

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1400

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER)	ORDER
)	
Application for an Accounting Order)	
Regarding Pension Curtailment)	

DISPOSITION: APPLICATION APPROVED

On October 31, 2008, PacifiCorp, dba Pacific Power (Pacific Power or Company), filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.120, and OAR 860-027-0045. The application requests authorization to record a net reduction to the regulatory asset in account 182.3 associated with the existing pension and other postretirement welfare assets for a pension curtailment gain, and a measurement date change transitional adjustment. Pacific Power must record the curtailment gain in October 2008, and the date change transitional adjustment in December 2008. Therefore, the Company requests that the Commission issue an accounting order by December 31, 2008. The basis for the request is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

At its public meeting on December 23, 2008, the Commission adopted Staff's recommendation to approve PacifiCorp's application. Staff's recommendation is attached as Appendix A, and is incorporated by reference.

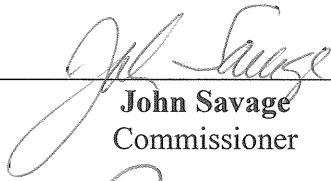
ORDER

IT IS ORDERED that Pacific Power's request for an accounting order, as described in Appendix A, attached hereto, is approved.

Made, entered, and effective DEC 24 2008.



Lee Beyer *akt*
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 23, 2008

REGULAR _____ CONSENT X EFFECTIVE DATE October 31, 2008

DATE: December 5, 2008

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *in* Lee Sparling, *EB* Ed Busch, and *JJ* Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT: (Docket No. UM 1400) Application for an Accounting Order regarding Pension Curtailment.

STAFF RECOMMENDATION:

I recommend the Commission approve PacifiCorp's (PPL or Company) application.

DISCUSSION:

On October 31, 2008, PPL made this filing to request authorization, under ORS 757.120 and OAR 860-027-0045, to record a net reduction to the regulatory asset in account 182.3 associated with the existing pension and other postretirement welfare assets for a pension curtailment gain, and a measurement date change transitional adjustment. PPL must record the curtailment gain in October 2008 and the date change transitional adjustment in December 2008. Therefore, the Company requests that the Commission issue an accounting order by December 31, 2008.

Recently, the company offered two retirement plan options to all non-union employees that will take effect on January 1, 2009. Employees could opt for a self-directed 401(k) approach, or the Company-directed cash balance approach. The level of employee participation in the 401(k) retirement plan option requires the Company to record a substantial curtailment gain in accordance with financial accounting standards. IBEW Local 659 also agreed to a 401(k) only approach, effective January 2008, which triggered a small curtailment gain that was recorded as an offset to existing pension regulatory assets. Finally, due to a new financial accounting standard, the annual measurement date for the liabilities is changing from September 30 to December 31, which coincides with PPL's calendar year end. Previously, plan assets and obligations were allowed to be measured up to three months prior to a company's fiscal year end.

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The net overall impact provided by Hewitt & Associates, the Company's pension actuary, is a pretax benefit to customers of \$27 million on a total Company basis. The components of this amount are \$41 million for the curtailment gain (Nonunion and Local 659) netted by the measurement date change transition adjustment of \$14 million.

PPL is seeking a ten-year amortization for the pretax net benefit to closely approximate the prior service amortizations that would have continued if it were not for the accelerated recognition due to the curtailment. The amortizations would be returned to customers in rates on a net basis as part of net periodic benefit cost in those years. In its filing, the Company included Exhibit PPL/101 Section B which shows that the expected increase in pension and other postretirement welfare expense is offset exactly by the net regulatory reduction in regulatory asset over the proposed 10-year period. There is a minor timing difference related to when the expenses occur but the net impact is zero over the ten-year amortization period. Absent approval, the adjustments must be booked to the Company's current fiscal year income and retained earnings, and therefore unavailable to offset future higher pension expense costs as illustrated in Exhibit PPL/101, Section C.

As part of its analysis of PPL's filing, Staff held a conference call with PPL and sent out a series of data requests. After reviewing the filing, considering the information gained in the conference call, and reviewing the data responses, Staff believes approval of PPL's request to be in the best interest of ratepayers.

PROPOSED COMMISSION MOTION:

Approve PPL's request that was filed and docketed as UM 1400.

PPL UM 1400 pension curtailment