

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1233

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	MOTION FOR MODIFICATION
COMPANY)	OF ORDER
)	
Detailed Depreciation Study of the Electric)	
Properties of the Company)	

Pursuant to Or.Rev.Stat. §756.568, Portland General Electric Company (“PGE”) moves for amendment to Order No. 06-581, the Commission’s final order in this docket, issued October 13, 2006. There is an inconsistency between this Order and the subsequent Order No. 07-015 issued in Docket UE 180/181/184 (“UE 180”), that creates a misalignment between PGE’s book depreciation expense and the revenue requirement approved in Order 07-015. PGE requests that the Order in this docket be amended to make it consistent with the UE 180 Order. PGE has discussed this motion with Staff, the only other party that took an active part in this docket, and Staff supports this motion.

DISCUSSION

This Depreciation Docket. On November 9, 2005, PGE filed its detailed depreciation study of utility properties, including proposed depreciation curves and lives for PGE’s utility assets. After significant discovery, Staff submitted its proposed depreciation parameters on June 30, 2006. In July 2006, Staff and PGE participated in a settlement conference that resulted in a compromise settlement of the Parties. Stipulation, ¶ 4. One of the items in PGE’s depreciation study that was changed as a result of the Stipulation was the depreciation life of Port Westward.

PGE's original study used a 28-year life for Port Westward. As part of the settlement, PGE agreed to use 35 years as the life of the plant. Stipulation, ¶ 9. The settlement was set forth in a Stipulation dated August 17, 2006, that the Parties filed with the Commission, along with supporting testimony, requesting that the Commission adopt the Stipulation. The Stipulation included, as Table 1, a detailed listing of the agreed-to depreciation curves, lives and salvage for PGE's various utility property accounts. On October 13, 2006, the Commission issued Order 06-581 which states:

Based on the evidence submitted, the Commission finds that the Stipulation is reasonable and should be adopted in its entirety. The depreciation parameters approved in this docket will be applied in UE 180, PGE's pending general rate proceeding.

Order 06-581, p. 2.

That Order approved the depreciation of PGE's Port Westward plant, then under construction, over a 35-year life span, adjusted for projected interim retirements occurring over the life of the plant. The order granted PGE approval of specific depreciation parameters for five individual Port Westward production FERC accounts – 34100, 34200, 34400, 34500, and 34600.

Docket UE 180 General Rate Case. Docket UE 180 began on March 15, 2006. In PGE's original filing, a projection of test year depreciation expense for Port Westward was contained in the work papers filed with PGE's initial testimony. Specifically, work paper page 189 shows Port Westward book depreciation for 2007 by production and transmission assets. *Affidavit of Jay Tinker*, ¶ 3 (a copy of this work paper is attached to Mr. Tinker's Affidavit). The total test period depreciation expense shown is \$10,666,704. The month-by-month calculation of depreciation expense was contained in the file "2007 and 2008 Port Westward Def Tax estimate.xls" provided as part of PGE's electronic work papers in UE 180. *Affidavit of Jay Tinker*, ¶ 4 (a copy of this spreadsheet is attached to Mr. Tinker's Affidavit). At that time,

detailed plant-in-service estimates for Port Westward were not available at the FERC 300-account level of detail. *Affidavit of Terry McKeighan*, ¶ 4. Since plant estimates were only available at a functional level, an interim retirement curve was selected to approximate the overall effect of the individual Iowa curves. The Iowa curve associated with Account 34200 was used because it appeared to best represent the mix of parameters in the individual accounts. *Affidavit of Terry McKeighan*, ¶ 5. The Account 34200 Iowa Curve is S3-38, truncated at 28.5 years. *Id.* As the month-by-month spreadsheet shows, PGE calculated the amount by using the depreciation life for FERC Account 34200 for the total projected Port Westward plant balance.

