



Pacific Power | Utah Power  
Rocky Mountain Power  
825 NE Multnomah  
Portland, Oregon 97232

July 10, 2007

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins, Administrator  
Regulatory and Technical Support

RE: **Petition of PacifiCorp to File Preliminary Depreciation Study**

Enclosed for filing by PacifiCorp dba, Pacific Power & Light Company ("PacifiCorp") is PacifiCorp's Petition to File Preliminary Depreciation Study. An original and five (5) copies will be provided via overnight delivery. A copy of this Petition will be sent to the service list for PacifiCorp's most recent general rate case, Docket No. UE 179.

The company respectfully requests that all formal correspondence and data requests regarding this matter be addressed to:


By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Please direct informal questions with respect to this filing to Joelle Steward at 503-813-5542.

Very truly yours,

  
Andrea L. Kelly  
Vice President, Regulation

Enclosures  
cc: Service list for Docket No. UE-179

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

Docket No. UM \_\_\_\_\_

In the Matter of the Petition of PACIFICORP to  
File Preliminary Depreciation Study.

**PETITION OF  
PACIFICORP**

In accordance with ORS 757.140 and OAR 860-013-020, PacifiCorp, dba Pacific Power & Light Company (“PacifiCorp” or “Company”), files this petition to file a preliminary depreciation study with the Public Utility Commission of Oregon (“Commission”). The Company intends to file an application for an order authorizing a change in depreciation rates, including testimony, on September 1, 2007. This preliminary study is being filed at the request of Commission Staff in order to facilitate the Commission’s review. The Company is seeking comments from interested parties prior to filing the final study.

In support of this Petition, PacifiCorp states:

**A. PacifiCorp**

PacifiCorp is a public utility in the state of Oregon and is subject to the jurisdiction of the Commission with regard to rates, service, and accounting practices. PacifiCorp also provides retail electricity service in the states of California, Idaho, Utah, Washington, and Wyoming.

**B. Communications**

Communications regarding this Petition should be addressed to:

PacifiCorp Oregon Dockets  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
Telephone: (503) 813-5542  
Facsimile: (503) 813-6060  
E-mail: oregondockets@pacificorp.com

and

Michelle Mishoe  
Legal Counsel  
PacifiCorp

825 NE Multnomah, Suite 1800  
Portland, OR 97232  
Telephone: (503) 813-5977  
Facsimile: (503) 813-7252  
E-mail: michelle.mishoe@pacificorp.com

In addition, the Company respectfully requests that all formal correspondence and data requests regarding this matter be addressed to:

By E-mail (**preferred**):        datarequest@pacificorp.com

By facsimile:                    (503) 813-6060

By regular mail:                Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Informal inquiries related to this Petition may be directed to Joelle Steward, Regulatory Manager, at (503) 813-5542.

**C. Statutory Authority**

ORS 757.140 empowers the Commission to ascertain and determine the proper and adequate rates of depreciation of PacifiCorp's property used in the rendering of retail electric service. (ORS 757.140(1)). PacifiCorp is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. *Id.* The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary. *Id.* Pursuant to the provisions of ORS 757.140, the Commission authorized PacifiCorp's current depreciation rates, effective April 1, 2003, in Order No. 03-457 (entered July 24, 2003).

**D. Basis for Filing.**

This preliminary depreciation study filing is intended to give the Commission and interested parties an opportunity to review preliminary methodologies and assumptions included in the Company's preliminary depreciation study. The Company met on May 31, 2007, with the Commission Staff and other parties in the six states in which it serves, to review the preliminary

results. An additional meeting is scheduled for July 26, 2007, with the interested parties to review any proposed changes, which are based on recommendations PacifiCorp has received from parties to date.

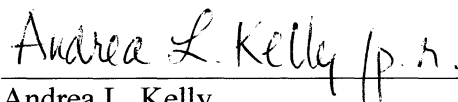
The Company will prepare a final depreciation study based on December 31, 2006 plant balances and file a depreciation application, including testimony, by September 1, 2007, requesting a change in depreciation rates with an effective date of January 1, 2008, provided that such a change is appropriate or necessary based on the final study. Changes in retail rates that reflect any approved new depreciation rates will be included in the Company's next general rate case.

To facilitate Commission review of the depreciation study, Commission Staff has requested that PacifiCorp initiate a docket by filing this preliminary study. The preliminary study, based on plant balances as of March 31, 2006 and prepared by Depreciation Specialty Resources, is attached as Appendix A.

WHEREFORE, PacifiCorp respectfully requests that, in accordance with the Commission's general rate-making authority as set forth in ORS 756.040(1) & (2), the Commission initiate a docket to review the Company's preliminary depreciation study methodologies and assumptions.

DATED: July 10, 2007.

Respectfully submitted,



Andrea L. Kelly  
Vice President, Regulation

## CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing Petition upon the parties of record in PacifiCorp's last general rate case proceeding, Docket No. UE 179, on the date indicated below, via E-mail and U.S. mail with postage prepaid, to said person(s) a true copy thereof, (to those parties who have not waived paper service), contained in a sealed envelope, addressed to said person(s) at his or her last-known address(es) indicated below. A copy of Appendix A may be obtained by contacting Joelle Steward at (503) 813-5542.

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Peggy Ryan  
Supervisor Regulatory Administration

DATED: July 10, 2007

# *PacifiCorp*

Book Depreciation Study of Electric Property  
as of March 31, 2006

***PacifiCorp***

*Book Depreciation Study of Electric Property  
as of March 31, 2006*



September 2006

Mr. David Mendez

Chief Accounting Officer  
PacifiCorp  
825 NE Multnomah, Suite 1900  
Portland, Oregon 97232

Dear Mr. Mendez:

In accordance with your request, we have conducted a book depreciation study of the Electric Utility property of PacifiCorp ("PacifiCorp" or the "Company"). The study recognized addition and retirement experience through March 31, 2006, and the comparisons presented herein are based on depreciable plant balances as of that date.

Study depreciation rates have been calculated using the average life group ("ALG") procedure and the remaining life technique, consistent with prior studies.

The summary shown in Table A (following) is taken from Schedule 1, which show the annual depreciation provisions for the existing and study rates. The recommended depreciation rates are developed in Schedule 1. Based on the March 31, 2006, depreciable plant balances, study rates will result in an increase in total annual depreciation provisions. The existing rates are those approved by each state commission. Schedule 2 shows the mortality characteristics (average service life, retirement dispersion, net salvage and retirement years) determined for each depreciable property group, as well as the mortality characteristics reflected in the existing rates.

Schedule 3 shows an example (for Account 312, Boiler Plant Equipment for the Hunter Plant) of the depreciation rate calculation procedure used for Production Plant.

A comparison of the effect of each set of study account rates with that of the existing rates is shown on the next page (Table A).

