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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE )  
APPLICATION OF IDAHO POWER ) CASE NO. IPC-E-08-06  
COMPANY FOR AUTHORITY TO )  
INSTITUTE REVISED DEPRECIATION )  
RATES FOR ELECTRIC PLANT IN )  
SERVICE )  

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IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

JOHN J. SPANOS

1 Q. Please state your name and business address.

2 A. My name is John J. Spanos. My business address is  
3 207 Senate Avenue, Camp Hill, Pennsylvania.

4 Q. Are you associated with any firm?

5 A. Yes. I am associated with the firm of Gannett  
6 Fleming, Inc. - Valuation and Rate Division.

7 Q. How long have you been associated with Gannett  
8 Fleming, Inc.?

9 A. I have been associated with the firm since college  
10 graduation in June, 1986.

11 Q. What is your position with the firm?

12 A. I am a Vice President of the Valuation and Rate  
13 Division.

14 Q. What is your educational background?

15 A. I have Bachelor of Science degrees in Industrial  
16 Management and Mathematics from Carnegie-Mellon University and  
17 a Master of Business Administration from York College.

18 Q. Do you belong to any professional societies?

19 A. Yes. I am a member of the Society of Depreciation  
20 Professionals and the American Gas Association/Edison Electric  
21 Institute Industry Accounting Committee.

22 Q. Do you hold any special certification as a  
23 depreciation expert?

24 A. Yes. The Society of Depreciation Professionals has  
25 established national standards for depreciation professionals.  
26 The Society administers an examination to become certified in

1 this field. I passed the certification exam in September 1997  
2 and was recertified in August 2003.

3 Q. Please outline your experience in the field of  
4 depreciation.

5 A. In June, 1986, I was employed by Gannett Fleming,  
6 Inc. as a Depreciation Analyst. During the period from June,  
7 1986 through December, 1995, I helped prepare numerous  
8 depreciation and original cost studies for utility companies  
9 in various industries. I helped perform depreciation studies  
10 for the following telephone companies: United Telephone of  
11 Pennsylvania, United Telephone of New Jersey and Anchorage  
12 Telephone Utility. I helped perform depreciation studies for  
13 the following companies in the railroad industry: Union  
14 Pacific Railroad, Burlington Northern Railroad and Wisconsin  
15 Central Transportation Corporation.

16 During this time I also helped perform depreciation  
17 studies for the following organizations in the electric  
18 industry: Chugach Electric Association, The Cincinnati Gas and  
19 Electric Company (CG&E), The Union Light, Heat and Power  
20 Company (ULH&P), Northwest Territories Power Corporation and  
21 the City of Calgary - Electric System.

22 I helped perform depreciation studies for the  
23 following pipeline companies: TransCanada Pipelines Limited,  
24 Trans Mountain Pipe Line Company Ltd., Interprovincial Pipe  
25 Line Inc., Nova Gas Transmission Limited and Lakehead Pipeline  
26 Company.

1 I helped perform depreciation studies for the  
2 following gas companies: Columbia Gas of Pennsylvania,  
3 Columbia Gas of Maryland, The Peoples Natural Gas Company, T.  
4 W. Phillips Gas & Oil Company, CG&E, ULH&P, Lawrenceburg Gas  
5 Company and Penn Fuel Gas, Inc.

6 I helped perform depreciation studies for the  
7 following water companies: Indiana-American Water Company,  
8 Consumers Pennsylvania Water Company and The York Water  
9 Company; and depreciation and original cost studies for  
10 Philadelphia Suburban Water Company and Pennsylvania-American  
11 Water Company. In each of the above studies, I assembled  
12 and analyzed historical and simulated data, performed field  
13 reviews, developed preliminary estimates of service life and  
14 net salvage, calculated annual depreciation, and prepared  
15 reports for submission to state public utility commissions or  
16 federal regulatory agencies. I performed these studies under  
17 the general direction of William M. Stout, P.E.

18 In January, 1996, I was assigned to the position of  
19 Supervisor of Depreciation Studies. In July, 1999, I was  
20 promoted to the position of Manager, Depreciation and  
21 Valuation Studies. In December, 2000, I was promoted to my  
22 present position as Vice-President of the Valuation and Rate  
23 Division of Gannett Fleming, Inc. and I became responsible for  
24 conducting all depreciation, valuation and original cost  
25 studies, including the preparation of final exhibits and

1 responses to data requests for submission to the appropriate  
2 regulatory bodies.