That original test year Port Westward depreciation amount is also shown on Appendix F, page 5 of 8, to Order 07-015, there rounded to \$10,667,000. That same page also shows the change in the depreciation life of Port Westward as a result of the settlement of UM 1233. The change in the depreciation life for Port Westward reduced test year depreciation expense by \$1,998,000. Appendix F, page 7 of 8, to Order 07-015, entitled “Port Westward Adjustments”, also reflects this same decrease in depreciation expense. On that page the decrease is shown in the column headed “Life Estimate Adjustment”. That is the revenue requirement adjustment approved by the Commission in UE 180. So, the revenue requirement approved by the Commission was the amount included in PGE’s original filing, \$10,667,000, reduced by the \$1,998,000 due to PGE’s agreement to use a 35 year depreciation life approved by the Commission in UM 1233.

At the time of the settlement in this docket, and when the calculations used in UE 180 were made, the plant-in-service estimates for Port Westward were still not available at the FERC 300-account level of detail. *Affidavit of Terry McKeighan*, ¶ 6. Again, since plant estimates were only available at a functional level of detail, the decrease in depreciation expense as a result

of the UM 1233 settlement was calculated in the same manner as before, using the S3-38 Iowa Curve for FERC Account 34200 for all Port Westward assets, only this time for a 35 year life.

Id.

Inconsistency. Port Westward is in service and plant balances are now available at the 300-account level of detail. When PGE incorporated the Port Westward depreciation parameters contained in the UM 1233 order into its actual depreciation expense calculations, PGE found that the depreciation rates derived for several of the individual FERC accounts were inconsistent with the depreciation expense used in setting rates in UE 180 and inconsistent with the intent to depreciate Port Westward production accounts over a 35-year life span. *Affidavit of Terry McKeighan*, ¶ 7-8.

Due to this inconsistency, PGE requests that the Commission modify its Order in this docket to make it consistent with the Commission's Order in docket UE 180. Specifically, PGE requests that the Commission modify the approved Iowa Curves for FERC Accounts 34100, 34400, 34500, and 34600 such that an S3-38 curve and a 35-year life are used for all five Port Westward depreciation accounts, since those were the assumptions relied upon in establishing the revenue requirement in UE 180. This change will affect only the Port Westward production accounts, and will be in place until PGE's next depreciation study, currently expected to be filed in 2010. Amending the order in this way will align PGE's book depreciation expense with the revenue requirement approved by the Commission in Order 07-015. *Affidavit of Jay Tinker*, ¶ 7.

CONCLUSION

For the reasons stated above PGE requests that Order 06-581 be amended, and an S3-38 depreciation Iowa Curve be approved for FERC Accounts 34100, 34400, 34500, and 34600.

DATED this 25th day of September 2007.

Respectfully submitted,

/s/ Cece L. Coleman for Douglas C. Tingey

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1233

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	AFFIDAVIT OF TERRY McKEIGHAN
COMPANY)	
)	
Detailed Depreciation Study of the Electric)	
Properties of the Company)	

I, Terry McKeighan, being first duly sworn on oath, depose and say:

1. My name is Terry McKeighan. I am the Principal Depreciation Analyst for Portland General Electric (“PGE”).
2. I directed the preparation of the depreciation study filed in this docket.
3. In preparation for PGE’s rate case that was later docketed as UE 180, I provided to Jay Tinker and other analysts in the Rates and Regulatory Affairs department, projected book depreciation expense for 2007 for Port Westward.
4. At that time, detailed plant-in-service estimates for Port Westward were not available at the FERC 300-account level of detail.
5. As shown in the Table below, the Iowa curves for the five Port Westward related accounts ranged from a low modal L0 curve to a high modal R4 curve with average lives ranging from 25 to 47 years. If one curve was to be selected for the summarized production accounts, then the mix of parameters in the individual accounts appeared to be best represented by a mid-modal curve with an average life in the high 30s. The S3-38 curve-life for Account 34200, truncated at 28 years, was thus selected and used for the revenue requirement calculations.

