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June 5, 2009

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PO Box 2148
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JUN 08 2009

Public Utility Commission of Oregon
Administrative Hearings Division

Re: Docket UM 1395

Enclosed for filing are an original and five copies of the Stipulation of the parties and the Joint Explanatory Brief. These documents have been served on all parties to this proceeding as indicated on the attached service list.

Very truly yours

Lisa Rackner

Enclosure

DOCKETED

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1395

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JUN 08 2009

Public Utility Commission of Oregon
Administrative Hearings Division

In the Matter of Idaho Power Company's
Application to Implement Revised Depreciation
Rates for the Company's Electric Plant-In-
Service

STIPULATION

7

8 This Stipulation resolves all issues among the parties to this Stipulation related to the
9 depreciation rates for Idaho Power Company's ("Idaho Power" or the "Company") electric
10 plant-in-service, based upon updated net salvage percentages and service life estimates for
11 all plant assets.

12

PARTIES

13 1. The parties to this Stipulation are Idaho Power and Staff of the Public Utility
14 Commission of Oregon ("Staff") (together, the "Parties").

15

BACKGROUND

16 2. Idaho Power updates its depreciation rates approximately every five years.
17 The purpose of the update is to reflect changes in the appropriate remaining lives of assets
18 as circumstances change. Accordingly, the Company recently engaged Gannet Fleming to
19 conduct a depreciation study of all of its electric plant-in-service ("the Study") as of December
20 31, 2006. The resulting depreciation rates are based on the straight line, remaining life
21 method for production, transmission, and distribution plant and amortization of certain
22 general plant accounts.

23 3. On April 1, 2008, the Company filed an application to revise its depreciation
24 rates with the Idaho Public Utilities Commission ("IPUC").¹ In the Idaho depreciation docket,
25 the Company and Staff of the IPUC (the "Idaho Parties") reached a settlement in which the

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¹ Case No. IPC-E-08-06.

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1 Company agreed to several adjustments to its originally proposed depreciation expenses
2 resulting in additional reductions in the requested depreciation expense from \$6,713,451 to
3 \$8,514,422.

4 4. On September 12, 2008, in Order No. 30639, the IPUC accepted the Idaho
5 Stipulation as a fair, just, and reasonable compromise. The depreciation rates approved by
6 the IPUC took effect on August 1, 2008 for the Company's Idaho jurisdiction.

7 5. On October 10, 2008, in accordance with ORS 757.140, Idaho Power filed its
8 Application for Authorization to Implement Revised Depreciation Rates ("Application") with
9 the Oregon Public Utility Commission ("Commission" or "OPUC") seeking authorization to
10 implement the same revised depreciation rates for its electric plant-in-service that had been
11 adopted by the Idaho Commission. These proposed depreciation rates would decrease the
12 annual depreciation expense in Oregon by approximately \$416,355.

13 6. After performing its own investigation of Idaho Power's proposed depreciation
14 rates, Staff initially proposed adjustments based upon: (1) adjustment of net salvage rates
15 based on calculation and reviews of the weighted average of salvage and cost of removal
16 and (2) adjustments pertaining to the depreciable life of the Jim Bridger coal plant based on
17 OPUC Order No. 08-427.² Overall, Staff's adjustments would have resulted in a slightly
18 faster recovery of depreciation expense than the Company's—a difference of approximately
19 \$34,000, or 0.8 percent.

20 7. Given the relatively small difference in the Company's proposed depreciation
21 life for the Jim Bridger plant from that adopted by the Commission in Order 08-427, and
22 given the increased administrative costs that would result if Idaho Power were required to
23 maintain separate depreciation accounts for Oregon and Idaho, Commission Staff and Idaho
24 Power were able to settle their differences as outlined below.

25

26 ² *PacifiCorp Petition to File Preliminary Depreciation Study*, Docket UM 1329, Order No. 08-427 (Aug. 20, 2008).