3       Since January 1996, I have conducted depreciation studies  
4 similar to those previously listed including assignments for  
5 Pennsylvania American Water Company, Aqua Pennsylvania,  
6 Kentucky American Water Company, Virginia American Water  
7 Company, Indiana American Water Company, Hampton Water Works  
8 Company, Omaha Public Power District, Enbridge Pipe Line  
9 Company, Inc., Columbia Gas of Virginia, Inc., Virginia  
10 Natural Gas Company, National Fuel Gas Distribution  
11 Corporation - New York and Pennsylvania Divisions, The City of  
12 Bethlehem - Bureau of Water, The City of Coatesville  
13 Authority, The City of Lancaster - Bureau of Water, Peoples  
14 Energy Corporation, The York Water Company, Public Service  
15 Company of Colorado, Enbridge Pipelines, Enbridge Gas  
16 Distribution, Inc., Reliant Energy-HLP, Massachusetts-American  
17 Water Company, St. Louis County Water Company, Missouri-  
18 American Water Company, Chugach Electric Association, Alliant  
19 Energy, Oklahoma Gas & Electric Company, Nevada Power Company,  
20 Dominion Virginia Power, NUI-Virginia Gas Companies, Pacific  
21 Gas & Electric Company, PSI Energy, NUI - Elizabethtown Gas  
22 Company, Cinergy Corporation - CG&E, Cinergy Corporation -  
23 ULH&P, Columbia Gas of Kentucky, SCANA, Inc., Idaho Power  
24 Company, El Paso Electric Company, Central Hudson Gas &  
25 Electric, Centennial Pipeline Company, CenterPoint Energy-  
26 Arkansas, CenterPoint Energy - Oklahoma, CenterPoint Energy -

1 Entex, CenterPoint Energy - Louisiana, NSTAR - Boston Edison  
2 Company, Westar Energy, Inc., PPL Electric Utilities, PPL Gas  
3 Utilities, Wisconsin Power & Light Company, TransAlaska  
4 Pipeline, Avista Corporation, Northwest Natural Gas, Allegheny  
5 Energy Supply, Inc., Public Service Company of North Carolina,  
6 South Jersey Gas Company, Duquesne Light Company, MidAmerican  
7 Energy Company, Laclede Gas, Duke Energy Company, Duke Energy  
8 Carolinas, Duke Energy Ohio Gas, Duke Energy Kentucky,  
9 Bonneville Power Administration, NSTAR Electric and Gas  
10 Company, EPCOR Distribution, Inc. and B. C. Gas Utility, Ltd.

11 My additional duties include determining final life and  
12 salvage estimates, conducting field reviews and presenting  
13 recommended depreciation rates to management for their  
14 consideration.

15 Q. Have you submitted testimony to any state utility  
16 commission on the subject of utility plant depreciation?

17 A. Yes. I have submitted testimony to the Pennsylvania  
18 Public Utility Commission, the Commonwealth of Kentucky Public  
19 Service Commission, the Public Utilities Commission of Ohio,  
20 the Nevada Public Utility Commission, the Public Utilities  
21 Board of New Jersey, the Missouri Public Service Commission,  
22 the Massachusetts Department of Telecommunications and Energy,  
23 the Alberta Energy & Utility Board, the Idaho Public Utility  
24 Commission, the Louisiana Public Service Commission, the State  
25 Corporation Commission of Kansas, the Oklahoma Corporate  
26 Commission, the Public Service Commission of South Carolina,

1 Railroad Commission of Texas - Gas Services Division, the New  
2 York Public Service Commission, Illinois Commerce Commission,  
3 the Indiana Utility Regulatory Commission, the California  
4 Public Utilities Commission, the Federal Energy Regulatory  
5 Commission ("FERC"), the Arkansas Public Service Commission,  
6 the Public Utility Commission of Texas, the Regulatory  
7 Commission of Alaska, and the North Carolina Utilities  
8 Commission.

9 Q. Have you had any additional education relating to  
10 utility plant depreciation?

11 A. Yes. I have completed the following courses  
12 conducted by Depreciation Programs, Inc.: "Techniques of Life  
13 Analysis," "Techniques of Salvage and Depreciation Analysis,"  
14 "Forecasting Life and Salvage," "Modeling and Life Analysis  
15 Using Simulation" and "Managing a Depreciation Study." I have  
16 also completed the "Introduction to Public Utility Accounting"  
17 program conducted by the American Gas Association.