6. After entering into the Stipulation in this docket to change the depreciation life of Port Westward from 28 years to 35 years, I re-calculated the projected book depreciation of Port Westward for 2007 for use in this docket and in docket UE 180. I again provided that calculation to Jay Tinker and other analysts. At that time, the plant-in-service estimates for Port Westward were still not available at the FERC 300-account level of detail, only at the total plant level. As a result, I calculated the decrease in depreciation expense as a result of the settlement in the same manner as before, using the S3-38 Iowa Curve for FERC Account 34200 for all Port Westward assets, only this time truncated at 35 years.

7. Plant-in-service numbers for Port Westward are now available at the FERC 300-account level of detail. When PGE incorporated the Port Westward depreciation parameters contained in the order in this docket into its actual depreciation expense calculations, PGE found that the depreciation rates derived for several of the individual FERC accounts were inconsistent with the depreciation expense used in setting rates in UE 180 and inconsistent with the intent to depreciate Port Westward production accounts over a 35-year life span.

8. The Table below shows the difference in depreciation rates resulting from the rates used to determine the 2007 test-year depreciation expense in UE 180, and the rates contained in the Stipulation in this docket:

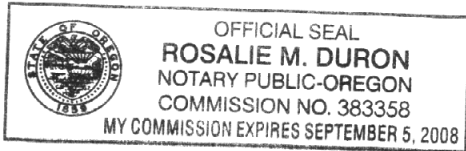
<u>FERC Account</u> (1)	<u>UE-180 / 184</u> (2)		<u>UM 1233</u> (3)	
	<u>Curve/Life</u>	<u>1st Yr Rate</u>	<u>Curve/Life</u>	<u>1st Yr Rate</u>
341	S3-38	3.2%	R4-38	3.1%
342	S3-38	3.2%	S3-38	3.2%
344	S3-38	3.2%	L0-25	8.7%
345	S3-38	3.2%	R2.5-47	3.5%
346	S3-38	3.2%	L3-36	3.5%

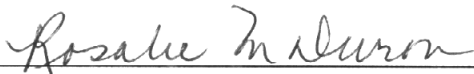
All curves are truncated at 35 years to reflect the projected life span of the facility.

SIGNED this 25 day of September 2007.


TERRY McKEIGHAN

SUBSCRIBED AND SWORN to before me this 25th day of September 2007.




Notary Public for Oregon
My Commission Expires: Sept 5, 2008

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1233

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	AFFIDAVIT OF JAY TINKER
COMPANY)	
)	
Detailed Depreciation Study of the Electric)	
Properties of the Company)	

I, Jay Tinker, being first duly sworn on oath, depose and say:

1. My name is Jay Tinker. I am Project Manager, Rates and Regulatory Affairs, of Portland General Electric (“PGE”).
2. I was part of the team that prepared the revenue requirement analysis and testimony in docket UE 180. That analysis included a projection of depreciation expense for Port Westward.
3. The spreadsheet that was submitted as work paper page 189 with PGE’s original filing in UE 180 was prepared at my request by Terry McKeighan. A copy of that work paper is attached hereto as Attachment “A”. That work paper shows Port Westward book depreciation for 2007 and 2008 by production and transmission assets. The total test period depreciation expense shown for Port Westward is \$10,666,704.
4. At my request, Terry McKeighan also prepared a spreadsheet that includes month-by-month calculation of Port Westward depreciation expense. That spreadsheet, named “2007 and 2008 Port Westward Def Tax estimate.xls” was provided as part of PGE’s electronic work papers with PGE’s original filing in UE 180. A hard copy of that spreadsheet is attached

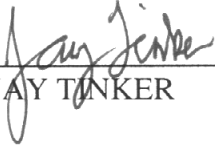
hereto as Attachment "B". Total test-year depreciation expense for Port Westward included in the filing was \$10,666,704.

5. I obtained the Port Westward depreciation expense figures from Terry McKeighan. The test-year depreciation expense included in PGE's original filing in docket UE 180 incorporated the aggregated depreciation parameters discussed in the motion filed in this docket.

