

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 26, 2008**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: July 30, 2008

TO: Public Utility Commission

FROM: Paul Rossow

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT: Accept 2008 Budget of Expenditures.

STAFF RECOMMENDATION:

I recommend Pacific Power & Light's 2008 Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

Officers' Compensation

Attachment 1 compares budgeted 2008 officers' salaries and other compensation with 2007 levels for Pacific Power & Light (Company or Pacific). Officers' salaries show a decrease of 3.3 percent while pensions and other fringe benefits indicate an increase of 0.6 percent. Overall compensation decreases by 2.4 percent.

For comparable positions, salaries reveal an increase of 2.9 percent. Pensions and other fringe benefits increased 1.3 percent, resulting in an overall change of 2.5 percent.

Starting with 2007, Attachments 2 and 3 show a reduction in the number of Executive Officers due to the Company changing designation of Officers to be consistent with the SEC reporting.

Attachment 2 shows salary history for the years 2003 through 2008. For comparable positions, salaries increased by an average of 6.7 percent per year over the five year period.

Attachment 3 shows officers' cash compensation, including bonuses, for 2003 through 2007. Bonuses are attributed to the year they are paid. For example, a bonus earned in 2006 is paid by the Company in 2007, and attributed in Attachment 3 to the 2007 compensation. Attachment 3 shows that for comparable positions, cash compensation for the period 2003 through 2007 increases by an average of 8.4 percent annually.

Attachment 4 shows officer's salary changes compared to Consumer Price Index (CPI) changes for the years 2003 through 2007. Since budgets present values at the beginning of the budget year, the 2007 budget increase is shown on this table as 2006. As of the end of the period, salaries for comparable positions are 18.6 percent higher than they would have been if CPI percentage increases had been granted during the period. When bonuses are included, comparable positions increase by 21.6 percent more than the CPI average. In a general rate case, staff typically proposes to exclude all officers' bonuses, and salary changes are limited to a percentage increase measuring cost changes, such as CPI.

Memberships and Dues

"Above-the-Line" memberships and dues for utility industry, technical and professional organizations, as assigned to Oregon electric operations, are budgeted to increase from \$1,117,444 in 2007 to \$1,392,701 for 2008.

Pensions

Total pension charges in 2008 are budgeted at \$99,842,853 system wide, of which \$20,672,721 is allocated to Oregon. Last year, the amount allocated to Oregon was \$16,812,540. This represents an increase of \$3,860,181 compared to the 2007 contribution.

Political Activities

Pacific's 2008 budget proposes no expenditures for political activities.

PROPOSED COMMISSION MOTION:

Pacific Power & Light's 2008 Annual Budget of Expenditures be accepted for accounting purposes only, reserving ratemaking treatment for a ratemaking proceeding.

**PACIFIC POWER
2007 AND 2008 BUDGETED OFFICERS' COMPENSATION
TOTAL COMPANY AMOUNT
EXCLUDING INCENTIVE (BONUS) PAYMENTS**

POSITION	NAME	SALARY			PENSIONS AND OTHER FRINGE BENEFITS			TOTAL COMPENSATION		
		2007 BUDGET	2008 BUDGET	PERCENT CHANGE	2007 BUDGET	2008 BUDGET	PERCENT CHANGE	2007 BUDGET	2008 BUDGET	PERCENT CHANGE
President, PacifiCorp Energy	Fehrman	\$300,000	\$0	NA	\$69,339	\$0	NA	\$369,339	\$0	NA
President, PacifiCorp Energy	Lasich	0	230,000		0	67,742		0	297,742	NA
President, Pacific Energy	Reiten	250,000	258,000	3.2%	69,292	69,949	0.9%	319,292	327,949	2.7%
President, Rocky Mountain Power	Walje	335,811	345,000	2.7%	79,367	80,624	1.6%	415,178	425,624	2.5%
SVP, CFO	Mendez	214,200	219,555	2.5%	74,242	75,150	1.2%	288,442	294,705	2.2%
V.P. Treasurer	Williams	182,900	188,387	3.0%	68,093	69,052	1.4%	250,993	257,439	2.6%
TOTALS		\$1,282,911	\$1,240,942	-3.3%	\$360,333	\$362,517	0.6%	\$1,643,244	\$1,603,459	-2.4%
TOTALS - Comparable Positions		\$982,911	\$1,010,942	2.9%	\$290,994	\$294,775	1.3%	\$1,273,905	\$1,305,717	2.5%