18 Q. What is the purpose of your testimony in this  
19 proceeding?

20 A. I am sponsoring the depreciation study I performed  
21 on behalf of Idaho Power Company.

22 Q. Please define the concept of depreciation.

23 A. Depreciation refers to the loss in service value not  
24 restored by current maintenance, incurred in connection with  
25 the consumption or prospective retirement of utility plant in  
26 the course of service from causes, which can be reasonably

1 anticipated or contemplated, against which the Company is not  
2 protected by insurance. Among the causes to be given  
3 consideration are wear and tear, decay, action of the  
4 elements, inadequacy, obsolescence, changes in the art,  
5 changes in demand and the requirements of public authorities.

6 Q. Was the depreciation study identified as Exhibit 1  
7 to your testimony prepared under your direction and control?

8 A. Yes.

9 Q. What depreciation procedure did you initially  
10 recommend to the Company?

11 A. I recommended the use of the Equal Life Group  
12 procedure as this procedure best matches the recovery rate of  
13 capital investment with the asset service value.

14 Q. Did Idaho Power request that you prepare an  
15 alternative to the preferred procedure?

16 A. Yes, the Company requested I prepare a depreciation  
17 study based on the use of the Average Service Life procedure.

18 Q. Do you continue to believe that the ELG is the more  
19 appropriate procedure to be used in the Company's depreciation  
20 study?

21 A. Yes, the Equal Life Group procedure is the superior  
22 method for determining depreciation accrual rates. In the  
23 Equal Life Group procedure, also known as the unit summation  
24 procedure, the property group is subdivided according to  
25 service life. That is, each equal life group includes that  
26 portion of the property which experiences the life of that



1 specific group. The relative size of each equal life group is  
2 determined from the property's life dispersion curve. The  
3 calculated depreciation for the property group is the  
4 summation of the calculated depreciation based on the service  
5 life of each equal life unit.

6 This procedure eliminates the need to base annual  
7 depreciation expense on average lives, inasmuch as each group  
8 has a single life. The full cost of short-lived items is  
9 accrued during their lives, leaving no deferral of accruals  
10 required to be added to the annual cost associated with long-  
11 lived items. The depreciation expense for the property group  
12 is the summation of the depreciation expense based on the  
13 service life of each equal life group.

14 Q. Is Exhibit 1 a true and accurate copy of the  
15 depreciation study performed by you on behalf of Idaho Power  
16 Company using the Average Service Life procedure?

17 A. Yes.

18 Q. Does Exhibit 1 accurately portray the results of  
19 your depreciation study using the Average Service Life  
20 procedure as of December 31, 2006?

21 A. Yes.

22 Q. In conducting the depreciation study, did you follow  
23 generally accepted practices in the field of depreciation  
24 valuation?

25 A. Yes.

26 Q. Please describe the contents of Exhibit 1.

1           A.    I recommend changes to the depreciation rates  
2 currently in use as follows:

3 <u>Function</u>	<u>Existing %</u>	<u>Recommended %</u>
4           Steam Production Plant	3.07%	2.15%
5           Hydraulic Production Plant	1.99%	2.32%
6           Other Production Plant	2.77%	3.23%
7           Transmission Plant	2.18%	2.11%
8           Distribution Plant	3.26%	2.49%
9           General Plant	5.52%	6.52%

10                   The exhibit is presented in three parts. Part I,  
11 Introduction, presents the scope and basis for the  
12 depreciation study. Part II, Methods Used in Study, includes  
13 descriptions of the basis of the study, the estimation of  
14 survivor curves and net salvage and the calculation of annual  
15 and accrued depreciation. Part III, Results of Study,  
16 presents a description of the results, summaries of the  
17 depreciation calculations, graphs and tables that relate to  
18 the service life and net salvage analyses, and the detailed  
19 depreciation calculations.

20                   The table on pages III-4 through III-11 presents the  
21 estimated survivor curve, the net salvage percent, the  
22 original cost as of December 31, 2006, the book reserve and  
23 the calculated annual depreciation accrual and rate for each  
24 account or subaccount. The section beginning on page III-12  
25 presents the results of the retirement rate and simulated  
26 plant balance analyses prepared as the historical bases for  
27 the service life estimates. The section beginning on page

1 III-148 presents the results of the salvage analysis. The  
2 section beginning on page III-226 presents the depreciation  
3 calculations related to surviving original cost as of December  
4 31, 2006.

