

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1395

In the Matter of

IDAHO POWER COMPANY

Application for Authorization to Implement  
Revised Depreciation Rates.

ORDER

DISPOSITION: STIPULATION ADOPTED

**I. INTRODUCTION**

In this Order, the Commission adopts the Stipulation entered into by Idaho Power Company (Idaho Power or the Company) and the Staff of the Public Utility Commission of Oregon (Staff) (collectively, the “parties”).

On October 10, 2008, Idaho Power filed an Application for Authorization to Implement Revised Depreciation Rates (Application). A prehearing conference was held on November 5, 2008, and a schedule was established. On March 23, 2009, Idaho Power filed a motion to suspend the schedule to allow the parties to pursue settlement discussions. The suspension continued until June 5, 2009, when the parties filed a Stipulation and supporting brief resolving all of the issues in this docket. On June 18, 2009, the parties filed testimony and exhibits in support of the Stipulation.

**II. DISCUSSION**

**A. The Application**

In its Application, Idaho Power seeks an order granting the Company authorization to institute revised depreciation rates for its electric plant-in-service.

The Company explains that it conducted a detailed depreciation study of all electric plant-in-service and updated the associated depreciation rates in its Idaho jurisdiction. The updated depreciation study was conducted by Gannett Fleming and encompasses all of the Company’s electric plant-in-service as of December 31, 2006.<sup>1</sup>

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<sup>1</sup> Idaho Power’s depreciation rates were last modified in Oregon in Order No. 04-290, using a depreciation study of the Company’s plant-in-service as of December 31, 2001.

According to Idaho Power, the updated depreciation rates are based on the straight-line, remaining life method for production, transmission, and distribution plant and amortization of certain general plant accounts. The Company has obtained approval of the new depreciation rates in Idaho, and now seeks authority to implement the same revised rates in its Oregon jurisdiction.

The Company sought approval of the revised depreciation rates at the Idaho Public Utility Commission (Idaho Commission) on April 1, 2008. The Idaho Commission ultimately approved a stipulation between Idaho Power and Idaho Commission Staff adopting new rates, which took effect in the Company's Idaho jurisdiction on August 1, 2008.<sup>2</sup> The new depreciation rates will result in a decrease of \$8,541,422 in total annual depreciation expense in the Company's Idaho jurisdiction.

In this docket, Idaho Power seeks to have the Idaho depreciation rates implemented in its Oregon jurisdiction. The Company notes that its Oregon depreciation rates were last modified in Order No. 04-290, in docket UM 1120. In that order, the Commission approved rates that were identical to those approved in Idaho as part of a stipulation between Idaho Power and Idaho Commission staff. The Company argues that it is once again appropriate to adopt the same depreciation rates that have been approved in Idaho. The Company asserts that the depreciation rates it seeks to implement are reasonable, and points out that only about 5 percent of its business is in the state of Oregon, making it administratively burdensome to charge different depreciation rates in the two jurisdictions.

According to the Application, the proposed depreciation rates would decrease the Company's annual depreciation expense in Oregon by approximately \$416,355. The Company seeks authority to implement the change in depreciation rates effective August 1, 2008, the same date the depreciation rates became effective in Idaho.<sup>3</sup>

## **B. The Stipulation**

In the Stipulation, the parties agree to adopt the depreciation rates sought by Idaho Power in its Application. The parties agree the new rates will be effective August 1, 2008, and that the rates will decrease Idaho Power's annual depreciation expense in Oregon by approximately \$416,355. Staff and Idaho Power believe the adjustments to rates resulting from the Stipulation are sufficient, fair, just, and reasonable.

In their explanatory brief and supporting testimony, the parties note that Staff initially proposed adjustments to Idaho Power's proposed depreciation rates, including (1) adjustments to proposed net salvage rates, and (2) adjustments to the proposed depreciation life of the Jim Bridger coal plant. These adjustments would have resulted in a slightly faster recovery of depreciation expense than proposed by the Company.

Idaho Power proposed an end-life date for the Jim Bridger coal plant of 2026, the date adopted by the Idaho Commission. Staff proposed an end life date of 2025, the same

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<sup>2</sup> See Idaho Commission Order No. 30639, Case No. IPC-E-08-06.

<sup>3</sup> Idaho Power states that the revised depreciation rates will be incorporated in the Company's pending Idaho general rate case. If the Idaho Commission's final order in that case makes any changes to the previously approved depreciation rate, the Company states that it will make another Oregon filing to reflect such revisions. Application at 4.

date adopted by this Commission for the Jim Bridger plant in PacifiCorp's last depreciation rate docket, UM 1329.

