



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

550 Capitol St NE, Suite 215

Mailing Address: PO Box 2148

Salem, OR 97308-2148

Consumer Services

1-800-522-2404

Local: (503) 378-6600

Administrative Services

(503) 373-7394

August 17, 2006

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UM 1233** - In the Matter of PORTLAND GENERAL ELECTRIC
COMPANY Detailed Depreciation Study of the Electric Properties of the
Company.

Enclosed for electronic filing in the above-captioned docket is the Public Utility
Commission Staff's Direct Testimony in Support of Stipulation.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UM 1233 Service List - parties

**PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1233

DIRECT TESTIMONY

Roger White

**In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY
Detailed Depreciation Study of the Electric
Properties of the Company**

August 17, 2006

CASE: UM 1233
WITNESS: Roger White

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of
Stipulation**

August 17, 2006

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Roger White. I am a Senior Cost Analyst for the Public Utility
4 Commission of Oregon. My business address is 550 Capitol Street NE Suite
5 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
7 **EXPERIENCE.**

8 A. My Witness Qualification Statement is found in Exhibit Staff/101.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to sponsor a stipulated agreement between the
11 Public Utility Commission of Oregon Staff ("Staff") and Portland General
12 Electric ("PGE"), in the matter of setting appropriate depreciation parameters.

13 **Q. DID STAFF PREPARE ANY EXHIBITS FOR THIS DOCKET?**

14 A. Yes. I have two exhibits. The first, labeled Staff/102, is a copy of the
15 Stipulation. The second, labeled Staff/103, is a copy of Schedule 1 that will be
16 filed with the Stipulation. Schedule 1 provides the detailed depreciation
17 parameters agreed to for each of the accounts.

18 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

19 A. My testimony is organized as follows:

20	BACKGROUND	2
21	THE FILING	4
22	THE SETTLEMENT CONFERENCE	8
23	RECOMMENDATIONS.....	11

BACKGROUND**Q. WHAT IS THE PURPOSE OF THIS FILING?**

A. The Public Utility Commission of Oregon (“Commission”) Order No. 01-123 required PGE to file a new depreciation study within five years of the signing of the order. In compliance with the order, PGE filed a new depreciation study on November 7, 2005.

Q. IS THIS FILING JUST AN UPDATE OF DEPRECIATION PARAMETERS?

A. No. The filing consists of five items: 1) a depreciation study containing recommended depreciation parameters and salvage rates based on PGE’s plant and reserve balances as of December 31, 2004; 2) a request to change to a remaining life span depreciation technique for its steam and combustion turbine plants; 3) a request to revise upward the Bull Run decommissioning cost estimate by 3%, from \$16.6 million to \$17.1 million and to amortize the increase over the decommissioning period; 4) a request to commence depreciating the Port Westward facility on the day that it becomes used and useful, using a remaining life-span methodology and a twenty-eight year estimated life span; and, 5) a request to begin amortizing software the month after it is booked rather than waiting for the following year.

Q. IS THE STUDY FILED BY PGE ADEQUATE FOR YOUR REVIEW?

A. Yes. With the information provided by the initial filing, the information provided during the workshop, and the information provided by the data requests, Staff had all the necessary data it needed to review the parameters.

1 **Q. WILL THE RESULTS OF THIS DEPRECIATION STUDY BE USED TO**
2 **CHANGE DEPRECIATION PARAMETERS?**

3 A. Yes. On March 15, 2006, PGE also filed an application for a general rate
4 revision (Docket UE 180) to be effective January 1, 2007. The depreciation
5 parameters approved in this docket will be applied in Docket UE 180.

6 **Q. WHAT IS THE IMPACT OF PGE'S PROPOSED DEPRECIATION**
7 **PARAMETER CHANGES?**

8 A. In the November 7, 2005 filing, PGE stated that it expected depreciation
9 expense to fall by \$13.2 million dollars from \$161.5 million to \$148.3 million
10 assuming year-end 2004 plant and reserve balances upon which the study is
11 based. The \$13.2 million dollar reduction represents approximately an 8%
12 decrease in depreciation expense.

13 **Q. WHAT IS THE IMPACT OF THE STIPULATED CHANGE IN**
14 **DEPRECIATION PARAMETERS AGREED TO BY STAFF AND PGE?**

15 A. The parameter changes agreed to by Staff and PGE would result in an \$18.9
16 million decrease in depreciation expense, from \$161.5 million to \$142.6 million.
17 The \$18.9 million dollar reduction is approximately a 12% decrease in
18 depreciation expense.

19 **Q. DOES THIS \$18.9 MILLION DOLLAR REDUCTION INCLUDE PORT**
20 **WESTWARD?**

21 A. No. The depreciation expenses for the Port Westward facility are neither
22 included in the \$161.5 million nor in the \$142.6. The investment and reserves
23 were not yet booked in 2004, the basis for the depreciation study.

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THE FILING

Q. PLEASE DESCRIBE THE DEPRECIATION STUDY PORTION OF THE FILING.

A. PGE's depreciation study updates the parameters¹ for all of its major categories of plant: Hydroelectric Production, Steam Production, Combustion Turbine Production, Transmission, Distribution, and General plant. The study also updates the salvage rates for all of PGE's major categories of plant.

