York. August 2005.

“National Energy Efficiency Program Best Practices Study: Overview, Sample Results and Initial Lessons Learned.” Proceedings of the ACEEE 2004 Summer Study on Energy Efficiency in Buildings. Washington, D.C. August 2004.

Additional Papers, Presentations and Testimony Available Upon Request

John M. Cavalli
Senior Director

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Education

- M.S., Industrial Engineering and Operations Research, University of California, Berkeley, 1991
- B.S., Industrial Engineering and Operations Research, University of California, Berkeley, 1990

Employment History

- Senior Director, Itron, Inc., 2006–Present
- President and CEO, Quantum Consulting, Inc., 2001–2006
- Project Manager, Vice President, Quantum Consulting, Inc., 1989–2001

Selected Expertise

Mr. Cavalli has over 20 years of experience assisting electric utilities in meeting program evaluation, load research, market research, and marketing objectives. He has directed the integrated evaluations of several utility DSM programs, addressing the residential, commercial, and industrial sectors.

- Expert in Residential and Small Commercial Impact Evaluation
- Expert in Large Commercial and Industrial Impact Evaluation
- Sample Design and Statistics
- Mathematical Modeling
- Database Development

Selected Project Experience

- **EM&V of 2006-2008 CA IOUs Small Commercial Programs.** Mr. Cavalli was the project director of this study. This study includes the impact evaluation for thirty 2006-2008 energy efficiency programs (administered by the four CA investor-owned utilities (IOUs) and several Third Party contractors). These efforts involves telephone surveys, on-site data collection, pre and post metering, billing analysis, discrete

choice, and engineering analyses of a representative sample of customers participating in the program in order to develop (a) ex post estimates of the energy and demand savings over the lifetime of the measures installed, and (b) impact load shapes.

- **2004-2005 Express Efficiency Program Evaluation.** Served as project director for this study, which includes a process evaluation and an impact evaluation component. More specifically, the project included verifying savings by verifying applications, conducting telephone surveys and on-site surveys to verify installations; conducting an ex-post savings analysis that included an engineering and/or a billing analysis determined by measure and a self report and discrete choice net-to-gross analysis using 4,000 telephone surveys, performing a market opportunities assessment, and benchmarking program success by determining if there are gaps in best practices, leveraging off Itron's National Best Practices Study.
- **2004-2005 Single Family Rebate Program Evaluation.** Served as project director for this study, which includes a market, process and impact evaluation and is supported by telephone surveys with close to 5,000 utility customers (both participants and general market customers) and close to 400 on-site surveys to verify qualifying measure installations. The impact evaluation consists of an ex-post gross savings analysis that includes engineering and/or a billing analyses determined by measure and a net-to-gross analysis using self-report and discrete choice analysis techniques.
- **Evaluation of Multiple Commercial/Industrial and Residential Programs, Florida Power & Light (1994-Present).** This project is a large and long running, comprehensive evaluation of energy efficiency and load control programs. This ongoing impact, market and process engagement for Florida Power and Light addresses an array of commercial/industrial and residential energy efficiency and load control technologies. Over the past decade, Mr. Cavalli has played a variety of roles on this project, including project manager, lead analyst and most recently overseeing the billing analysis and discrete choice net-to-gross analysis.
- **Short Term Assessment Study of CFL Hours of Use and Effective Useful Life Estimates.** Mr. Cavalli managed this project, which includes the collection of existing CFL logger and on-site audit data, and re-analysis those data to produce HOU and EUL estimates to inform ongoing and future evaluation work.
- **Measurement and Evaluation of SCE's 2004-2005 Nonresidential Hard to Reach Program.** This evaluation measured and verified energy savings claimed by the program, evaluated implementation process, and measured customer satisfaction and program influence. Engineering analysis offered accurate impact estimates can be achieved through this evaluation, helpful in determining measure-level therm savings estimates and free ridership rates. Mr. Cavalli managed the phone and onsite data

collection and analysis, lighting logger data collection and analysis, engineering analysis, net-to-gross analysis, and consulted on the billing analysis.

- **Evaluation of the SDG&E 2004-05 Small Business Energy Efficiency Program.** This program targets the very small, hard-to-reach nonresidential customers to increase the adoptions of selected energy efficient measures. The evaluation verified program's saving claims, examined net impact realization rates, operating hours and equipment useful life, and free-ridership. Mr. Cavalli managed the phone and onsite data collection and analysis, engineering analysis, net-to-gross analysis, and consulted on the billing analysis.
- **Evaluation of the SCG 2004-2005 Nonresidential Financial Incentive Program.** This evaluation verified the program's saving claims, examined net impact realization rates, and assessed free-ridership. Mr. Cavalli managed the phone and onsite data collection and analysis, engineering analysis, net-to-gross analysis, and consulted on the billing analysis.
- **Energy Trust of Oregon Residential Impact Evaluation for their 2003-2005 Home Energy Savings Program.** This impact evaluation provided gross billing analyses and net-to-gross analyses that estimate savings at the measure level for single family homes and multifamily homes. This study included a billing analysis and self report net-to-gross analysis utilizing hundreds of participant and nonparticipant surveys. Mr. Cavalli directed this project.
- **California Industrial End Use Survey (IEUS).** Itron completed the key task of creating a statewide industrial end-use database that is the basis for the sample frame for stateside Industrial End Use Survey. The IEUS is a comprehensive study of industrial sector energy use, primarily designed to support the state's energy demand forecasting activities. Itron was responsible for managing the statewide data collection effort, all data cleaning efforts, including a focused examination of the NAICS codes that were used to identify and categorize the industrial population, and the development of statewide gas and electric account, premise and customer level frames. Mr. Cavalli directed these project activities.
- **Ventilation and Indoor Air Quality in New Homes Study for Indoor Environmental Engineering/California Air Resources Board.** Mr. Cavalli is the director for this project. Itron provided recruitment and analysis support to IEE for a measurement-based indoor air quality study of new homes in California and the relationship between indoor air quality and home tightness under the 2002 California Title 24 Residential Building Standard.
- **2002 and 2003 Statewide Express Efficiency Program Measurement and Evaluation Study.** These studies met several objectives: 1) assess participation over time, 2) assess program process (including program delivery, marketing, and customer satisfaction), 3) benchmark program success (both longitudinal and cross-

program comparisons), and 4) verify energy and demand savings. Study results were based on thousands of residential general population and participant customer surveys, hundreds of on-site audits, and dozens of market actor. Included were a lighting logger study, CFL EUL study, and free ridership and engineering analysis for key measures. Mr. Cavalli was the director for these two projects.

- **2002 and 2003 Statewide Residential Retrofit Single Family Home Energy Efficiency Rebate Program Evaluation.** The overarching goal of these studies was to assess the statewide program's effectiveness in moving the market toward more energy efficient measures. Study activities included verification results, assessment of program performance targets and accomplishments (including hard to reach customer contributions), assessment of market actors and market effects and process findings and recommendations. Study results were based on thousands of residential general population and participant customer surveys, hundreds of on-site audits, and dozens of market actor. Included was a billing analysis, free ridership analysis and engineering analysis for key measures. Mr. Cavalli was the director for these two projects.
- **Assessment of Customer Behaviors and Practices Due to PG&E's 1-2-3 Residential Cash back Program.** The objective of this study was a comprehensive assessment of the effects of PG&E's 1-2-3 Cash back Program on customers' adoption of energy efficiency practices and low cost measures. The project included estimating energy savings via a billing analysis for high potential practices and measures, and conducting an attribution analysis to determine the rate of no-cost measure adoption resulting from the 1-2-3 Cash back Program. Finally, the project included a quantitative analysis comparing the relative effectiveness of various programs and messages, and assessing impacts on customers' probability of getting a 20/20 rebate. Mr. Cavalli was the director for these project activities.
- **Food Service Technology Center Program Evaluation (2004).** This evaluation investigated market effects, provided baseline analysis, and measured the program's effectiveness, performance, and success. Data were collected from 13 food service designers, 35 equipment manufacturers, 20 multi-unit specifiers, four interviews about the hard-to-reach effort, a census of end user FSTC participants (69), and 76 California end user nonparticipants. Mr. Cavalli managed the data collection effort and market effects analysis.
- **Small Nonresidential Customer Wants and Needs Study for California's Investor-owned Utilities.** This market characterization informs potential program strategies for better serving small/medium nonresidential customers (the under 500 kW market). Mr. Cavalli directed this project.
- **BEMS and SmarterEnergy Market Effects Study for PG&E.** This study evaluated the existing Business Energy Management Services (BEMS) energy audit

product, and emphasized retrospective analysis of program and market effects, as well as recommendations for program improvement. QC integrated several different perspectives on the measurement of market effects, and resulted in clear and prioritized recommendations for program refinement, data mining, and further research. QC completed a related market characterization and initial program evaluation of PG&E's SmarterEnergy Web site. This evaluation involved in-depth telephone surveys with product vendors supporting the Web site with advertising fees, as well as a matched "peer group" of nonparticipating vendors. This evaluation also examined similar sites sponsored by other entities throughout North America. Mr. Cavalli was the director for this project.

- **Fourth and Ninth Year Retention Study of Pacific Gas and Electric Company's 1996 and 1997 Commercial Energy Efficiency Programs.** These studies evaluated the effective useful life for HVAC and lighting measures for which incentives were paid in 1994 through 1997 by PG&E's CEEI Programs. Mr. Cavalli directed these studies. 1998-2005
- **Fourth and Ninth Year Retention Study of Pacific Gas and Electric Company's 1996 and 1997 Residential Space Conditioning and Refrigeration Measures (1998-2005).** These studies evaluated the effective useful life for residential space conditioning and refrigeration measures for which incentives were paid in 1994 through 1997 by PG&E's RAEI Programs. Mr. Cavalli directed these studies.
- **Load Database Development and Load Data Analysis Study for Pacific Gas and Electric.** Mr. Cavalli directed this study, which included cleaning and validating residential load data collected by PG&E between 1991 and 1998; generating Statistical Analysis System (SAS) databases; and weighting and analyzing the data to produce PG&E territory-specific load shapes and H-factors by appliance.
- **Evaluation of PG&E's Summer Demand Reduction Third Parties Initiative: Residential HVAC Program (2001).** Mr. Cavalli directed the project that included the development of appropriate baselines, and conducting load analysis to develop program impacts by costing periods. The Study consisted of an impact and process evaluation of two of PG&E's residential HVAC TPI Programs.
- **RCP/HER 2001 Program Impact Evaluations for Southern California Gas.** Mr. Cavalli was the director for this evaluation of Southern California Gas Company's RCP/HER Program. This evaluation covered multiple measures, including HVAC, envelope (insulation, windows) and water heaters.
- **2001 TPI Program Impact Evaluations for Southern California Gas.** Mr. Cavalli was the director for this impact estimate associated with SoCalGas' residential TPI programs. The programs evaluated included the Upstream Gas Water Heaters, the LivingWise Schools Program, the Energy Efficiency Renovation & Performance 4 Certification, the Mobile Energy Clinic, the local Governmental Agency Residential

New Construction Program, the Multifamily Summer Initiative, and the Statewide Appliance and Lighting Program.

Selected Reports

2006-2008 Small Commercial Contract Group Direct Impact Evaluation Report. Prepared for the CPUC. February, 2010.

2008 1st Verification Report for Contract Group B – Small Commercial Contract Group. Prepared for the CPUC. February, 2009.

