

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: LISA NORDSTROM**

**DATE: MAY 19, 2003**

**RE: IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY  
TO REVISE ITS DEPRECIATION RATES FOR PLANT IN SERVICE.  
CASE NO. IPC-E-03-7.**

Idaho Power Company filed an Application on May 6, 2003 requesting authority to revise its depreciation rates for the Company's electric plant in service. Idaho Power's depreciation rates have not been significantly changed since the Commission issued Order No. 24739 in 1993. Although the Company's total annual depreciation expense would increase by nearly \$7 million under its proposal, the present Application does not request a change in electric rates.

The proposed depreciation rates are based on the results of a detailed depreciation study of Idaho Power's electric plant in service as of December 31, 2001 that was conducted by Gannett Fleming, Inc. Gannett Fleming identified and measured changes as well as recommended depreciation rates. The most significant rate change is in the category of General Plant, which Gannett Fleming recommends be increased from 5.52% to 11.24%. Gannett Fleming's study also updates net salvage percents and service life estimates for all plant assets.

Idaho Power's current depreciation rates have been applied to the investment in each primary and subplant account. The proposed depreciation rates are based on the straight line, remaining life method, average service life procedure for all electric plant. A summary schedule detailing the December 31, 2001 original plant cost, depreciation accrual amount, and rate is set forth in Attachment 1 to the Application.

Based on \$2,900,657,420 of depreciable electric plant in service on December 31, 2001, Idaho Power's requested depreciation rate changes would increase its total annual

depreciation expense by \$6,994,021. The Company's Application states that Idaho Power believes the proposed depreciation changes using the average service life procedure are reasonable and appropriate. Although Gannet Fleming recommended the Equal Life Procedure (ELG) be used, Idaho Power requested that Gannet Fleming prepare an alternative (Average Service Life) procedure due to the large impact ELG would have on the Company's revenue requirement. While the Company notes that it agrees with Gannet Fleming that ELG best matches the recovery rate of capital investment with the asset service value, Idaho Power proposes that Average Service Life procedure be used in this proceeding.

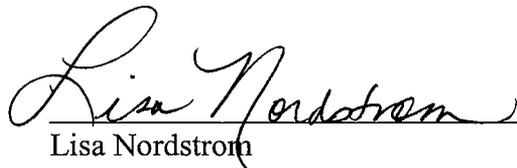
Idaho Power Company requests that its Application be processed pursuant to the Commission's Rules of Procedure, i.e., by written submission rather than by hearing. Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company asks that the Commission issue an Order approving the proposed depreciation rates effective December 1, 2003.

#### **STAFF RECOMMENDATION**

Staff has no objection to Modified Procedure but recommends the Commission schedule an intervenor deadline and workshop, the latter to be held in July. This timetable will allow the parties to prepare and review responses to production requests (formal and/or informal), as well as allow adequate time to review and audit the underlying depreciation study performed by Gannett Fleming. Following the workshop, the Commission may wish to set a written comment deadline to allow the parties to respond to the Application or possible settlement, if one is reached at the workshop.

#### **COMMISSION DECISION**

Does the Commission wish to process this case pursuant to Modified Procedure and schedule an intervenor deadline and workshop as recommended by Staff?

  
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Lisa Nordstrom

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