1 **AGREEMENT**

2 8. The Parties agree that the Commission should adopt the depreciation rates
3 sought by Idaho Power in its Application. These rates will be effective August 1, 2008, and
4 decrease the annual depreciation expense in Oregon by approximately \$416,355. The
5 Parties also recognize the importance of Staff's involvement in the development in Idaho of
6 future depreciation rates. Thus, the Company agrees to meaningfully involve Staff in the
7 development of future depreciation rates, which would include seeking OPUC staff input prior
8 to submitting new depreciation rates to the Idaho PUC, and also, advocating to the IPUC
9 staff for a coordinated analysis among the Company, Idaho PUC staff and OPUC staff prior
10 to submitting depreciation rates for approval to the IPUC.

11 9. The Parties agree to submit this Stipulation to the Commission and request
12 that the Commission approve the Stipulation as presented. The Parties agree that the
13 adjustments and the rates resulting from their Application are sufficient, fair, just, and
14 reasonable.

15 10. This Stipulation will be offered into the record of this proceeding as evidence
16 pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this
17 proceeding and any appeal, provide witnesses (if necessary) to sponsor this Stipulation at
18 the hearing, and recommend that the Commission issue an Order adopting the settlement
19 contained herein.

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

25 12. The Parties have negotiated this Stipulation as an integrated document. If the
26 Commission rejects all or any material portion of this Stipulation or imposes material

1 additional conditions in approving this Stipulation, any Party disadvantaged by such action
2 shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek
3 reconsideration or appeal of the Commission's Order.

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

10 14. This Stipulation may be executed in counterparts and each signed counterpart
11 shall constitute an original document.

12 This Stipulation is entered into by each party on the date entered below such Party's
13 signature.

14

15 STAFF

16 By: _____

17 Date: _____

IDAHO POWER

By: 

Date: 6-5-09

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1 additional conditions in approving this Stipulation, any Party disadvantaged by such action
2 shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek
3 reconsideration or appeal of the Commission's Order.

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

10 14. This Stipulation may be executed in counterparts and each signed counterpart
11 shall constitute an original document.

12 This Stipulation is entered into by each party on the date entered below such Party's
13 signature.

14

15 STAFF

IDAHO POWER

16

By: Mike [Signature]

By: _____

17

Date: 6/5/09

Date: _____

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6/5/09

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1395

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Public Utility Commission of Oregon
Administrative Hearings Division

In the Matter of Idaho Power Company's
Application to Implement Revised Depreciation
Rates for the Company's Electric Plant-In-
Service

JOINT EXPLANATORY BRIEF

This brief explains and supports the Stipulation ("Stipulation") between Idaho Power Company ("Idaho Power" or "Company") and Staff of the Public Utility Commission of Oregon ("Staff") (together, the "Parties"). The Stipulation resolves all issues among the Parties related to the depreciation rates for Idaho Power's electric plant-in-service, based upon updated net salvage percentages and service life estimates for all plant assets.

I. BACKGROUND

Idaho Power updates its depreciation rates approximately every five years in order to reflect changes in the appropriate remaining lives of assets as circumstances change. Accordingly, the Company recently engaged Gannet Fleming to conduct this depreciation study of all its electric plant-in-service as of December 31, 2006 ("the Study"). The resulting depreciation rates are based upon the straight line, remaining life method for production, transmission, and distribution plant and amortization of certain general plant accounts.

On April 1, 2008, the Company filed an application to revise its depreciation rates with the Idaho Public Utilities Commission ("IPUC").¹ In that docket, the Company and IPUC Staff (the "Idaho Parties") reached a settlement in which the Company agreed to several adjustments to its originally proposed depreciation expenses for certain accounts associated with the Company's steam production plant, hydraulic production plant, diesel production plant, and transmission plant. The Idaho Parties also agreed to depreciation accruals

¹ Case No. IPC-E-08-06.

DOCKETED

1 originally proposed by the Company in its Idaho application for its distribution plant, its
2 general plant, and its other production plant categories in the case. The Idaho Parties'
3 agreement reflects the changes resulting in additional reductions in the requested
4 depreciation expense from \$6,713,451 to \$8,514,422.