2004/2005 Statewide Express Efficiency and Upstream HVAC Program Impact Evaluation. Prepared for the CPUC and the California IOUs. December 2008.

2004/2005 Statewide Single Family Rebate Program Evaluation. Prepared for the CPUC and the California IOUs. December 2008.

Energy Trust of Oregon Residential Impact Evaluation for their 2003-2005 Home Energy Savings Program. Prepared for ETO. January 2007.

Measurement and Evaluation of SCE's 2004-2005 Nonresidential Hard to Reach Program. Prepared for SCE. June 2006.

Evaluation of the Southern California Gas Company 2004-05 Non-Residential Financial Incentives Program. Prepared for SCG. June 2006.

Evaluation of the SDG&E 2004-05 Small Business Energy Efficiency Program. Prepared for SDG&E. March 2006.

Retention Study of Pacific Gas & Electric Company's 1996 & 1997 Commercial Energy Efficiency Programs Commercial Lighting and HVAC Ninth Year Retention. Prepared for PG&E. January 2006.

Retention Study for Pacific Gas & Electric Company's 1996 & 1997 Appliance Energy Efficiency Programs Residential Refrigeration Ninth Year Retention. Prepared for PG&E. January 2006.

Food Service Technology Center Program Evaluation. Prepared for the FSTC. June 2005.

2003 Statewide Express Efficiency Program Measurement and Evaluation Study. Prepared for the CPUC and the California IOUs. March 2005.

2003 Statewide Residential Retrofit Single-Family Home Energy Efficiency Rebate Program Evaluation. Prepared for the CPUC and the California IOUs. December 2004.

2002 Statewide Nonresidential Cross-Program Evaluation. Prepared for the CPUC and the California IOUs. September 2004.

Statewide Study of Program Cost-Effectiveness: Targeting Small Versus Medium/Large Nonresidential Customers Phase I. Prepared for the CPUC and the California IOUs. April 2004.

2002 Statewide Residential Retrofit Single-Family Home Energy Efficiency Rebate Program Evaluation. Prepared for the CPUC and the California IOUs. March 2004.

Ninth Year Retention Study for PG&E's 1994 & 1995 Residential AEI Program Refrigeration Technology. Prepared for PG&E. March 2004.

Ninth Year Retention Study for PG&E's 1994 & 1995 Residential AEI Program Air Conditioning Technology. Prepared for PG&E. March 2004.

Retention Study of Pacific Gas and Electric Company's 1994 and 1995 Commercial Energy Efficiency Programs-1994-1995 Commercial Lighting and HVAC Ninth Year Retention. Prepared for PG&E. March 2004.

Interactive Consumption and Cost Information for Small Customers - Program Process/Customer Response Evaluation - Program Year 2003. Prepared for PG&E. February 2004.

2002 Statewide Express Efficiency Program Measurement and Evaluation Study. Prepared for the CPUC and the California IOUs. January 2004.

Assessment of Customer Behaviors and Practices Due to PG&E's 1-2-3 Residential Cash back Program. Prepared for PG&E. March 2003.

2001 TPI Program Impact Evaluations for Southern California Gas. Prepared for SCG. March 2002.

Statewide LED Traffic Signal Saturation Study. Study. Prepared for PG&E. December 2001

Statewide Nonresidential Customer Hard-to-Reach Study. Prepared for the CPUC and the California IOUs. December 2001

Statewide Small/Medium Nonresidential Customer Needs and Wants Study: Final Report. Prepared for the CPUC and the California IOUs. December 2001

Retention Study of Pacific Gas & Electric Company's 1996 & 1997 Appliance Energy Efficiency Programs. Prepared for PG&E. March 2001.

Fourth Year Retention Study for Pacific Gas & Electric Company's 1996 & 1997 Commercial Energy Efficiency Incentives Programs: Lighting and HVAC Technologies. Prepared for PG&E. March 2001.

Evaluation of Pacific Gas & Electric Company's Pre-1998 Commercial Energy Efficiency Incentives Program Carry-Over: Lighting Technologies. Prepared for PG&E. March 2000.

Evaluation of Pacific Gas & Electric Company's Pre-1998 Commercial Energy Efficiency Incentives Program Carry-Over: HVAC Technologies. Prepared for PG&E. March 2000.

Evaluation of Pacific Gas & Electric Company's Pre-1998 Commercial Energy Efficiency Incentives Program Carry-Over: Traffic Signal Technologies. Prepared for PG&E. March 2000.

Memberships/Associations

- Member of Association of Energy Service Professionals (AESP)

Rachel A. Harcharik

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Director

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Education

- M.A., Economics, University of California, San Diego, 1998
- B.A., Mathematics, Emphasis in Statistics. Minor: Economics, University of San Diego, 1997

Employment History

- Director, Senior Economist, Senior Analyst, Itron, Inc., 2000–Present
- Energy Analyst, Sempra Energy Information Solutions, San Diego, CA, 1998–1999

Selected Expertise

Ms. Harcharik has over 10 years experience in the energy industry managing large DSM evaluation studies, particularly of non-residential prescriptive and the residential new construction programs. Ms. Harcharik has extensive experience developing and maintaining databases, including working with program tracking data and billing data. Her areas of expertise include:

- Impact Evaluation of Non-Residential Energy Efficiency Programs
- Data Analysis
- Database Creation and Management
- Data Collection Methodologies
- Onsite Verification and Metering Database Creation and Management
- Survey Design
- Customer Sample Design
- Market Characterization and Potential Studies

Selected Project Experience

- **EM&V of 2006-2008 CA IOUs Small Commercial Programs (2007–2009).** Ms. Harcharik is currently managing the day-to-day activities of this study. This study includes the impact evaluation for thirty 2006-2008 energy efficiency programs

(administered by the four CA investor-owned utilities (IOUs) and several Third Party contractors). These efforts involve telephone surveys, on-site data collection, pre and post metering, billing analysis, discrete choice, and engineering analyses of a representative sample of customers participating in the program in order to develop (a) ex post estimates of the energy and demand savings over the lifetime of the measures installed, and (b) impact load shapes.

- **EM&V of 2006-2008 CA IOUs Residential New Construction Programs and Baseline Study of Newly Built Homes (2007–2009).** Itron is a subcontractor to KEMA Inc. (formerly RLW Analytics) for the CA New Construction/Codes and Standards Evaluation. Ms. Harcharik is currently co-managing the RNC Evaluation and the RNC Baseline activities with a team member from KEMA. The RNC evaluation includes a baseline study of single family homes, which will provide insight into the estimation of net savings of the IOU RNC programs in the New Construction evaluation and act as the foundation for the Codes & Standards evaluation. The baseline activities include on-site surveys of building characteristics, duct testing, blower door testing, and metering. Other activities include collecting compliance documentation (C2Rs), and creating MICROPAS input files in order to estimate non-compliance and over-compliance.
- **2006-2008 CA Residential New Construction Market Effects Study (2008–2009).** This study is also under contract to KEMA and led by NMR. Ms. Harcharik is currently managing the Itron portion of the study, which includes looking at building characteristics and compliance margins for single family homes built under the 1995, 1998, 2001, and 2005 Title 24 Residential New Construction Standards.
- **2004/2005 Express Efficiency Program Evaluation (2006–2008).** Ms. Harcharik managed this study, which includes an extensive lighting logger study, a process evaluation, and an impact evaluation component (an engineering analysis and/or a billing analysis determined by measure). More specifically, the project includes verifying savings, which includes verifying applications, conducting telephone surveys and on-site surveys to verify installations. The billing evaluation encompasses an ex-post net savings analysis that includes measure specific engineering analysis (for most measures), a SAE billing analysis (for several measures including, but not limited, to T8s, CFLs, and A/Cs), and a limited dependent variable net-to-gross analysis using 4,000 telephone surveys. The evaluation includes conducting a market opportunities assessment and benchmarking program success by determining if there are gaps in best practices, leveraging off Itron's National Best Practices Study.
- **California Residential Efficiency Market Share Tracking (2000–Present).** Ms. Harcharik became the Project Director in 2004. Prior to directing all aspects of the project, she was the Lead Analyst (2000–2003) for tracking light bulbs and for the

measures installed in residential new construction including HVAC equipment, water heaters, windows, and lighting. Developed a database used for collecting and reviewing residential new construction data from on-site surveys and from building department installation forms. Used SAS to analyze the data, created detailed graphs to illustrate the results, co-wrote two annual tracking reports.

- **California Statewide Energy Efficiency Potential Study for all New Construction Markets (2005–2006).** Managed the development of 10-year forecasts of new construction program potential, maximum achievable potential, and economic potential by climate zone for 14 building types within the residential, commercial, and industrial customer segments. Developed residential measure bundles and related characteristics and worked with RLW to develop nonresidential bundles.
- **PG&E Residential New Construction Baseline Studies (2000–2004).** Managed all aspects of the project including interviews with builders and Title 24 Consultants, development of average building characteristics of and compliance analysis of single family new homes constructed in 2003 and complying under the 2001 Standards. In addition to the baseline work, this project had several other tasks including 1) support of 2005 Standards which involved comparing the 2001 Standards and the 2005 Standards and reviewing the TDV results and 2) developing incremental costs and savings estimates for homes to comply at 15% and 25% greater than the 2001 Standards for the ENERGY STAR New Homes Program and analyzing various methods for calculating savings.

Assisted in the development of an MS Access system that evaluates on-site survey data using MICROPAS, a residential building compliance tool. Estimated technical potential of four of the measures included in AB 970 – California’s new low-rise residential building standards as part of the 2002 Baseline Study. Conducted interviews with Title 24 Consultants and residential builders.

- **Statewide Multifamily New Construction Study (2002).** Examined building department compliance documentation for low-rise multifamily buildings and developed and analyzed as-built compliance results using MICROPAS.
- **XCEL Energy Demand-Side Management Potential Study (2001).** Analyzed on-site survey data of commercial and industrial buildings throughout Minnesota. Developed base shares of energy efficient equipment by type and quantified the attitudes and behaviors of decision makers related to energy efficiency and conservation to use in the technology adoption model in ASSET.
- **Central Illinois Lighting Company Gas Load Research Study (2002).** Performed data analysis using SAS, specifically for cleaning, weighting, and aggregating interval load data. Used *MetrixND* and SAS to develop weather normalized load shapes for the system load and for individual rate classes.

- **Central Illinois Lighting Company Electric Load Research Study (2001).** Performed data analysis using SAS, specifically for cleaning, weighting, and aggregating interval load data. Used *MetrixND* and SAS to develop weather normalized load shapes for the system load and for individual rate classes.
- **California Residential Contractor Program: Market Effects Evaluation (2000).** Assisted in development of hypotheses to test market effects, assisted in development of survey guides, conducted in-depth interviews with HVAC contractors, used SAS to compute weighted means of self-reported program impacts, wrote insulation section, and co-wrote HVAC section of the Residential Contractor Program Market Effects Evaluation report.

Selected Reports

Energy Efficiency Program Evaluation

2004/2005 Statewide Express Efficiency and Upstream HVAC Program Impact Evaluation. With J. Cavalli, A. Khursheed, and J. Shelton (Itron) and K. Gaffney (KEMA). Prepared for the CPUC and the California IOUs. December 2008.

