

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 5, 2009**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: April 7, 2009

TO: Public Utility Commission

FROM: Paul Rossow

THROUGH: Lee Sparling, Ed Busch, and Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT: Accept the 2009 Budget of Expenditures.

STAFF RECOMMENDATION:

I recommend Pacific Power & Light's 2009 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 2009 officers' salaries and other compensation with 2008 levels for Pacific Power & Light (Company or Pacific). Officers' salaries show an increase of 70.6 percent while pensions and other fringe benefits indicate an increase of 411.2 percent. Overall compensation increases by 147.6 percent. The reason for Officers' salaries and benefits sharply increasing is the result of Mr. Abel's compensation from MidAmerican Energy Holdings Company's affiliate transactions.

For comparable positions, salaries reveal an increase of 2.5 percent. Pensions and other fringe benefits decreased 16.7 percent, resulting in an overall decrease of 1.5 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 2004 through 2009. For comparable positions, salaries increased by an average of 3.6 percent per year over the five year period.

Attachment 3 shows officers' cash compensation, including bonuses, for 2004 through 2008. Bonuses are attributed to the year they are paid. For example, a bonus earned in 2007 is paid by the Company in 2008, and attributed in Attachment 3 to the 2008 compensation. Attachment 3 shows that for comparable positions, cash compensation for the period 2004 through 2008 increase by an average of 0.5 percent annually.

Attachment 4 shows officer's salary changes compared to Consumer Price Index (CPI) changes for the years 2004 through 2008. Since budgets present values at the beginning of the budget year, the 2008 budget increase is shown on this table as 2007. As of the end of the period, salaries for comparable positions are 5.0 percent higher than they would have been if CPI percentage increases had been granted during the period. When bonuses are included, comparable positions increased by 7.6 percent less 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 decrease from \$1,392,701 in 2008 to \$647,039 for 2009.

Pensions

Total pension charges in 2009 are budgeted at \$98,296,843 system wide, of which \$19,987,662 is allocated to Oregon. Last year, the amount allocated to Oregon was \$20,672,721. This represents a decrease of \$685,059 compared to the 2008 contribution.

Political Activities

Pacific's 2009 budget proposes no expenditures for political activities.

PROPOSED COMMISSION MOTION:

Pacific Power & Light's 2009 Annual Budget of Expenditures be accepted for accounting purposes only, reserving ratemaking treatment for a ratemaking proceeding.

**PACIFIC POWER
2008 AND 2009 BUDGETED OFFICERS' COMPENSATION
TOTAL COMPANY AMOUNT
EXCLUDING INCENTIVE (BONUS) PAYMENTS**

POSITION	NAME	SALARY			PENSIONS AND OTHER FRINGE BENEFITS			TOTAL COMPENSATION		
		2009	2008	PERCENT	2009	2008	PERCENT	2009	2008	PERCENT
		BUDGET	BUDGET	CHANGE	BUDGET	BUDGET	CHANGE	BUDGET	BUDGET	CHANGE
Chief Executive Officer	Abel ⁽¹⁾	1,035,012	-	NA	1,605,399	-	NA	2,640,411	-	NA
President, PacifiCorp Energy	Lasich	236,000	230,000	2.6%	64,592	67,742	-4.6%	300,592	297,742	1.0%
President, Pacific Energy	Reiten	265,740	258,000	3.0%	48,765	69,949	-30.3%	314,505	327,949	-4.1%
President, Rocky Mountain Power	Walje	351,900	345,000	2.0%	68,499	80,624	-15.0%	420,399	425,624	-1.2%
Sr. V.P. CFO	Stuver	228,800	-	NA	65,860	-	NA	294,660	-	NA
SVP, CFO	Mendez	-	219,555	-100.0%	-	75,150	-100.0%	-	294,705	-100.0%
V.P. Treasurer	Williams	-	188,387	-100.0%	-	69,052	-100.0%	-	257,439	-100.0%
TOTALS		2,117,452	1,240,942	70.6%	1,853,115	362,517	411.2%	3,970,567	1,603,459	147.6%
TOTALS - Comparable Positions		853,640	833,000	2.5%	181,856	218,315	-16.7%	1,035,496	1,051,315	-1.5%

Note:

(1) Mr. Abel's compensation is part of the MidAmerican Energy Holdings Company's affiliate transactions.

