



WENDY MCINDOO
Direct (503) 290-3627
wendy@mrg-law.com

June 2, 2017

VIA ELECTRONIC

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Re: Docket No. UM 1801
Revised Depreciation Rates for Electric Plant-in-Service

Attention: Filing Center

Attached for filing in the above-referenced docket is an electronic copy of the errata to the Stipulation **with signatures**. This errata includes the signatures which were omitted from the errata originally filed on May 11, 2017. No other changes have been made.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Attachment

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM 1801**

4 In The Matter of

STIPULATION

5 IDAHO POWER COMPANY

6 Application for Authority to Implement Revised
7 Depreciation Rates for Electric Plant-in-
8 Service.

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10 This Stipulation resolves all issues between the parties related to Idaho Power
11 Company's ("Idaho Power" or "Company") request for authorization to institute revised
12 depreciation rates for the Company's electric plant-in-service and for an adjustment to Oregon
13 jurisdictional base rates to reflect the revised depreciation rates.

14 **PARTIES**

15 1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon
16 ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and Idaho Power (together, the "Stipulating
17 Parties"). No other party intervened in this docket.

18 **BACKGROUND**

19 2. As required by OAR 860-027-0350, Idaho Power performs a depreciation study
20 and updates its depreciation rates approximately every five years.¹ The purpose of the update
21 is to reflect changes in the appropriate net salvage percentages and service life estimates of
22 assets as circumstances change. Accordingly, the Company recently engaged Gannett
23 Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") to conduct a depreciation
24 study of its electric plant-in-service ("Study") as of December 30, 2015. The Study updates net
25 _____

26 ¹ The last major changes to the Company's depreciation rates occurred June 1, 2012, as a result of Order
No. 12-296 issued in Docket No. UM 1576.

1 salvage percentages and service life estimates for plant assets. The resulting depreciation
2 rates are based on the straight line method, the remaining life technique, and the average
3 service life procedure to calculate the depreciation accrual rates for production, transmission,
4 distribution and general plant accounts.

5 3. On November 2, 2016, Idaho Power filed its Application for Authorization to
6 Implement Revised Depreciation Rates (“Application”) and supporting testimony.²

7 4. The Application requests authorization to: (1) institute revised depreciation rates
8 for the Company’s electric plant-in-service, based upon updated net salvage percentages and
9 service life estimates for plant assets, and (2) adjust Oregon jurisdictional base rates to reflect
10 the revised depreciation rates as applied to the approved 2011 general rate case plant
11 balances, effective June 1, 2017. The revised depreciation rates proposed by the Company
12 were based on the results of the Study.

13 5. The Company proposed depreciation rates that would result in a \$131.2 million
14 annual depreciation expense on a system basis, based on December 31, 2015 plant values,
15 and the weighted depreciation rate for total depreciable plant of 2.69%.

16 6. The Jim Bridger coal plant's (“Bridger”) depreciable end-life-date is 2034.
17 However, Idaho Power will continue to track, through a regulatory liability account, an
18 adjustment that results from the difference between the depreciation rates for Bridger with an
19 end-of-life date of 2034 and depreciation rates for Bridger with an end-of-life date of 2025. The
20 separate accounting allows Idaho Power to maintain one set of depreciation records to be used
21 for both the Oregon and Idaho jurisdictions while ensuring that the actual amounts paid by
22 Oregon customers of Idaho Power will cover the future depreciation expenses related to the
23 potential closure of Bridger as early as 2025. Idaho Power has a 33 percent ownership share

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26 ² See Idaho Power/100-102.

1 of Bridger, which is jointly owned with PacifiCorp. In its Order No. 08-427, the Commission
2 affirmed 2025 as the end-life-date for the Bridger plant for PacifiCorp.