2008 1st Verification Report for Contract Group B – Small Commercial Contract Group. (Appendix to: *Energy Efficiency 2006-2007 Verification Report.* CPUC Energy Division) With J. Cavalli, E. Galawish, C. Hungeling (Itron). Prepared for the CPUC. February, 2009.

Potential Studies

The California Energy Efficiency Potential Study. With F. Coito (KEMA), J. Shelton (Itron) and R. Friedmann (PG&E). May 2006

SCE Potential Study MRAP. With F. Coito (KEMA), J. Shelton (Itron) and P. Toth (SCE). July 2006.

PG&E Potential Study Sensitivity Analysis. With F. Coito (KEMA), J. Shelton (Itron). June 2006.

New Construction

Residential New Construction Baseline Study of Building Characteristics - Homes Built After 2001 Codes. With A. Fields and B. Ramirez. Prepared for PG&E. August 2004.

Incremental Cost Study. With A. Fields and J. Holmes. Prepared for PG&E. September 2003.

Residential New Construction Study – Year 2. With A. Fields and B. Ramirez. Prepared for PG&E. September 2002.

Market Share Tracking

California Lamp Report. With various co-authors. Prepared for Southern California Edison. Multiple editions, 2000-2007.

California HVAC. With various co-authors. Prepared for Southern California Edison. Multiple editions, 2003-2005.

California Appliances. With various co-authors. Prepared for Southern California Edison. Multiple editions, 2003-2006.

Massachusetts Lighting Report 2002. With A. Fields. Prepared for NSTAR Electric. March 16, 2004.

California Residential Efficiency Market Share Tracking - New Construction. With A. Fields. Prepared for Southern California Edison. July 2001.

Selected Papers and Publications

“Raising the Bar: The Effect of the California 2005 Energy Efficiency Standards on Residential New Construction Program Design.” With D. Blanke, D. Adams, and K. Wolf. 2006 American Council for an Energy Efficient Economy Summer Study Conference. August 2006.

“What’s a Builder to Do? Changes in California’s Energy Efficiency Programs and Standards: 1995-2005.” With M.K. Gobris and A. Fields. 2004 American Council for an Energy Efficient Economy Summer Study Conference. August 2004.

“How Residential Builders Respond to Changes in Codes and Energy Efficiency Programs.” With M.K. Gobris, A. Fields, and J. Holmes, 2003 Association of Energy Services Professionals Conference. December 2003.

“Impact of Changes in California’s Residential New Construction Building Standards on Builder Practices and Energy Efficiency Programs.” In *Energy Efficiency in Construction*. With M.K. Gobris, A. Fields, and R. Ramirez. 2002 Association of Energy Services Professionals Conference. December 2002.

“California Lamp Report 2001.” With A. Fields and R. Pulliam. In *Residential Lighting Comes of Age*. 2002 American Council for an Energy Efficient Economy Summer Study Conference. August 2002.

“Tracking Market Shares of High Efficiency Measures in California’s Residential Sector.” With F. Sebold, A. Fields, P. Vu, S. Bortstein, R. Ridge, and R. Pulliam. In *Evaluation: Providing Answers to Tough Questions*. 2001 International Energy Program Evaluation Conference. Salt Lake City, UT. August 2001.

“What are the Likely Impacts of Recent Changes in California’s Residential New Construction Standards on Construction/Compliance Practices and Utility RNC Programs?” With A. Fields, R. Ramirez, H. Micelli, and M.K. Gobris. In *Evaluation: Providing Answers to Tough Questions*. 2001 International Energy Program Evaluation Conference. Salt Lake City, UT. August 2001.

Kris Bradley

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Director

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Education

- B.S., Environmental Resources Engineering, Humboldt State University, 1988
- Engineer-in-Training Certificate, State of California, 1988

Employment History

- Director, Itron, Inc., 1993–Present
- Research Engineer, DeLima Associates, 1990–1993
- Energy Consultant, Energy Calc Company, 1988–1990

Selected Expertise

Mr. Bradley has over two decades of consulting experience, the majority of which has been assisting electric utilities with large scale, technically complex energy efficiency and demand response program evaluations across all energy sectors. Mr. Bradley specializes in mechanical engineering analysis and focuses on the following areas:

- Impact Evaluation of Residential, Commercial, and Industrial Programs
- Engineering Model Design and Analysis
- Data Analysis
- Onsite Metering and Verification
- Database Creation and Management
- Energy Simulation Modeling
- Survey Design

Selected Project Experience

- **Impact and Process Evaluation Studies for Commonwealth Edison's Portfolio of Energy Efficiency Programs** (2009 – Present). In this 3 year project running from 2009 through 2011, Mr. Bradley is serving in a project management role for the evaluation of the Commercial/Industrial Custom Rebate and the public sector Custom Rebate programs. Mr. Bradley oversees all aspects of this integrated impact and

process evaluation of representative project samples, involving M&V, net-to-gross assessment and telephone survey analysis. Mr. Bradley's involvement covers client functions, team meetings, M&V plan and site report reviews, survey instrument development, survey data analysis, extrapolation of sample results to the program population and overall responsibility for each report.

- **Co-Director of 2006-2008 CPUC Industrial Energy Efficiency Program Evaluations** (2007-2009). Mr. Bradley served as co-director for both the 2006-2008 Southern California Industrial and Agricultural Programs and the 2006-2008 PG&E Fabrication, Process and Manufacturing Programs. These efforts involve on-site data collection, monitoring and analysis in order to develop ex post estimates of energy and demand savings. Net savings were estimated using telephone survey self-report net-to-gross methods.
- **Director of the 2002, 2003 and 2004-2005 Statewide Nonresidential Audit Program Evaluation** (2003-2008). Mr. Bradley managed each of three comprehensive impact, market and process evaluations of the Nonresidential Audit Program. These studies, managed by PG&E for the four California IOUs, met a variety of process and impact objectives including:
 - measurement of program impacts in terms of energy and demand savings
 - assessment of the success of marketing efforts, process improvements, program design changes and key drivers for participation
 - characterization of the longer-term benefits of the Audit program, including the persistence of audit recommended conservation practices and the timing of audit-related adoptions
 - examination of the role of the Audit during the energy crisis and
 - assessment of the effects of pilot audit follow-up efforts, designed to increase customer measure uptake.
- **2004 and 2005 California Statewide Evaluations of Large Customer Demand Response Programs** (2004-2007). Mr. Bradley was responsible for managing sub-metering data collection and analysis for customers participating in the Demand Bid and Critical Peak Pricing programs offered in California.
- **California Statewide Evaluation of the 2002, 2003, and 2004-2005 Nonresidential Standard Performance Contract Program** (2003-2008). Mr. Bradley served as technical advisor for the 2004-2005 evaluation and led the 2002 and 2003 impact evaluation and verification activities for this program, consisting of site-specific engineering reviews of SPC applications, on-site data collection/measurement to verify engineering impact calculation parameters and assumptions used in each application, and the development of enhanced site-specific engineering estimates of project savings.

- **Assessment of Commercial and Industrial Equipment Supply Chains for Wisconsin Focus on Energy (2001-2002).** Mr. Bradley was a key contributor to this study, leading the analysis and reporting for various market segments. The overall goal of this project was to help improve the Wisconsin Focus on Energy business programs by providing a better understanding of supply chain market structure and product flows; market actor roles; key business drivers and market actor practices; the role of energy efficiency; and market barriers. The project scope is limited to the supply-side of selected nonresidential markets and the in-scope end use markets examined are HVAC, compressed air, boilers and pumps. The food and pulp and paper industry segments were also characterized in this study.
- **Market Assessment of Energy Efficiency in Operations and Maintenance for Commercial Buildings for the Northwest Energy Efficiency Alliance (2004-2005).** Mr. Bradley was responsible for managing all aspects of this study. The study characterized the market in the Pacific Northwest for operations and maintenance practices in medium and large commercial buildings. Major objectives of the study included establishing baseline and enhanced O&M measures, quantifying the energy savings, costs and non-energy benefits associated with enhanced O&M measures, characterizing O&M market practices and services, and quantifying the technical, economic and market potential for enhanced O&M services. The ultimate purpose of the study was to improve the ability of NEEA to effectively implement the Building Performance Services (BPS) program, a market transformation program focused on increasing the operating performance of existing buildings with complex HVAC and control systems.
- **Utah Powers' Cool Keeper Program Evaluation (2004-2006).** Mr. Bradley managed an impact evaluation of the Utah Power Cool Keeper AC cycling (load control) program.
- **Small Industrial Customer Wants and Needs Study for California's Investor-owned Utilities (2000-2001).** Mr. Bradley was responsible for the management of this study. Itron conducted a market characterization that offered potential program strategies for better serving small industrial customers (the under 500 kW market). This study, managed by PG&E for the four California IOUs, focused on the food processing, printing, industrial machinery, and fabricated metals industries. The study identified their primary end uses and energy-related needs and suggests program enhancements that could address gaps in current program offerings. This study
 - developed an industrial sector description of the IOU's current industrial sector energy efficiency programs, examined current market size and program penetration,
 - qualitatively identified areas of potential and market segments,

- conducted telephone interviews with small industrial customers in California and professional interviews with downstream vendors, and
 - analyzed customer and vendor survey data in order to characterize key segments, identify energy efficiency potential and barriers, and recommend potential program strategies.
- **AC Distributor Program Baseline Study for Southwestern Public Service Company (1999-2000).** Mr. Bradley was responsible for managing all aspects of this study. This assessment of the current baseline of the small air conditioner retrofit market is based on telephone interviews with AC distributors and dealers in SPS Texas service territory and a nested sample of on-site audits completed with recent AC replacers. The quantitative section of the report analyzes AC efficiency and sizing. The qualitative assessment focuses on program influences, customer awareness and dealer practices that affect AC efficiency in the residential retrofit market.
 - **1998-2008 Residential and Commercial DSM Program Evaluations, Florida Power & Light (1998-Present).** Itron has been conducting the largest, longest running, and most comprehensive integrated evaluation of energy efficiency and load control programs in the country. Mr. Bradley has managed this ongoing evaluation since 1998. This ongoing engagement for Florida Power and Light includes many of the highest potential impact energy efficiency options being offered across the country, including: residential central HVAC, room air conditioners, duct repair, ceiling insulation, reflective roofing, window treatment and HRU-assisted water heating; commercial/industrial sector lighting, unitary HVAC systems, chillers, thermal energy storage, and building envelope (reflective roofing, insulation and window treatment); and residential and C/I sector load control programs. The overall goal of this long-term engagement is to assist FPL in its efforts to continue enhancing program performance, thereby maximizing the value of its energy efficiency products and services to all FPL stakeholders. Through our integrated evaluation approach, we have assisted FPL in developing and meeting long-term energy efficiency and load control goals, while identifying program improvements that reduce program costs by as much as 60 percent, a cost savings worth many times the evaluation expenditures.
 - **EnergyStar Home Baseline Project for Southwestern Public Service Company (1999-2000).** Mr. Bradley was responsible for managing this integrated baseline assessment of the residential new construction market. This study was designed to assess the feasibility of an Energy Star Homes program in SPS Texas service territory. It contains data and interim results based on a quantitative analysis of home characteristics and HERS ratings, as well as qualitative findings focused on builder efficiency practices (efficiency offerings, barriers, market trends) drawn from focus groups conducted with 21 builders. The customer assessment, drawn from telephone

interviews with 100 new homeowners, evaluates their interest in energy efficiency and barriers they face to energy efficiency.