Q. DOES STAFF AGREE WITH ALL OF THE PROPOSED PARAMETER CHANGES AND SALVAGE RATES CHANGES IN PGE'S FILING?

A. No. There are fourteen accounts where staff does not agree with the parameters developed by PGE. Staff does agree, however, with all of PGE's proposed salvage rates.

Q. DOES STAFF AGREE WITH PGE'S OTHER REQUESTS IN THE FILING?

A. For the most part, yes. As noted above, the filing contains a request to change the methodology used to depreciate its steam and combustion turbine plants, a request to increase the Bull Run facility decommissioning expense, a request regarding the appropriate life assignment for the Port Westward facility that is scheduled to be completed in 2007, and a request to change the way PGE amortizes its software.

Q. WHAT IS PGE'S REQUEST CONCERNING THE DEPRECIATION OF STEAM AND COMBUSTION TURBINE PLANT?

¹ The parameters being updated are the type of Iowa Curve (Left Modal, Right Modal, Symmetrical), the amount of dispersion, and a life.

1 A. PGE requests approval to change to a remaining life span depreciation
2 methodology adjusted for forecasted interim retirement activity for its steam
3 and combustion turbine plants. The remaining life span depreciation
4 methodology is site specific and assumes that at the end of the primary asset's
5 life all plant will be removed. This technique is commonly used for certain
6 generating facilities where the expected life is site specific. The life span
7 technique was not requested for its hydroelectric plants because PGE intends
8 to operate these facilities through numerous license periods.

9 **Q. DOES STAFF APPROVE OF THIS PROPOSED CHANGE?**

10 A. Yes. Staff believes that PGE made a reasonable case for adopting the life span
11 technique for steam and combustion turbine plant. With this methodology, the
12 primary driver in the depreciation calculation is the projected end life for the
13 given facility. All associated assets at the facility are retired when the facility is
14 retired at the end of its projected life without regard to any individual asset's
15 expected life. In addition, the methodology PGE is proposing is consistent the
16 methodology used by other power companies serving in Oregon.

17 **Q. WHAT AMOUNT OF INCREASED COST FOR BULL RUN**
18 **DECOMMISSIONING IS PGE REQUESTING?**

19 A. PGE is requesting a \$500,000 dollar increase. PGE originally forecast the
20 decommissioning cost at \$16.6 million. PGE has now updated the
21 decommissioning cost and estimates it to be \$17.1 million, a three percent
22 increase. PGE is assuming that the decommissioning activities will be
23 scheduled to allow it to operate the plant at limited capacity through 2008.

1 Based on this assumption, PGE anticipates that minor additional capital
2 expenditures may be required to keep the plant operational. As part of this
3 request, PGE would like approval to amortize these costs over a 2-year
4 remaining life beginning in 2007.

5 **Q. DOES STAFF AGREE WITH THIS PROPOSED CHANGE?**

6 A. Yes. In the previous depreciation study five years ago, PGE requested the
7 opportunity to update this estimate and Staff was agreeable. Staff finds the
8 increase and the proposed write-off period to be reasonable.

9 **Q. WHAT IS PGE'S REQUEST REGARDING PORT WESTWARD?**

10 A. PGE requests approval to commence depreciating the facility on the day that it
11 becomes used and useful, using a remaining life-span methodology adjusted
12 for forecasted interim retirement activity. The study estimates that Port
13 Westward's useful life is twenty-eight years.

14 **Q. DOES STAFF AGREE WITH THIS PROPOSED CHANGE?**

15 A. No. Although Staff finds PGE's request to commence depreciating the facility
16 on the day that it becomes used and useful reasonable and staff finds the
17 remaining life span methodology reasonable, staff does not agree with the
18 proposed twenty-eight year life estimate.

19 **Q. WHAT IS PGE'S REQUEST REGARDING THE WAY THAT IT**
20 **AMORTIZES SOFTWARE?**

21 A. PGE requests approval to commence software amortization in the month
22 following the recording of the transaction in its books, as is the practice for
23 other plant activity. Currently, for software capital additions closed during a

1 calendar year, amortization begins in the following January, unless otherwise
2 approved/prescribed by the Commission. The present method of handling the
3 amortization of software originated when record keeping had to be done by
4 hand, which necessitated waiting until the end of the year.

5 **Q. DOES STAFF AGREE WITH THIS PROPOSED CHANGE?**

6 A. Yes. Staff finds this request to be reasonable.

THE SETTLEMENT CONFERENCE**Q. GOING INTO THE SETTLEMENT CONFERENCE, WHAT WERE THE AREAS OF DISAGREEMENT BETWEEN STAFF AND PGE?**

A. At the start of the settlement conference, Staff and PGE disagreed on fourteen sets of parameters. Staff also disagreed with PGE on what was the appropriate life for the Port Westward facility. Staff felt that twenty-eight years was an inappropriate life span for Port Westward.