TABLE A

Function	3/31/2006	Accrual Rate		Annual Accrual		Increase or
	Balance	Existing	Proposed	Existing	Proposed	(Decrease)
	\$	%	%	\$	\$	\$
<u>Production Plant</u>						
Steam Production	4,415,106,224	3.12	2.93	137,775,984	129,536,182	(8,239,802)
Hydraulic Production	517,813,974	2.48	4.17	12,839,979	21,582,739	8,742,760
Other Production	605,937,935	3.25	3.37	19,698,597	20,444,622	746,025
Subtotal Production	<u>5,538,858,133</u>	3.07	3.10	<u>170,314,560</u>	<u>171,563,543</u>	<u>1,248,983</u>
<u>Transmission Plant (System)</u>	2,556,870,375	2.12	2.26	54,283,256	57,724,053	3,440,797
<u>Distribution Plant</u>						
Oregon	1,441,463,694	2.89	3.21	41,698,779	46,331,121	4,632,342
Washington	338,929,674	2.97	3.30	10,060,376	11,182,578	1,122,202
Idaho	220,966,596	2.73	3.21	6,030,042	7,096,410	1,066,368
Wyoming	436,170,729	2.81	2.98	12,239,502	13,018,975	779,473
California	183,923,352	2.98	3.49	5,489,036	6,415,838	926,802
Utah	1,827,498,826	2.55	3.15	46,626,197	57,565,714	10,939,517
Subtotal Distribution	<u>4,448,952,871</u>	2.75	3.18	<u>122,143,932</u>	<u>141,610,636</u>	<u>19,466,704</u>
<u>General Plant</u>						
Oregon	197,286,867	5.06	4.35	9,988,100	8,574,765	(1,413,335)
Washington	36,575,641	5.59	5.59	2,043,526	2,045,987	2,461
Idaho	34,678,409	4.62	3.99	1,600,702	1,382,094	(218,608)
Montana	7,892,250	4.75	3.29	374,536	259,451	(115,085)
Wyoming	77,191,060	4.49	5.29	3,464,065	4,087,006	622,941
California	11,179,715	4.04	5.12	451,289	572,525	121,236
Utah	252,220,608	4.40	4.36	11,106,728	11,001,652	(105,076)
Subtotal General	<u>617,024,550</u>	4.70	4.53	<u>29,028,946</u>	<u>27,923,480</u>	<u>(1,105,466)</u>
<u>Mining Operations</u>						
Utah	187,988,019	5.86	3.90	11,025,031	7,331,367	(3,693,664)
Total Depreciable Plant	<u>13,349,693,948</u>	2.90	3.04	<u>386,795,725</u>	<u>406,153,079</u>	<u>19,357,354</u>

The tables below compare the functional lives and net salvage allowance for the prior study and this study:

### AVERAGE SERVICE LIVES

<u>Plant Function</u>	<u>Existing Years</u>	<u>Proposed Years</u>
<u>Production</u>		
Steam	39	41
Hydraulic	62	63
Other	33	32
 <u>Transmission</u>	 57	 58
 <u>Distribution</u>		
Oregon	44	47
Washington	49	49
Idaho	45	44
Wyoming	45	47
California	50	52
Utah	45	46
 <u>General</u>		
Oregon	26	30
Washington	22	21
Idaho	25	26
Montana	22	25
Wyoming	20	19
California	21	23
Utah	25	26
 <u>Mining Operations</u>		
Utah	16	21

## NET SALVAGE

<u>Plant Function</u>	<u>Existing</u> %	<u>Proposed</u> %
<u>Production</u>		
Steam	(4)	(8)
Hydraulic	(7)	(8)
Other	(1)	(3)
<u>Transmission</u>	(20)	(29)
<u>Distribution</u>		
Oregon	(32)	(49)
Washington	(49)	(59)
Idaho	(23)	(46)
Wyoming	(32)	(43)
California	(46)	(72)
Utah	(23)	(40)
<u>General</u>		
Oregon	3	1
Washington	(4)	2
Idaho	6	4
Montana	-	(1)
Wyoming	13	8
California	9	3
Utah	6	5
<u>Mining Operations</u>		
Utah	1	2

The following sections of this report discuss the differences between the rate calculation procedures and techniques, describe the methods of analysis used and the bases for the conclusions reached, and recommend both immediate and future actions.

We appreciate this opportunity to serve PacifiCorp and would be pleased to meet with you, if you desire, to discuss further the matters presented in this report.

Yours truly,

*Ronald S. Roff*

## PURPOSE OF DEPRECIATION

Book depreciation accounting is merely the recognition in financial statements that physical assets are consumed in the process of providing a service or a product. Generally accepted accounting principles require the recording of depreciation provisions to be systematic and rational. To accomplish this, depreciation expense should, to the extent possible, match either the consumption of the facilities or the revenues generated by the facilities. Such matching ensures that financial statements accurately reflect the results of operations and changes in financial position.

Since utility revenues have been determined through regulation and are expected to continue to be, asset consumption is not automatically reflected in revenues. Therefore, the consumption of utility assets must be measured directly by conducting a book depreciation study to accurately determine their mortality characteristics.

The matching concept is also an essential element of basic regulatory philosophy, known as "intergenerational customer equity." Intergenerational customer equity means the costs are borne by the generation of customers that caused them to be incurred, not by some earlier or later generation. This matching is required to ensure that charges to customers reflect the actual costs of providing service.

## DEPRECIATION DEFINITIONS

The Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission ("FERC"), followed by PacifiCorp, states that:

"Depreciation," as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

"Service value" means the difference between original cost and net salvage value of electric plant.

"Net salvage value" means the salvage value of property retired less the cost of removal.

"Salvage value" means the amount received for the property retired less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material is chargeable to materials and supplies or other appropriate account.

"Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto.

Thus, it is the salvage that will actually be received and the cost of removal that will actually be incurred, both measured at the price level at the time of receipt or incurrence, that is required to be recognized by PacifiCorp through capital recovery. Thus, accrual accounting is utilized.

These definitions are consistent with the purpose of depreciation, and the study reported here was conducted in a manner consistent with both.

## THE BOOK DEPRECIATION STUDY

Implementation of a policy toward book depreciation that recognizes the purpose of depreciation requires accurate determination of the mortality characteristics that are applicable to surviving property. The purpose of the depreciation study reported herein is to measure those mortality characteristics, to use the characteristics to determine appropriate rates for accrual of depreciation and to test the adequacy of the accumulated provision for depreciation, if necessary.

*Step One* of the study was a Life Analysis, consisting of a determination of historical retirement experience and an evaluation of the applicability of that experience to surviving property. For Production Plant, this step also entailed a determination of generating unit retirement dates suitable for calculating depreciation rates, and an analysis of past interim addition and retirement activity. Retirement dates were developed by PacifiCorp engineering and planning personnel giving recognition to operating characteristics, environmental constraints and other factors.

*Step Two* was a Salvage and Cost of Removal Analysis, consisting of a study of salvage and cost of removal experience and an evaluation of the applicability of that experience to surviving property. Cost of removal and salvage have been recognized two ways for production facilities.

Cost of removal and salvage related to interim retirements have been recognized based upon an analysis of historical experience. Cost of removal and salvage related to terminal retirements have been recognized based upon site-specific demolition cost estimates of other utilities.

*Step Three* consisted of the determination of the average service lives, the retirement dispersion patterns identified by Iowa-type curves, or interim factors and the net salvage factors applicable to surviving property.



*Step Four* was the determination of the depreciation rate applicable to each depreciable property group recognizing the results of the work in Steps One through Three.

The major effort of the study is the determination of the appropriate mortality characteristics.

The remainder of this report discusses how those characteristics were determined, describes how the mortality characteristics have been used to calculate rates and presents the results of the rate calculations.

### LIFE ANALYSIS

The Life Analysis for the property concerns the determination of average service lives and Iowa-type retirement dispersion patterns and generating unit retirements dates. The Life Analysis for Production Plant consisted of both a forecast and a historical analysis, and for other property, it consisted of only a historical analysis. PacifiCorp engineering and planning personnel developed the estimated retirement dates giving consideration to operating characteristics, environmental constraints, usage and availability.

#### Production Plant

The nature of Production Plant is such that the applicable average service life and dispersion pattern can be determined only after terminal retirements have taken place. Terminal retirements are composed of those original additions and interim additions that survive to the end of the life of the unit. Without terminal retirements, any method of life analysis will usually indicate a higher average service life and less dispersion than is applicable to the property. Average service life will be accurately measured only when original and interim additions, and interim and terminal retirements are included.

For Production Plant, the Life Analysis required two steps. The first step was the estimation of the retirement date of each generating unit. The second step was the calculation of past interim addition and retirement ratios. The Company's engineers and planning personnel provided the estimated retirement date for each generating station. The retirement dates utilized for rate calculations are shown in Column 3 of Schedule 2.