- **Commercial New Construction Market Characterization and Program Design for Florida Power & Light (1999-2000).** Mr. Bradley was responsible for managing all aspects of this study. Itron assisted FPL in designing a commercial new construction pilot program that encourages builders to exceed Florida Energy Efficiency Code (FEEC) requirements while ensuring utility load reduction goals. The program design is based on a commercial new construction baseline characterization. This characterization compares the current status of building practices in FPL's service territory with best practices available for major end uses. It also identifies and characterizes barriers to more efficient practices as perceived by Florida's new construction community. Finally, it identifies those measures through which builders can most efficiently exceed the FEEC energy budgets and contribute to coincident FPL system demand reductions. The results of this project are specific program format recommendations made to FPL, especially with regard to cost-effective measures that should be promoted in the pilot program.
- **FPL's Natural Gas End-Use Technology Monitoring Project (1995-1997).** Mr. Bradley managed this evaluation of gas hot water systems, gas engine driven chillers, and gas heat pumps based on monitored performance of gas systems in customer homes, and load research data for comparable electric systems.
- **FPL's Residential New Construction (RNC) Research Project (1993-1995).** Mr. Bradley was responsible for all engineering, market, and process data collection and for the coordination of engineering calculations with contributing contractors in this multiyear evaluation of single-family detached new construction homes.

Memberships/Associations

- Member, Association of Energy Service Professionals
- Past Member of Northern California Solar Energy Association
- Past Member of ASHRAE

Selected Reports and Papers

California Statewide Cross Program Net Impact Study: Attribution Analysis for a Nonresidential Program Portfolio. With C. Torok, M. Sutter, R. Friedmann, P. Landry, B. Gettig, and K. Train. Proceedings from the AESP 17th National Energy Services Conference, January 2007.

The Mom and Pop Machine Shop - Designing Programs for Small Industrial Customers. With P. Willems, R. Friedmann, and M. Myers. Proceedings from the 2003 ACEEE Summer Study on Energy Efficiency in Industry, August 2003.

Put the Horse Before the Cart—Baseline Characterization in Support of Utility Program Design. With C. Jump. Proceedings from the 2000 ACEEE Conference, August 2000.

Measuring New Construction Baseline Building Practices for Commercial Facilities in FPL Service Territory. Proceedings from the 1999 International Energy Program Evaluation Conference, August 1999.

Nevermore? Annual On-Site Data Collection for Commercial Lighting Programs. With M. O'Drain. Proceedings from the 8th National Energy Services Conference, June 1997.

Alfred Lutz, P.E., CEM, LEED AP

Director

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Education

- M.S., Energy Management and Policy, University of Pennsylvania, 1995
- B.S., Engineering Science, Pennsylvania State University, 1983

Employment History

- Director, Itron, Inc., October 2006–Present

Mr. Lutz is responsible for delivering energy evaluation projects to customers. In this capacity, he leads the Consulting and Analysis engineering group to meet the needs of Itron's key clients. Mr. Lutz is also active in business development efforts for established and new practice areas and lines of business.

- President, AJL Resources LLC, 2001–2006

Mr. Lutz was responsible for project management, customer satisfaction, marketing, and growth strategies. He consulted on distributed generation (combined heat and power) projects and solar photovoltaic development projects worth over \$20 million. He developed energy master plans and monitoring plans for 40 buildings of a major university campus. Mr. Lutz also optimized energy reporting for a property manager with over 10,000 units and 200 properties. Under his guidance, AJL Resources initiated energy efficiency/load control projects with annual energy savings of over \$600,000.

- Director of International Sales, Comverge Technologies, 1999–2001

Mr. Lutz established international sales and marketing strategies for three separate product lines. He negotiated contracts for the two largest international projects in Comverge's history. Mr. Lutz was a featured speaker at an international conference for Metering Americas in Miami, Florida. He built and maintained over twenty relationships with agents/utilities in Latin America, Asia, the Middle East, and Africa, establishing new representatives and value added resellers (VARs). Mr. Lutz performed customer oversight of projects worth over \$2 million. He also designed and placed materials for branding campaign advertisements to penetrate US and international markets.

- Senior Energy Manager, Conectiv Solutions/Atlantic Energy, 1996–1998

Mr. Lutz developed and negotiated the terms of performance based energy services contracts worth over \$1.4 million, saving over \$300,000 annually; projects included water efficiency measures and gas purchasing savings. He performed construction management using in-house personnel and subcontractors. He trained a 24 person sales force and increased revenues by over \$1 million in six months. He supervised subcontractors for an energy audit for the Federal Aviation Administration, projecting annual energy savings of \$1.5 million. Mr. Lutz recommended processes and software designed to increase opportunity awareness throughout the utility, with an estimated increase of \$2 million in revenue. He also revised the sales process for technical and sales force, saving over \$50,000 in lawyers' fees and more than \$200,000 in consultants' fees.

- Senior Project Manager, GHR Consulting Services, Inc., 1990–1996

Mr. Lutz identified, designed, and managed implementation of energy saving improvements (lighting, motors, variable speed drives, boilers, energy management systems) in over 40 facilities (including universities, offices, hospitals, schools, supermarkets, processing plants, and wastewater treatment facilities). Mr. Lutz spearheaded computerization of specification methods; this measure resulted in substantial time savings and improved contract documents.

- Staff Engineer, Pennoni Associates Inc., 1988–1989

Mr. Lutz worked on the design and operation of wastewater treatment plants and water/sewerage pumping stations. Mr. Lutz designed a 4 MGD potable water pumping station and prepared a sewage facilities plan addressing treatment needs. He performed financial/economic analyses, revised a water supply plan and expanded a computer model of a municipal water distribution system. Mr. Lutz served as building inspector/zoning officer for town of 20,000; in this capacity, he reviewed land development plans.

- Staff Engineer, Energy Engineering, Inc., 1986–1987

Mr. Lutz generated energy conservation reports for 27 commercial facilities, with 100% on-time and on-budget completions (including retail spaces, supermarkets, kitchens, offices, schools, and hospitals).

Selected Expertise

Mr. Lutz has expertise in the technical aspects of energy efficiency project evaluation and implementation, particularly in the commercial and industrial sectors. His areas of expertise include:

- Impact Evaluation
- Engineering End Use and Whole Building Analysis
- Project Management
- Large Commercial and Industrial Energy Efficiency Technologies
- Renewable Energy and Distributed Generation Assessment

Selected Project Experience

CPUC 2006-2008 PG&E Fabrication, Process and Manufacturing Program and Southern California Industrial and Agricultural Program Impact Evaluation. (2008 - 2010). Mr. Lutz managed the technical aspects of these evaluations for the CPUC. His tasks included:

- Management of subcontractors to deliver complex site evaluations for 160 custom evaluations of electric and gas energy efficiency measures;
- Responsibility for overall project quality management and control;
- Conducting training seminars on impact evaluation, using a proprietary, Itron-developed document, "*Procedures for Site-Specific Impact Analysis*";
- Coordination with the CPUC Energy Division to procure direction on key evaluation issues;
- Expanding the rigor of evaluations, including data collection in accordance with the post- installation measurement protocols within the IPMVP and the California evaluation protocols; and
- Performing uncertainty analysis using Monte Carlo analysis and software simulation tools such as Crystal Ball.

2004-2005 California Statewide Standard Performance Contracting (SPC) Evaluation. (2006 – 2008). This comprehensive evaluation included impact, process and market evaluation components. Mr. Lutz led the gross impact and analysis efforts involving 113 site specific impact evaluations throughout the state. Measurement of key variables was performed for technologies that included: lighting and HVAC retrofits; EMS and variable speed drive (VSD) installations; motor replacements; building shell

improvements, and other custom measures. Mr. Lutz managed the technical aspects of these evaluations, and coordinated with the CPUC and the master evaluation contractor team to procure direction on key evaluation issues. Under Mr. Lutz's direction, Itron managed a group of subcontractors to deliver high quality site impact evaluations, took responsibility for overall project management and control of the technical aspects, conducted training seminars on impact evaluation, and assessed uncertainty in key variables governing energy saving estimates for all applications.

2000-2005 Statewide Express Efficiency and Nonresidential Sector Evaluation. (2006-2009). Mr. Lutz assisted with conducting ex-post savings analysis that included engineering analysis and modification of algorithms for several measures that contributed heavily to program energy savings. These algorithms were adjusted as supported by detailed phone surveys and targeted on-site verification and engineering studies. For this project, Mr. Lutz assisted in developing survey instruments for technical on-site verification, enabling the collection of the most important parameters affecting energy savings. Types of measures included: lighting measures, strip curtains, refrigerated case covers, variable speed drives, programmable thermostats, pipe insulation, tank insulation, and building shell improvements.

2002-2005 Statewide Single Family Rebate Program Evaluation (2007). Mr. Lutz assisted in the engineering review of clothes washer energy savings, incorporating the DEER and Express Efficiency work paper approaches and current energy efficient technologies.

WE Energies 55 MW DSM Portfolio Evaluation (2004 – 2008). Mr. Lutz and his team at Itron were responsible for reviewing the incentivized measures and applications and, using local resources in a cost effective approach, collecting the most relevant information in assessing post-installation realized energy savings. The focus was primarily on peak kW demand reduction in the summer months for this program. Types of measures included innovative HVAC retrofits (chiller replacements, air handling unit installations, heat recovery systems, ice storage systems, lake water cooling systems, etc.), wastewater treatment plant modifications (centrifuge replacements and aeration system improvements), and process modifications / variable speed drive installations at a paper mill.

Selected Publications and Presentations

Evaluation of Energy Efficiency Measures for Large C&I Customers, Itron Users' Conference; Phoenix, AZ; September 28, 2009.

Accuracy of Energy Savings Projections – Implications for Energy Efficiency Program Evaluation and Design, Poster Session, IEPEC; Portland, OR; August 12, 2009

Rebates and Other EE Best Practices for Large C&I Incentive Programs, Technology and Market Assessment Forum, Energy Solutions Center; Pasadena, CA; February 24, 2009.

Solar Applications Update, Association of Energy Engineers; Philadelphia, PA; May 2006.

Effects of Advanced Metering on Utility Needs, Metering Americas; Miami, FL; 2001.

Economic Opportunities in Wastewater Treatment, World Energy Engineering Congress; Atlanta, GA; 2005.

Energy Master Planning at Rowan University – A Collaborative Approach, New Jersey Higher Education Partnership for Sustainability, AEE and ASHRAE; Glasboro, NJ; 2005/2006.

“Economic Opportunities in Wastewater Treatment.” Energy and High Performance Facility Sourcebook, Proceedings of the 26th World Energy Engineering Congress. November 2003.

“Economic Opportunities in Wastewater Treatment.” Energy Engineering. January 2005.

“Energy Use in Wastewater Treatment.” Encyclopedia of Energy Engineering. 2007.

“Two Way Communication – A Prepayment Prerequisite.” Metering International. 2000, Issue 1.

“Load Management System for Utility in Saudi Arabia.” Metering International. 2000, Issue 2.

“Two Way Communication – An Economic Advantage.” Utility Management Solutions. 2000.