Q. WHICH WERE THE FOURTEEN ACCOUNTS WHERE STAFF AND PGE DISAGREED?

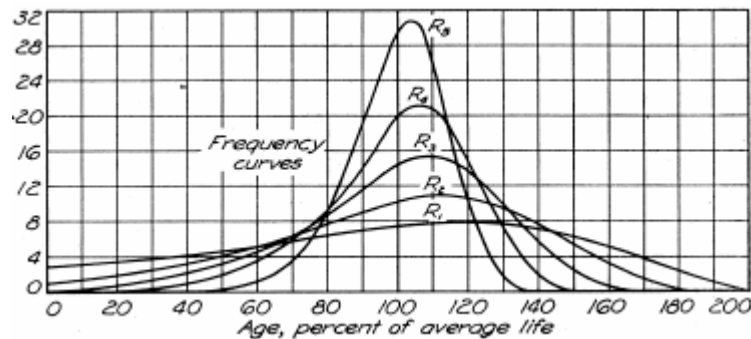
A. Table 1 below contains all of the accounts where PGE and Staff disagreed. In addition to PGE's and Staff's proposed curves, the table contains the curve that is presently being used by the company and the curve that was ultimately agreed on by Staff and PGE.

Table 1 Stipulated Iowa Curves and Life Spans

Account No.	Account Name	Current Curves	PGE Proposal	Staff Proposal	Stipulated Final
31400	Turbo generator Units	R3-35	R0.5-70	R1-86	R1-86
33300	Water Wheels, Turbines, Generators	S6-45	S4-62	S4-66	S4-66
33500	Misc. Power Plant Equipment Hydro	R0.5-57	R0.5-65	R0.5-89	R0.5-65
34600	Misc. Power Plant Equipment Other	R3-25	S3-34	L3-36	L3-36
35200	Transmission Structure & Improvements	S6-50	R1.5-52	S2-82	R1.5-52
35300	Transmission Station Equipment	R2.5: 57	L3-44	L3-45	L3-45
35400	Transmission Tower & Fixtures	R1-92	S6-60	R3-67	R3-67
35600	Transmission OH Conductors & Devices	R3-40	R3-47	R1.5-71	R3-47
36100	Distribution Structure & Improvements	R3-59	R1.5-52	R05-74	R1.5-52
36200	Distribution Station Equipment	R0.5-47	L0-54	L0-57	L0-57
36800	Line Transformers	R4-30	R4-30	R4-39	R4-39
36900	Distribution Services	S6-36	S6-39	R1.5-76	S6-45
37000	Distribution Meters--Existing	10% RL Rate	RL-10	S2-29	RL-10
37000	Distribution Meters--AMI	na	R3-18	S2-29	R3-18
39701	Wire line --Line Equipment	L0-25	L0-38	L0-47	L0-47

1 **Q. EARLIER YOU SAID THAT PGE AND STAFF AGREED ON A SET OF**
2 **PARAMETERS FOR THESE ACCOUNTS. HOW ARE THE CURVES IN**
3 **THIS TABLE RELATED TO THE PARAMETERS?**

4 A. When Staff and PGE are agreeing to a set of parameters, they are agreeing on
5 a type of curve, the amount of dispersion, and a life. For example, R3-35
6 indicates that the curve is right modal with level-three dispersion and a life of
7 thirty-five years. The graph below illustrates the various levels of a right modal
8 curve.



9

10 **Q. WHY IS ACCOUNT 37000 IN THE TABLE TWICE?**

11 A. Account 37000 is split into two distinct accounts to address the changing
12 nature of the investment being reported to this account. Under a program
13 currently being reviewed, mechanical meters would be replaced by electronic
14 meters. The new electronic meters, called Advanced Metering Infrastructure
15 (“AMI”) meters, would allow fully automated meter reading. The two types of
16 meters are treated separately because they do not have the same life-
17 expectancy characteristics.

18

1 **Q. WHAT LIFE DID STAFF AND PGE AGREE ON FOR THE PORT**
2 **WESTWARD FACILITY?**

3 A. PGE, in its filing, requested a twenty-eight year life for the Port Westward
4 facility. Staff and PGE agreed to alter the life span to thirty-five years with the
5 understanding that the estimated life would be reviewed in the next
6 depreciation study filed by PGE.

7

RECOMMENDATIONS

1
2 **Q. WHAT ARE THE CURVES, LIVES AND SALVAGE RATES AGREED TO**
3 **BY STAFF AND PGE?**

4 A. Exhibit Staff/103 is a copy of Schedule 1 that will be attached to the Stipulation.
5 Schedule 1 contains account-by-account details of the curves, lives and
6 salvage rates agreed to by Staff and PGE.

7 **Q. WHAT IS THE IMPACT OF RATE CHANGES AGREED TO BY STAFF**
8 **AND PGE?**

9 A. If adopted, the stipulated depreciation parameters would decrease PGE's
10 annual depreciation expense based on 2005 balances by \$18.9 million, from
11 \$161.5 million to \$142.6 million.

12 **Q. WHAT IS THE EFFECTIVE DATE FOR IMPLEMENTATION OF THE NEW**
13 **PARAMETERS?**

14 A. The effective date will be coincident with the general rate case, UE 180,
15 currently assumed to be January 1, 2007.