Past interim addition and retirement ratios were determined from an analysis of actual Company experience conducted by plant and account, and separate ratios were determined for each Production Plant account. The past interim addition analysis consisted of relating the sum of the past interim additions to the sum of the past interim retirements. The past interim additions are expressed as a ratio of interim retirements and thus are the number of dollars of past interim additions for each dollar of interim retirements. The interim retirement analysis consisted of relating the sum of the past interim retirements to the sum of the depreciable balances. When expressed as a percentage, the interim retirement ratio is the depreciation rate that would have recovered an amount equal to the total interim retirements.

#### Mass Properties

An analysis of historical retirement activity, suitably tempered by informed judgment as to the future applicability of such activity to surviving property, forms the basis for determination of

average service lives and dispersion characteristics. Retirement experience through March 31, 2006, was analyzed using the Actuarial method of analysis of property mortality for most nonproduction property groups. This method could be used because the age of retirements and surviving property is known.

The Actuarial method determines actual survivor curves for selected periods of actual retirement experience. In order to recognize trends in life characteristics and ensure that the valuable information in the curves is available to the analyst, actual survivor curves were calculated using several different periods of actual retirement experience; and the average service lives and retirement dispersion patterns indicated by these actual survivor curves were identified by visually fitting Iowa-type dispersion patterns to the actual curves.

It is important to discern trends in historical mortality experience. In order to determine trends, the periods (year bands) of retirement experience analyzed were (1) the past five years, (2) the past ten years, (3) the past 20 years, (4) the past 30 years, and (5) the full band of retirement experience. The actual survivor curve for each of these year bands was plotted, and the Iowa curves were visually fit to ensure that the significant amount of information contained in the actual curves and the underlying data are available to the analyst and to ensure that the analyst does not fall into the trap of letting the computer do his thinking. Consideration was given to future expectations that might be different from that reflected in the historical experience, as well as trends in life and curve shape.

Because aged retirement information is not readily available for certain asset categories, namely, the Distribution Line accounts for the Utah Division and the Meter account, an approach known as the Simulated Plant Record ("SPR") method was employed. The SPR method determines

retirement dispersion and average service life combinations for various bands of years that best match the actual retirements and balances for each asset category. The simulated balances procedure consists of applying survivor ratios (portion surviving at each age) from Iowa-type dispersion patterns in order to calculate annual balances, and then comparing the calculated balances with the actual balances for several periods, followed by statistical comparisons of differences in balances. The simulated retirements procedure is similar, except that the retirement frequency rates of the Iowa patterns are utilized to calculate annual retirements, and the comparisons are to actual retirements rather than to balances. Tabulations of the best ranking curves were also made.

Iowa-type curves were devised empirically over 60 years ago by the Engineering Research Institute at what is now Iowa State University to provide a set of standard definitions of retirement dispersion. Retirement dispersion merely recognizes that groups of assets have individual assets of different lives (i.e., each asset retires at differing ages). Retirement dispersion is the scattering of retirements by age around the average service life for each group of assets. Standard dispersion patterns are useful because they make calculations of the remaining life of existing property possible and allow life characteristics to be compared.

The Engineering Research Institute collected dated retirement information on many types of industrial and utility property and devised empirical curves that matched the range of patterns found. A total of 18 curves were defined. There were six left-skewed, seven symmetrical and five right-skewed curves, varying from wide to narrow dispersion patterns. The left-skewed curves are known as the "L series," the symmetrical as the "S series" and the right-skewed as the "R series." A number identifies the range of dispersion. A low number represents a wide pattern

and a high number a narrow pattern. The combination of one letter and one number defines a unique dispersion pattern.

### SALVAGE AND COST OF REMOVAL ANALYSIS

Production Plant interim net salvage factors are shown in Column 6 and terminal net salvage amounts are shown in Column 7 of Schedule 2. The remainder of the Electric Plant in Service gross salvage and cost of removal experience for the period 1992 through 2006 is shown in Columns 9 and Column 10 of Schedule 2. The analysis was done in a manner that allows salvage and cost of removal factors to be selected for each depreciable property group. The analysis consists of calculating salvage and cost of removal factors for each year for each property group. Annual, rolling and shrinking band factors were calculated for certain property groups. The rolling band analysis compensates for transaction year mismatches in the database. These mismatches occur because all activity on a retirement work order may not be recorded in the same year. The shrinking bands show trends not easily seen from the annual factors.

The Company has relevant interim salvage and cost of removal experience for Production Plant but not for terminal salvage and cost of removal. The interim salvage and cost of removal factors selected for Production Plant reflect actual experience. The terminal net salvage factors selected for Steam and Other Production Plant considered the nature of the facilities and the cost estimates of other utilities. Consistent with prior studies, a unit cost per megawatt of capacity was used to estimate terminal net salvage amounts. These amounts were converted to percentages. No terminal net salvage has been recognized for Hydraulic Production Plant, with the exception of the Condit, American Fork, Powerdale and the Cove (included with Bear River) Plants. Definitive estimates are not available at this time.

## EVALUATION OF ACTUAL EXPERIENCE

The analysis process involves historical retirement experience. Since the depreciation rates are to be applied to surviving property, the historical mortality experience indicated by the Life and the Salvage and Cost of Removal Analyses must be evaluated to ensure that the mortality characteristics used to calculate the rates are applicable to surviving property. The evaluation is required to ensure the validity of the recommended depreciation rates.

The evaluation process requires knowledge of the type of property surviving; the type of property retired; the reasons for changing life, dispersion, salvage and cost of removal characteristics; and the effect of present and future plans on property life. The evaluation included extensive discussions with PacifiCorp accounting, engineering and operating personnel; determination of the type of property carried in each account; and special analyses of retirements to identify the type of property retired and reasons for retirement.

## CALCULATION OF DEPRECIATION RATES

The rate calculation procedures listed below implement the straight-line method of depreciation:

1. Units-of-Production ("UOP")
2. Average Life Group ("ALG")
3. Equal Life Group ("ELG")

UOP is a straight-line procedure because productive life can be measured either by time or by usage. If usage is the appropriate criterion, depreciation should be straight-line over usage, with each unit of usage carrying the same amount of depreciation. The UOP procedure is straight-line over life measured by usage. ALG and ELG are straight-line procedures that reflect life measured by time, with ALG utilizing average life and ELG, actual life.

UOP is appropriate for assets that produce or are consumed in a distinctive pattern, such as certain mining facilities. For these facilities, UOP best matches costs with consumption of the facilities and best promotes intergenerational equity by assigning the cost of the unit to the generations of customers in proportion to use in providing service to each generation.

Remaining life rates can be calculated using the following formula:

$$\text{Rate} = \frac{\text{Plant Balance} - \text{Net Salvage} - \text{Book Reserve}}{\text{Average Remaining Life}}$$

The existing rates are ALG remaining life.

The remaining life depreciation rates for Production Plant were calculated to cause the book reserve for each property group to become zero at the time of the estimated retirement of the station. Future interim retirements indicated by the historical analysis, net salvage for interim retirements and net salvage for terminal retirements were reflected in the rate calculations.

Schedule 3 utilizes Account 312, Boiler Plant Equipment, Hunter Plant to demonstrate how the formula was used to calculate a remaining life rate for each plant and account that is intended to cause full recovery at the time the last generating unit is retired. The future interim retirement amounts and the terminal retirement amounts are calculated for each generating unit from the interim retirement ratios shown in Column 5 of Schedule 2, the remaining life span of each individual generating unit determined from the retirement date shown in Column 3 of Schedule 2, and the March 31, 2006, depreciable plant balances. The rate calculation is shown on Schedule 3 and uses the future annual interim retirement amounts and plant balances calculated on that schedule. The depreciable plant and book reserve balances are from Company

accounting records, the interim net salvage factors were determined by the study and the terminal net salvage factors were developed from demolition studies and unit cost factors of other utilities.