Certifications, Honors and Special Achievements

- Professional Engineer, licensed in Pennsylvania, 1990
- Professional Engineer, licensed in New Jersey, 1996
- Certified Energy Manager, 1998
- NYSEIA Solar Electric Installation Training, Rowan University, 2002

- Advanced ASHRAE HVAC Design Course, 2003
- LEED Accredited Professional, 2004

Memberships / Associations

- Past President of the Engineering and Technical Societies Council
- Senior Member / Lifetime Member of Association of Energy Engineers (AEE)
- Member of American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE)

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

George Simons

Director

Education

- B.S., University of California, Davis, Chemical Engineering, 1979

Employment History

- Director, Consulting and Analysis, Itron, Inc., 2005 – Present
- State of California, California Energy Commission (CEC), 1981–2005
 - PIER Renewables Program Manager, 1998–2005
 - ETAP Program Manager, 1986–1998
 - Energy Specialist, 1981–1986
- Air Resources Engineer, State of California, Air Resources Board, 1979–1981

Selected Expertise

Mr. Simons has over 30 years of experience performing design, implementation, evaluation, and market assessment services for distributed generation and renewable programs. His major areas of expertise include:

- Renewable and Distributed Generation Program Evaluation
- Renewable and CHP Technology Design, Troubleshooting, and Assessment Studies
- Air Quality and Climate Change Policy and Research
- Renewable and DG Market Effects, Baseline and Assessment Analysis
- Strategic Planning for Development of CHP and DG Technologies
- Solar Planning and Policy

Selected Project Experience

- **Self-Generation Incentive Program Evaluation** (2001-Present). Mr. Simons directs Itron's measurement and evaluation services for California's Self-Generation Incentive Program (SGIP). Since 2001, Itron has been the prime evaluation contractor

for the SGIP, one of the largest DG and combined heat and power (CHP) incentive programs in the country. Mr. Simons directs all monitoring activities conducted under the program and provides monthly reports to the Program Administrators, as well as annual impact reports on the program and special topical reports upon request of the Working Group. DG technologies deployed under the SGIP have included solar photovoltaic (PV) technologies; wind energy systems; and renewable and conventional powered fuel cells; microturbines, gas turbines and internal combustion engines. Mr. Simons has directed and participated in a number of special topical studies conducted under the SGIP including:

- DG Cost-Effectiveness Study (February 2011): a wide-ranging examination and model of the cost-effectiveness of a wide variety of DG and CHP technologies. The study contains comprehensive treatment of the costs and performance of these technologies and how these may influence future market adoption of DG/CHP technologies under different incentive levels. Metered electricity generation and waste heat recovery data from systems deployed under the SGIP was used to develop realistic performance metrics. Learning curves were used to forecast future system costs. The model is built to enable realistic market adoption forecasts and impacts.
- Optimizing Dispatch and Location of Distributed Generation (July 2010): this report examines the feasibility of optimizing dispatch and strategic location of distributed generation (DG) resources in California's electricity system. As the DG market grows, utilities face the challenge of determining how to integrate increasing amounts of DG into the electricity system while retaining responsiveness and high reliability. Based on interval-metered generation and distribution feeder loading, power flow simulations and performance analyses, the study investigated the current ability of DG systems to address changes in distribution system demand and reliability; and how mixes of DG and system resources could be used to improve responsiveness and reliability. Results were then rolled up to the transmission system level to identify the magnitude and strategic location of adding DG resources to California's electricity system.
- In-Depth Analysis of CHP Systems Under the SGIP (February 2007)¹: an in-depth assessment of the performance of over 200 CHP systems deployed under the SGIP. Performance analysis was based on actual metered electricity and waste heat recovery data collected from deployed CHP systems. Performance metrics included electrical and thermal conversion efficiency, useful waste heat recovery, and capacity factor. "Good" and "poor" performers were identified,

¹ Also referred to as "In-Depth Analysis of Useful Waste Heat and Performance of Level 3/3N Systems"

the leading causes for poor performance and recommendations on possible ways to address poor performance issues.

- Solar PV Costs and Incentive Factors (February 2007): using metered performance from over 800 PV systems installed under the SGIP, this study examined the relationship between PV performance and incentive structures. The report investigated the role between both capacity and performance incentive structures and performance of PV systems and was a critical information piece in the CPUC's decision to pursue performance-based incentives under the California Solar Initiative.
- **Impact Evaluation of CPUC California Solar Initiative (2007-present).** Mr. Simons is responsible for the measurement and evaluation services for the impact evaluation of the \$3 billion California Solar Initiative, with over 40,000 solar PV systems installed as of 2010. Solar PV impact evaluations typically investigate the influence of the deployed systems on annual and peak demand, system capacity and procurement. Under Mr. Simons' direction, the 2009 CSI impact evaluation also examined the synergies between energy efficiency measures adopted by program participants and the installed PV systems on energy use and peak demand.
- **CSI PV Generation and Building Demand Metering (2009-2017).**

During the course of the 2007/08 CSI impact evaluation, Itron discovered that existing third party PV data providers were unable to provide PV performance data needed for a statistically sound evaluation of the CSI program. Mr. Simons worked with the CPUC and CSI Program Administrators in developing a metering approach that would provide the CSI evaluation with 90 percent confidence levels on program results. As a result, Itron was directed to install up to 520 meters that had capability to collect both PV generation and demand data from CSI sites based on a sample design. The meters will be left in the field for up to seven years and provide one of the largest in-field PV generation and demand datasets in the country.
- **CPUC Solar RD&D Program (2010-present).** Mr. Simons is currently responsible for directing the approaches for this \$50 million program. The purpose of the CSI RD&D Program is to help facilitate market transformation of California's solar electric markets; helping to achieve the CSI goal of deploying over 3000 MW of solar electric systems and reducing the costs of solar technologies to market competitive levels by 2017. Mr. Simons and his team are responsible for developing an RD&D approach that identifies critical barriers to achieving a transformed solar market; identifying opportunities for coordinating with other public and private parties to help address these critical gaps; developing cooperative approaches with these key stakeholders; developing and implementing solicitations that provide funding for RD&D projects that address key market transformation barriers; proactively manage

the awarded RD&D projects and conduct project and program outreach that disseminates the lessons learned and helps facilitate successful market adoption. As part of these efforts, Mr. Simons developed a high PV penetration solicitation that has been recognized as one of the leading efforts in the country in investigating possible solutions for large-scale market penetration of solar PV.

- **Evaluation, Measurement, and Verification of Solar Water Heater Pilot Program for California Center for Sustainable Energy, previously San Diego Regional Energy Office (2007-2009).** Mr. Simons directed this EM&V study of a CPUC-funded Solar Water Heating (SWH) Pilot program within the San Diego County region. This study provided an initial market assessment and baseline analysis and determined the relative importance of the various barriers to SWH penetration (economic, informational, perceptions, etc.). Mr. Simons led the project team in its measurement of energy (gas and electric) savings achieved, system cost-effectiveness, and indicators of outreach effectiveness, including participant surveys to detect shifts in attitude towards SWH. This study also measured the overall level of program performance and success; and helped to assess the feasibility of a statewide SWH program. Among the other products developed in this pilot project was an innovative market transformation analysis tool that enables users to examine possible pathways to achieving cost-effectiveness using a modified approach to the Standard Practice Manual and embedded levelized cost models.
- **Director and Manager of the California Energy Commission Public Interest Energy Research Program (1998-2005).** Mr. Simons was responsible for establishing the direction for renewable research work that would enable renewable energy technologies to meet cost, performance and environmental goals needed to help California achieve its aggressive Renewable Portfolio Standard (RPS) goals. Among his accomplishments as Program Manager include establishing state-of-the-art methods for examining impacts of integrating renewable and distributed generation resources on the electricity system and in leading efforts to integrate intermittent renewable resources (e.g., wind and solar) in ways to enhance reliability and responsiveness of the transmission and distribution system while meeting RPS goals.
- **Program Manager of the California Dairy Power Production Program (2000 – 2005).** Mr. Simons established and managed the Dairy Power Production Program (DPPP). The DPPP was created to help develop and expand the use of anaerobic digestion systems on dairies in California. Fourteen biogas projects were selected for funding. Under Mr. Simons' direction, the program was coordinated with the U.S. EPA AgSTAR Program, the Western United Dairymen and the Milk Producers Council. Projects were implemented and evaluated for performance, cost-

effectiveness and overall feasibility. At the time, the DPPP represented one of the largest dairy biogas demonstration programs in the country.

- **Development of California Zero Energy New Homes (ZENH) Approach.** While at the CEC, Mr. Simons worked on an innovative combination of energy efficiency and BIPV strategies geared to reducing energy use by 25% below California's 2005 Title 24 requirements, net peak demand at the home to less than 1 kW, and lowering ZENH/PV costs to the homeowner to less than \$5,000 by 2006.
- **Program Manager of Energy Technologies Advancement Program (1986–1998).** Mr. Simons was Program Manager for California Energy Commission's first research and development program, the Energy Technologies Advancement Program (ETAP). As manager of ETAP, he was focused primarily on the developing state-of-the-art end use, generation and environmental technologies to help address key energy issues facing California. Among the technologies successfully developed with assistance from ETAP include Solar Turbines SoLowNOx Burner, the Kalina Cycle, Alzeta Corporation's low NOx radiant burner and PowerLight Corporation's PowerGuard PV system.

Memberships/Associations

Mr. Simons has been an active representative in a variety of state and national technical and policy groups, including:

- American Council of Renewable Energy
- Department of Energy's Western Regional Biomass Energy Program
- Biomass Interagency Working Group established by the Governor of California
- California Wind Energy Collaborative
- Geothermal Energy Collaborative
- Rapid PV Working Group
- Executive Board of the California Biomass Energy Collaborative

Selected Reports, Papers and Presentations

Papers and Presentations

The Impact of Distributed Generation Facilities on California's Transmission and Distribution System. Paper presented at 2007 IEPEC Conference.

Air Quality and Climate Change: Hard Choices. With R. MacDougall (SMUD), L. Bowen (Bowen & Associates), and A. Dusault (Sustainable Conservation). Paper presented at 2007 ASME Conference.

Best Practices for Cogeneration System Design. With P. Landry (SCE) and R. Ishii (AESC). Paper presented at 2007 ASME Conference.

Quantification of Greenhouse Gas Emission Reductions from California Self-Generation Incentive Program Projects. With A. Khursheed, B. Souza, and J. Barnes (PG&E). Paper presented at 2007 ASME Conference.

Performance Assessment of Cogeneration Systems in California. With K. Chittory and B. Souza. Paper presented at 2007 ASME Conference.

The Impact of Distributed Generation Facilities on California's Transmission and Distribution System. With S. Price (E3), and R. Davis (DPC). Paper presented at 2007 IEPEC Conference.

Solar Incentive Structures and the Impacts of PV Performance and Costs. With K. Scheuermann, M. O'Kelly, and P. Landry (SCE). Poster presentation at 2007 IEPEC Conference.

Six Years Before the Mast: PV in California's High Seas. With B. Souza, K. Scheuermann, and Myles O'Kelly. Presentation at 2007 Solar Power conference.

Cogeneration Systems: Some Lessons Learned. Presentation at 2006 Utility Energy Forum.

Can Targeted Renewable DG Improve RD&D Program Impacts? With P. Lilly. Presentation at 2006 Electric Power Conference.

An Overview of Current Anaerobic Digester Technologies. Presentation at 2006 EdisonAgTAC Conference.

Social Costs and Benefits Of Cogeneration Systems in California. With M. Feldman, K. Scheuermann, and P. Lilly. Paper presented at 2006 AESP Conference.