16 **Q. DOES THE STIPULATION FAIRLY TREAT PGE AND ITS CUSTOMERS?**

17 A. Yes it does.

18 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THESE**
19 **PARAMETERS?**

20 A. I recommend that the Commission adopt the Stipulation and Schedule 1.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.

CASE: UM 1233
WITNESS: Roger White

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

August 17, 2006

WITNESS QUALIFICATION STATEMENT

NAME: Roger White

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Telecommunications Analyst

ADDRESS: 550 Capitol St. NE, Suite 215
Salem, Oregon 97301-2551

DEGREES: MBA – Finance /Quantitative Methods
University of Washington

BS –Mathematics, Minors: Physics/Chemistry
University of Washington

OTHER EDUCATION: Ph.D. in Business with a major in Economics
minor in Finance—near completion of course
work. University of Texas

Technical Certification: Electronics and Calibration
Techniques. Aberdeen Proving Grounds

PROFESSIONAL EXPERIENCE:

Senior Telecommunications Analyst and Telecommunications Analyst, Public Utility Commission of Oregon, 2001-Present.

The senior telecommunications analyst's job consists of the following: reviewing annual cost filings done by Oregon telecommunications companies for accuracy and correctness, reviewing incremental cost studies done in support of pricing, developing usage forecasts, and reviewing depreciation studies for telecommunications and power companies.

Manager Cost Models and Methodology, GTE and Verizon, 1995-2001.

The managers job consisted of the following activities: designing and managing the design of all components (e.g. local loop, transport, switching, SS7, expense) of GTE's integrated cost model, developing documentation packages for each module, training model advocates and user groups on the working of the model, reviewing alternative cost models, testifying in rate hearings when special expertise was required, and supervising a staff of administrators and staff managers.

PROFESSIONAL EXPERIENCE (Continued):

Manager Process Cost, GTE, 1994-1995, GTE, 1994-1995.

This was a cross training job involving the detailed benchmarking GTE's process costs with the process costs of other comparable companies. The job also involved providing detailed product costs to the Margin and Benchmarking teams as a member of these teams.

Manager Research/Methods, GTE, 1989-1994.

The manager's job consisted of the following: designing and managing the development of cost models, designing and managing the development of a product margin tracking system and the product margins, giving presentations to product managers and senior managers, supervising a staff of three.

Staff Manager Pricing Policy, GTE, 1987-1989

The staff manager's job consisted of the following: providing technical support to members of the operating companies on the use of switching cost models, modifying and supporting strategic pricing models, and designing a cost models to facilitate the pricing of switch features and local loop.

Administrator Demand Analysis, GTE, 1982-1987

The demand analysis administrator's job consisted of the following: developing marketing data through surveys and secondary sources, analyzing the data using various marketing research techniques, developing forecasts, developing models that could be used to predict how various markets would respond to price changes.

Administrator Pricing, GTE, 1981-1982

The pricing administrator's job consisted of the following: developing a computer based program that could be used by the sales force to price out PBX systems while meeting with the customer, and setting prices for customer premise equipment.

Administrator Economic Research, GTE, 1977-1981

The economic research administrator's job consisted of the following: developing wire center specific demand forecasts, introducing and providing training on econometric techniques, and providing statistical support for marketing research activities.

Administrator Operations Research, GTE, 1976-1977

The operation research administrator's job consisted of introducing operations research techniques such as linear, integer and dynamic programming techniques into the network planning process in a practical and useful way.

CASE: UM 1233
WITNESS: Roger White

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support
Of Direct Testimony**

August 17, 2006

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1233

In the Matter of)
)
PORTLAND GENERAL ELECTRIC) **STIPULATION**
COMPANY)
)
Detailed Depreciation Study of the Electric)
Properties of the Company)

This Stipulation (“Stipulation”) is entered into for the purpose of resolving all issues regarding Portland General Electric Company’s (“PGE”) application seeking a change in depreciation rates applicable to the Company’s plant.

PARTIES

1. The signing parties to this Stipulation are PGE and the Staff of the Public Utility Commission of Oregon (“Staff”) (collectively, the “Parties”). The Citizens’ Utility Board of Oregon (“CUB”) is a party to this docket but has not been an active participant and offers no comment on this Stipulation.

INTRODUCTION

2. Consistent with Oregon Public Utility Commission (“Commission”) Order No. 01-123, on November 9, 2005 PGE filed the results of a detailed depreciation study of the utility properties of PGE as of December 31, 2004, which included proposed depreciation curves and lives (“parameters”) for PGE’s generation, transmission, distribution, and general plant assets. Based on the December 31, 2004 plant balances, the change in depreciation parameters proposed by PGE would have

resulted in an annual Oregon jurisdictional decrease of approximately \$13.2 million.

