

HARDY MYERS  
Attorney General



PETER D. SHEPHERD  
Deputy Attorney General

**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

February 15, 2008

Sarah K. Wallace  
Administrative Law Judge  
Public Utility Commission of Oregon  
550 Capitol St. NE – Ste 215  
Salem, OR 97301-2551

Re: UM 1329

Dear Judge Wallace:

I write to report the status of the parties' preparation of settlement documents pursuant to your January 17, 2008 ruling. The parties have prepared and executed a stipulation that we are filing today. Staff and PacifiCorp are preparing testimony supporting the settlement that will be filed by February 29, 2008. The parties request that the schedule in this docket be suspended pending the filing of their supporting testimony.

Thank you for your consideration of this matter.

Sincerely,

David B. Hatton  
Assistant Attorney General  
Regulated Utility & Business Section

Cc: Service List  
DBH/GENW8945

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1329**

In the Matter of PACIFICORP, dba  
PACIFIC POWER & LIGHT COMPANY  
Petition to File Preliminary Depreciation  
Study

STIPULATION

Pursuant to OAR 840-014-0085, PacifiCorp, d.b.a. Pacific Power (“Pacific Power” or “Company”) and the Oregon Public Utility Commission Staff (“Staff”) (collectively “Stipulating Parties”), submit this stipulation regarding Pacific Power’s Application to Change Depreciation Rates (“Stipulation”) in resolution of all issues in this docket and request that the Oregon Public Utility Commission (“Commission”) approve new depreciation rates for Pacific Power as stipulated to become effective on January 1, 2008.

**I. INTRODUCTION**

1. The terms and conditions of this Stipulation are set forth herein. The Stipulating Parties agree that this Stipulation represents a fair, just and reasonable compromise of the issues raised in this proceeding and that this Stipulation is in the public interest. The Stipulating Parties, therefore, request that the Commission approve the Stipulation and all of its terms and conditions.

**II. PROCEDURAL BACKGROUND**

2. On July 10, 2007, Pacific Power filed a Petition to File Preliminary Depreciation Study at Staff’s request to facilitate the Commission’s review of the Company’s proposed new depreciation rates.

3. On August 31, 2007, Pacific Power filed an Application for an order authorizing the Company to change depreciation rates effective January 1, 2008.

4. On November 14, 2007, a prehearing conference was held in Salem, Oregon, to establish a procedural schedule in this docket.

5. No petitions to intervene were filed.

6. With a view toward resolving the issues raised in the Company's Application in this proceeding, representatives of the Stipulating Parties met on January 16, 2008 pursuant to OAR 860-014-0085, to engage in settlement discussions.

Based upon the settlement discussions between the Stipulating Parties, as a compromise of the positions in this proceeding, and for other consideration as set forth below, the Stipulating Parties agree to the following terms:

### **TERMS AND CONDITIONS**

#### **Substantive Terms of the Stipulation**

7. The Stipulating Parties have engaged in good faith, arms-length negotiations in an effort to resolve this matter. The negotiations have resulted in the agreement of the Stipulating Parties on the terms and conditions as set forth below.

8. The Stipulating Parties agree that the proposed depreciation rates set forth in Schedule 1 attached hereto and incorporated herein, represent just and reasonable depreciation rates for Pacific Power in Oregon commencing January 1, 2008.

9. The depreciation rates proposed in Schedule 1 result in a decrease of approximately \$16.1 million in Pacific Power's annual depreciation expense in Oregon based on December 31, 2006 depreciable plant balances and relative allocation factors.

10. The following are among the significant factors involved in the changes in depreciation rates:

a. the accrual rate for steam production is reduced as a result of a combination of generally increasing depreciation lives of steam plants to 61 years, except the Gadsby and Carbon plants that are increased to 64 years, increasing negative net salvage value from \$25 to \$40 per Kilowatt and including estimated production plant in service balances through December 31, 2007<sup>1</sup>;

b. the accrual rate for hydroelectric production is increased as a result of recognizing the terminal removal costs based on Federal Energy Regulatory Commission license expiration dates and the probability of removal of some of the minor generating units;

c. the accrual rate for other production plant is reduced by increasing the depreciation lives of combustion turbine and combined cycle combustion turbine plants to 30 and 40 years, respectively;

d. the accrual rate for system transmission plant is decreased as a result of increasing the average service lives by approximately one year and increasing the average negative net salvage values by approximately 0.7%;

e. the average accrual rate for Oregon distribution plant decreased as a result of increasing the average service lives by approximately six years and increasing the average negative net salvage values by approximately 14.6%;