The Next Shift: Dynamic Renewable Grids. Presentation at 2006 AWEA Conference

California's Self-Generation Incentive Program Nonresidential PV Systems: Measured System Performance and Actual Costs. With P. Lilly. Paper presented at 2006 ASME Conference.

California's Solar Resources. Presentation for the 2005 Integrated Energy Policy Report, May 2005.

California's Dairy Power Production Program. Presentation at Anaerobic Digester Summit II, June 2004.

Renewable Energy Advances and Global Climate Change. Presentation for the 2003 Integrated Energy Policy Report: Renewables Joint (CEC/CPUC) Committee Workshop, June 24, 2003.

Landfill Gas Markets in California. Presentation at WasteCon 2002, October 29, 2002.

California's Dairy Power Production Program. Presentation with Dr. Zhiqin (Jessica) Zhang at BioCycle's 2002 West Coast Conference, March 5, 2002.

Renewable Energy in California: A Twenty Year Perspective. Presentation to the Canadian Select Committee on Alternative Fuels, February 11, 2002.

Developing Sustainable Renewable Energy in California. Presentation at UC Berkeley, October 9, 2001.

The Role of Photovoltaic Distributed Generation in California's Electricity System. Presentation at Photovoltaic Experience Conference, October 2, 2001

The Potential for LFG Utilization in California. Presentation at the California Landfill Gas Workshop, October 2001.

The Role of Renewable Distributed Generation in California's Electricity System. Co-authored with P. Sethi, R. Davis (DPC), K. DeGroat (McNeil Technologies) and D. Cromwell (CDF), and presented at IEEE Power Engineering Society 2001 Summer Meeting, July 2001.

Distributed Generation From Biogas in California. Presentation with Dr. Zhiqin (Jessica) Zhang at the 2001 Interconnection Distributed Generation Conference, March 2001.

Making Electricity Recovery From Organic Wastes Work in a Deregulated Electricity Marketplace. Presentation with Dr. V. Tiangco (CEC), R. Yazdani (Yolo County Public Works), Dr. M. Kayhanian (UC Davis), and Dr. D. Augenstein (IEM), September 1999.

Recent Reports

CPUC Self-Generation Incentive Program: Cost-Effectiveness of Distributed Generation Technologies Final Report. February 9, 2011.

CPUC California Solar Initiative: 2009 Impact Evaluation Final Report. June 2010.

CPUC California Solar Initiative: 2007-2008 Impact Evaluation Final Report. February 2010.

CPUC Self-Generation Incentive Program: Ninth-Year Impact Evaluation Final Report. June 2010.

CPUC Self-Generation Incentive Program: Eighth-Year Impact Evaluation Final Report. June 2009.

Technical Potential for Electric Energy and Peak Demand Savings in Florida: Final Report for Florida Power and Light. March 12, 2009.

CPUC Self-Generation Incentive Program: Seventh-Year Impact Evaluation Final Report. September 2008.

CPUC Self-Generation Incentive Program: 2008 Impact Evaluation Research Plan. May 2008.

CPUC Self-Generation Incentive Program: Sixth Year Impact Evaluation Final Report. August 2007.

CPUC Self-Generation Incentive Program: 2005 Impacts Evaluation Research Plan. July 2007.

CPUC Self-Generation Incentive Program: Fifth Year Impact Evaluation Report. March 2007.

CPUC Self-Generation Incentive Program: Solar PV Costs and Incentive Factors: Final Report. February 2007.

CPUC Self-Generation Incentive Program: In-Depth Analysis of Useful Waste Heat Recovery and Performance of Level 3/3N Systems Final Report. February 2007.

Small Engine Emission Reduction for Dairy Digesters Final Report. Prepared for SMUD. November 2006.

CPUC Self-Generation Incentive Program: Preliminary Cost-Effectiveness Evaluation Report. September 2005.

Developing Cost-Effective Solar Resources with Electricity System Benefits. George Simons, California Energy Commission, CEC-500-2005-104, June 2005.

Landfill Gas-to-Energy Potential in California. George Simons, Zhiqin Zhang and Patrick Redding, California Energy Commission, CEC-500-02-041V1, September 2002.

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Sharyn B. Barata

Senior Principal Energy Consultant

PA PUBLIC UTILITY COMMISSION
CONSULTANT'S BUREAU

Education

- Graduate Studies in Business, St. Thomas University, Miami, FL
- B.A., Economics, Clark University, Worcester, MA, 1985

Employment History

- Principal Energy Consultant, Itron, Inc., 2009 – Present
- Vice President, Opinion Dynamics Corporation, 2005 – 2009
- Owner - Principal, B&B Resources, 1994 – 2005
- Southeast Director, XENERGY, 1993 – 1994
- Manager of Evaluation, Florida Power and Light, 1990 – 1993
- Senior Market Research Analyst, Florida Power and Light, 1988 – 1990
- Manager of Forecasting, Savannah Electric/Southern Company, 1986 – 1988
- Systems Engineer, General Motors/EDS, 1985 – 1986

Selected Expertise

Ms. Barata has almost 25 years of experience assisting electric utilities in meeting program evaluation, load research, market research, and marketing objectives. Her focus is on:

- Process Program Evaluation
- Behavioral Research and Program Measurement
- Market Assessment / Program Effects
- Customer and Market Research
- Focus Group Moderation
- Logic Model and Program Theory Development
- Evaluation Framework and Protocol Development
- Customer Satisfaction and Program Awareness

Selected Project Experience

- **Independent Evaluator for the Ohio Public Utilities Commission (PUCO) (2010)**
Working with the prime contractor, ECONorthwest, Ms. Barata is Itron's project manager for this strategic effort. In this role, she works directly with PUCO and the Ohio utilities to not only review and verify program evaluation plans and reports, but also to provide independent research for gap evaluations and high impact area analysis. Specific objectives of this study include: developing independent saving estimates of program savings, cost effectiveness, and non-energy benefits; verification of claimed savings; process evaluations, best practices assessments and the development of a long term evaluation plan which incorporates issues such as persistence of savings, measure retention and market transformation.
- **Master Evaluation Contract Team (MECT) for California Public Utilities Commission (2003-2006)** As part of the MECT team, Ms. Barata provided assistance to the CPUC in the coordination of the energy efficiency evaluation planning effort. As part of this process, the team reviewed over 100 evaluation plans and draft evaluation reports. A meta-evaluation of the entire Energy Efficiency portfolio was also completed as part of this effort.
- **Development of New California Evaluation Framework and Protocols Guidebooks (2004–2006)** Ms. Barata was a key member of the team led by TecMarket Works to develop the California's evaluation framework and protocols. Ms. Barata was a main contributor to the development of the Process evaluation, Information and Education, and Market Effect framework and protocols.
- **Statewide Evaluation of California's Home Energy Survey Program (2006-2007)**
While Vice President at ODC, Ms. Barata worked on the Evaluation of California's statewide Home Energy Efficiency Survey (HEES) audit program. This effort included a process evaluation and an initial attempt at attributing energy savings directly to the audit program. As part of the effort, Ms Barata led logic model workshops for the four California IOU's and created a Statewide Program Theory and Logic Model for this effort.
- **Executive-in-Charge/Strategic Advisor.** Served in this role for California's first assessment of its Statewide Marketing campaigns, including evaluations of the Flex Your Power, Flex Your Power NOW, Reach for the Stars, and the Spanish information Advertising Campaigns.
- **Focus Group Moderator.** Responsible for running over two dozen focus groups in areas such as marketing, information and education, social marketing, low income, energy efficiency, and solar programs for clients including the California Public Utilities Commission, Southern California Edison, Pacific Gas and Electric, Portland General Electric, and Sempra Utilities.

- **Vice President of Marketing.** While at ODC, Ms. Barata served as the Vice President and was responsible for project and client management of West Coast marketing and project management. Responsibilities included development of project methodologies, maintaining project schedules, management of project budgets, development of project questionnaires and discussion guides, conducting in-depth interviews, moderating focus groups, program theory and logic model creation, writing reports, and interpreting survey and research results. Experience included:
 - Southern California Edison, 2007 and 2008 Process Evaluation for the Palm Desert Partnership (PDP) Program
 - CPUC 2006–2008 Impact and Process Evaluation of California’s Statewide Marketing and Outreach Research
 - Ontario Power Authority, Linking Conservation Awareness Programs to Energy and Demand Savings – Best Practices Report
 - Energy Trust of Oregon’s Efficient New Home Program – Process Evaluations for Program Years 2004-2005 and 2006-2007
 - 2006-2008 Education and Information Program Evaluation for the California Public Utilities Commission
 - Southern California Edison, California Solar Initiative (CSI) / Net Metering Research Study

- **Business Owner.** During the 12 years of operation, Ms. Barata participated in, or directed, dozens of energy efficiency program impact and process evaluation studies and market research and strategic consulting on projects across the country. Clients included: NYSERDA, Vermont Department of Public Service, the California Public Service Commission, LIPA, Georgia Power, Northeast Utilities, Tampa Electric, FPL, Oglethorpe Power, Boston Gas, Chartwell, EnerVision, Cobb EMC, NSTAR, and the Northwest Energy Efficiency Alliance. Projects included:
 - **New York Energy Smart 2001-2003 Program Impact and Process Evaluation for NYSERDA.** These evaluations covered the first three years of NYSERDA’s Energy Smart portfolio to assess progress and modify programs to improve program performance and guide development of future program efforts.
 - **Process and Impact Evaluation of Long Island Power Authority’s Low-Income Program (Residential Energy Affordability Partnership Program)** (2001 – 2004). Ms. Barata worked with the Megdal and Associates team on the process and impact evaluation of LIPA’s low-income program.
 - **1998 - 2001, Baseline and Market Assessment Studies for Boston Gas and the Massachusetts Gas Collaborative.** Ms. Barata was part of a team evaluating 12 Market Assessment and Baseline research efforts conducted for the Boston Gas Company and the Massachusetts Gas Collaborative.

- **National Evaluation of the Weather Assistance Program.** Served on the Low Income Expert Planning Committee (2005).
- **Northwest Energy Efficiency Alliance Evaluation and Market Progress Evaluation of the Local Government Associations** (1999). Evaluation of the Local Government Association Support Project evaluated the contracts representing local governments in Washington, Oregon, Idaho, and Montana.
- **Director of Regional Consulting Practice.** Projects handled out of the Atlanta office included:
 - Assessment of customer needs and behaviors
 - Analysis of market and demand response
 - Program impact, market and process evaluations
 - Energy usage, end-use technology assessment and customer trends
 - Utility planning/regulatory issues and methodological studies
 - Design of effective utility programs and services
- **Utility Manager of Evaluation.** While at Florida Power and Light, positions held included Coordinator of Energy Program Evaluation, Market Research Senior Analyst, and Utility Forecaster. Responsibilities included:
 - Overall coordination of the program evaluation and monitoring activities at FPL including oversight of 100 contractors and an annual evaluation budget of \$7 million
 - Conducting evaluations of energy efficiency, renewable and demand response programs
 - Generating long range forecasts of residential energy sales using econometric and end-use modeling
 - Managing statewide surveys and research efforts such as a 2,000 point on-site home energy saturation survey, quarterly program customer satisfaction studies and a legislated statewide technical potential study

Selected Papers, Publications, and Workshops

Barata, Sharyn. *Introduction to Energy Evaluation*, Midwest Energy Efficiency Alliance (MEEA) Annual Conference, Chicago, IL, 2010.