**PACIFIC POWER
OFFICERS' BUDGETED SALARY HISTORY - 2004 THROUGH 2008**

POSITION	NAME	2004	2005	PERCENT CHANGE	2006	PERCENT CHANGE	2007	PERCENT CHANGE	2008	PERCENT CHANGE	2009	PERCENT CHANGE	AVERAGE ANNUAL CHANGE 2004-2009
Chief Executive Officer	Abel ⁽¹⁾										1,035,012	N/A	N/A
President, PacifiCorp Energy	Lasich	500,000	700,000	40.0%	-	-100.0%	-	N/A	230,000	N/A	236,000	2.6%	2.6%
President & CEO	Johansen	224,769	260,000	15.7%	-	-100.0%	-	N/A	-	N/A	-	N/A	-30.0%
Executive V.P.	MacRitchie	227,650	285,000	25.2%	-	-100.0%	-	N/A	-	N/A	-	N/A	-42.2%
Executive V.P.	Wright												-37.4%
S.V.P. Reg and Leg PacifiCorp	Gale				213,575	N/A	-	N/A	-	N/A	-	N/A	N/A
President, PacifiCorp Energy	Fehrman		250,000	N/A	275,000	N/A	300,000	9.1%	-	-100.0%	-	N/A	-45.5%
President, Pacific Power	Reiten		311,850	13.4%	267,800	7.1%	250,000	-6.6%	258,000	3.2%	265,740	3.0%	1.7%
President, Rocky Mountain Power	Walje				330,811	6.1%	335,811	1.5%	345,000	2.7%	351,900	2.0%	5.1%
Sr. V.P. CFO	Stuver										228,800	N/A	N/A
S.V.P. CFO	Mendez	147,420	264,320	N/A	410,000	55.1%	214,200	-47.8%	219,555	2.5%	-	-100.0%	-22.5%
V.P. Treasurer	Williams	244,400	163,297	10.8%	173,242	6.1%	182,900	5.6%	188,387	3.0%	-	-100.0%	6.4%
Senior VP	Furman	312,936	254,176	4.0%	-	-100.0%	-	N/A	-	N/A	-	N/A	-48.0%
V.P. Gen Counsel, Pacific Power	Haller	265,000	330,147	5.5%	348,503	5.6%	-	-100.0%	-	N/A	-	N/A	-29.6%
Senior V.P.	Klein		265,000	0.0%	-	-100.0%	-	N/A	-	N/A	-	N/A	-50.0%
Senior V.P.	Moir		175,549	-100.0%	-	N/A	-	N/A	-	N/A	-	N/A	N/A
Senior V.P.	Pittman		315,000	5.0%	-	-100.0%	-	N/A	-	N/A	-	N/A	-47.5%
Senior V.P.	Cunningham		200,655	10.0%	245,618	11.3%	-	-100.0%	-	N/A	-	N/A	-26.2%
V.P. RMP	Larson	175,000	182,875	4.5%	197,798	8.2%	-	-100.0%	-	N/A	-	N/A	-29.1%
V.P.	Wessman	163,800	170,352	4.0%	180,727	6.1%	-	-100.0%	-	N/A	-	N/A	-30.0%
V.P.	Larsen	140,000	145,600	4.0%	-	-100.0%	-	N/A	-	N/A	-	N/A	-48.0%
CFO	Peach	251,200	264,320	5.2%	326,410	23.5%	-	-100.0%	-	N/A	-	N/A	-23.8%
Executive V.P.	Landels	337,550	-	-100.0%	-	N/A	-	-100.0%	-	N/A	-	N/A	N/A
V.P.	Watters	208,000	250,000	20.2%	257,500	3.0%	-	-100.0%	-	N/A	-	N/A	-25.6%
TOTALS		4,148,929	4,632,658	11.7%	3,226,984	-30.3%	1,282,911	-60.2%	1,240,942	-3.3%	2,117,452	70.6%	-12.6%
Number of Officers		15	17		14		11		5		5		
TOTALS - Comparable Positions 04-05		\$3,635,830	\$4,118,338	13.3%									
TOTALS - Comparable Positions 05-06			\$2,407,862	13.7%	\$2,738,409								
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%			
TOTALS - Comparable Positions 08-09									\$833,000		\$853,640	2.5%	3.6%

Note:

(1) Mr. Abel's compensation is part of the MidAmerican Energy Holdings Company's affiliate transactions. After MidAmerica Energy's acquisition, the company changed designation of Officers to be consistent with the SEC reporting.