3 7. Order No. 12-296 in Docket No. UM 1576 approved the tracking by Idaho Power,
4 through a regulatory liability account, of an adjustment that results from the difference between
5 approved depreciation rates for the Jim Bridger power plant (“Bridger”) with an end-of-life date
6 of 2034 and depreciation rates associated with an end-of-life date for Bridger of 2025 based
7 upon the approved 2011 general rate case plant balances. The separate accounting for Bridger
8 allows Idaho Power to maintain one set of depreciation records to be used for both the Oregon
9 and Idaho jurisdictions while ensuring that the actual amounts paid by Oregon customers will
10 cover the future depreciation expenses related to the approved 2011 general rate case plant
11 balances associated with the potential closure of Bridger as early as 2025. Idaho Power’s
12 proposal in this case requested the same treatment of the depreciation associated with the
13 Bridger plant.

14 8. The Company’s proposed rate adjustment related to the revised depreciation rates
15 would have resulted in an increase to annual depreciation expense in Oregon of approximately
16 \$604,000 based on an average four percent Oregon jurisdictional allocation factor, which
17 translates to an increase in the Company’s Oregon jurisdictional revenue requirement of
18 \$721,548, as measured against the revenue requirement identified in the Partial Stipulation in
19 Docket UE 233, which was approved by the Commission on February 23, 2012.³

20 9. The Application requested that the incremental revenue requirement of \$721,548
21 be spread to customer classes on a uniform percentage basis and be recovered through a
22 uniform percentage increase to all base rate components except the service charge. The
23 proposed change equated to an overall increase in current billed revenues of 1.30 percent.

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26 ³ See *Re Idaho Power Co. Request for General Rate Revision*, Docket No. UE 233, Order No. 12-055 (Feb. 23, 2012).

1 10. The Company's filing did not propose a change to the depreciation related to the
2 Boardman power plant, in which Idaho Power owns a 10 percent interest along with Portland
3 General Electric, which has a 90 percent ownership and is the majority partner. Any changes
4 in depreciation associated with the Boardman power plant due to the early shutdown have been
5 addressed in Docket No. UE 239.⁴ The Company's filing also proposed no change to the
6 depreciation related to the North Valmy power plant ("Valmy"). Any changes in depreciation
7 associated with Valmy due to the accelerated end-of-life date will be addressed in the Docket
8 No. UE 316.

9 11. On November 10, 2016, CUB filed its Notice of Intervention.

10 12. On November 30, 2016, a prehearing conference was convened to establish a
11 schedule for the docket. The Stipulating Parties were unable to agree on a schedule at the
12 prehearing conference and therefore requested additional time to develop a schedule. On
13 December 1, 2016, Administrative Law Judge ("ALJ") Ruth Harper issued a Prehearing
14 Conference Memorandum granting additional time to develop a stipulated schedule.

15 13. On December 23, 2016, the Stipulating Parties submitted a proposed schedule
16 and motion to consolidate Docket Nos. UM 1801 and UE 316. On that same day, ALJs Ruth
17 Harper and Sarah Rowe issued a Ruling that consolidated the dockets and adopted a
18 procedural schedule.

19 14. Pursuant to the procedural schedule, on December 28, 2016, Idaho Power filed
20 Advice No. 16-16 and proposed revised tariffs that reflected the proposed rate change
21 associated with the revised depreciation rates.

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25 ⁴ See *In the Matter of Idaho Power Co. Application for Authority to Implement a Boardman Operating Life*
26 *Adjustment Tariff for Electric Service to Customers in the State of Oregon*, Docket No. UE 239, Order No.
12-235 (June 26, 2012).

1 compute the adjustment associated with the approved 2011 general rate case plant balances
2 for the difference between a Bridger 2034 end-of-life and a Bridger 2025 end-of-life. Consistent
3 with the stipulation approved in UM 1576, the accounting process and the dollar amount tracked
4 will be held constant between ratemaking proceedings and will change only following
5 Commission approval of either a base rate change associated with Bridger plant investments
6 or the Company's next depreciation study docket.

7 20. Both Idaho Power and Staff used the straight line method, the remaining life basis
8 and the average service life depreciation procedure to calculate the depreciation accrual rates.
9 Attachment 4 shows the depreciation groups for which Staff's analyses produced differing
10 results from the filed depreciation study and the final position agreed to by the Stipulating Parties
11 following settlement discussions.