6. After the Stipulation was reached in this depreciation docket, Terry McKeighan provided to me revised Port Westward depreciation expense calculations consistent with the change in life for Port Westward agreed to in that Stipulation. As shown on Appendix F, page 5 of 8, to Order 07-015, the change in the depreciation life of Port Westward as a result of the settlement of UM 1233 reduced test year depreciation expense by \$1,998,000. That reduced amount of Port Westward depreciation expense was used in the calculations of revenue requirement approved by the Commission in UE 180. The revenue requirement approved by the Commission was the amount included in PGE's original filing, \$10,667,000, reduced by the \$1,998,000 due to the Stipulated change in the depreciation life of Port Westward approved by the Commission in this docket.

7. The UE 180 revenue requirement reflects the use of the S3-38 curve for all Port Westward depreciation accounts.

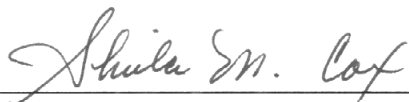
SIGNED this 25th day of September 2007.



JAY TINKER

SUBSCRIBED AND SWORN to before me this 25th day of September 2007.





Notary Public for Oregon
My Commission Expires: 1-17-2010

2007 Deferred Taxes
 Port Westward

	2007 Estimated Additions	Tax Rate	2007 Tax Depreciation	2007 Book Depreciation	Schedule M
Production	265,867,000	0.0375	9,970,013	5,781,913	4,188,100
Transmission	<u>19,338,000</u>	0.05	<u>966,900</u>	<u>419,484</u>	<u>547,416</u>
	285,205,000		10,936,913	6,201,397	4,735,516
From June 1, 2007			10,936,913	6,201,397	4,735,516
From Jan - May, 2008			<u>8,676,474</u>	<u>4,465,307</u>	<u>4,211,168</u>
First Year Impact			19,613,387	10,666,704	8,946,683

ACCT	LOC	Port West	after settlement UM-982 SALVAGE	2005 STUDY	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	2007 Rates
					05/31/2007 PLANT BALANCE	06/30/2007 PLANT BALANCE	07/31/2007 PLANT BALANCE	08/31/2007 PLANT BALANCE	09/30/2007 PLANT BALANCE	10/31/2007 PLANT BALANCE	11/30/2007 PLANT BALANCE	12/31/2007 PLANT BALANCE
34200			-0.03	-0.03	265,867,000.00	265,867,000.00	265,867,000.00	265,867,000.00	265,867,000.00	265,867,000.00	265,867,000.00	0.03654
35300			-0.10	-0.10	16,305,942.00	16,305,942.00	16,305,942.00	16,305,942.00	16,305,942.00	16,305,942.00	16,305,942.00	0.04050

ACCT	LOC	Port West	after settlement UM-982 SALVAGE	2008 Rates		Estimated June '07 DEPRECIATION	Estimated July '07 DEPRECIATION	Estimated August '07 DEPRECIATION	Estimated September '07 DEPRECIATION	Estimated October '07 DEPRECIATION	Estimated November '07 DEPRECIATION	Estimated December '07 DEPRECIATION	Estimated 12/31/2007 DEPR RESERVE	Total 2007 Depr
				2005 STUDY	2005 depr study									
34200			-0.03	-0.03	0.03793	833,851.97	831,312.89	828,781.54	826,257.90	823,741.94	821,233.65	818,732.99	5,783,912.87	5,783,912.87
35300			-0.10	-0.10	0.04221	60,535.81	60,331.50	60,127.88	59,924.95	59,722.70	59,521.14	59,320.26	419,484.24	419,484.24
														6,203,397.12

ACCI	LOC	Port West	0010	after settlement UM-982	SALVAGE	-0.03	2005 STUDY	expense	N61011	N61011	847,196.51	61,615.48	Estimated January '08 DEPRECIATION	Estimated 01/31/2008 DEPR RESERVE	844,518.96	61,398.75	Estimated February '08 DEPRECIATION	Estimated 02/28/2008 DEPR RESERVE	7,475,628.35	542,498.47	Estimated March '08 DEPRECIATION	Estimated 03/31/2008 DEPR RESERVE	8,317,478.22	603,681.25	Estimated April '08 DEPRECIATION	Estimated 04/30/2008 DEPR RESERVE	9,156,667.44	664,648.82	Estimated May '08 DEPRECIATION	Estimated May '08 DEPRECIATION			
																															839,189.22	60,967.57	836,536.97
34200																																	
35300																																	