PACIFIC POWER
OFFICERS' CASH COMPENSATION HISTORY
2004 THROUGH 2008
TOTAL COMPANY AMOUNTS INCLUDE INCENTIVE (BONUS) PAYMENTS

POSITION	NAME	2004		2005		2006		2007		2008		AVERAGE ANNUAL GROWTH 2004-2008
		TOTAL	BUDGET	TOTAL	BUDGET	TOTAL	BUDGET	TOTAL	BUDGET	TOTAL	BUDGET	
President, PacifiCorp Energy	Lasich	837,500	700,000	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	N/A
President & CEO	Johansen	345,716	260,000	120,947	380,947	380,947	380,947	380,947	380,947	380,947	380,947	-38.1%
Executive V.P.	MacRitchie	350,357	285,000	407,707	407,707	407,707	407,707	407,707	407,707	407,707	407,707	-44.9%
Executive V.P.	Wright											-41.8%
S.V.P. Reg and Leg PacifiCorp	Gale					213,575	213,575	340,575	340,575	340,575	340,575	N/A
President, PacifiCorp Energy	Fenman					275,000	275,000	525,000	525,000	525,000	525,000	N/A
President, PacifiCorp Energy	Reiten					267,800	267,800	347,800	347,800	347,800	347,800	4.8%
President, Rocky Mountain Power	Wajle	357,590	311,850	439,574	439,574	439,574	439,574	439,574	439,574	439,574	439,574	20.8%
S.V.P. CFO	Mendez	210,074	163,297	62,654	225,951	225,951	225,951	225,951	225,951	225,951	225,951	15.0%
V.P. Treasurer	Furman	372,124	254,176	127,724	381,900	381,900	381,900	381,900	381,900	381,900	381,900	7.7%
Senior VP	Haller	503,045	330,147	190,109	520,256	520,256	520,256	520,256	520,256	520,256	520,256	-24.1%
V.P. Gen Counsel, Pacific Power	Klein	408,100	265,000	143,100	408,100	408,100	408,100	408,100	408,100	408,100	408,100	-1.9%
Senior V.P.	Moir					348,503	348,503	423,503	423,503	423,503	423,503	-48.7%
Senior V.P.	Pittman											N/A
Senior V.P.	Cunningham	487,500	315,000	502,500	502,500	502,500	502,500	502,500	502,500	502,500	502,500	-38.4%
Senior V.P.	Larson	247,485	220,721	96,555	317,276	317,276	317,276	317,276	317,276	317,276	317,276	-50.0%
V.P. RMP	Wessman	243,591	182,875	68,591	251,466	251,466	251,466	251,466	251,466	251,466	251,466	-18.9%
V.P.	Larsen	216,134	170,352	52,334	222,686	222,686	222,686	222,686	222,686	222,686	222,686	-5.4%
V.P.	Landels	191,576	145,600	51,576	197,176	197,176	197,176	197,176	197,176	197,176	197,176	-15.2%
Executive V.P.	Watters	337,550	250,000	130,728	380,728	380,728	380,728	380,728	380,728	380,728	380,728	-100.0%
V.P.	Peach	338,728	264,320	130,443	394,763	394,763	394,763	394,763	394,763	394,763	394,763	N/A
CFO		381,643	264,320	130,443	394,763	394,763	394,763	394,763	394,763	394,763	394,763	-11.4%
TOTALS		6,072,823	4,632,658	2,211,363	6,844,021	6,844,021	6,844,021	6,844,021	6,844,021	6,844,021	6,844,021	-38.0%
Number of Officers		17		17	17	17	17	17	17	17	17	-52.7%
TOTALS - Comparable Positions 04-05		5,491,133		6,068,530	10.5%							-28.5%
TOTALS - Comparable Positions 05-06				3,528,191		3,379,123	-4.2%					
TOTALS - Comparable Positions 06-07						2,051,853		2,007,911	-2.1%			
TOTALS - Comparable Positions 07-08								1,457,911		1,435,942	-1.5%	

Note:
Mr. Abel's compensation is part of the MidAmerican Energy Holdings Company's affiliate transactions.

**PACIFIC POWER
OFFICERS' SALARY CHANGES COMPARED WITH CPI CHANGES
2004 THROUGH 2008**

	PERCENT CHANGE FROM PRIOR YEAR		PERCENT CHANGE FROM PRIOR YEAR	
	AVERAGE OFFICER'S SALARY ⁽¹⁾	ANNUAL AVERAGE CPI ⁽²⁾	AVE. OFFICER'S SALARY + BONUSES ⁽³⁾	ANNUAL AVERAGE CPI
2004	13.3%	1.6%	10.5%	1.6%
2005	13.7%	2.3%	-4.2%	2.3%
2006	-11.9%	2.7%	-2.1%	2.7%
2007	2.9%	3.4%	-1.5%	3.4%
2008	2.5%	3.2%	N/A	N/A
Average	3.6%	2.6%	0.5%	2.5%
Index Value (January 1, 2004 = 100)	119.6	113.9	102.0	110.4
% Difference from CPI	5.0%		-7.6%	

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 end of the prior 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 - 2009 bonus information for the year 2008 is not yet available. Therefore, for cash compensation comparison, average and index value based on change from 2004 through 2007.