5 On September 12, 2008, in Order No. 30639, the IPUC accepted the Idaho
6 Stipulation as a fair, just, and reasonable compromise. The depreciation rates approved by
7 the IPUC took effect on August 1, 2008 for the Company's Idaho jurisdiction. Approximately
8 one month later, October 10, 2008 Idaho Power filed its Application for Authorization to
9 Implement Revised Depreciation Rates ("Application") with the Oregon Public Utility
10 Commission ("Commission" or "OPUC") seeking authorization to implement the identical
11 revised depreciation rates that had been adopted by the Idaho Commission. The Company's
12 proposal would decrease the annual depreciation expense in Oregon by approximately
13 \$416,355.

14 After performing its own investigation of Idaho Power's proposed depreciation rates in
15 this docket, Staff initially proposed adjustments based upon: (1) adjustment of net salvage
16 rates based on calculation and reviews of the weighted average of salvage and cost of
17 removal and (2) adjustments pertaining to the Jim Bridger coal plant ("Jim Bridger"). Overall,
18 Staff's adjustments would have resulted in a slightly faster recovery of depreciation expense
19 than the Company's—a difference of approximately \$34,000, or 0.8 percent.

20 The majority of Staff's initially proposed adjustments applied to the Company's
21 proposed depreciation life of the Jim Bridger coal plant. The Idaho Commission had adopted
22 a depreciation end life for that plant of 2026, differing by one year from the depreciation life
23 adopted by the Commission for that same plant in PacifiCorp's most recent depreciation rate
24 docket—UM 1329.² Staff initially proposed that Idaho Power's depreciation rates for the Jim

25

26 ² *PacifiCorp Petition to File Preliminary Depreciation Study*, Docket UM 1329, Order No. 08-427 (Aug. 20, 2008).

1 Bridger plant must adhere to those adopted in Order No. 08-427. However, after additional
2 analysis, and given the relatively small difference in the Company's proposed depreciation
3 life for Jim Bridger plant from that adopted by the Commission in Order 08-427, Staff and
4 Idaho Power have settled their differences as reflected in the Stipulation.

5 II. DISCUSSION

6 The terms of the Stipulation reflect the Parties' agreement that the Commission
7 should adopt the depreciation rates sought by Idaho Power in its Application.³ Specifically,
8 the Parties agree that in order to avoid significant additional administrative costs on the
9 Company, it is appropriate for the Commission to approve a depreciable life for Jim Bridger
10 that is just one year longer than the life previously approved in PacifiCorp's depreciation
11 docket. The Parties also recognize the importance of Staff's involvement in developing
12 future depreciation rates for Idaho Power and therefore, the Company agrees to involve Staff
13 in the development of future depreciation rates prior to submitting those rates for approval to
14 the IPUC.⁴

15 A. The Commission Should Adopt the Parties' Depreciable Life for Jim Bridger 16 Because Order No. 08-427 Should Not Bind Idaho Power on this Issue.

17 The Commission should not require Idaho Power to adopt the same depreciable life
18 for Jim Bridger as that adopted by the Commission for PacifiCorp in Order No. 08-427.
19 Rather, the Commission should adopt the Parties' Stipulation because (1) the extension of
20 the depreciable life is minimal in time and creates a minimal impact on depreciation
21 expenses and (2) requiring depreciation rates in Oregon that differ from those in Idaho is
22 administratively burdensome and costly for Idaho Power and its ratepayers.

23 1. Background of Order No. 08-427.

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25
26 ³ Stipulation ¶ 9.

⁴ *Id.*

1 In PacifiCorp's most recent depreciation study docket—UM 1329—the Commission
2 adopted a depreciable life end date for Jim Bridger of 2025.⁵ The Commission first adopted
3 the 2025 end date for the Jim Bridger plant in PacifiCorp's 2003 depreciation study docket—
4 UM 1064. In that docket, PacifiCorp and Staff reached a stipulation that included this
5 provision.⁶

6 In UM 1329 PacifiCorp sought to extend the depreciable life of Jim Bridger
7 significantly, from 2025 to 2037.⁷ Although PacifiCorp and Staff stipulated to this extension,
8 the Commission rejected it.⁸ Ultimately, the Commission required PacifiCorp to use the
9 depreciable life from its 2003 depreciation order⁹ rather than the extended lives contained in
10 the stipulation with Staff.