5 Q. Have you prepared a summary of your detailed  
6 recommendations that are described in Exhibit 1?

7 A. Yes, pages III-4 through III-11 of Exhibit 1 set  
8 forth the annual depreciation accrual rates as of December 31,  
9 2006.

10 Q. Please explain how you performed your depreciation  
11 study.

12 A. I used the straight line remaining life method of  
13 depreciation, with the Average Service Life procedure. The  
14 annual depreciation is based on a method of depreciation  
15 accounting that seeks to distribute the unrecovered cost of  
16 fixed capital assets over the average remaining life of the  
17 property within a group rather than recovering the unrecovered  
18 costs over the estimated remaining useful life of each unit,  
19 or group of assets.

20 For General Plant Accounts 391.1, 391.2, 393.0,  
21 394.0, 395.0, 397.1, 397.2, 397.3, 397.4 and 398, I used the  
22 straight line remaining life method of amortization. The  
23 account numbers identified throughout my testimony represent  
24 those in effect as of December 31, 2006. The annual  
25 amortization is based on amortization accounting that  
26 distributes the unrecovered cost of fixed capital assets over

1 the remaining amortization period selected for each account  
2 and vintage.

3 Q. How did you determine the recommended annual  
4 depreciation accrual rates?

5 A. I did this in two phases. In the first phase, I  
6 estimated the service life and net salvage characteristics for  
7 each depreciable group, that is, each plant account or  
8 subaccount identified as having similar characteristics. In  
9 the second phase, I calculated the composite remaining lives  
10 and annual depreciation accrual rates based on the service  
11 life and net salvage estimates determined in the first phase.

12 Q. Please describe the first phase of the depreciation  
13 study, in which you estimated the service life and net salvage  
14 characteristics for each depreciable group.

15 A. The service life and net salvage study consisted of  
16 compiling historical data from records related to Idaho  
17 Power's plant; analyzing these data to obtain historical  
18 trends of survivor characteristics; obtaining supplementary  
19 information from management and operating personnel concerning  
20 practices and plans as they relate to plant operations; and  
21 interpreting the above data and the estimates used by other  
22 electric utilities to form judgments of average service life  
23 and net salvage characteristics.

24 Q. What historical data did you analyze for the purpose  
25 of estimating service life characteristics?

1           A.    I analyzed the Company's accounting entries that  
2 record plant transactions during the period 1946 through 2006.  
3 The transactions included additions, retirements, transfers,  
4 sales and the related balances. The Company records included  
5 surviving dollar value by year installed for each plant account  
6 as of December 31, 2006.

7           Q.    What method did you use to analyze this service life  
8 data?

9           A.    I used the retirement rate method. This is the most  
10 appropriate method when retirement data covering a long period  
11 of time is available, because this method determines the average  
12 rates of retirement actually experienced by the Company during  
13 the period of time covered by the depreciation study.

14          Q.    Please describe how you used the retirement rate  
15 method to analyze Idaho Power's service life data.

16          A.    I applied the retirement rate analysis to each  
17 different group of property in the study. For each property  
18 group, I used the retirement rate data to form a life table  
19 which, when plotted, shows an original survivor curve for that  
20 property group. Each original survivor curve represents the  
21 average survivor pattern experienced by the several vintage  
22 groups during the experience band studied. The survivor  
23 patterns do not necessarily describe the life characteristics of  
24 the property group; therefore, interpretation of the original  
25 survivor curves is required in order to use them as valid

1 considerations in estimating service life. The Iowa type  
2 survivor curves were used to perform these interpretations.

3 Q. What is an "Iowa type Survivor Curve" and how did you  
4 use such curves to estimate the service life characteristics for  
5 each property group?

6 A. Iowa type curves are a widely used group of survivor  
7 curves that contain the range of survivor characteristics  
8 usually experienced by utilities and other industrial companies.  
9 The Iowa curves were developed at the Iowa State College  
10 Engineering Experiment Station through an extensive process of  
11 observing and classifying the ages at which various types of  
12 property used by utilities and other industrial companies had  
13 been retired.

14 Iowa type curves are used to smooth and extrapolate  
15 original survivor curves determined by the retirement rate  
16 method. The Iowa curves and truncated Iowa curves were used in  
17 this study to describe the forecasted rates of retirement based  
18 on the observed rates of retirement and the outlook for future  
19 retirements.

20 The estimated survivor curve designations for each  
21 depreciable property group indicate the average service life,  
22 the family within the Iowa system to which the property group  
23 belongs, and the relative height of the mode. For example, the  
24 Iowa 37-R1 indicates an average service life of thirty-seven  
25 years; a right-moded, or R, type curve (the mode occurs after

1 average life for right-moded curves); and a low height, 1, for  
2 the mode (possible modes for R type curves range from 1 to 5).