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<sup>1</sup> 2007 plant balances are based on 10 months of actual additions and 2 months of estimated additions for purposes of updating remaining lives.

f. the accrual rate for mining operations is reduced as a result of an increase in average service lives by approximately five and a half years; and

g. the accrual rate for Oregon general plant decreased as a result of increasing the average service lives by approximately three years and decreasing the average positive net salvage values by approximately 2.3%.

11. The Stipulating Parties agree that, if this Stipulation is approved by the Commission, the depreciation rates set forth on Schedule 1 should become effective on January 1, 2008.

#### **General Terms and Conditions**

12. All negotiations related to this Stipulation are privileged and confidential and no Stipulating Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Stipulating Party unless such rights are expressly waived herein.

13. The Stipulating Parties submit this Stipulation to the Commission and request approval in its entirety pursuant to OAR 860-014-085. The Parties shall support this Stipulation before the Commission, and no Stipulating Party shall appeal any portion of this Stipulation or Order approving the same. The Stipulating Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR 860-14-0085(4). The Stipulating Parties further agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Stipulating Party will use its best efforts to support the terms and conditions of the Stipulation. In the event any person or party seeks judicial review of a Commission order

approving this Stipulation, no Stipulating Party shall take a position in that judicial review opposed to the Stipulation.

14. Except with regard to the obligations of the parties under the two preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Stipulating Parties until it has been approved without material change or condition by the Commission in an order that is no longer subject to any further reconsideration or appellate review.

15. In the event the Commission rejects any part or all of this Stipulation, or imposes any additional material change or condition on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by a court, each Stipulating Party reserves the right to withdraw from this Stipulation. If such an order is issued, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation. No Stipulating Party shall provide notice of withdrawal prior to complying with the foregoing sentence. In the event that no modified stipulation is reached, any Stipulating Party may withdraw from this Stipulation by giving written notice of withdrawal to the Commission and the other Stipulating Parties. Any such notice shall be given within five business days after reaching impasse in any discussions regarding modifying the Stipulation. If any Stipulating Party withdraws from this Stipulation pursuant to this paragraph, no Stipulating Party shall be bound or prejudiced by the terms and conditions of this Stipulation, which have been accepted by the parties in consideration of this Stipulation and which may have been contested but for this Stipulation, and each Stipulating Party shall be entitled to undertake any step or to assert any position it deems appropriate without regard to this Stipulation.

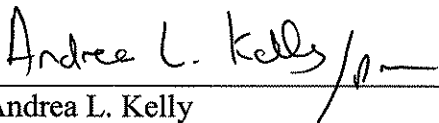
16. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

17. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.


18. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

BASED ON THE FOREGOING, the Stipulating Parties request that the Commission issue an order approving this Stipulation and adopting the terms and conditions of this Stipulation.

RESPECTFULLY SUBMITTED: February 13, 2008.

  
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Andrea L. Kelly  
Pacific Power

*Vice President, Regulation*

  
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David B. Hatton

*Attorney for Oregon Public Utility  
Commission Staff*

1 **CERTIFICATE OF SERVICE**

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3 I certify that on February 15, 2008, I served the foregoing upon all parties of record in  
4 this proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid  
5 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

6 **PACIFIC POWER & LIGHT**  
7 MICHELLE R MISHOE  
8 LEGAL COUNSEL  
9 825 NE MULTNOMAH STE 1800  
10 PORTLAND OR 97232  
11 michelle.mishoe@pacificorp.com

12 **PACIFICORP OREGON DOCKETS**  
13 OREGON DOCKETS  
14 825 NE MULTNOMAH ST  
15 STE 2000  
16 PORTLAND OR 97232  
17 oregondockets@pacificorp.com

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Neoma Lane  
Legal Secretary  
Department of Justice  
Regulated Utility & Business Section