11 The Commission noted that PacifiCorp's 2007 Integrated Resource Plan ("IRP")—
12 filed just months before the depreciation study—used depreciation lives more similar to those
13 in the 2003 study.¹⁰ In describing the differences, the Commission noted that the extension
14 sought in UM 1329 "varied substantially" from those in the 2007 IRP.¹¹ For example, while
15 the 2003 study had a depreciable life end date for Jim Bridger of 2025, the IRP used 2026—
16 the same date sought by Idaho Power here—and the 2008 depreciation study used 2037.¹²

17 The Commission stated in UM 1329 that it believed it was likely that future
18 environmental regulations would significantly increase the costs of operating coal-fired plants
19 and thus they would not be economically efficient for as long as they would be operational.¹³

20

21 ⁵ See *PacifiCorp Petition to File Preliminary Depreciation Study*, Docket UM 1329, Order No. 08-327
(June 17, 2008) and Order No. 08-427.

22 ⁶ *PacifiCorp Application for an Order Authorizing a Change in Depreciation Rates Applicable to
Electric Property*, Docket No. UM 1064, Order No. 03-457 (July 24, 2003).

23 ⁷ Order No. 08-327 at 2. PacifiCorp also sought to extend the depreciable lives for all its other coal-
fired generation plants.

24 ⁸ Order No. 08-327 at 5.

24 ⁹ Order No. 03-457.

25 ¹⁰ Order No. 08-327 at 2.

25 ¹¹ Order No. 08-327 at 2.

26 ¹² Order No. 08-327 at 2.

26 ¹³ Order No. 08-327 at 4.

1 For this reason, the Commission believed it inappropriate to extend the life of a coal-fired
2 plant. Thus, the Commission's Jim Bridger end life date of 2025 in Order No. 08-427 was the
3 result of PacifiCorp seeking a 12-year extension—a substantial deviation from the previously
4 approved depreciable life.

5 **2. The Parties' Proposed Extension of the Life of Jim Bridger is Minimal.**

6 Here, Idaho Power's depreciation study extends the life of Jim Bridger to 2026—only
7 one year later than the depreciable life adopted by the Commission in Order No. 08-427¹⁴
8 This minimal difference stands in sharp contrast to PacifiCorp's proposed twelve year
9 extension. Accordingly, the policy reasons underlying the Commission's rejection of
10 PacifiCorp's proposal do not apply with the same weight here.

11 **3. Requiring Separate Depreciation Rates for Idaho Power is Not Cost**
12 **Justified.**

13 When adopting depreciation schedules for Idaho Power, the Commission has twice
14 recognized the value of uniformity of depreciation rates across its service territory.¹⁵ In Idaho
15 Power's last case approving depreciation rates in the state of Oregon—UM 1120—the
16 Commission specifically acknowledged that because the Oregon jurisdiction accounts for
17 such a small portion of Idaho Power's operations, requiring a second set of depreciation
18 rates would not be cost justified. In adopting the stipulation, the Commission concluded that:

19 "[T]he stipulation is reasonable and should be adopted for two
20 primary reasons. First, Staff explains that, based on its extensive
21 review of this matter, the rates adopted by the IPUC are reasonable.
22 Second, Staff believes the Commission should adopt a similar set of
23 rates for cost efficiency for Idaho Power. With differing rates, Idaho
24 Power would be required to track two sets of depreciation expenses
25 for the same piece of plant. Because Oregon accounts for only 5.11

25 ¹⁴ The depreciable life in the Stipulation is also identical to the depreciable life in PacifiCorp's
26 acknowledged 2007 IRP. See *PacifiCorp's 2007 Integrated Resource Plan*, Docket LC 42, Appendix
A at 24-25 (May 30, 2007); and Order No. 08-232 (Apr. 24, 2008).

¹⁵ See Order No. 04-290.