PACIFIC POWER
OFFICERS' BUDGETED SALARY HISTORY - 2003 THROUGH 2008

POSITION	NAME	2003	2004	PERCENT CHANGE	2005	PERCENT CHANGE	2006	PERCENT CHANGE	2007	PERCENT CHANGE	2008	PERCENT CHANGE	AVERAGE ANNUAL CHANGE 2003-2008
President, PacifiCorp Energy	Lasich	\$0	\$0	N/A	\$0	N/A	\$0	N/A	\$0	N/A	\$230,000	N/A	N/A
President & CEO	Johansen	364,000	500,000	37.4%	700,000	40.0%	0	N/A	0	N/A	0	N/A	N/A
Executive V.P.	MacRitchie	193,170	224,769	16.4%	260,000	15.7%	0	N/A	0	N/A	0	N/A	N/A
Executive V.P.	Wright	135,360	227,650	68.2%	285,000	25.2%	0	N/A	0	N/A	0	N/A	N/A
S.V.P. Reg and Leg PacifiCorp	Gale	0	0	N/A	0	N/A	213,575	N/A	0	N/A	0	N/A	N/A
President, PacifiCorp Energy	Fehrman	0	0	N/A	0	N/A	275,000	N/A	300,000	9.1%	0	N/A	N/A
President, Pacific Power	Reiten	0	0	N/A	250,000	N/A	267,800	7.1%	250,000	-2.9%	258,000	3.2%	N/A
President, Rocky Mountain Power	Walje	235,500	275,000	16.8%	311,850	13.4%	330,811	6.1%	335,811	1.5%	345,000	2.7%	8.1%
S.V.P. CFO	Mendez	140,400	147,420	5.0%	264,320	10.8%	410,000	55.1%	214,200	-34.4%	219,555	2.5%	N/A
V.P. Treasurer	Williams	300,000	244,400	4.0%	163,297	10.8%	173,242	6.1%	182,900	5.6%	188,387	3.0%	6.1%
Senior VP	Furman	235,000	244,400	4.0%	254,176	4.0%	0	N/A	0	N/A	0	N/A	N/A
V.P. Gen Counsel, Pacific Power	Haller	300,000	312,936	4.3%	330,147	5.5%	348,503	5.6%	0	N/A	0	N/A	N/A
Senior V.P.	Klein	220,000	285,000	20.5%	285,000	0.0%	0	N/A	0	N/A	0	N/A	N/A
Senior V.P.	Moir	150,870	175,549	16.4%	0	N/A	0	N/A	0	N/A	0	N/A	N/A
Senior V.P.	Pittman	300,000	300,000	0.0%	315,000	5.0%	0	N/A	0	N/A	0	N/A	N/A
Senior V.P.	Cunningham	191,100	200,655	5.0%	220,721	10.0%	245,618	11.3%	0	N/A	0	N/A	N/A
V.P. RMP	Larson	152,100	175,000	15.1%	182,875	4.5%	197,798	8.2%	0	N/A	0	N/A	N/A
V.P.	Wessman	156,000	163,800	5.0%	170,352	4.0%	180,727	6.1%	0	N/A	0	N/A	N/A
V.P.	Larsen	0	140,000	N/A	145,600	4.0%	0	N/A	0	N/A	0	N/A	N/A
CFO	Peach	0	251,200	N/A	264,320	5.2%	326,410	23.5%	0	N/A	0	N/A	N/A
Executive V.P.	Landels	271,425	337,550	24.4%	0	N/A	0	N/A	0	N/A	0	N/A	N/A
V.P.	Watters	200,000	208,000	4.0%	250,000	20.2%	257,500	3.0%	0	N/A	0	N/A	N/A
TOTALS		3,244,925	4,148,929	27.9%	4,632,658	11.7%	3,226,984	-30.3%	\$1,282,911	-60.2%	\$1,240,942	-3.3%	N/A
Number of Officers		15	17		14		11		5		5		5
TOTALS - Comparable Positions 03-04		\$3,244,925	\$3,757,729	15.8%									
TOTALS - Comparable Positions 04-05			\$3,635,830		\$4,118,338	13.3%							
TOTALS - Comparable Positions 05-06					\$2,407,882		\$2,738,409	13.7%					
TOTALS - Comparable Positions 06-07							\$1,456,853		\$1,282,911	-11.9%			
TOTALS - Comparable Positions 07-08									\$982,911		\$1,010,942	2.9%	6.7%