#### ACCOMPLISHMENT OF ACCOUNTING AND REGULATORY PRINCIPLES

The matching (cause and effect) principle of accounting has a significant influence on how a depreciation study of Production Plant is conducted. It is necessary to incorporate future interim additions into the calculation of power plant depreciation rates to comply with the matching principle because the generating unit retirement dates cannot occur without the future additions for plant enhancements and component replacements occurring. The matching principle allows either elimination of both the future additions and the life the future additions cause or the inclusion of both. Interim retirements were included to ensure they are fully depreciated when they occur, and they can easily be estimated based on past experience. Future interim additions should normally be included in order to put all rate calculation formula elements on the same basis. The impact of incorporating the effect of future interim additions on the depreciation rate produces a level of expense substantially above the depreciation rates recommended in this study. While it would be proper to include this effect in depreciation rates, no adjustment has been made in this study. PacifiCorp management has been apprised of this situation and the Company has determined not to pursue this issue at this time.

Utility depreciation is a group concept, and depreciation rates are based on the recognition that a property group has an average service life. However, very little of the property is "average." The average concept carries with it recognition that most property will be retired at an age either less than or greater than the average service life. This study recognized the existence of this variation



through the identification of Iowa-type retirement dispersion patterns and future interim retirement ratios.

## RESULTS

Based on March 31, 2006, depreciable balances, the composite depreciation rate increased from 2.90% to 3.04%. A number of significant changes in mortality characteristics (average service life, retirement dispersion and net salvage) and reasons for change are discussed below:

### Steam Production Plant

The composite rate decreased from 3.12% to 2.93%. The major reasons for the changes are updated retirement dates, updated demolition costs and past interim additions since the last study.

The Actuarial method of analysis will overstate the average service life when terminal retirements are lacking. While the Company has terminal retirement experience for steam generating units, the Actuarial method was not used because retirement experience is insufficient to provide meaningful results. Schedule 2 shows the estimated year of retirement of each existing steam plant.

### Hydraulic Production

The composite rate increased from 2.48% to 4.17%. The rates for hydroelectric plants are calculated in the same way as that of Production Plant. The influencing factors are additional investment and dismantlement costs for Condit, Cove, Powerdale and American Fork. A significant portion of this increase will disappear after three years, as the dismantlement efforts at Condit, Powerdale and American Fork are completed.

### Other Production Plant

The composite rate increased from 3.25% to 3.37%. Terminal retirement dates were provided by the Company and are shown in Column 3 of Schedule 2. Net salvage for the Hermiston Plant is a driver of the increase.

### Transmission Plant

The composite rate increased from 2.12% to 2.26%. There is a slight decrease in the average service lives and slightly more negative net salvage. Account 354, Towers and Fixtures; Account 355, Poles and Fixtures; and Account 356, Overhead Conductors and Devices; are the major influences because of the relative magnitude of their plant balances. This study examined Transmission Plant on a total system basis consistent with how it is operated and with the prior study.

### Distribution Plant

The composite rate for all Distribution Plant increased from 2.75% to 3.18%. The major influences, Accounts 362, 364, 365 and 368, are consistent in each state and are a result of the relative magnitude of their plant balances. The average service lives are increasing, as well as the experience and recognition of more negative net salvage are the greatest influences. The following summarizes the composite rate changes by state, as shown on Schedule 1:

- Oregon - Increased from 2.89 % to 3.21%
- Washington - Increased from 2.97% to 3.30%
- Wyoming - Increased from 2.81% to 2.98%
- California - Increased from 2.98% to 3.49%
- Idaho - Increased from 2.73% to 3.21%
- Utah - Increased from 2.55% to 3.15%

## General Plant

The composite rate for all General Plant decreased from 4.70% to 4.53%. The following summarizes the changes by state, as shown on Schedule 1:

- Oregon - Decreased from 5.06% to 4.35%
- Washington – Unchanged at 5.59%
- Montana - Decreased from 4.75% to 3.29%
- Wyoming - Increased from 4.49% to 5.29%
- California - Increased from 4.04% to 5.12%
- Idaho - Decreased from 4.62% to 3.99%
- Utah - Decreased from 4.40% to 4.36%

## Mining Operations - Utah

The total change is a decrease from 5.86% to 3.90%. The primary influence is Account 399.45, Underground Equipment, where a longer average service life was recognized and the reserve position caused the rate to decrease.

## GENERAL PLANT AMORTIZATION

PacifiCorp has implemented a process commonly referred to as “General Plant Amortization.”

These asset categories are characterized as containing many items of small unit costs with similar mortality characteristics. In addition, these assets represent a very small portion of the total asset base.

Under this method of accounting, amounts recorded as additions to Plant in Service are recorded at the vintage account level only. These amounts are being amortized over their average service lives as determined by the 1991 depreciation study, and then confirmed in 1997 and 2002. When

each vintage reaches an age equal to this period, the original cost is retired from utility plant in service. These procedures have eliminated the costly tracking of many small items and resulted in more effective utilization of property accounting resources.

The following table lists the amortization periods presently in use:

**PACIFICORP**  
 Depreciation Study as of 3/31/06  
 Schedule of Indicated Amortization Periods for General Plant

<u>Account</u>	<u>Description</u>	<u>Life in Years</u>
390.3	Structures and Improvements - Panels	15
	<b><u>Office Furniture and Equipment</u></b>	
391.0	Office Furniture	20
391.2	Personal Computers and Printers	5
391.3	Office Equipment	8
	<b><u>Operations Equipment</u></b>	
393.0	Stores Equipment	25
394.0	Tools, Shop and Garage Equipment	24
395.0	Laboratory Equipment	20
397.2	Communications Equipment - Mobile Radio	11
398.0	Miscellaneous Equipment	20

While these asset categories were not a part of the depreciation study, a limited review of the historical experience confirms the validity of the amortization periods shown above.

**RECOMMENDATIONS**

Our recommendations for your future actions in regard to book depreciation are as follows:

1. The annual depreciation rates shown on Schedule 1 are applicable to existing property, so we recommend adoption of the remaining life rates in Column 12 of Schedule 1.

2. Because of variation of service lives and net salvage experience with time, a complete depreciation study should be made during 2011 based on retirement experience through December 31, 2010. Exact timing of the study should be coordinated with a retail rate case to ensure timely implementation of revised depreciation rates. (In the event that PacifiCorp changes its fiscal year, alternative dates would be utilized.)
3. Consider the impact of future additions on the depreciation rate for Production Plant in future studies.
4. Periodically examine the potential net salvage for Hydraulic Production Facilities as more information becomes available.
5. The depreciation rate to be used for the Lakeside Peaking Units is 2.95%.
6. The depreciation rate to be used for the Leaning Juniper facility is 4.02%



