1 percent of the overall expense, we agree with Staff that a separate
2 set of depreciation rates would not be cost justified."¹⁶

3 Similarly, in UM 614 the Commission adopted depreciation rates equal to those previously
4 adopted by the IPUC.¹⁷

5 Although in Order No. 08-427 the Commission rejected PacifiCorp's argument that it
6 should adopt a rate consistent with those adopted in other jurisdictions,¹⁸ staff and Idaho
7 Power believe it is appropriate to do so here. Idaho Power is situated differently from
8 PacifiCorp as an Oregon multi-state utility and its interests in administrative efficiency are
9 more compelling. PacifiCorp operates in six different states and has more than 25 percent of
10 its customer load in Oregon. In contrast, Idaho Power's Oregon load constitutes less than
11 five percent of its business, with the remaining 95 percent of its load in Idaho. Thus, the cost
12 to Idaho Power of keeping separate books for Oregon would be significantly higher, in a
13 relative sense, than it would be for PacifiCorp.

14 If the Commission requires Idaho Power to maintain separate depreciation schedules
15 for Oregon, Idaho Power will seek to recover from Oregon consumers the additional
16 administrative costs it will incur. Given the relatively small rate change in depreciation
17 expense contemplated by the Stipulation, it is reasonable to allow Idaho Power to extend the
18 depreciation life of Jim Bridger by one year.

19 **B. The Stipulation Will Result in Just and Reasonable Rates.**

20 The Stipulation represents a reasonable compromise of positions among the Parties
21 and will result in fair, just, and reasonable rates. Here, the Company's position differed from
22 Staff's by a mere 0.8 percent. Therefore, the compromise is a fair way to resolve a
23 difference in figures and the Stipulation's proposed depreciation rates fall within the "range of

24

25

¹⁶ Order No. 04-290 at 1-2.

¹⁷ *Application of Idaho Power Company for Authority to Institute Revised Depreciation Rates*, Docket
26 UM 614, Order No. 94-239 (Feb. 3, 1994).

¹⁸ Order No. 08-327 at 4, n. 12.

1 reasonableness” for resolution of this issue.¹⁹ Additionally, the Company’s proposed
2 depreciation rates—resulting in a slower recovery of depreciation expenses—results in a
3 smaller rate impact for Idaho Power’s Oregon customers. The Stipulation also minimizes the
4 Company’s administrative costs with respect to depreciation accounting. In total, this
5 Stipulation results in a minimal rate impact that is just and reasonable.

6 **C. Future Reviews of Depreciation Rates**

7 As noted, the filed depreciation rates reflect the outcome of the review carried out in
8 Idaho. When Oregon staff conducted its own analysis, Oregon staff reached slightly different
9 conclusions than reached by the Idaho Public Utility Commission. As already discussed
10 Idaho Power and staff entered into the Stipulation to resolve the minor difference in the
11 revenue requirement effect of the OPUC staff analysis and the rates already adopted in
12 Idaho, to avoid the need for Idaho Power to maintain two sets of depreciation books and
13 pass the cost of this administrative burden onto Oregon customers. However, Idaho Power
14 and staff agree it is appropriate to better coordinate depreciation reviews in Oregon and
15 Idaho. Accordingly, the Company agrees to meaningfully involve Staff in the development of
16 future depreciation rates, which would include seeking OPUC staff input prior to submitting
17 new depreciation rates to the Idaho PUC, and also, advocating to the IPUC staff for a
18 coordinated analysis among the Company, Idaho PUC staff and OPUC staff prior to
19 submitting depreciation rates for approval to the IPUC.

20 ////

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24 _____

25 ¹⁹ See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999). See also *PacifiCorp’s*
26 *2009 Rate Adjustment Clause Schedule 202*, Docket UE 200, Order No. 08-548 at 2 (Nov. 14, 2008)
(stipulating to O&M costs that are an average of two results is a fair way to resolve a difference in
figures).

1 **III. CONCLUSION**

2 For the reasons set forth above, the Parties respectfully request that the Commission
3 adopt the Stipulation.

4
5 Dated: June 5, 2009

6 Respectfully submitted,

7 **MCDOWELL & RACKNER PC**

8 

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1395 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

Stephanie S. Andrus
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Regulated Utility & Business Section
1162 Court St NE
Salem, OR 97301-4096
stephanie.andrus@state.or.us

DATED: June 5, 2009.



Lisa Rackner