

DECISION MEMORANDUM

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

**FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: MARCH 1, 2012

**SUBJECT: IDAHO POWER'S APPLICATION TO REVISE DEPRECIATION RATES
AND INCREASE BASE RATES, CASE NO. IPC-E-12-08**

On February 15, 2012, Idaho Power Company applied to the Commission to (1) revise the Company's depreciation rates for electric plant-in-service, and (2) increase corresponding Idaho base rates. The Company says its proposal will result in an overall increase of \$2,656,213, or 0.31 percent, for all customer classes.¹ The Company asks that the rate changes take effect on June 1, 2012, and that the case be reviewed using Modified Procedure.

THE APPLICATION

The Company proposes to revise depreciation rates for the Company's electric plant-in-service, based upon updated net salvage percentages and service life estimates for all plant assets.² Application at 2. The Company says it last changed depreciation rates in August 2008 based on plant-in-service as of December 2006. *Id.* at 3 (*citing* Order No. 30639). The Company says its *proposed* depreciation rates are based on plant accounting data available as of June 30, 2011. *Id.* at 2-3. The proposed depreciation rates are based on a straight-line, remaining life depreciation method. The Company says its proposal would increase its annual depreciation expense by about \$2.84 million on a total system basis, or \$2.78 million for Idaho. *Id.*

The Company says the increased depreciation expense would, in turn, increase the Company's Idaho base revenue requirement by \$2,656,213. *Id.* at 3. The Company proposes to

¹ The Company has concurrently filed three other applications. *See* Case Nos. IPC-E-12-06, IPC-E-12-07, and IPC-E-12-09. The Company says these four filings will cumulatively decrease rates for most customers, with the cumulative rate impact by customer class being: Residential Customers, (0.80%); Small General Service, (0.56%); Large General Service (1.03%); Large Power, 0.54%; and Irrigation, (1.10%). *See* Application, Attachment No. 5.

² The Company's filing in Case No. IPC-E-12-09 addresses the Company's proposed depreciation-changes related to the early shutdown of the Boardman power plant.

uniformly spread this amount to all customer classes and to recover it through a uniform percentage increase to all base rate components except the service charge. The Company says the overall, depreciation-related rate change will be 0.31%, and that the per-customer class impact will be: Residential Customers, 0.31%; Small General Service, 0.29%; Large General Service 0.32%; Large Power, 0.27%; and Irrigation, 0.32%. *Id.* at 4; Attachment No. 5. The Company clarifies that its four, concurrently-filed applications will result in an overall, customer rate decrease. *See* fn. 1, above.

The Company says it did not file an individual tariff sheet in this proceeding because it has filed one set of proposed tariff sheets in the Boardman proceeding (IPC-E-12-09) that identify all four cases' cumulative impact. The Company says it will make an appropriate, final compliance filing when all final Orders are received. *Id.* at 4-5.

The Company also says it will keep its Application open for public inspection at its Idaho offices, and that it will notify customers through a press release and bill inserts, with the last notice to be sent on March 20, 2012. *Id.* at 6. The Company says, in the alternative, it will bring the Application to the attention of customers as directed by the Commission. *Id.*

STAFF RECOMMENDATION

Staff is comfortable with the Company filing a single revised tariff instead of filing a revised tariff in all four cases. Staff also believes the Company's press release and customer bill inserts will adequately notify customers of this proceeding.

Staff recommends the Commission issue a Notice of Application and Notice of Intervention Deadline setting a 14-day intervention period. After the intervention period, Staff will convene workshops with the Company and other parties to attempt to agree on depreciation rates. After the workshops conclude, a Notice of Modified Procedure can be issued to establish a comment period.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Intervention Deadline, and then later issue a Notice of Modified Procedure after Staff, the Company, and other interested parties have discussed depreciation rates in workshops?



Karl Klein
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