PACIFICORP  
REMAINING LIFE DEPRECIATION RATES

SCHEDULE 1

[1] Account Number	[2] Description	[3] 3/31/2006 Balance \$	[4] IOWA CURVE	[5] Average Life Yrs	[6] NET SALVAGE Amount %	[7] NET SALVAGE Amount \$	[8] 3/31/2006 Book Reserve \$	[9] Net Plant \$	[10] Rem. Life Yrs	[11] Annual Amount \$	[12] Deprec. Rate %	[13] Existing Rate %	[14] Annual Amount \$	[15] Increase or Decrease \$
<b>WYOMING - GENERAL</b>														
389.20	Land Rights	1,486	SQ	50.00	-	(916,486)	404	1,092	35.61	160,022	2.04	2.96	157,637	35
390.00	Structures & Improvements	6,109,871	R3	40.00	(15.00)	(916,486)	2,252,294	4,774,173	28.52	160,022	2.95	2.98	157,637	22,384
392.10	Transp. Expt. - Light Trucks & Vans	4,872,861	S1.5	14.00	10.00	480,286	1,463,716	4,774,173	8.44	346,184	7.10	5.89	207,013	58,181
392.50	Transp. Expt. - Medium Trucks	4,489,216	S2	30.00	5.00	1,386,189	2,699,103	2,699,103	9.85	297,107	6.00	4.67	210,113	86,993
396.30	Light Power Operated Equipment	2,043,916	R4	9.00	15.00	102,162	1,941,754	1,941,754	17.16	266,879	3.28	7.27	68,837	142
396.70	Heavy Power Operated Equipment	3,359,298	R4	15.00	5.00	353,895	4,073,980	1,188,015	5.17	353,895	8.16	3.83	950,487	284,384
397.00	Communication Equipment	24,414,508	S-5	15.00	25.00	6,103,627	13,339,716	13,339,716	10.15	1,344,376	5.16	3.82	950,487	284,384
	TOTAL WYOMING - GENERAL	32,889,745	L2	20.00	(2.00)	(687,755)	11,134,045	22,413,485	13.02	1,721,487	5.23	4.86	1,588,442	123,023
		77,181,060		19.14	7.67	5,922,638	22,784,804	48,483,618	12.72	4,057,056	5.29	4.48	3,654,065	622,841
<b>CALIFORNIA - GENERAL</b>														
390.00	Structures & Improvements	1,392,103	R3	50.00	(20.00)	(278,421)	572,175	1,098,349	33.28	33,005	2.37	2.22	30,905	2,089
392.10	Transp. Expt. - Light Trucks & Vans	649,225	S3	10.00	20.00	129,845	196,790	322,590	6.30	51,205	7.89	6.31	40,966	10,239
392.50	Transp. Expt. - Medium Trucks	743,429	L2	15.00	15.00	111,514	155,329	476,586	11.40	41,806	5.62	5.04	37,469	4,337
392.90	Transp. Expt. - Trailers	280,111	R4	35.00	5.00	14,006	84,244	171,861	22.80	7,505	2.88	2.30	6,443	1,062
396.30	Light Power Operated Equipment	1,094,237	R4	8.00	15.00	155,138	439,956	439,145	4.09	107,371	10.38	5.92	61,227	46,144
396.70	Heavy Power Operated Equipment	2,680,188	R2.5	15.00	15.00	402,028	909,906	1,388,254	9.15	148,536	5.58	3.42	91,662	57,874
397.00	Communication Equipment	4,490,422	R2	25.00	(5.00)	(220,021)	1,776,042	2,844,401	15.62	182,100	4.14	4.15	182,618	(518)
	TOTAL CALIFORNIA - GENERAL	11,179,715		22.86	2.81	314,087	4,144,442	6,721,185	14.56	572,525	5.12	4.04	451,289	121,236
<b>UTAH - GENERAL</b>														
389.20	Land Rights	35,298	R1	40.00	-	-	18,699	16,599	20.32	617	2.31	2.36	833	(16)
390.00	Structures & Improvements	81,982,575	R1	40.00	5.00	4,069,629	23,590,504	54,312,442	28.75	1,895,128	2.30	2.43	1,992,420	(103,291)
392.10	Transp. Expt. - Light Trucks & Vans	19,062,242	L2	12.00	10.00	1,921,439	7,874,913	9,618,040	7.05	1,364,281	7.10	6.89	1,285,443	78,818
392.50	Transp. Expt. - Medium Trucks	6,581,435	S1	26.00	25.00	1,906,242	6,453,101	10,103,076	10.41	1,028,153	5.39	5.84	1,075,120	(46,967)
396.30	Light Power Operated Equipment	3,380,807	R4	8.00	10.00	338,899	2,745,909	2,921,826	1.39	968,018	2.55	2.51	165,194	2,824
396.70	Heavy Power Operated Equipment	44,533,089	L0.5	12.00	15.00	6,979,963	12,586,534	25,284,629	9.26	3,415,563	10.21	8.95	322,967	22,316
397.00	Communication Equipment	77,420,609	R1	25.00	(5.00)	(3,871,030)	23,933,398	57,358,225	18.16	1,169,159	6.64	5.91	2,897,372	(460,228)
	TOTAL UTAH - GENERAL	252,220,608		25.76	5.04	12,148,653	78,046,208	161,454,719	18.20	1,301,652	4.98	4.70	1,056,728	(518,076)
	TOTAL GENERAL PLANT	617,024,550		25.77	3.65	22,488,555	181,139,037	403,398,988	18.20	27,923,480	4.53	4.70	29,026,945	(1,103,465)
<b>UTAH MINING</b>														
399.30	Structures & Improvements	13,066,651	FCST	37.72	(0.59)	(771,093)	10,718,460	2,425,284	15.52	156,268	1.20	2.61	341,040	(184,771)
399.30	Structures & Improvements - Prep Plant	24,014,747	FCST	39.65	(6.63)	(1,592,178)	13,010,969	12,595,926	25.11	501,830	2.09	3.13	751,682	(250,032)
399.41	Surface Processing Equip. - Prep Plant	8,178,843	FCST	39.24	(6.63)	(542,257)	4,351,274	4,369,826	25.11	174,027	2.13	3.22	263,359	(89,331)
399.45	Underground Equipment	104,366,253	L2	12.00	5.00	5,218,313	84,652,020	34,495,920	6.35	5,432,428	5.21	7.57	7,900,525	(2,468,097)
399.51	Vehicles	988,130	S3	14.00	5.00	47,907	561,387	348,857	7.77	44,898	4.69	5.67	54,326	(9,428)
399.52	Heavy Construction Equipment	3,180,082	R5	13.00	5.00	159,004	1,856,075	1,165,003	10.02	116,268	3.66	4.50	143,104	(26,836)
399.60	Miscellaneous Equipment	2,054,845	L1.5	18.00	1.00	20,548	1,236,663	797,634	7.30	109,265	5.32	6.78	138,908	(29,643)
399.61	Computer Equipment	585,673	R4	8.00	-	-	483,236	82,437	3.14	29,439	5.03	7.79	45,624	(16,185)
399.70	Mine Development	31,589,795	FCST	28.20	-	-	19,676,720	11,906,075	15.52	767,144	2.43	4.39	1,386,485	(619,341)
	TOTAL UTAH MINING	187,988,019		21.34	1.72	3,234,243	116,556,614	68,196,962	11.81	7,331,367	3.90	5.86	11,025,031	(3,683,664)
	TOTAL ELECTRIC PLANT	13,349,693,948		45.73	(23.70)	(3,163,393,010)	5,560,170,313	10,852,916,845	28.67	406,153,078	3.04	2.90	386,765,722	19,357,356

**PACIFICORP**

Summary of Thermal Production Mortality Characteristics  
Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Account	Description	Retirement Year	Interim Addition Factor	Interim Retirement Ratio %	Interim Net Salvage %	Terminal* Net Salvage \$
<b><u>STEAM PRODUCTION PLANT</u></b>						
310.2	Land Rights		0.0	0.00	0	
311.0	Structures and Improvements		0.0	0.20	(25)	
312.0	Boiler Plant Equipment		0.0	0.50	(10)	
314.0	Turbogenerator Units		0.0	0.80	(15)	
315.0	Accessory Electric Equipment		0.0	0.15	(10)	
316.0	Miscellaneous Power Plant Equipment		0.0	1.50	(5)	
	Blundell	2033				1,150,000
	Carbon	2020				8,750,000
	Cholla	2025				19,000,000
	Colstrip	2029				7,200,000
	Craig	2024				8,300,000
	Dave Johnston	2020				38,600,000
	Gadsby	2017				11,750,000
	Hayden	2024				3,900,000
	Hunter	2031				55,400,000
	Huntington	2025				44,750,000
	James River	2016				1,040,000
	Jim Bridger	2026				70,300,000
	Naughton	2022				35,000,000
	Wyodak	2028				13,400,000
<b><u>OTHER PRODUCTION PLANT</u></b>						
341.0	Structures and Improvements		0.0	0.01	(5)	
342.0	Fuel Holders, Producers & Accessories		0.0	0.20	0	
343.0	Prime Movers		0.0	0.20	0	
344.0	Generators		0.0	0.04	0	
345.0	Accessory Electric Equipment		0.0	0.02	0	
346.0	Miscellaneous Power Plant Equipment		0.0	0.01	0	
	Currant Creek	2040				10,500,000
	Gadsby Peaking Units	2027				1,080,000
	Hermiston	2031				4,760,000
	Little Mountain	2009				126,000
	Wyoming Wind Farm	2019				297,000