3 Q. Did you physically observe Idaho Power's plant and  
4 equipment in the field as part of your depreciation study?

5 A. Yes. I made a field review of Idaho Power's property  
6 on August 27 through 29, 2007, to observe representative  
7 portions of plant. Field reviews are conducted to become  
8 familiar with Company operations and obtain an understanding of  
9 the function of the plant and information with respect to the  
10 reasons for past retirements and the expected future causes of  
11 retirements. This knowledge as well as information from other  
12 discussions with management was incorporated in the  
13 interpretation and extrapolation of the statistical analyses.

14 Q. Were there any significant differences in this study  
15 from the previous study?

16 A. Yes, there were. The most significant change was the  
17 estimated life spans for steam facilities. Each steam plant has  
18 a life span that is longer than the current estimate. Boardman  
19 and both Valmy units have a recommended life span of 50 years  
20 and Bridger has a life span of 52 years. These recommended life  
21 spans are 5 to 13 years longer than currently in effect. The  
22 other change is the segregation of Automated Meter Reading (AMR)  
23 equipment for the other meter assets. The AMR assets have a  
24 shorter life expectancy than other meter assets. These assets  
25 are identified as Account 370.1, Meters - AMR Equipment, with an  
26 average service life of 15 years.

1 Q. Please describe how you estimated net salvage  
2 percentages.

3 A. I estimated the net salvage percentages by  
4 incorporating the historical data for the period 1954 through  
5 2006 and considered estimates for other electric companies.

6 Q. Please describe the second phase of the process that  
7 you used in the depreciation study in which you calculated  
8 composite remaining lives and annual depreciation accrual rates.

9 A. After I estimated the service life and net salvage  
10 characteristics for each depreciable property group, I  
11 calculated the annual depreciation accrual rates for each group,  
12 using the straight line remaining life method, and using  
13 remaining lives weighted consistent with the Average Service  
14 Life procedure.

15 Q. Please describe the straight line remaining life  
16 method of depreciation.

17 A. The straight line remaining life method of  
18 depreciation allocates the original cost of the property, less  
19 accumulated depreciation, less future net salvage, in equal  
20 amounts to each year of remaining service life.

21 Q. Please describe the Average Service Life procedure.

22 A. The Average Service Life procedure is a method for  
23 determining the remaining life annual accrual for each vintage  
24 property group. Under this procedure, the rate of annual  
25 depreciation is based on the average service life of the group,  
26 and this rate is applied to the surviving balances of the



1 group's cost. The average remaining life is derived from the  
2 area under the survivor curve between the attained age of the  
3 vintage and the maximum age. The future book accruals (original  
4 cost less book reserve) are divided by the average remaining  
5 life of the vintage which is determined by the average service  
6 life.

7 Q. Please describe amortization accounting.

8 A. In amortization accounting, units of property are  
9 capitalized in the same manner as they are in depreciation  
10 accounting. Amortization accounting is used for accounts with a  
11 large number of units, but small asset values, therefore,  
12 depreciation accounting is difficult for these assets because  
13 periodic inventories are required to properly reflect plant in  
14 service. Consequently, retirements are recorded when a vintage  
15 is fully amortized rather than as the units are removed from  
16 service. That is, there is no dispersion of retirement. All  
17 units are retired when the age of the vintage reaches the  
18 amortization period. Each plant account or group of assets is  
19 assigned a fixed period which represents an anticipated life  
20 which the asset will render full benefit. For example, in  
21 amortization accounting, assets that have a 20-year amortization  
22 period will be fully recovered after 20 years of service and  
23 taken off the Company books, but not necessarily removed from  
24 service. In contrast, assets that are taken out of service  
25 before 20 years remain on the books until the amortization  
26 period for that vintage has expired.

1 Q. Amortization accounting is being implemented to which  
2 plant accounts?

3 A. Amortization accounting is only appropriate for  
4 certain General Plant accounts. These accounts are 391.1,  
5 391.2, 393.0, 394.0, 395.0, 397.1, 397.2, 397.3, 397.4 and 398.0  
6 which represent only two percent of depreciable plant.

7 Q. Please use an example to illustrate how the annual  
8 depreciation accrual rate for a particular group of property is  
9 presented in your depreciation study, Exhibit 1.