Note:
After MidAmerica Energy's acquisition, the company changed designation of Officers to be consistent with the SEC reporting.

PACIFIC POWER
OFFICERS' CASH COMPENSATION HISTORY
2003 THROUGH 2007
TOTAL COMPANY AMOUNTS INCLUDE INCENTIVE (BONUS) PAYMENTS

POSITION	NAME	2003			2004			2005			2006			2007			AVERAGE ANNUAL GROWTH 2003 - 2007
		TOTAL	BUDGET	PERCENT CHANGE	TOTAL	BUDGET	PERCENT CHANGE	TOTAL	BUDGET	PERCENT CHANGE	TOTAL	BUDGET	PERCENT CHANGE	TOTAL	BUDGET	PERCENT CHANGE	
President & CEO	Johansen	\$472,211	\$500,000	77.4%	\$837,500	\$337,500	10.2%	\$1,037,500	\$337,500	23.9%	\$0	\$0	N/A	\$0	\$0	N/A	
Executive V.P.	MacRitchie	247,453	224,769	39.7%	345,716	120,947	10.2%	380,947	120,947	10.2%	0	0	N/A	0	0	N/A	
S.V.P.	Wright	162,450	227,650	115.7%	350,357	122,707	16.4%	407,707	122,707	16.4%	0	0	N/A	0	0	N/A	
S.V.P. Reg and Leg PacificCorp	Gale	0	0	N/A	0	0	N/A	0	0	N/A	213,575	0	N/A	0	0	N/A	
President, PacificCorp Energy	Fehrman	0	0	N/A	0	0	N/A	0	0	N/A	275,000	0	N/A	0	0	N/A	
President, Pacific Power	Reiten	0	0	N/A	0	0	N/A	0	0	N/A	275,000	0	N/A	0	0	N/A	
President, Rocky Mountain Power	Walle	331,050	275,000	8.0%	357,590	130,728	22.9%	439,574	130,728	22.9%	127,000	250,000	8.6%	550,000	420,000	4.8%	
V.P. CFO	Williams	180,765	147,420	16.2%	210,074	127,724	17.7%	225,951	127,724	17.7%	150,000	170,000	9.4%	335,811	170,000	20.8%	
V.P.	Furman	316,075	244,400	16.2%	372,124	190,109	38.3%	408,100	190,109	38.3%	330,147	330,147	1.0%	214,200	289,200	-38.5%	
Senior V.P.	Haller	432,920	312,936	17.7%	503,045	143,100	41.4%	608,100	143,100	41.4%	254,176	254,176	2.6%	182,900	60,000	6.4%	
Senior V.P.	Klein	295,075	265,000	4.0%	408,100	143,100	41.4%	608,100	143,100	41.4%	254,176	254,176	2.6%	182,900	60,000	6.4%	
Senior V.P.	Moir	172,610	175,549	41.4%	244,140	143,100	41.4%	608,100	143,100	41.4%	254,176	254,176	2.6%	182,900	60,000	6.4%	
Senior V.P.	Pittman	347,057	300,000	40.5%	487,500	187,500	40.5%	608,100	187,500	40.5%	315,000	315,000	3.1%	0	0	N/A	
Senior V.P.	Larson	264,196	200,655	-6.3%	247,455	96,555	3.1%	502,500	96,555	3.1%	245,618	0	N/A	0	0	N/A	
Senior V.P.	Cunningham	200,012	175,000	21.8%	243,591	96,591	21.8%	317,276	96,591	21.8%	282,721	11,723	-18.9%	0	0	N/A	
V.P. RMP	Wessman	202,800	163,800	6.6%	216,134	170,352	3.0%	222,686	170,352	3.0%	197,798	40,000	-5.4%	0	0	N/A	
V.P.	Larsen	337,875	337,550	-0.1%	191,576	51,576	2.9%	197,176	51,576	2.9%	180,727	8,017	-15.2%	0	0	N/A	
Executive V.P.	Landels	282,590	208,000	19.9%	337,550	0	N/A	0	0	N/A	257,500	0	-11.4%	0	0	N/A	
V.P.	Watters	0	0	N/A	337,550	0	N/A	0	0	N/A	257,500	0	-11.4%	0	0	N/A	
CFO	Peach	251,200	251,200	N/A	381,643	130,443	3.4%	394,763	130,443	3.4%	326,410	80,974	3.2%	0	0	N/A	
TOTALS		\$4,245,139	\$4,148,929	43.1%	\$6,072,823	\$2,211,363	12.7%	\$6,844,021	\$2,211,363	12.7%	\$3,228,984	\$1,017,714	-35.0%	\$1,282,911	\$725,000	-52.7%	N/A