ACCT	LOC	Port West	after settlement UM-982	2005 STUDY	Estimated 05/31/2008 DEPR RESERVE	Estimated June '08 DEPRECIATION	Estimated 06/30/2008 DEPR RESERVE	Estimated July '08 DEPRECIATION	Estimated 07/31/2008 DEPR RESERVE	Estimated August '08 DEPRECIATION	Estimated 08/31/2008 DEPR RESERVE	Estimated September '08 DEPRECIATION	Estimated 09/30/2008 DEPR RESERVE	Estimated October '08 DEPRECIATION
34200			-0.03	-0.03	9,993,204.41	833,893.11	10,827,097.52	831,257.61	11,658,355.13	828,630.43	12,486,985.56	826,011.56	13,312,997.11	823,400.96
35300			-0.10	-0.10	725,401.94	60,539.42	785,941.37	60,326.48	846,267.85	60,114.28	906,382.13	59,902.83	966,284.97	59,692.13

ACCI	LOC	Port West	after settlement		Estimated 10/31/2008 <u>DEPR RESERVE</u>	Estimated November '08 <u>DEPRECIATION</u>	Estimated 11/30/2008 <u>DEPR RESERVE</u>	Estimated December '08 <u>DEPRECIATION</u>	Estimated 12/31/2008 <u>DEPR RESERVE</u>	Total 2008 Depr	expense
			UM-982 <u>SALVAGE</u>	2005 <u>STUDY</u>							
34200	Port West		-0.03	-0.03	14,136,398.08	820,798.61	14,957,196.69	818,204.49	15,775,401.18	9,991,488.31	N61011
35300	0010		-0.10	-0.10	1,025,977.10	59,482.16	1,085,459.26	59,272.94	1,144,732.20	725,247.95	N61011
											10,716,736.26



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-7831 • Facsimile (503) 464-2200

Cece L. Coleman
Assistant General Counsel

September 25, 2007

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: UM 1233 – In the Matter of Portland General Electric Company Detailed Depreciation Study of the Electric Properties of the Company Pursuant to Order Nos. 91-186 and 01-777.

Attention Filing Center:

Enclosed for filing in the above captioned docket is an original and one copy of:

- 1. MOTION FOR MODIFICATION OF ORDER;**
- 2. AFFIDAVITS OF;**
 - **TERRY McKEIGHAN;**
 - **JAY TINKER.**

This document is being filed by electronic mail with the Filing Center.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Cece L. Coleman". The signature is written in dark ink and is positioned below the word "Sincerely,".

CECE L. COLEMAN

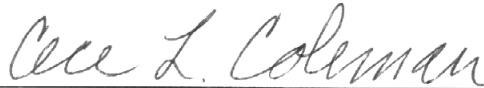
CLC:saa
Enclosure

cc: UM 1233 Service List

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC'S MOTION FOR MODIFICATION OF ORDER WITH AFFIDAVITS OF TERRY MCKEIGHAN AND JAY TINKER** in OPUC Docket No UM 1233, to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UM 1233.

Dated at Portland, Oregon, this 25th day of September, 2007.



Cece L. Coleman

SERVICE LIST

OPUC DOCKET # UM 1233

<p>LOWREY R BROWN Citizens' Utility Board Of Oregon 610 SW Broadway – STE 308 Portland, OR 97205</p>	<p>JASON EISDORFER Citizens' Utility Board Of Oregon 610 SW Broadway – STE 308 Portland, OR 97205</p>
<p>STEPHANIE ANDRUS Assistant Attorney General Regulated Utility & Business Section 1162 Court ST NE Salem, OR 97301-4096</p>	