\* Amounts derived from Unit Cost Factor (\$/kw)

**PACIFICORP**

Summary of Hydraulic Production Mortality Characteristics  
Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Account	Description	Retirement Year	Interim Addition Factor	Interim Retirement Ratio %	Interim Net Salvage %	Terminal Net Salvage \$
	<u>HYDRAULIC PRODUCTION PLANT</u>					
331.0	Structures and Improvements		0.0	0.15	(30)	
332.0	Reservoirs, Dams and Waterways		0.0	0.13	(50)	
333.0	Waterwheels, Turbines & Generators		0.0	0.20	(60)	
334.0	Accessory Electric Equipment		0.0	0.50	(30)	
335.0	Miscellaneous Power Plant Equipment		0.0	0.50	0	
336.0	Roads, Railroads and Bridges		0.0	0.15	(40)	
	American Fork	2006				1,430,000
	Ashton/St. Anthony	2028				
	Bear River	2033				
	Bend	2010				
	Big Fork	2051				
	Cline Falls	2013				
	Condit	2008				21,240,000
	Cove (Included with Bear River)	2006				2,950,000
	Cutler	2024				
	Fountain Green	2010				
	Granite	2030				
	Klamath River	2046				
	Last Chance	2025				
	Lifton	2033				
	Merwin	2046				
	North Umpqua	2040				
	Olmstead	2016				
	Paris	2010				
	Pioneer	2030				
	Powerdale	2010				5,580,000
	Prospect #1, 2 & 4	2035				
	Prospect #3	2019				
	Santa Clara	2020				
	Snake Creek	2020				
	Stairs	2025				
	Swift	2046				
	Upper Beaver	2030				
	Viva Naughton	2040				
	Wallowa Falls	2016				
	Weber	2020				
	Yale	2046				



**PACIFICORP - SYSTEM**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b>TRANSMISSION PLANT</b>									
350.2	Land Rights	70.0	R5	0	0	70.0	R5	0	0
352.0	Structures and Improvements	65.0	R2	0	10	75.0	S1	0	5
353.0	Station Equipment	58.0	R1.5	5	10	58.0	R1.5	0	10
353.7	Supervisory and Alarm Equipment	20.0	R1	0	5	25.0	R2	0	0
354.0	Towers and Fixtures	60.0	S6	1	31	65.0	R5	0	10
355.0	Poles and Fixtures	50.0	R3	1	31	52.0	R2.5	2	62
356.0	Overhead Conductors and Devices	60.0	R5	5	35	60.0	R4	5	55
356.2	Clearing Land and R/W	70.0	R5	0	0	65.0	S6	0	0
357.0	Underground Conduit	60.0	R2	5	95	60.0	R2	5	75
358.0	Underground Conductors and Devices	50.0	R2	5	25	60.0	R2	5	45
359.0	Roads and Trails	70.0	R5	0	0	70.0	R5	0	0

**PACIFICORP - OREGON**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b><u>DISTRIBUTION PLANT</u></b>									
360.2	Land Rights	55.0	S4	0	0	50.0	R4	0	0
361.0	Structures and Improvements	60.0	R2	0	10	60.0	S0.5	0	5
362.0	Station Equipment	55.0	S0.5	0	30	52.0	R1	0	15
362.7	Supervisory and Alarm Equipment	20.0	L4	0	0	23.0	R2.5	0	0
364.0	Poles, Towers and Fixtures	40.0	R0.5	5	95	45.0	R1.5	3	118
365.0	Overhead Conductors and Devices	45.0	R0.5	10	60	50.0	R1.5	5	95
366.0	Underground Conduit	53.0	R5	1	41	60.0	R2.5	5	45
367.0	Underground Conductors and Devices	48.0	R1.5	1	16	52.0	R2.5	2	47
368.0	Line Transformers	38.0	R1	5	5	40.0	R1.5	15	30
369.1	Overhead Services	50.0	R1.5	10	10	55.0	R1.5	2	27
369.2	Underground Services	54.0	R2.5	10	10	55.0	R4	1	16
370.0	Meters	27.0	R1	2	0	26.0	R2.5	0	2
371.0	Installation on Customers' Premises	20.0	L0	2	7	25.0	S1	0	50
373.0	Street Lighting and Signal Systems	40.0	S-.5	0	15	40.0	R1	4	29
<b><u>GENERAL PLANT</u></b>									
390.0	Structures and Improvements	45.0	L1	2	0	50.0	R1.5	0	10
391.1	Mainframe Computers	5.0	L2	0	0	5.0	L2	0	0
392.1	Transp. Eqpt. - Light Trucks	13.0	L1.5	10	0	12.0	R3	10	0
392.5	Transp. Eqpt. - Medium Trucks	16.0	L3	10	0	18.0	S2	10	0
392.9	Transp. Eqpt. - Trailers	39.0	R2	20	0	35.0	S1	15	0
396.3	Light Power Operated Equipment	10.0	S3	37	0	9.0	R4	15	0
396.7	Heavy Power Operated Equipment	15.0	R1.5	35	0	15.0	L1	20	0
397.0	Communication Equipment	20.0	R1	0	5	25.0	R2	0	0

**PACIFICORP - WASHINGTON**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b>DISTRIBUTION PLANT</b>									
360.2	Land Rights	50.0	R4	0	0	50.0	R4	0	0
361.0	Structures and Improvements	55.0	R2	0	5	60.0	R1.5	0	5
362.0	Station Equipment	50.0	R1.5	5	30	53.0	R1.5	0	20
362.7	Supervisory and Alarm Equipment	18.0	R5	0	0	22.0	R4	0	0
364.0	Poles, Towers and Fixtures	50.0	R1.5	10	175	50.0	R1.5	10	130
365.0	Overhead Conductors and Devices	55.0	R1	20	60	60.0	R1.5	15	105
366.0	Underground Conduit	60.0	S1	5	25	40.0	R4	5	90
367.0	Underground Conductors and Devices	45.0	R2.5	0	10	45.0	R4	10	45
368.0	Line Transformers	45.0	R2	5	5	42.0	R2.5	15	40
369.1	Overhead Services	50.0	R1.5	10	20	50.0	R2.5	5	20
369.2	Underground Services	55.0	R3	10	20	55.0	R4	5	50
370.0	Meters	27.0	R1	0	0	26.0	R2.5	0	1
371.0	Installation on Customers' Premises	30.0	L0	0	15	30.0	L0	2	52
373.0	Street Lighting and Signal Systems	35.0	S0	5	20	40.0	R3	0	40
<b>GENERAL PLANT</b>									
390.0	Structures and Improvements	35.0	R3	20	50	30.0	R3	0	10
392.1	Transp. Eqpt. - Light Trucks	12.0	S2	20	0	12.0	R3	10	0
392.5	Transp. Eqpt. - Medium Trucks	13.0	L3	10	0	14.0	R3	10	0
392.9	Transp. Eqpt. - Trailers	33.0	S0.5	15	0	33.0	S0.5	15	0
396.3	Light Power Operated Equipment	10.0	R4	15	0	10.0	R4	10	0
396.7	Heavy Power Operated Equipment	12.0	S0.5	20	0	13.0	L1.5	15	0
397.0	Communication Equipment	20.0	R1.5	0	1	20.0	R2	0	0