Number of Officers	15	17	17	10	5
TOTALS - Comparable Positions 03-04	\$4,245,139	\$5,499,604	29.6%		
TOTALS - Comparable Positions 04-05	\$5,491,133	\$6,065,530	10.5%		
TOTALS - Comparable Positions 05-06	\$3,528,191	\$3,379,723	-4.2%		
TOTALS - Comparable Positions 06-07	\$2,007,911	\$2,007,911	-2.1%		

Note:
After MidAmerica Energy's acquisition, the company changed designation of Officers to be consistent with the SEC reporting.

PACIFIC POWER
OFFICERS' SALARY CHANGES COMPARED WITH CPI CHANGES
2003 THROUGH 2007

	PERCENT CHANGE FROM PRIOR YEAR		PERCENT CHANGE FROM PRIOR YEAR	
	AVERAGE OFFICER'S SALARY ⁽¹⁾	ANNUAL AVERAGE CPI ⁽²⁾	AVE. OFFICER'S SALARY + BONUSES ⁽¹⁾	ANNUAL AVERAGE CPI
2003	15.8%	1.6%	29.6%	1.6%
2004	13.3%	2.3%	10.5%	2.3%
2005	13.7%	2.7%	-4.2%	2.7%
2006	-11.9%	3.4%	-2.1%	3.4%
2007	2.9%	3.2%	N/A	N/A
Average	6.2%	2.6%	7.6%	2.5%
Index Value (January 1, 2003 = 100)	135.1	113.9	134.2	110.4
% Difference from CPI	18.6%		21.6%	

1 - Officers' salary and cash compensation changes are for comparable positions. Changes have been shifted back one year from budget since budgets show amounts in effect as of the beginning of the year.

2 - CPI changes are from Bureau of Labor Statistics, Labor Market Information Home Page, U.S. City average, base period 1982-84, All Urban Consumers.

3 - 2008 bonus information for the year 2007 is not yet available. Therefore, for cash compensation comparison, average and index value based on change from 2003 through 2007.