



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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June 18, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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SALEM OR 97308-2148

**RE: Docket No. UM 1395 – In the Matter of IDAHO POWER COMPANY
Application for Authorization to Implement Revised Depreciation Rates.**

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UM 1395 Service List (parties)



**PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1395

**STAFF DIRECT TESTIMONY OF
MING PENG**

**In the Matter of
IDAHO POWER COMPANY
Application for Authorization to Implement Revised
Depreciation Rates.**

June 18, 2009

CASE: UM 1395
WITNESS: Ming Peng

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Direct Testimony

June 18, 2009

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

2 A. My name is Ming Peng. I am a Senior Utility Analyst for the Public Utility
3 Commission of Oregon. My business address is 550 Capitol Street NE Suite 215,
4 Salem, Oregon 97301-2551.

5 **Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS AND**
6 **EXPERIENCE?**

7 A. Yes. My Witness Qualification Statement is found in Exhibit Staff/2.

8 **Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

9 A. I am appearing on behalf of the Public Utility Commission of Oregon (OPUC).

10 **Q. WHAT IS THE SUBJECT AND THE PURPOSE OF YOUR TESTIMONY?**

11 A. This testimony addresses depreciation. The purpose of my testimony is to
12 describe my depreciation analysis and why I support the Stipulation between
13 Commission Staff and Idaho Power (Company, IPC) in Docket UM 1395.

14 **Q. WHY DID THE COMPANY FILE ITS DEPRECIATION STUDY?**

15 A. OPUC Order No. 04-290, issued on May 24, 2004, requires the Company to file
16 a new depreciation study within five years of the order issue date. In compliance
17 with the order, the Company filed a new depreciation study on October 10, 2008.

18 **Q. WILL YOU PLEASE SUMMARIZE THE COMPANY'S DEPRECIATION**
19 **PROPOSAL?**

20 A. The Company requested authorization to revise its book depreciation rates so
21 that they are consistent with the results of a study recently undertaken by the

1 Company.¹ As filed, the Company's annual depreciation expense would
 2 decrease by \$8.5M from \$95.97M to \$87.46M, based on December 31, 2006
 3 plant balances. Annual Oregon-allocated depreciation expense would be
 4 \$416,355 or 4.89% of Idaho Power's total depreciation expense.

5 **Q. DID YOU INDEPENDENTLY REVIEW THE DEPRECIATION STUDIES?**

6 **A.** Yes, my review was comprehensive. I developed a set of proposed Iowa
 7 Curves, average service lives, net salvage rates, and depreciation rates for each
 8 of the plant accounts.

9 **Q. DID YOUR INDEPENDENT ANALYSIS SUGGEST ADJUSTMENTS TO THE**
 10 **COMPANY'S PROPOSAL?**

11 **A.** Yes. Initially, I proposed two types of adjustments. The first type of adjustment
 12 concerns net salvage rates. Net salvage is the difference between gross
 13 salvage and cost of removal. Net salvage rate is positive when gross salvage
 14 exceeds cost of removal and reduces the depreciation rate and revenue
 15 requirement. Conversely, net salvage is negative when cost of removal exceeds
 16 gross salvage and increases the depreciation rate and revenue requirement.
 17 The following table summarizes my initial proposed adjustment on net salvage
 18 rates.

	UM 1395	IPC Position	Staff's Position

¹ IPC hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable plant in service as of December 31, 2006.

	Account	Net Salvage Rate %	Net Salvage Rate %
1	311	-10	-5
2	331	-25	-15
3	356	-30	-25
4	361	-30	-25
5	362	-5	-3
6	365	-40	-30
7	366	-20	-15
8	367	-15	-10
9	369	-40	-35
10	396	30	35

1

2 My second type of adjustment concerns the depreciable remaining life of the Jim
3 Bridger coal plant based on OPUC Order No. 08-427.² IPC and Pacific Power
4 (PPL) jointly own Jim Bridger Coal Plant. IPC owns roughly 34% and PacifiCorp
5 owning the remaining share. IPC has proposed a December 31, 2026,
6 depreciable life-end date for Jim Bridger.

7 I initially proposed an adjustment that would give the Jim Bridger plant the
8 same depreciable remaining life that the Commission ordered PacifiCorp to use
9 in PacifiCorp's most recent depreciation study docket (UM 1329). See Order
10 No. 08-327. In Docket No. UM 1329, a docket addressing a depreciation study
11 filed by PacifiCorp, the Commission rejected PacifiCorp's proposal to extend the
12 depreciation lives of its coal-fired plants from what the Commission had
13 approved in 2003. This proposal included PacifiCorp's request to extend the
14 depreciable life of Jim Bridger by twelve years, from 2025 to 2037. The

1 Commission rejected PacifiCorp's proposal based on its belief that "Pacific
2 Power's request to extend the depreciable lives of its coal-fired generating
3 plants must be considered in the context of current national trends toward
4 decreased reliance on fossil fuels and increased regulation of carbon
5 emissions." Order No. 08-327 at 2.

6 IPC's new depreciation study filed on October 10, 2008, slightly extends
7 the remaining life of the Jim Bridger coal plant by 2-3 years, from that previously
8 used by Idaho Power and from that ordered by the Commission in the PacifiCorp
9 docket.

10 Please note that my adjustments focus on "Remaining Life" not the End-
11 Life. End-Life is a "probable retirement year" based on the engineering judgment
12 incorporating the statistical analyses and previous studies. The "Remaining Life"
13 and net salvage rates adjustments are used here to derive the depreciation
14 rates. I initially proposed adjustments to Idaho Power's depreciation study to
15 incorporate the same remaining life for Jim Bridger previously used by Idaho
16 Power.