Barata, Sharyn. *Behavior and Energy Use: Low Cost/High Impact Strategies for the Military Panel*, Military Energy Symposium, New Orleans, LA, 2010.

Barata, Sharyn and Mary Sutter, *Logic Models and Program Theory for Today's "Big and Bold" Energy Initiatives*, Association of Energy Service Professionals National Conference, Clearwater, FL, 2008.

Barata, Sharyn. *Making the Intangible Tangible: How to Evaluate a Social Marketing Campaign*, International Energy Program Evaluation Conference, Chicago, IL, 2007.

Barata, Sharyn, Jennifer Mitchell-Jackson, Nick Hall, and Pam Wellner. *Measuring the Effects of Marketing Campaigns: Lessons and Innovative Methods from California*, International Energy Program Evaluation Conference, Chicago, IL, 2007.

Newbert, Riley, Jennifer Mitchell-Jackson, and Sharyn Barata. *Channeling Customers: Effects of Information-Based Programs as Feeders into Resource Acquisition Programs*, Association of Energy Service Professionals National Conference, Las Vegas, NV, 2007.

Hall, Nick, Sharyn Barata, et al. *California Energy Efficiency Evaluation Protocols: Technical, Methodological, and Reporting Requirements for Evaluation Professionals*, April 2006.

Hall, Nick, Sharyn Barata, Ken Keating, Lori Megdal, Rick Morgan, Ed Vine, Carmen Best, and Johna Roth. *The California 2006-2008 Energy Efficiency Portfolio: A Review of Early IOU Planning Documents*, 157 pages, July 2005.

Workshops Organized and Conducted include:

- Conference Connect – Social Media for Utilities, Co-Presenter, Social Marketing Campaigns, 2009
- AESP Workshop – Co-Presenter/Organizer, Introduction to Social Marketing for Utilities, 2007
- IEPEC Workshop – Co-Presenter/Organizer, Evaluation of Social Marketing Efforts used in the Promotion of Energy Efficiency and Demand Response Goals, 2007
- IEPEC Workshop – Co-Presenter, Evaluation 101 - Introduction to Evaluation, 2001, 2003, 2005
- EMACS Workshop – Co-Presenter/Organizer, New Products and Services for Energy Marketing, 2005

Memberships/Associations

- International Energy Program and Evaluation Conference (IEPEC), Elected Board Member and Officer of biennial event, 1989 – Present
- Energy Marketing and Customer Service Conference (EMACS), Organizing Chair and Planning Committee member, 1996 – 2005
- Midwest Energy Efficiency Association (MEEA), Conference Organizing Committee member, 2009
- Association of Energy Service Professionals (AESP), Evaluation and Market Research Topic Committee, Topic Co-Chair, 2007 – Present
- Behavior, Energy and Climate Change Conference (BECC), Conference Key Advisor. Work closely with conference staff (ACEEE/CIEE) to determine agenda and presenters for this behavioral energy focused conference, 2007 – Present

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU****Michael T. Messenger****Senior Principal Energy Consultant****Education**

- M.S., Energy and Resources Program, University of California, Berkeley, 1981
- B.S., Energy Resource Management, Princeton University, 1978

Employment History

- Senior Principal Energy Consultant, Itron, Inc., 2008 – Present
- Program Specialist III, Utility Program Design and Evaluation, California Energy Commission, 2007–2008
- Independent Evaluation Consultant, Ontario Power Authority, 2006–2007
- Chief of Program Evaluation, California Energy Commission, 2003–2006
- Program Manager, Demand Responsive Program, California Energy Commission, 2001–2002
- Board Member – California Board for Energy Efficiency and California Measurement and Advisory Committee, California Energy Commission, 1997–1999
- Treasurer, and Committee Chair Program Planning and Measurement and Evaluation, California Board for Energy Efficiency, 1997–1999
- Chief Analyst, Demand Side Planning Office, California Energy Commission, 1992–1996
- Senior Economist, Demand Side Planning, California Energy Commission, 1987–1991
- Program Leader – Appliance Efficiency Office, California Energy Commission, 1983–1986
- Special Advisor to Commissioner James Walker, California Energy Commission, 1981–1983
- Research Associate, International Institute for Applied Systems Analysis, Laxenburg, Austria, 1979–1981
- Staff Scientist, Regional Energy Studies Group, Lawrence Berkeley Laboratory, 1978–1980

Selected Expertise

Mr. Messenger has worked in energy efficiency and evaluation since 1978, and is a nationally recognized expert in the field. Mr. Messenger specializes in the design and evaluation of energy efficiency and demand response programs and the development of policy frameworks and funding to support them. His major areas of expertise include:

- Energy Efficiency Evaluation and Program Planning
- Demand Response Evaluation and Planning
- Energy Policy
- Cost Benefit Analysis
- Market Potential and Goal Assessment
- Net to Gross Analysis
- Evaluation Framework and Protocol Development
- Market Assessment and Characterization Studies

Selected Project Experience

- Project Manager, Database for Energy Efficiency Resources in California (2010-2011)
- Project Manager, *Independent Verification of Energy and Peak Savings from the EmPower Maryland Energy Efficiency Programs* (2010)
- Project Manager, *Review of Evaluation, Measurement and Verification Approaches Used to Estimate the Load Impacts and Effectiveness of Energy Efficiency Programs* (LBNL, 2010)
- Project Manager, *Development of EM&V Plans to Verify Peak Savings for Baltimore Gas and Electric's 2009-2011 Energy Efficiency Programs* (2009)
- Project Manager, *Assessment of the Feasible and Achievable levels of Electricity Savings from Investor Owned Utilities in Texas: 2009-2018* (2008)
- Project Manager, *Development and Execution of Plan to Improve the Quantification of Energy Savings in the California Energy Commission Forecast* (2008-2009)
- *Development of Proposed Energy Savings Goals for the Investor Owned Utilities in California: 2009-2020* (May 2008)
- *Development of Ex Ante Net Savings Estimates for Selected Residential Programs for the 2009-2011 Planning Cycle* (CFL and appliance programs)
- *Development of Proposed Electricity Savings Goals for Municipal Utilities in California* (2007)

- Development of Proposed Energy Savings Goals for Investor Owned Electric and Natural Gas Utilities in California (2003-2004)
- Served on Team to Develop Research Plan for Statewide Critical Peak Pricing Pilot (2003-2004)
- Served on Team to Develop Energy Efficiency Program Evaluation Protocols for California (2004-2005)
- Development of Evaluation Framework and Protocols for Ontario Power Authority (2006-2007)
- Design and Management of Statewide Demand Response Programs (2000-2001)
- Development of Energy Efficiency Standards for State of California for Refrigerator/Freezers and Central Air Conditioners (1985)
- Original Developer of Database for Energy Efficient Resources (DEER) in California (1987)

Selected Papers and Publications

Messenger M, Goldman C and Schiller S, *Review of Evaluation, Measurement and Verification Approaches Used to Estimate the Load Impacts and Effectiveness of Energy Efficiency Programs* (Prepared for the Lawrence Berkeley National Laboratory, LBNL publication # 3277E, April 2010)

Messenger, M. *Lessons Learned in Developing Energy Efficiency Potential Analyses to Serve as the Basis for Energy Savings Goals* (Presentation to the ACEEE Energy Efficiency as a Resource Conference, Chicago, ILL, September 29, 2009)

Messenger, M. and M. Rufo. *Assessment of the Feasible and Achievable levels of Electricity Savings from Investor Owned Utilities in Texas: 2009-2018*. Prepared for Theresa Gross, Texas Public Utility Commission, January 2009.

Messenger, M. and Gary Klein. *Statewide Energy Efficiency Potential Estimates and Recommended Savings Targets for California Utilities*, Publication CEC-200-2007-019-SD. Presented before the Integrated Energy Policy Committee of the California Energy Commission on September 17, 2007. Available online at:
http://www.energy.ca.gov/2007_energypolicy/documents/index.html#091707 .

Messenger, M. *Starting Over: Developing an Evaluation Framework and Protocols in Ontario*, Presented at the International Energy Program Evaluation Conference, Chicago, IL: August 2007.

Messenger, M., contributing author. *Conservation and Demand Management Resource Plan Part of the Integrated System Power Plan for the Province of Ontario*, December 2006. Available online at:
http://www.powerauthority.on.ca/ipsp/Storage/33/2856_CDM_REVISED_Discussion_paper.pdf.

Messenger, M. *How Demand Response Initiatives will Shape the Market for Advanced Networks and Energy Management Systems in the 21st Century*, St. Louis, MO: September 6, 2006.

Messenger, M. *Costs and Benefits of Requiring Programmable Communicating Thermostats in New Homes and Small Businesses*, Presented at the Automated Metering Association International, Nashville, TN: October 11, 2006.

Messenger, M. *How to Simultaneously Stimulate the Growth of Energy Efficiency and Demand Response Resources at the Same Time: The California Story*, Presentation to the Midwest Energy Efficiency Alliance Conference, Chicago, IL: October 3, 2005.

Messenger, M. *Will the Advanced Metering Initiative and the Introduction of Dynamic Pricing Rates Affect the Content and Management of Utility Rate Cases in California and Beyond?* Presented for Managing the Modern Utility Rate Case, Las Vegas, NV: February 17 & 18, 2005.

Messenger, M. *Dynamic Pricing in California, Chapter 7 of Integrated Energy Policy Report*, California Energy Commission, Publication CEC-400-04-012, October 10, 2003.

Messenger, M. *Proposed Electricity Savings Goals for California*, California Energy Commission, October, 2003.

Messenger, M. *An Action Plan to Increase Demand Response in the California Market*, California Energy Commission, Publication CEC-400-02-016f, July 2002.

Messenger, M. *Understanding Market Transformation: A Summary of Energy Efficiency Market Research Performed in California from 1997 to 2000*, Presented at the National Symposium on Market Transformation Programs, Washington, DC: March 21, 2000.

Messenger, M. *Show Me the Money: The Battle for Control of Energy Efficiency Programs in California*, Presentation at the National Energy Services Conference, Tucson, AZ: December 8, 1999.

Messenger, M. and Chuck Goldman. *Planning for Judgment Day: An Approach to Developing Proposed Funding levels for Energy Efficiency Programs*, ACEEE Market Transformation Workshop, Washington, DC: March 1999.

Dickerson, Chris Ann, Pierre Landry, Michael Messenger, and Mary O'Drain. *Changing the Evaluation Frame in California from Individual Customers to Market Players in Energy Service Markets*, Presented at the Conference for the Association of Energy Service Professionals, Orlando, FL: December 1998.

Schlegel, Jeff, Michael Messenger, and Joe Eto, Draft of Proposed Policy Rules for Energy Efficiency Programs in California, July 9, 1997.

Messenger, M. *Proposed Guidelines for the Development of Market Characterization Studies in California*, Prepared for CADMAC Measurement and Advisory Group, November 1997.

Messenger, M. *Searching for Common Ground Among the Patron Saints of DSM: The Tale of the California Energy Services Working Group*, Association of Energy Services Journal, December 9, 1996.

Messenger, M. *California Retrospective: Recent Trends in Utility Program Funding and Design in California*, The Electricity Journal, July 1996, pp. 50-55.