12 21. The Stipulating Parties agree that the Commission should adopt the customer
13 rates set forth in Attachment 3, which are based on the agreed-upon depreciation rates set forth
14 in Attachment 1 and 2. The Stipulating Parties agree that the customer rates in Attachment 3
15 should be effective June 1, 2017. The Stipulating parties agree to an increase in the Oregon
16 jurisdictional revenue requirement of \$300,000, which equates to an overall increase in current
17 billed revenues of 0.54 percent, a reduction from the \$721,548 and 1.3 percent, respectively,
18 Idaho Power originally proposed. The Stipulating Parties agree that the proposed rates
19 resulting from this agreement are just and reasonable.

20 22. Consistent with the agreement in UM 1576, the Stipulating Parties recognize the
21 importance of Oregon stakeholder's involvement in the development of future Idaho Power
22 depreciation rates. Thus, the Company agrees to continue to meaningfully involve Staff and
23 CUB in the development of future depreciation rates, which would include filing new
24 depreciation rate studies simultaneously with the Commission and IPUC. In addition, Idaho
25 Power will advocate for a coordinated analysis amongst the Company, Staff, IPUC Staff, CUB
26 and other parties of future Oregon depreciation study dockets involving new depreciation rate

1 studies. Idaho Power agrees to fund the reasonable travel expenses for representatives of up
2 to two intervening parties to Oregon depreciation study dockets to travel to Boise, Idaho, to
3 participate in workshops related to the development of future depreciation rates. Staff will
4 identify parties eligible for travel expenses, as appropriate, in the event there are more than two
5 intervening parties who wish to participate.

6 23. The Stipulating Parties agree to submit this Stipulation to the Commission and
7 request that the Commission approve the Stipulation and Attachment No. 1 as presented. The
8 Stipulating Parties agree that the rates resulting from the Stipulation are fair, just, and
9 reasonable.

10 24. This Stipulation will be offered into the record of this proceeding as evidence
11 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
12 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
13 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
14 settlements contained herein.

15 25. If this Stipulation is challenged by any other party to this proceeding, the Stipulating
16 Parties agree that they will continue to support the Commission's adoption of the terms of this
17 Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on such a
18 case as they deem appropriate to respond fully to the issues presented, which may include
19 raising issues that are incorporated in the settlements embodied in this Stipulation.

20 26. The Stipulating Parties have negotiated this Stipulation as an integrated document.
21 If the Commission rejects all or any material part of this Stipulation, or adds any material
22 condition to any final order that is not consistent with this Stipulation, each Stipulating Party
23 reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument on the
24 record in support of the Stipulation or to withdraw from the Stipulation. Stipulating Parties shall
25 be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720 in any manner
26 that is consistent with the agreement embodied in this Stipulation.

1 27. By entering into this Stipulation, no Stipulating Party shall be deemed to have
2 approved, admitted, or consented to the facts, principles, methods, or theories employed by
3 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
4 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
5 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
6 other proceeding, except as specifically identified in this Stipulation.

7 28. This Stipulation may be executed in counterparts and each signed counterpart
8 shall constitute an original document.

9 This Stipulation is entered into by each Stipulating Party on the date entered below such
10 Stipulating Party's signature.

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STAFF

By: _____
Date: _____

CITIZENS' UTILITY BOARD

By: Elizabeth Ann
Date: 6-2-2017

IDAHO POWER

By: _____
Date: _____

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2 approved, admitted, or consented to the facts, principles, methods, or theories employed by
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STAFF

CITIZENS' UTILITY BOARD


By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: 

Date: 6-1-17

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2 in any manner that is consistent with the agreement embodied in this Stipulation.

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STAFF

CITIZENS' UTILITY BOARD

By: Mike [Signature]

By: _____

Date: 6/1/17

Date: _____

IDAHO POWER

By: _____

Date: _____