17 The following table summarizes my Adjustment on Remaining life on the
18 Jim Bridger Coal Plant.

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

		<u>Rem. Life Yrs</u> Order 08-427	<u>Rem. Life Yrs</u> IPC-Existing	<u>Rem. Life Yrs</u> IPC- Proposed	<u>Yrs</u> Difference
JIM BRIDGER		[1]	[2]	[3]	[4]=[3]-[1]
Land Rights (not adjusted)	310.20	19.00	19.17	21.77	2.77
Structures & Improvements	311.00	18.65	18.86	21.70	3.05
Boiler Plant Equipment	312.00	18.14	18.89	21.48	3.34
Turbogenerator Units	314.00	17.65	17.51	19.81	2.16
Accessory Electric Equipment	315.00	18.74	18.12	20.07	1.33
Misc. Power Plant Equipment	316.00	16.57	17.10	19.77	3.20

1

2 The Table shows that the Remaining Life was extended on:

3 Account 311, 3.05-Year Extended,

4 Account 312, 3.34-Year Extended,

5 Account 314, 2.16-Year Extended,

6 Account 315, 1.33-Year Extended, and

7 Account 316, 3.20-Year Extended.

8

9 **Q. WHAT ARE THE IMPACTS OF YOUR ADJUSTMENT?**

10 A. The Impacts are listed below:

11 (1) The Remaining Life Adjustments on the Jim Bridger Coal Plant would

12 increase annual depreciation expenses by \$1.7 million.

13 (2) The Net Salvage Rate Adjustments on 10 accounts would decrease annual

14 depreciation expenses by \$1 million.

1 (3) The offset (net) impact on annual depreciation expenses would be \$0.7
2 million.

3 (4) Annual Accrual Amount would increase from \$87 million to \$88 million

4 (5) Total Depreciation Reduction would be \$7.8 million

5 (6) Oregon impact: \$7.8 million x 4.98% = \$381,995

6 **Q. WHAT WOULD BE THE IMPACTS ON OREGON UNDER THE ASSUMPTION**
7 **THAT ALL OF THE ADJUSTMENTS WERE ACCEPTED BY IPC?**

8 A. Under the assumption that all of the adjustments were accepted, the difference
9 of Oregon-allocated annual depreciation expense between IPC's proposed
10 \$416,355 and my proposed \$381,995 is \$34,360.

11 **Q. WERE YOU AND THE COMPANY ABLE TO RESOLVE YOUR STUDY**
12 **DIFFERENCES FOR THE ELECTRIC PLANT ACCOUNTS AND WHY?**

13 A. Yes. I recommend the Commission adopt the Stipulation because the difference
14 between the staff independent analysis and the Stipulation is small and has no
15 material impact. Further, adopting the same rates in Oregon as in Idaho will
16 allow Idaho Power to avoid the administrative burden of maintaining two sets of
17 depreciation books. I also recommend the Commission adopt the Stipulation
18 because the Company commits to including OPUC staff in developing future
19 depreciation rates. To that end, I envision working with the Company and Idaho
20 Commission staff in the development of the next update to the depreciation
21 study. While Oregon PUC staff is not making a commitment to reach a common
22 understanding and support of revised depreciation rates, we are making a

1 commitment to work collaboratively with other parties. Idaho Power is making a
2 commitment to include our active involvement.

3 **Q. DO YOU HAVE CONCERNS RELATED TO YOUR INITIAL PROPOSED**
4 **ADJUSTMENTS TO NET SALVAGE RATES?**

5 A. No. Given the small monetary net impact of these adjustments, I am satisfied
6 that our Stipulation is the best resolution of the issues raised by my adjustments.
7 The Stipulation will allow the OPUC an opportunity to analyze and weigh-in on
8 any future Idaho Power depreciation study before it is filed with the IPUC, which
9 may obviate the need for adjustments like those I initially proposed in this
10 docket. And, for purposes of this docket, the amount of money associated with
11 my initial adjustments is not sufficient to warrant the administrative burden of
12 keeping two sets of depreciation books.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.

CASE: UM 1395
WITNESS: Ming Peng

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

June 18, 2009

WITNESS QUALIFICATION STATEMENT

NAME: MING PENG (Ms.)

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: SENIOR ECONOMIST

ADDRESS: 550 CAPITOL ST. N.E. SUITE 215, SALEM, OR 97301-2551

EDUCATION & TRAINING:

Certified Rate of Return Analyst (CRRRA) Society of Utility and Regulatory Financial Analysts	2002
NARUC Annual Regulatory Studies Program Michigan State University, East Lansing	1999
Master of Science, Agricultural Economics University of Idaho, Moscow	1990
Bachelor of Science, Statistics People's University of China, Beijing	1983

EXPERIENCE:

SENIOR ECONOMIST 1999 - present
Public Utility Commission of Oregon. Working in areas including Industrial Property Retirement and Depreciation Rates, Cost of Capital Analysis, Fixed Income Security Analysis, Financial Risk Analysis on Merger & Acquisition, Electricity Load and Price Forecasting, Weather Normalization, Public Utility Auditing, Market Competition Survey Analysis for Telecom Industry, Sampling Design for Revenue Issues.

INDUSTRY ANALYST 1996-1998
Weyerhaeuser Company. Forecasted product demand, price trends, and price elasticity. Established the process (specific methods and techniques) for market, investment, and economic analyses. Selected the analytical techniques most appropriate for any given problem.

ECONOMIST (Natural Resources) 1992-1996
Idaho Department of Water Resources. Conducted economic research. Developed analysis in evaluating policy and planning alternatives; determined the financial and economic feasibility of proposed natural resource projects using economic modeling and investment analysis.

CERTIFICATE OF SERVICE

UM 1395

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 18th day of June, 2009.

Kay Barnes

Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UM 1395
Service List (Parties)

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