**PACIFICORP - WYOMING**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b><u>DISTRIBUTION PLANT</u></b>									
360.2	Land Rights	50.0	R5	0	0	50.0	R4	0	0
361.0	Structures and Improvements	45.0	R2.5	0	10	55.0	R2	0	10
362.0	Station Equipment	45.0	S-.5	5	10	50.0	S1	0	15
362.7	Supervisory and Alarm Equipment	20.0	R4	0	0	20.0	R4	0	0
364.0	Poles, Towers and Fixtures	45.0	R1	35	140	50.0	R1	10	105
365.0	Overhead Conductors and Devices	50.0	R1	15	50	55.0	R1	10	65
366.0	Underground Conduit	50.0	R3	5	40	42.0	R3	5	90
367.0	Underground Conductors and Devices	40.0	R4	5	15	40.0	R5	5	40
368.0	Line Transformers	40.0	R1.5	5	10	38.0	R1	15	30
369.1	Overhead Services	55.0	S-.5	15	40	60.0	R2	5	20
369.2	Underground Services	50.0	R2	15	40	45.0	S5	5	50
370.0	Meters	27.0	R1	0	0	26.0	R2.5	0	3
371.0	Installation on Customers' Premises	25.0	L0	0	10	20.0	S-.5	0	60
373.0	Street Lighting and Signal Systems	45.0	S-.5	5	35	50.0	R0.5	0	40
<b><u>GENERAL PLANT</u></b>									
389.2	Land Rights	40.0	R1	0	0	50.0	SQ	0	0
390.0	Structures and Improvements	40.0	R3	0	5	40.0	R3	0	15
392.1	Transp. Eqpt. - Light Trucks	15.0	L2	10	0	13.0	S1.5	10	0
392.5	Transp. Eqpt. - Medium Trucks	20.0	S2	5	0	14.0	S2	10	0
392.9	Transp. Eqpt. - Trailers	30.0	R3	0	0	30.0	R4	5	0
396.3	Light Power Operated Equipment	10.0	R4	20	0	9.0	R4	15	0
396.7	Heavy Power Operated Equipment	15.0	S0.5	40	0	15.0	S-.5	25	0
397.0	Communication Equipment	20.0	R2	0	0	20.0	L2	0	2

**PACIFICORP - MONTANA**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b>GENERAL PLANT</b>									
390.0	Structures and Improvements	40.0	R1	0	0	40.0	R1	0	0
392.1	Transp. Eqpt. - Light Trucks	12.0	S2	15	0	13.0	L0	0	0
392.5	Transp. Eqpt. - Medium Trucks	-	-	-	-	16.0	R1.5	15	0
392.9	Transp. Eqpt. - Trailers	-	-	-	-	25.0	R1.5	0	0
396.7	Heavy Power Operated Equipment	13.0	S-5	20	0	25.0	R3	5	0
397.0	Communication Equipment	20.0	S0.5	0	0	25.0	R1.5	0	5

PACIFICORP - IDAHO  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

SCHEDULE 2

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b><u>DISTRIBUTION PLANT</u></b>									
360.2	Land Rights	52.0	R5	0	0	50.0	R4	0	0
361.0	Structures and Improvements	55.0	R3	0	10	60.0	R2	0	0
362.0	Station Equipment	55.0	R0.5	5	10	45.0	S-.5	2	12
362.7	Supervisory and Alarm Equipment	15.0	R5	0	0	25.0	R3	0	0
364.0	Poles, Towers and Fixtures	42.0	R1.5	5	80	40.0	S2	5	105
365.0	Overhead Conductors and Devices	40.0	R2	5	25	42.0	R0.5	5	75
366.0	Underground Conduit	60.0	R2	5	55	60.0	R2	5	75
367.0	Underground Conductors and Devices	50.0	R2	5	20	50.0	R2	5	45
368.0	Line Transformers	40.0	R1	0	0	45.0	R0.5	45	60
369.0	Services	50.0	S5	0	20	55.0	S5	5	30
370.0	Meters	27.0	R0.5	0	0	26.0	R2.5	0	5
371.0	Installation on Customers' Premises	20.0	L1	0	10	25.0	L0	2	57
372.0	Leased Property	25.0	L0	0	0	30.0	L0	0	0
373.0	Street Lighting and Signal Systems	20.0	R0.5	0	30	25.0	R0.5	0	25
<b><u>GENERAL PLANT</u></b>									
389.2	Land Rights	40.0	R1	0	0	40.0	R1	0	0
390.0	Structures and Improvements	40.0	R1	0	0	40.0	R1	0	5
392.1	Transp. Eqpt. - Light Trucks	12.0	S2	15	0	11.0	S4	10	0
392.5	Transp. Eqpt. - Medium Trucks	15.0	S1	10	0	15.0	L2	15	0
392.9	Transp. Eqpt. - Trailers	28.0	R2.5	25	0	33.0	L2	10	0
396.3	Light Power Operated Equipment	10.0	R3	0	0	7.0	R3	10	0
396.7	Heavy Power Operated Equipment	13.0	S-.5	20	0	18.0	L0.5	25	0
397.0	Communication Equipment	20.0	S0.5	5	5	25.0	S-.5	0	5

**PACIFICORP - CALIFORNIA**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b><u>DISTRIBUTION PLANT</u></b>									
360.2	Land Rights	55.0	R4	0	0	55.0	R4	0	0
361.0	Structures and Improvements	50.0	R3	0	5	55.0	R4	0	5
362.0	Station Equipment	55.0	R1	0	25	55.0	R1	0	25
362.7	Supervisory and Alarm Equipment	20.0	R5	0	0	20.0	R5	0	0
364.0	Poles, Towers and Fixtures	50.0	R1.5	0	90	50.0	R1.5	0	120
365.0	Overhead Conductors and Devices	60.0	S-.5	5	60	65.0	S-.5	5	100
366.0	Underground Conduit	50.0	R2	5	35	50.0	R5	1	61
367.0	Underground Conductors and Devices	45.0	R2	2	2	45.0	S6	5	95
368.0	Line Transformers	45.0	S1.5	0	52	50.0	R5	15	55
369.1	Overhead Services	45.0	R1	5	10	55.0	R1	0	15
369.2	Underground Services	55.0	R2.5	5	10	60.0	R4	5	75
370.0	Meters	27.0	R1	0	0	26.0	R2.5	0	2
371.0	Installation on Customers' Premises	25.0	L0	0	30	25.0	L0	0	60
373.0	Street Lighting and Signal Systems	30.0	S0	0	35	35.0	R3	0	65
<b><u>GENERAL PLANT</u></b>									
390.0	Structures and Improvements	45.0	R2	0	10	50.0	R3	0	20
392.1	Transp. Eqpt. - Light Trucks	11.0	S4	20	0	10.0	S3	20	0
392.5	Transp. Eqpt. - Medium Trucks	15.0	S2	10	0	15.0	L2	15	0
392.9	Transp. Eqpt. - Trailers	40.0	S3	0	0	35.0	R4	5	0
396.3	Light Power Operated Equipment	10.0	S6	30	0	8.0	R4	15	0
396.7	Heavy Power Operated Equipment	10.0	R4	25	0	15.0	R2.5	15	0
397.0	Communication Equipment	20.0	R1	5	0	25.0	R2	0	5