3. On January 18, 2006, Administrative Law Judge Michelle M. Mhoon conducted a prehearing conference to identify parties and to establish a procedural schedule. The schedule was subsequently revised on June 19, 2006, to permit staff to complete its proposal for parameter changes. Pursuant to the revised schedule staff submitted its proposal addressing PGE's depreciation application on June 30, 2006.
4. On March 15, 2006, PGE also filed an application for a general rate revision, Docket UE 180, to be effective in January 2007. The depreciation rates to be used in Docket UE 180 are the rates coming out of UM 1233.
5. On Wednesday, July 12, 2006, PGE and Staff participated in a Settlement Conference at the Commission's office in Salem, Oregon. The discussions resulted in a compromise settlement of the Parties. The initial positions taken in this docket by PGE and Staff, and the settlement that was reached, are summarized below. Attached Stipulation Exhibit No. 1, incorporated herein by this reference, sets forth the detailed account-by-account depreciation parameters that parties agree should be adopted by the Commission.

POSITIONS OF THE PARTIES

6. PGE's proposed depreciation parameters, and the justification, are set forth in the Study filed with its Application. The Study concludes that a decrease in total Company annual depreciation expense of approximately \$13.2 million, compared with the level of annual depreciation expense developed by application of the currently authorized depreciation rates to the same plant balances, is justified.

7. PGE also proposed in its Application four additional items: 1) an additional \$500,000 decommissioning cost for Bull Run plant to be amortized over the remaining life of the facility; 2) a bifurcation of PGE's metering account, account 37000, into Advanced Metering Infrastructure and existing metering, each with different depreciation lives; 3) a change in timing regarding the beginning date for amortization of software addition; and, 4) a life span of twenty-eight years for the Port Westward production facility scheduled to begin operation in early 2007.
8. Oregon Staff proposed modification of the Study's recommended parameters for fifteen of the fifty-five accounts that were reviewed. Staff also proposed that the life span for the Port Westward production facility be set at thirty-five years. Staff agreed that 1) the salvage rates were reasonable, 2) the parameters for the remaining forty accounts were reasonable, 3) a \$500,000 increase in the decommissioning cost estimate for Bull Run, which is a 3% increase, was reasonable, 4) a bifurcation of the metering account was reasonable, and 5) commencing the amortization of software when it was booked rather than waiting until the end of the year was reasonable.

TERMS OF THE SETTLEMENT AGREEMENT

9. In this Stipulation, PGE and Oregon Staff were able to resolve the issues raised in this docket. PGE and Staff request that the Commission issue orders in this docket implementing the terms of this Stipulation. As a compromise position on the issues in controversy, the Parties have agreed to depreciation parameters that would result in a decrease of approximately \$18.9 million on an annual basis. As part of the compromise generating the \$18.9 million reduction, the life for the Port Westward

facility was extended from twenty-eight years to thirty-five years.

10. Contested Parameters. The following describes the PGE-Staff agreement on contested parameters (account parameters and salvage rates not identified below were uncontested and remain as filed in the Study):

Account 314.00—Turbogenerator Units. The current approved projection life is thirty-five years (R3-35). The study recommendation is seventy years (R0.5-70) while Staff's initial position was eighty-six years (R1-86). The Parties agreed on eighty-six years (R1-86) for settlement purposes.

Account 333.00—Water Wheels, Turbines, Generators. The current approved projection life is forty-five years (S6-45). The study recommendation is sixty-two years (S4-62) while Staff's initial position was sixty-six years (S4-66). The Parties agreed on sixty-six years (S4-66) for settlement purposes.

Account 335—Miscellaneous Power Plant. The current approved projection life is fifty-seven years (R0.5-57). The study recommendation is sixty-five years (R0.5-65) while Staff's initial position was eighty-nine years (R0.5-89). The Parties agreed on 65 years (R0.5-65) for settlement purposes.

Account 346.00—Miscellaneous Power Plant. The current approved projection life is twenty-five years (R3-25). The study recommendation is thirty-four years (S3-34) while Staff's initial position was thirty-six years (L3-36). The Parties agreed on thirty-six years (L3-36) for settlement purposes.

Account 352—Transmission Structure & Improvements. The current approved projection life is fifty years (S6-50). The study recommendation is fifty-two years (R1.5-52) while Staff's initial position was eighty-two years (S2-82). The Parties

agreed on fifty-two years (R1.5-52) for settlement purposes.

Account 353—Transmission Station Equipment. The current approved projection life is fifty-seven years (R2.5-57). The study recommendation is forty-four years (L3-44) while Staff's initial position was forty-five years (L3-45). The Parties agreed on forty-five years (L3-45) for settlement purposes.

Account 354—Transmission Tower & Fixtures. The current approved projection life is ninety-two years (R1-92). The study recommendation is sixty years (S6-60) while Staff's initial position was sixty-seven years (R3-67). The Parties agreed on sixty-seven years (R3-67) for settlement purposes.

Account 356—Transmission OH Conductors & Devices. The current approved projection life is forty years (R3-40). The study recommendation is forty-seven years (R3-47) while Staff's initial position was seventy-one years (R1.5-71). The Parties agreed on forty-seven years (R3-47) for settlement purposes.

Account 361—Distribution Structure & Improvements. The current approved projection life is fifty-nine years (R3-59). The study recommendation is fifty-two years (R1.5-52) while Staff's initial position was seventy-four years (R05-74). The Parties agreed on fifty-two years (R1.5-52) for settlement purposes.

