1 BEFORE THE PUBLIC UTILITY COMMISSION 2 OF OREGON **UE 219** 3 4 In the Matter of 5 PACIFICORP, dba PACIFIC POWER STAFF'S BRIEF REGARDING DEPRECIATON ISSUES 6 Application to Implement the Provisions of 7 Sensate Bill 76 8 Oregon Senate Bill 76 ("SB 76") allows PacifiCorp to collect two surcharges from its 9 customers for the purpose of funding the costs of removal for the four Klamath River 10 hydroelectric dams. SB 76 also requires that the Commission determine a new depreciation 11 schedule for each of the dams within six months of the execution of the Klamath Hydroelectric 12 Settlement Agreement ("KHSA") based upon the assumption that the dams will be removed in 13 2020.² The KHSA was executed on February 18, 2010, so the deadline for determining the 14 new depreciation schedules is August 18, 2010. The changes in the depreciation schedules 15 would be effective January 1, 2011, and reflected in rates resulting from the Company's current 16 general rate case proceeding, UE 217. 17 Staff witness Ming Peng calculated the annual depreciation expense by dividing the 18 remaining net plant balance as of June 30, 2009, for each of the four dams by the remaining 10.5year life (the period between June 30, 2009 and December 31, 2019).³ The calculation does not 19 20 contain any salvage or cost of removal estimates; and does not contain any values for interim 21 additions or interim retirements. ORS 757.734(2)(b) provides that "[a]mounts recoverable under 22 this section include, but are not limited to: * * * [c]apital improvements required by the United 23 States or any state for continued operation of the dam until dam removal." Accordingly, Staff 24 ¹ The four dams are the J. C. Boyle Dam, Copco 1 Dam, Copco 2 Dam, and Iron Gate Dam. See ORS 757.736(2). 25 ² See ORS 757.734(1). 26 ³ See Staff/200, Peng/2.

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- 1 recommends that as the net book value of the dams fluctuates each month due to capital additions and
- 2 retirement activities, the associated depreciation rates will be adjusted to fully depreciate such capital
- 3 improvements by the end of the expected life. In addition, plant balances and remaining life in the
- 4 schedules (currently calculated from June 2009) should be updated to December 2010 as a part of the
- 5 Company's compliance filing in UE 217 prior to the implementation of these depreciation rates on
- 6 January 1, 2011. The updated plant balance should only include the changes from capital
- 7 improvement, i.e. capital additions, retirements, and interim net salvage values, and it will not
- 8 include removal costs related to the terminal dam removal and related facilities. The KHSA
- 9 contains a \$200 million cap on the customer contribution to the costs of dam removal, codified at
- 10 ORS 757.736(2) and (3). See also KHSA, 4.1.1.C.
- The composite straight-line depreciation rate is 6.4 percent. When this rate is applied to
- Oregon's share of the gross plant, valued at \$21.38 million, it produces a collective \$1.37 million
- annual depreciation expense for the four dams.⁴ The recommended Oregon depreciation
- schedules are found at Exhibits Staff/202,Peng/1-9. A summary of each schedule is found at
- 15 Staff/200, Peng/5, Table I, and is reproduced below:

OREGON SUIVIMARY			processor and the second se				a light formation matter is destinated.	same and a few recommendation or a second second	,	page 1
Location	FERC		End	Plant Balance	Accum Depreciation	Amount to	Remaining	Annual	Depreciation	Oregon
Description	Account	Methodology	Life	at 6/30/2009	at 6/30/2009	Recover	Life	Depreciation	Rate%	Allocation %
JC BOYLE HYDRO PLANT	303-398	LIFE SPAN	12/31/2019	8,824,019	(2,362,303)	6,461,716	10.5	615,401	6.974%	26.177%
IRON GATE HYDRO PLA	330-398	LIFESPAN	12/31/2019	5,693,376	(2,030,834)	3,662,542	10.5	348,813	6.127%	26.177%
COPCO#1 HYDRO PLAN	330-397	LIFE SPAN	12/31/2019	2,440,787	(1,138,151)	1,302,635	10.5	124,061	5.083%	26.177%
COPCO #2 HYDRO PLAN	330-398	UFE SPAN	12/31/2019	4,422,986	(1,484,204)	2,938,782	10.5	279,884	6.328%	26.177%
TOTAL				21,381,167	(7,015,493)	14,365,674	10.5	1,368,159	6.3989%	26.177%

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PacifiCorp witness R. Bryce Dalley reviewed Ms. Peng's testimony. He concluded that

- her calculations and depreciation schedules are consistent with ORS 757.734(1) and the
- 23 Company's revenue requirement calculations presented in UE 217.5 No other party filed
- 24 testimony regarding depreciation.

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⁴ See Staff/200, Peng/3

⁵ See PPL/400, Dalley/2-3.

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1	Staff recommends that the Commission adopt Staff's depreciation schedules for each of
2	the four dams effective January 1, 2010, and reflected in rates in the current general rate case
3	proceeding, UE 217.
4	DATED this 20th day of July 2010.
5	Respectfully submitted,
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9	David B. Hatton, #75151
10	Senior Assistant Attorney General Of Attorneys for Staff of the Public Utility
11	Commission of Oregon
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CERTIFICATE OF SERVICE

1	CERTIFICA	ATE OF SERVICE				
2	I certify that on July 20, 2010, I serve	ed the foregoing Staff Brief upon the parties in this				
3	proceeding by electronic mail and by sending a true, exact and full copy by regular mail, postage					
4	prepaid, or by hand-delivery/shuttle, to the pa	arties accepting paper service.				
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