**PACIFICORP - UTAH**  
 Summary of Mortality Characteristics  
 Book Depreciation Study as of March 31, 2006

**SCHEDULE 2**

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	EXISTING				PROPOSED			
		ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %	ASL yrs.	lowa Curve	Gross Salvage %	Cost of Removal %
<b><u>DISTRIBUTION PLANT</u></b>									
360.2	Land Rights	52.0	R5	0	0	50.0	R4	0	0
361.0	Structures and Improvements	55.0	R3	0	10	60.0	R2	0	0
362.0	Station Equipment	55.0	R0.5	5	10	45.0	S-.5	2	12
362.7	Supervisory and Alarm Equipment	15.0	R5	0	0	25.0	R3	0	0
363.0	Storage Battery Equipment	-	-	-	-	15.0	SQ	0	0
363.7	Storage Battery Supervisory Equipment	-	-	-	-	15.0	SQ	0	0
364.0	Poles, Towers and Fixtures	42.0	R1.5	5	80	40.0	S2	5	105
365.0	Overhead Conductors and Devices	40.0	R2	5	25	42.0	R0.5	5	75
366.0	Underground Conduit	60.0	R2	5	55	60.0	R2	5	75
367.0	Underground Conductors and Devices	50.0	R2	5	20	50.0	R2	5	45
368.0	Line Transformers	40.0	R1	0	0	45.0	R0.5	45	60
369.0	Services	50.0	S5	0	20	55.0	S5	5	30
370.0	Meters	27.0	R0.5	0	0	26.0	R2.5	0	5
371.0	Installation on Customers' Premises	20.0	L1	0	10	25.0	L0	2	57
372.0	Leased Property	25.0	L0	0	0	30.0	L0	0	0
373.0	Street Lighting and Signal Systems	20.0	R0.5	0	30	25.0	R0.5	0	25
<b><u>GENERAL PLANT</u></b>									
389.2	Land Rights	40.0	R1	0	0	40.0	R1	0	0
390.0	Structures and Improvements	40.0	R1	0	0	40.0	R1	20	15
392.1	Transp. Eqpt. - Light Trucks	12.0	S2	15	0	12.0	R3	10	0
392.5	Transp. Eqpt. - Medium Trucks	15.0	S1	10	0	16.0	L2	10	0
392.9	Transp. Eqpt. - Trailers	28.0	R2.5	25	0	28.0	S1	25	0
396.3	Light Power Operated Equipment	10.0	R3	0	0	8.0	R4	10	0
396.7	Heavy Power Operated Equipment	13.0	S-.5	20	0	12.0	L0.5	15	0
397.0	Communication Equipment	20.0	S0.5	5	5	25.0	R1	0	5
<b><u>UTAH MINING OPERATIONS</u></b>									
399.30	Structures and Improvements	23.8	Forecast	0	0	37.7	Forecast	0	0.59
399.30	Wash Plant Structs. & Improvements	30.0	Forecast	0	0	39.7	Forecast	0	6.63
399.41	Wash Plant Coal Handling Equipment	29.3	Forecast	0	0	39.2	Forecast	0	6.63
399.45	Underground Equipment	11.0	L2	2	0	12.0	L2	5	0
399.51	Vehicles	15.0	S1.5	5	0	14.0	S3	5	0
399.52	Heavy Construction Equipment	20.0	R3	1	0	18.0	R5	5	0
399.60	Miscellaneous Equipment	13.0	S0.5	0	0	13.0	L1.5	1	0
399.61	Computer Equipment	10.0	R4	0	0	8.0	R4	0	0
399.70	Mine Development	18.2	Forecast	0	0	28.2	Forecast	0	0



**SCHEDULE 3**

PACIFICORP  
ACCOUNT 312 - STEAM, BOILER PLANT EQUIPMENT  
HUNTER

Interim Net Salvage	-10.00%	(k)
Terminal Net Salvage	-5.80%	(k)
Average Net Salvage	-6.24%	(l)
Average Age Survivors	20.82	(m)
Average Remaining Life	24.19	(n)
Average Service Life	45.11	(o)
Book Reserve Ratio	47.9%	(p)
Theoretical Reserve	250,504,837	(q)
COR Reserve =	5,260,570	(r)
Interim Retmt. Ratio	0.50%	(s)
Interim Addition Factor	-	(t)
Depreciation Rate	2.414%	(u)
COR Rate	0.215%	(v)
Life Rate =	2.199%	(w)

(1) YEAR	(2) INTERIM RETMTS (col 7 * .005) \$	(3) INTERIM NET SALV. (col 2 * -10%) \$	(4) TERMINAL RETMTS. \$	(5) TERMINAL NET SALV. \$	(6) INTERIM ADDITIONS \$	(7) ENDING BALANCE \$	(8) AVERAGE BALANCE \$	(9) DEPREC. AMOUNT (col 8 * 2.414%) \$	(10) ENDING RESERVE \$
2006						508,439,403 (a)			243,301,157 (b)
2007	2,542,197	(254,220)	-	-	-	505,897,206	507,168,304	12,241,810	252,746,551
2008	2,529,486	(252,949)	-	-	-	503,367,720	504,632,463	12,180,801	262,144,717
2009	2,516,839	(251,684)	-	-	-	500,850,881	502,109,301	12,119,698	271,495,893
2010	2,504,254	(250,425)	-	-	-	498,346,627	499,598,754	12,058,100	280,800,313
2011	2,491,733	(249,173)	-	-	-	495,854,894	497,100,780	11,998,804	290,058,211
2012	2,479,274	(247,927)	-	-	-	493,375,619	494,615,257	11,938,810	299,269,819
2013	2,466,878	(246,688)	-	-	-	490,908,741	492,142,180	11,879,116	308,435,369
2014	2,454,544	(245,454)	-	-	-	488,454,198	489,681,469	11,819,721	317,555,082
2015	2,442,271	(244,227)	-	-	-	486,011,927	487,233,062	11,760,622	326,629,216
2016	2,430,060	(243,006)	-	-	-	483,581,867	484,796,897	11,701,819	335,657,969
2017	2,417,909	(241,791)	-	-	-	481,163,958	482,372,912	11,643,310	344,641,578
2018	2,405,820	(240,582)	-	-	-	478,758,138	479,961,048	11,585,093	353,580,270
2019	2,393,791	(239,379)	-	-	-	476,364,347	477,561,242	11,527,168	362,474,268
2020	2,381,822	(238,182)	-	-	-	473,982,525	475,173,436	11,469,532	371,323,796
2021	2,369,913	(236,991)	-	-	-	471,612,613	472,797,569	11,412,184	380,129,076
2022	2,358,063	(235,806)	-	-	-	469,254,550	470,433,581	11,355,123	388,890,330
2023	2,346,273	(234,627)	-	-	-	466,908,277	468,081,413	11,298,348	397,607,778
2024	2,334,541	(233,454)	-	-	-	464,573,736	465,741,006	11,241,856	406,281,638
2025	2,322,869	(232,287)	-	-	-	462,250,867	463,412,301	11,185,647	414,912,130
2026	2,311,254	(231,125)	-	-	-	459,939,613	461,095,240	11,129,718	423,499,468
2027	2,299,698	(229,970)	-	-	-	457,639,914	458,789,764	11,074,070	432,043,870
2028	2,288,200	(228,820)	-	-	-	455,351,715	456,495,815	11,018,700	440,545,550
2029	-	-	-	-	-	455,351,715	455,351,715	10,991,084	451,536,634
2030	-	-	-	-	-	455,351,715	455,351,715	10,991,084	462,527,718
2031	-	-	-	-	-	-	796,865,501	19,234,397	(0)
<b>TOTALS</b>	<b>53,087,888 (e)</b>	<b>(5,308,769) (f)</b>	<b>455,351,715 (g)</b>	<b>(26,410,399) (d)</b>	<b>- (i)</b>	<b>12,298,582,706 (j)</b>			

Comments:

- [a] Represents the Plant Balance at March 31, 2006.
- [b] Represents the Accumulated Depreciation Balance at March 31, 2006
- [c] Represents the plant balance to be retired in the year of retirement.
- [d] Terminal Net Salvage is calculated based on industry experience and reflects the net cost to retire a unit in the year of retirement.
- [e] Represents the cumulative interim retirements.
- [f] Represents the cumulative interim net salvage.
- [g] Represents the cumulative terminal retirements.
- [h] Represents the cumulative terminal net salvage.
- [i] Represents the cumulative interm additions.
- [j] Represents the cumulative average balance.
- [k] Terminal Net Salvage = Input
- [l] Average Future Net Salvage =  $(f + h) / (e + g)$ .
- [m] Represents the average age of the surviving balance.
- [n] Average Remaining Life =  $j / (a + i)$ .
- [o] Average Service Life =  $m + n$ .
- [p] Book Reserve Ratio =  $b / (a + i)$ .
- [q] Theoretical Reserve =  $(m/o * (1-i) * a)$
- [r] Terminal COR Reserve = Input
- [s] Depreciation Rate =  $(a - b - f - h + i) / j$ .
- [t] Interim Retirement Rate = input
- [u] Interim Addition Factor = input
- [v] COR Accrual Rate =  $((f-h-i)/m)/a$
- [w] Life rate =  $u - v$