Account 362—Distribution Station Equipment. The current approved projection life is forty-seven years (R0.5-47). The study recommendation is fifty-four years (L0-54) while Staff's initial position was fifty-seven years (L0-57). The Parties agreed on fifty-seven years (L0-57) for settlement purposes.

Account 368—Line Transformers. The current approved projection life is thirty years (R4-30). The study recommendation is thirty years (R4-30) while Staff's

initial position was thirty-nine years (R4-39). The Parties agreed on thirty-nine years (R4-39) for settlement purposes.

Account 369—Distribution Service. The current approved projection life is thirty-six years (S6-36). The study recommendation is thirty-nine years (S6-39) while Staff's initial position was seventy-six years (R1.5-76). The Parties agreed on forty-five years (S6-45) for settlement purposes.

Account 370—Distribution Meters. This account was split into two distinct accounts to address the changing nature of the investment being reported to this account. Under a program currently being reviewed to fully automate meter reading, the existing meter mechanical meters would be replaced by Advanced Metering Infrastructure ("AMI") meters. The parties agreed on a 10-year remaining life for the existing meters if the AMI program is not adopted and an eighteen year projection life (R3-18) for the AMI meters.

Account 39701—Wireline Equipment. The current approved projection life is twenty-five years (L0-25). The study recommendation is thirty-eight years (L0-38) while Staff's initial position was forty-seven years (L0-47). The Parties agreed on forty-seven years (L0-47) for settlement purposes.

12. The revised depreciation parameters described above and set forth in Exhibit 1 are reasonable and should be adopted.
13. The depreciation study and supporting data will be received into evidence as part of this Stipulation.
14. The depreciation rates that result from the approved Parameters shall be implemented at the time that new electricity rates become effective pursuant to PGE's

pending general rate request in Docket UE 180, or such earlier time as ordered by the Commission.

15. Staff and PGE have examined and agreed on depreciation parameters for Port Westward to be used until the next detailed depreciation study is conducted, and those parameters are included in Exhibit 1. Depreciation expense for Port Westward will begin accruing on the date the plant goes into service.

16. The depreciation study also provides for the following:

- a. The Bull Run hydro plant is scheduled to begin decommissioning in 2007. The depreciation study contains a revised estimate of decommissioning expenses of \$17.1 million, up from the original estimate of \$16.6 million. The schedule of the decommissioning activities is expected to allow PGE to operate the plant at limited capacity through 2008. Any minor capital expenditures required to keep the plant operational will be depreciated over the 2-year remaining life beginning in 2007.
- b. The depreciation study in this docket contains a change to a remaining life span depreciation technique for steam and combustion turbine plants.
- c. Under the requested Parameters, PGE will commence amortization of software assets, classified as intangible plant, in the month following the closure of the transaction.

17. PGE may update its depreciation rates annually by applying the approved Parameters to future year-ending plant. PGE, at its discretion, may provide Staff with a technical update outlining any changes in depreciation expense resulting from an annual update of its depreciation rates. PGE will not change the life and salvage factors from

those set in Exhibit 1 without Commission approval.

18. In 2010, PGE shall file with the Commission a detailed depreciation study of its electric service property based on year-end 2009 data. The 2010 Depreciation Study will include a more detailed review of the depreciation parameters for Port Westward than in the current Study. The depreciation parameters for PGE plant may be adjusted at that time.

19. The Parties agree that this Stipulation is in the public interest and will result in proper and adequate rates of depreciation of the classes of property of PGE.

20. The Parties shall file this Stipulation with the Commission. The Parties agree to support this Stipulation before the Commission and before any court in which this Stipulation may be considered.

21. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation or adds such material condition.

22. 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.

23. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. The Parties agree that they will not cite this Stipulation or a Commission order adopting this

Stipulation as precedent in any other proceeding other than a proceeding to enforce the terms of this Stipulation.

24. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Parties agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

25. 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.

DATED this 17th day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

Stipulation as precedent in any other proceeding other than a proceeding to enforce the terms of this Stipulation.

24. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Parties agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

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DATED this day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CASE: UM 1233
WITNESS: Roger White