10 A. I will use Account 362, Station Equipment, as an  
11 example as it is a typical depreciable group.

12 The retirement rate method was used to analyze  
13 the survivor characteristics of this property group. Aged plant  
14 accounting data was compiled from 1916 through 2006 and analyzed  
15 in periods that best represent the overall service life of this  
16 property. The life tables for the 1996-2006 experience band is  
17 presented on pages III-94 through III-96 of the report. The  
18 life tables display the retirement and surviving ratios of the  
19 aged plant data exposed to retirement by age interval. For  
20 example, Page III-94 shows \$10,548 retired at age 0.5 with  
21 \$74,096,933 exposed to retirement. Consequently, the retirement  
22 ratio is .0001 and the surviving ratio is 0.9999. This life  
23 table, or original survivor curve, is plotted along with the  
24 estimated smooth survivor curve, the 50-R0.5 on page III-93.

25 My calculation of the annual depreciation related to  
26 the original cost at December 31, 2006, of utility plant is

1 presented on pages III-365 through III-367. The calculation is  
2 based on the 50-R0.5 survivor curve, 5% negative net salvage,  
3 the attained age, and the allocated book reserve. The  
4 tabulation sets forth the installation year, the original cost,  
5 calculated accrued depreciation, allocated book reserve, future  
6 accruals, remaining life and annual accrual. These totals are  
7 brought forward to the table on page III-10.

8 Q. What date does the company propose that the new  
9 depreciation rates become effective?

10 A. I have been advised that the Company desires an August  
11 1, 2008 implementation date.

12 Q. Does this conclude your Testimony?

13 A. Yes.

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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE**

**IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-08-06**

**IDAHO POWER COMPANY**

**EXHIBIT NO. 1**

**JOHN J. SPANOS**

**IDAHO POWER COMPANY**  
BOISE, IDAHO

**DEPRECIATION STUDY**

**CALCULATED ANNUAL DEPRECIATION ACCRUALS**

**RELATED TO ELECTRIC PLANT**

**AS OF DECEMBER 31, 2006**



**Harrisburg, Pennsylvania**

**Calgary, Alberta**

**Valley Forge, Pennsylvania**

**IDAHO POWER COMPANY**

**Boise, Idaho**

**DEPRECIATION STUDY**

**CALCULATED ANNUAL DEPRECIATION ACCRUALS**

**RELATED TO ELECTRIC PLANT**

**AS OF DECEMBER 31, 2006**

**GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION**

**Harrisburg, Pennsylvania**



GANNETT FLEMING, INC.  
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January 17, 2008

Idaho Power Company  
1221 West Idaho Street  
Boise, ID 83702

ii

Attention Mr. Larry Tuckness  
Financial Team Leader

Ladies & Gentlemen:

Pursuant to your request, we have conducted a depreciation study related to the electric plant of Idaho Power Company as of December 31, 2006. The attached report presents a description of the methods used in the estimation of depreciation, the summary of annual and accrued depreciation, the statistical support for the service life and net salvage estimates, and the detailed tabulations of annual and accrued depreciation.

Respectfully submitted,

GANNETT FLEMING, INC.

A handwritten signature in black ink that reads "John J. Spanos".

JOHN J. SPANOS  
Vice President  
Valuation and Rate Division

JJS:krm

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IDAHO POWER COMPANY  
DEPRECIATION STUDY  
CALCULATED ANNUAL DEPRECIATION ACCRUALS  
RELATED TO ELECTRIC PLANT  
AS OF DECEMBER 31, 2006

PART I. INTRODUCTION

SCOPE

This report presents the results of the depreciation study prepared for Idaho Power Company ("Company") as applied to electric plant in service as of December 31, 2006. It relates to the concepts, methods and basic judgments which underlie recommended annual depreciation accrual rates related to current electric plant in service.

The service life and net salvage estimates resulting from the study were based on informed judgment which incorporated analyses of historical plant retirement data as recorded through 2006; a review of Company practice and outlook as they relate to plant operation and retirement; and consideration of current practice in the electric industry, including knowledge of service life and salvage estimates used for other electric properties.

PLAN OF REPORT

Part I includes brief statements of the scope and basis of the study. Part II presents descriptions of the methods used in the service life and salvage studies and the methods and procedures used in the calculation of depreciation. Part III presents the results of the study, including summary tables, survivor curve charts and life tables resulting from the retirement rate method of analysis; tabular results of the historical net salvage analyses; and detailed tabulations of the calculated remaining lives and annual accruals.

