

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 7, 2008**

REGULAR X CONSENT _____ EFFECTIVE DATE January 1, 2008

DATE: July 30, 2008

TO: Public Utility Commission

FROM: Roger White

THROUGH: Lee Sparling, Ed Busch, and Cynthia Van Landuyt

SUBJECT: PACIFIC POWER: (Docket No. UM 1329) Request for Approval of Compliance Filing.

STAFF RECOMMENDATION:

Staff recommends that the Commission accept Staff's finding that Pacific Power's submission complies with Order No. 08-327 and allow the depreciation rates to be effective January 1, 2008.

DISCUSSION:

On June 17, 2008, the Commission issued Order No. 08-327 in Docket No. UM 1329 concerning the depreciation-rate stipulation between Staff and Pacific Power (the Company). Schedule 1, which was attached to the stipulation, contained the proposed rates for Commission approval.

Order No. 08-327 rejected the rates for the eleven coal-fired generating plants found in the proposed Schedule 1, while finding the rates acceptable for all other categories of plant. In the proposed Schedule 1, each of the eleven coal-fired generating plants had greater life end-dates than those in an earlier order, Order 03-457 in Docket No. UM 1064.

For each of these eleven coal-fire plants, the Company was ordered to recalculate the depreciation rates using the life end-dates found in Order 03-457. Additionally, the company was required to use plant balances, book reserves, and net salvage amounts as of December 31, 2006. The order further stated that the Company was to file this study no later than 90 days after the June 17, 2008, effective date of the order.

On July 9, 2008, the Company filed the revised Schedule 1 and work papers as ordered. Staff reviewed the filing to ensure that the three conditions of the order were met: 1) The end-lives of the eleven coal-fire generating plants were the same as those used in Order 03-457; 2) The filing used December 31, 2006, plant balances, reserves, and the net salvage amounts derived from these; and 3) The other rates in Schedule 1 remained unchanged. Staff also reviewed the methodology used to calculate the remaining lives for the coal-fired generating plants. Based on this review, Staff found that the compliance filing met all of the conditions of the order.

PROPOSED COMMISSION MOTION:

Accept Staff's findings that the rates are in compliance with Order 08-327 and become effective January 1, 2008.