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 103

**Exhibits in Support
Of Direct Testimony**

August 17, 2006

SCHEDULE 1
PORTLAND GENERAL ELECTRIC COMPANY
STIPULATED AND CURRENT DEPRECIATION PARAMETERS

ACCOUNT	DESCRIPTION	CURVE / LIFE		SALVAGE	
		AGREED	CURRENT	AGREED	CURRENT
<u>STEAM PRODUCTION ACCOUNTS</u>					
BOARDMAN - END LIFE - 2040 COLSTRIP - END LIFE - 2036					
31101	STRUCTURES AND IMPROVEMENTS	R0.5-73	R3-37	-7%	-10%
31105	POLLUTION CONTROL EQUIPMENT	R3-20	R3-20	-7%	-10%
31200	BOILER PLANT EQUIPMENT	R0.5-68	R3-35	-7%	-10%
31201	RAIL CARS	S0.5-15	R3-35	-7%	-10%
31205	POLLUTION CONTROL EQUIPMENT	R3-20	R3-20	-7%	-10%
31400	TURBO-GENERATOR UNITS	R1-86	R3-35	-7%	-5%
31500	ACCESSORY ELECTRIC EQUIPMENT	R0.5-62	R3-32	-7%	-5%
31601	MISCELLANEOUS POWER PLANT EQUIPMENT	R0.5-27	R3-30	-7%	-5%
<u>HYDRO PRODUCTION ACCOUNTS</u>					
33011	FLOODING RIGHTS	SQ-75	SQ-75	0%	0%
33100	STRUCTURES AND IMPROVEMENTS	R3-99	S3-95	-20%	-30%
33200	RESERVOIRS, DAMS AND WATERWAYS	S3-95	S3-90	-100%	-100%
33300	WATERWHEELS, TURBINES AND GENERATORS	S4-66	S6-45	-30%	-30%
33400	ACCESSORY ELECTRIC PLANT	R0.5-91	R5-44	-5%	-5%
33500	MISCELLANEOUS POWER PLANT	R0.5-65	R0.5-57	-10%	-10%
33600	ROADS, RAILROADS AND BRIDGES	R0.5-92	R0.5-75	0%	0%
BULL RUN - END LIFE 2008					
33100	STRUCTURES AND IMPROVEMENTS	RL-2	RL-3.5	0%	0%
33200	RESERVOIRS, DAMS AND WATERWAYS	RL-2	RL-3.5	0%	0%
33300	WATERWHEELS, TURBINES AND GENERATORS	RL-2	RL-3.5	0%	0%
33400	ACCESSORY ELECTRIC PLANT	RL-2	RL-3.5	0%	0%
33500	MISCELLANEOUS POWER PLANT	RL-2	RL-3.5	0%	0%
33600	ROADS, RAILROADS AND BRIDGES	RL-2	RL-3.5	0%	0%

The depreciation rate, based upon a 2 year remaining life, will be adjusted each month to reflect the shortened time remaining to fully depreciate the property.

Although a net salvage rate of 0 percent is indicated in the exhibit, estimated removal costs will be amortized over a 10-year period (2002-2011).

SCHEDULE 1
PORTLAND GENERAL ELECTRIC COMPANY
STIPULATED AND CURRENT DEPRECIATION PARAMETERS

ACCOUNT	DESCRIPTION	CURVE / LIFE		SALVAGE	
		AGREED	CURRENT	AGREED	CURRENT
<u>OTHER PRODUCTION ACCOUNTS</u>					
BEAVER - END LIFE - 2020					
34100	STRUCTURES AND IMPROVEMENTS	R4-38	R3-25	-5%	-3%
34200	FUEL HOLDERS, PRODUCERS AND ACCESSORIES	S3-38	R3-25	-5%	-3%
34400	GENERATORS	L0-25	R3-25	-5%	-3%
34500	ACCESSORY ELECTRIC EQUIPMENT	R2.5-47	R3-25	-5%	-1%
34600	MISCELLANEOUS POWER PLANT EQUIPMENT	L3-36	R3-25	-5%	-1%
COYOTE SPRINGS - END LIFE - 2025					
34100	STRUCTURES AND IMPROVEMENTS	R4-38	R3-25	-2%	-3%
34200	FUEL HOLDERS, PRODUCERS AND ACCESSORIES	S3-38	R3-25	-2%	-3%
34400	GENERATORS	L0-25	R3-25	-2%	-3%
34500	ACCESSORY ELECTRIC EQUIPMENT	R2.5-47	R3-25	-2%	-1%
34600	MISCELLANEOUS POWER PLANT EQUIPMENT	L3-36	R3-25	-2%	-1%
PORT WESTWARD - END LIFE - 2042					
34100	STRUCTURES AND IMPROVEMENTS	R4-38	N/A	-3%	N/A
34200	FUEL HOLDERS, PRODUCERS AND ACCESSORIES	S3-38	N/A	-3%	N/A
34400	GENERATORS	L0-25	N/A	-3%	N/A
34500	ACCESSORY ELECTRIC EQUIPMENT	R2.5-47	N/A	-3%	N/A
34600	MISCELLANEOUS POWER PLANT EQUIPMENT	L3-36	N/A	-3%	N/A
DISTRIBUTED GENERATION FACILITIES					
34500	ACCESSORY ELECTRIC EQUIPMENT	R3-30	N/A	-5%	N/A
<u>TRANSMISSION ACCOUNTS</u>					
35200	STRUCTURES AND IMPROVEMENTS	R1.5-52	S6-50	-10%	-15%
35300	STATION EQUIPMENT	L3-45	R2.5-57	-10%	-10%
35400	TOWERS AND FIXTURES	R3-67	R1-92	-15%	-15%
35500	POLES AND FIXTURES	R0.5-45	R0.5-40	-85%	-85%
35600	OVERHEAD CONDUCTORS AND DEVICES	R3-47	R3-40	-75%	-75%
35900	ROADS AND TRAILS	R0.5-75	R0.5-75	0%	0%
<u>DISTRIBUTION ACCOUNTS</u>					
36100	STRUCTURES AND IMPROVEMENTS	R1.5-52	R3-59	-10%	-5%
36200	STATION EQUIPMENT	L0-57	R0.5-47	-10%	-5%
36400	POLES, TOWERS AND FIXTURES	L0-38	L0-35	-60%	-80%