Messenger, M. *From Resource Value to Market Transformation: Evolution or Revolution?* ACEEE Conference Proceedings, Asilomar, CA: August 1996.

Messenger, M. *Summary of California's Proposed Measurement and Evaluation Protocols*, published by SRC Corporation in Energy Evaluation Exchange January 1993.

Messenger, M. *A Review of Measurement Approaches and Savings Results from Utility Compact Fluorescent Lighting Programs*, Presented at California Compact Conference, San Diego, CA: November 1992.

Messenger, M. *Proposed Measurement and Evaluation Protocols and Methods to Integrate Results with Earnings*, Prepared for the CPUC's Measurement and Evaluation Rulemaking 91-008-002: June 15, 1992.

Messenger, M. *Can Greed Accuracy and Fairness be Mixed for the Public Good: The Case of the California Shareholder Incentive Experiment for Utility DSM Programs*, ACEEE Summer Study on Energy Efficiency in Buildings, Volume 8: Integrated Resource Planning. Asilomar, CA: August 1992.

Messenger, M. *Pros and Cons of the Collaborative Process in California: Can Cooperative Planning Lead to Better Conservation Programs?* Xenergy Clients Conference, Boston, MA: June 1991.

Messenger, M. *The Future of Demand Side Bidding in California: Boom or Bust?* Presented at the Western Energy Forum, San Francisco, CA: April 15, 1990.

Messenger, M. *Validating the Simulation Models Used to Predict Energy Use in New Homes: Results of the Building Monitoring Project*, ACEEE Summer Study on Energy Efficiency in Buildings, Volume 10: Program Evaluation. Asilomar, CA: August 1990.

Messenger, M. *A Review of Recent Proposals to Increase the Level of Utility Commitment to the Energy Conservation Market*, Presented to the Western Economic Association, San Diego, CA: July 1990.

Messenger, M. *How to Cut Costs and Maintain Market Share: The Dilemma of Electric Utilities*, Public Utilities Fortnightly, December 10, 1987.

Messenger, M. and Mike Martin. *Staff Report on Proposed Revision of Appliance Efficiency Standards for Central Air Conditioners*, California Energy Commission, April 1985.

Messenger, M. and Michael Martin. *Technical Analysis of the Conservation Potential of Refrigerator/Freezers*, California Energy Commission, May 1984.

Messenger, M. *Trends in Energy Use in California Since the Oil Embargo: How Much Conservation and Why?* ACEEE Summer Study on Energy Efficiency in Buildings, Santa Cruz, CA: 1982.

Messenger, M. *A High Technology, Low Energy Demand Future for Western Europe*, Energy, Vol. 6(12), December 1981.

Messenger, M. *Biomass and Hydrogen: An Answer to the Liquid Fuel Crisis in the Twenty-First Century?* IIASA Research Report, February 1982.

Expert Witness Testimony

“Testimony on Proposed Energy Efficiency Programs for Program Year 2000 for Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company and The Gas Company,” before the CPUC, December 1999.

"Testimony on Proposed Shareholder Incentive Mechanisms for Energy Efficiency Programs in Program Year 2000," before the CPUC, September 1999.

"Testimony on Pacific Gas and Electric Company's Proposed Shareholder Incentives for Demand Side Management Programs," May 1992.

"Testimony on Demand Side Management Programs for the San Diego Gas and Electric Company Service Area," March 15, 1988.

"Analysis of Pacific Gas and Electric Company's Proposed Funding Levels and Conservation Program Design," before the CPUC, May 1986.

"Analysis of Philadelphia Electric Company's Long Term Forecast for Electricity," before the Pennsylvania Public Utilities Commission, March 1985.

"Measuring the Cost Effectiveness of Appliance Incentive Programs" before the CPUC, April 1984.

Honors and Special Achievements

AESP Special Achievement Award for Work in Developing the California Evaluation Framework in 2005

Memberships/Associations

- President, Association of Energy Service Professionals Foundation
- Executive Vice President of the Association of Energy Service Professionals
- Planning Committee, International Energy Program Evaluation Conference
- Chair of the Market Effects Committee of the California Measurement Advisory Council, (CADMAC)
- Member of the Association of Energy Economists

William J. Golemboski, Ph.D.

Principal Energy Consultant

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Education

- Ph.D., Economics and Finance, Binghamton University, 1994
- M.A., Economics, Binghamton University, 1983
- B.A., Economics, SUNY at Stony Brook, NY, 1982

Employment History

- Principal Energy Consultant, Itron, 2009–Present
- Independent Energy Consultant, 2007–2009
- VP, Electric Forecasting & Scheduling, Econenergy Inc., 2002–2007
- VP, Energy Project Development, Innovative Energy Solutions LLC, 2001–2002
- Senior Economist, Market Monitoring Group, NYISO 1999–2001
- VP, DSM Analysis & Forecasting, Applied Energy Group, 1992–1999
- Corporate Planner, DSM Planning & Evaluation, Niagara Mohawk Power Corp. 1991-1992
- Load Forecasting & DSM Planning Analyst, NY State Electric & Gas, 1986-1991

Selected Expertise

Dr. Golemboski has extensive experience with econometric modeling including demand analysis/forecasting and intervention analysis/evaluation of energy efficiency and demand response programs. Dr. Golemboski's work in statistical DSM analyses, conditional demand studies, DSM screening and forecasting have been applied at utilities across the U.S. Bill's areas of expertise include:

- Impact Evaluation of EE/DR Programs
- Econometric Modeling of Energy Demand
- Conditional Demand Analysis and Impact Measurement
- Energy Risk Analysis and Management
- DSM Screening and Program Cost Effectiveness Assessments

- Design, Analysis and Evaluation of Custom Pricing Programs

Selected Project Experience

- **PECO Energy in PA (2009-2010).** In 2010, Dr. Goleboski conducted two evaluation studies for PECO Energy in PA. The first was a research study testing and developing a decision analysis model to identify the top 100 summer peak demand hours for use in dispatching PECO's DR resources. The second study was a statistical impact evaluation of the company's conservation voltage reduction (CVR) program. Both studies employed advanced statistical-regression analysis methods.
- **LBNL (2009).** In 2009/2010, Dr. Goleboski participated in a nation-wide management consulting study by Itron, for focusing on the current state and uses of evaluation and verification methods in the energy industry. This study published by the LBNL in 2010, was widely received and acknowledged as one of the most comprehensive investigations of the current state and future directions of EM&V, in the energy sector, conducted to-date.
- **Econnergy & NYSERDA (2005-2007).** Mr. Goleboski helped design, implement and co-fund two (2) energy efficiency and load management pilot programs at Econnergy Corporation – a major competitive gas and power commodity service provider in the northeast. With co-sponsored and financing provided by the New York State Research and Development Authority (NYSERDA), Mr. Goleboski was team member in designing two pilot studies of customer load response to real-time pricing signals, including the M&V evaluation plan performed by an outside consultant.
- **Northeast Utilities (1992).** Statistical Billing Analysis of Refrigerator Replacement Program at Northeast Utilities. This study made use of a panel dataset with both program participants and a control sample of non-participants to measure pre- and post-removal changes in energy use following removal of second refrigerators of residential customers.
- **Public Service of Colorado (1992-1993).** Impact Evaluation of Thermal Improvements in Single Family Residential Dwellings: A Comparison of Econometric and PRISM Results (PSCo). This impact evaluation compared energy savings estimates derived from linear regression analysis of pre- and post energy use following treatment, to savings estimates generated by the Princeton Scorekeeping

Method to determine how robust energy savings measures were to alternative measurement techniques.

- **Niagara Mohawk Power Corporation (1994-1995).** Residential Low Income Program Evaluation for NiMo. Impact evaluation using PRISM to quantify low cost weatherization and energy conservation measures in low income households participating in NMPC's incentive program.

- **Northeast Utilities (1996).** Residential Compact Fluorescent Lighting Program Evaluation at NU. Participant survey questionnaires were used to gather information on customer usage patterns for household lighting use, and used in the development of engineering estimates of energy savings. These estimates were then included as an explanatory variable in a pre/post treatment billing analysis study of changes in metered energy use of program participants.

- **New York State Electric and Gas (1991-1992).** Impact Evaluation of Commercial Lighting Rebate Incentive Program for Small Commercial Customers at NYSEG. Engineering estimates of energy savings from lighting system placements and retrofits were included in a statistical billing analysis of changes in pre-to-post-period energy use following program participation. Weather normalization of energy sales using a heating/cooling degree day model were used to purge weather-related influences using a two-stage estimation procedure.

- **Rochester Gas & Electric (1995).** Impact evaluation of RG&E's Low Income Weatherization Incentive Program. Survey data was used to calculate engineering estimates of program savings with adjustments for the impacts of free-riders and self-selection bias among program participants.

- **Brooklyn Union Natural Gas (1994).** Impact Evaluation of Weatherization Program for Natural Gas Customers of BNG. Statistical model similar in structure to PRISM was constructed to measure post-treatment changes in billed natural gas use following installation of low cost weatherization measures. Model employed a non-linear heating degree day variable specification to capture non-linear relationship between heating use and outdoor temperatures.

- **Niagara Mohawk Power Corporation (1994).** In an EE Rate Design Project for Niagara Mohawk Power Corporation, Dr. Golemboski designed a three-part

residential electric rate for high-use electric heating customers to promote household investments in energy efficiency to reduce sizing requirements for electrically heated homes and farms in remote locations where natural gas was unavailable.

- **Niagara Mohawk Power Corporation (1994).** Impact evaluation of time-of-use rate offerings on investments in energy efficiency and load shifting strategies in residential households prepared for the Niagara Mohawk Power Corporation. Survey data was combined with a statistical billing analysis of energy use and billed revenues, following customer conversions to time of use rate meters.

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List of Itron Trade Association Memberships

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American Council for an Energy-Efficient Economy (ACEEE)	National Rural Electric Association
American Gas Association (AGA-LL)	National Rural Water Association (NRWA)
American Gas Association (AGA-Owenton)	NC Technology
American Public Gas Association (APGA)	Northeast Gas Association (NGA)
American Water Works Association (AWWA)	Northwest Public Power Assoc (NWPPA)
Arkansas Gas Association (AGA)	Ohio Gas Association (OGA)
Association of Energy Services Professionals (AESP)	Ontario Energy Association (OEA)
California Energy Efficiency Industry Council	Pa Rural Water Association
California Municipal Utilities Assoc	Peak Load Management
California Rural Water Association	Pennsylvania Municipal Authorities Assoc.
Canadian Gas Association (CGA)	PUR
CARILIC	SCRWA (S.C. Rural Water)
Chartwell	SmartGrid Today
DRSG (Demand Response)	SmartGrid Consumer Collaborative
EEl	South Alabama Public Power (SAAP)
Energy Council of the Northeast	Southern Gas Association (SGA)
Evergreen Rural Water of WA	SWEMA
Florida Natural Gas Association (FNGA)	Tennessee Gas Association
Gridwise	Texas Gas Association (TGA - through EB)
Idaho Rural Water Association (IRVA)	TVPPA
International Trade Alliance	Utilimetrics
Kansas Rural Water	WEI
Kentucky Gas Association (KGA)	Washington Business Alliance
Maryland Rural Water Association	Washington Technology Industry
Midwest Energy Association (MEA)	UTC
Midwest Energy Efficiency Alliance (MEEA)	UCAIug
National Conference on Weights & Measure	U-Snap Alliance
	ZigBee Alliance