The parties note that in docket UM 1329, the Commission rejected PacifiCorp's proposal to extend the end-life date for the Jim Bridger plant from 2025 to 2037 due to environmental concerns about coal plants and the uncertainty surrounding increased carbon regulation.<sup>4</sup> Staff does not believe that Idaho Power's request in this docket raises the same concerns. Here, Idaho Power seeks to extend the life of the plant for only one year beyond the 2025 date, rather than the 12 years sought by PacifiCorp. Idaho Power's requested extension is thus minor by comparison. Staff believes that this one-year extension is reasonable in light of the administrative costs that Idaho Power would bear if it were required to maintain separate sets of depreciation rates in Idaho and Oregon.<sup>5</sup> Staff also concludes that the financial impact of the extension is not material.<sup>6</sup> Consequently, the parties agree that adopting Idaho Power's proposed 2026 end-life date for the Jim Bridger plant, the same date adopted by the Idaho Commission, is appropriate under the circumstances.

Although Staff recognizes the advantages of allowing Idaho Power to maintain only one set of depreciation rates and recommends adopting the depreciation rates approved by the Idaho Commission for that reason, the Stipulation also addresses Staff's desire to have input on Idaho Power's depreciation rates going forward. Idaho Power agrees as part of the Stipulation to meaningfully involve Staff in the development of future depreciation rates. This means that Idaho Power will, at a minimum, seek Staff's input prior to submitting new depreciation rates to the Idaho Commission and advocate to the Idaho Commission staff for a coordinated analysis among the Company, Idaho Commission Staff, and Oregon Commission Staff prior to the Company's submission of proposed new depreciation rates to the Idaho Commission.

### III. DISCUSSION

The Commission has reviewed the Stipulation, together with Idaho Power's testimony and exhibits supporting its Application. We conclude that the Stipulation is reasonable and should be adopted.

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<sup>4</sup> See, e.g., Order No. 08-327 at 3-4.

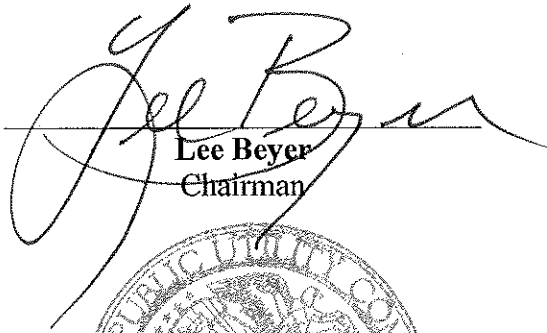
<sup>5</sup> The parties note that the Oregon jurisdiction accounts for only about 5 percent of Idaho Power's operations and point out that the Commission has previously held that requiring Idaho Power to maintain a second set of depreciation rates would not be cost justified. See Order No. 04-290 at 1-2. See also Order No. 94-239 (adopting depreciation rates equal to those previously adopted by the Idaho Commission).


<sup>6</sup> The parties state that Staff's original modifications would have resulted in a difference of approximately \$34,000, or 0.8 percent. See Staff/100, Peng/6-7 ("[F]or purposes of this docket, the amount of money associated with [Staff's] initial adjustments is not sufficient to warrant the administrative burden of keeping two sets of depreciation books.").

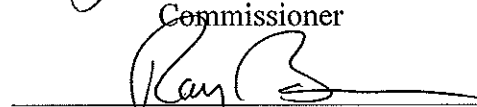
**IV. ORDER**

IT IS ORDERED that the Stipulation attached to this Order as Appendix A is adopted. The stipulated depreciation rates for Idaho Power Company shall become effective for accounting purposes on August 1, 2008.

Made, entered, and effective                     AUG 1 8 2009                    .

  
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**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
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**Ray Baum**  
Commissioner



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

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UM 1395

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

STIPULATION

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

PARTIES

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

BACKGROUND

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

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

<sup>1</sup> Case No. IPC-E-08-06.

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.<sup>2</sup> 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.

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

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2 **AGREEMENT**

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

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

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

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

26 12. The Parties have negotiated this Stipulation as an integrated document. If the  
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.

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15 STAFF

IDAHO POWER

16 By: \_\_\_\_\_

By: 

17 Date: \_\_\_\_\_

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.

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5 admitted, or consented to the facts, principles, methods, or theories employed by any other  
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13 signature.

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STAFF

IDAHO POWER

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By: Mike [Signature]

By: \_\_\_\_\_

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Date: 6/5/09

Date: \_\_\_\_\_

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