SCHEDULE 1
PORTLAND GENERAL ELECTRIC COMPANY
STIPULATED AND CURRENT DEPRECIATION PARAMETERS

ACCOUNT	DESCRIPTION	CURVE / LIFE		SALVAGE	
		AGREED	CURRENT	AGREED	CURRENT
36500	OVERHEAD CONDUCTOR AND DEVICES	L0-43	L0-43	-80%	-75%
36600	UNDERGROUND CONDUIT	S6-50	S6-50	-10%	-10%
36700	UNDERGROUND CONDUCTOR AND DEVICES	S2-38	S3-35	-65%	-60%
36800	LINE TRANSFORMERS	R4-39	R4-30	0%	0%
36901	SERVICES OVERHEAD	S6-45	S6-36	-60%	-70%
36903	SERVICES UNDERGROUND	S6-45	S6-36	-60%	-70%
37000	METERS - EXISTING - WITHOUT AMI PROJECT	10% RL Rate	10% RL Rate	0%	0%
37000	METERS - EXISTING - WITH AMI PROJECT	3	10% RL Rate	0%	0%
37000	METERS - AMI	R3-18	10% RL Rate	0%	0%
37100	EQUIPMENT ON CUSTOMERS PREMISES	R3-18	10% RL Rate	0%	0%
STREETLIGHTING AND SIGNAL SYSTEMS:					
37301	CIRCUITS - OTHER	L0-43	L0-43	-70%	-70%
37302	FIXTURES, ORN POSTS & DEVICES	L1-21	R2.5-20	-70%	-70%
37307	SENTINEL LIGHTING EQUIPMENT	L0-20	L0-19	-70%	-70%
<u>GENERAL PLANT ACCOUNTS</u>					
39000	STRUCTURES AND IMPROVEMENTS	L0-34	R0.5-35	0%	0%
39100	OFFICE FURNITURE AND EQUIPMENT	23	15	5%	20%
39102	COMPUTER AND OFFICE EQUIPMENT	5	5	0%	10%
39103	COMPUTER ROOM AND DATA PROCESSING EQ	5	R3-5	0%	10%
39204	HEAVY DUTY TRUCKS	S6-10	S6-15	4%	4%
39205	MEDIUM DUTY TRUCKS	S6-10	S6-15	1%	1%
39206	LIGHT DUTY TRUCKS	S6-10	S6-5	10%	20%
39208	TRAILERS	S6-20	S6-20	0%	0%
39209	AUTOS	S6-10	S6-6	10%	20%
39210	HELICOPTER - NEW	SQ-20	N/A	15%	N/A
39210	HELICOPTER - EXISTING	SQ-3	SQ-7	15%	52%
39300	STORES EQUIPMENT	21	24	0%	0%
39400	TOOLS, SHOP AND GARAGE EQUIPMENT	26	28	5%	5%
39500	LABORATORY EQUIPMENT	27	33	0%	5%
39601	MAN LIFT EQUIPMENT	S6-15	S6-12	1%	1%
39602	CRANES	S6-10	S6-10	1%	1%
39603	DIGGER EQUIPMENT	S6-10	S6-15	1%	1%
39607	CONSTRUCTION EQUIPMENT	S6-15	S6-15	1%	1%
COMMUNICATION EQUIPMENT					
39701	WIRELINE - LINE EQUIPMENT	L0-47	L0-25	0%	0%
39703	RADIO, MICROWAVE, AND TERMINAL EQUIPME	L3-21	S4-20	0%	0%
39704	SYSTEM DISPATCH EQUIPMENT	L3-21	S4-20	0%	0%
39706	MOBILE RADIO EQUIPMENT	5	5	0%	0%
39707	TELEPHONE EQUIPMENT	20	20	0%	0%
39800	MISCELLANEOUS EQUIPMENT	17	21	10%	0%

CERTIFICATE OF SERVICE

UM 1233

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 17th day of August, 2006.



Stephanie S. Andrus
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

**UM 1233
Service List (Parties)**

PORTLAND GENERAL ELECTRIC CO. RATES & REGULATORY AFFAIRS	PORTLAND GENERAL ELECTRIC COMPANY 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
CITIZENS' UTILITY BOARD OF OREGON LOWREY R BROWN UTILITY ANALYST	 610 SW BROADWAY - STE 308 PORTLAND OR 97205 lowrey@oregoncub.org
JASON EISDORFER ENERGY PROGRAM DIRECTOR	610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
DEPARTMENT OF JUSTICE STEPHANIE S ANDRUS ASSISTANT ATTORNEY GENERAL	 REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
PORTLAND GENERAL ELECTRIC DOUGLAS C TINGEY ASST GENERAL COUNSEL	 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com