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LISA D. NORDSTROM
Lead Counsel
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May 18, 2017

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-23
Revised Depreciation Rates for Electric Plant-In-Service
Idaho Power Company's Comments in Support of Settlement Stipulation

Dear Ms. Hanian:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Comments in support of the Settlement Stipulation filed in this matter on May 3, 2017.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt

Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-16-23
AUTHORITY TO INCREASE ITS RATES)	
DUE TO REVISED DEPRECIATION)	IDAHO POWER COMPANY'S
RATES FOR ELECTRIC PLANT-IN-)	COMMENTS IN SUPPORT OF
SERVICE)	SETTLEMENT STIPULATION
)	

Idaho Power Company ("Idaho Power" or "Company"), by and through its undersigned attorney, hereby submits to the Idaho Public Utilities Commission ("Commission") these comments in the above-captioned proceeding. Idaho Power supports the settlement stipulation submitted in this proceeding ("Settlement Stipulation") and urges the Commission to adopt the Settlement Stipulation, without modification, by June 1, 2017. The Company's comments are organized as follows:

Section I – provides the procedural background in the case and summarizes the Company's original filing;

Section II – details how the depreciation parameters agreed to in the proposed Settlement Stipulation differ from Idaho Power's initial proposal; and

Section III – provides the Company's support for the Settlement Stipulation.

I. BACKGROUND

Idaho Power updates its depreciation rates approximately every five years to reflect changes in the appropriate net salvage percentages and remaining lives of assets as circumstances change. Depreciation refers to the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes that can be reasonably anticipated or contemplated, against which the Company is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, obsolescence, changes in the art, changes in demand, and the requirements of public authorities. Accordingly, the Company engaged Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") to conduct a depreciation study of its electric plant-in-service ("the Study") as of December 31, 2015.

On October 21, 2016, Idaho Power filed an application in this case requesting the Commission adopt revised depreciation rates for its electric plant-in-service and correspondingly adjust Idaho jurisdictional base rates with an effective date of June 1, 2017. The Company proposed no change in depreciation related to the Boardman power plant or the North Valmy power plant ("Valmy") in this proceeding, which are addressed in Case Nos. IPC-E-12-09 and IPC-E-16-24, respectively. The Study updates net salvage percentages and service life estimates for plant assets. The resulting depreciation rates are based on the straight line, remaining life method for production, transmission, distribution, and general plant accounts. As recommended by and described in the testimony of Mr. John Spanos, the Company proposed an

adjustment to the book reserve of the general plant accounts to correct the mismatch of the general plant book reserve ratio and avoid creating future disparities.

The revised depreciation rates proposed by the Company were based on the results of the Study and would have resulted in an increase to annual depreciation expense in Idaho of approximately \$5.5 million and would have resulted in an increase in the Company's Idaho jurisdictional revenue requirement of \$6.7 million. The result of that proposed adjustment would have been an increase of 0.59 percent from current billed revenue.

The Company concurrently filed an application in Case No. IPC-E-16-24 asking the Commission to (1) accelerate the depreciation schedule for Valmy to allow the plant to be fully depreciated by December 31, 2025, (2) establish a balancing account to track the incremental costs and benefits associated with the accelerated Valmy end-of-life date, and (3) adjust customer rates to recover the associated incremental annual levelized revenue requirement of \$28.5 million with an effective date of June 1, 2017. If approved as originally filed, the result of that proposed adjustment would have been an overall billed revenue increase of 2.51 percent.

In November 2016, the Commission issued an order providing notice of the application and setting a deadline for interventions. Order No. 33652. Subsequently, the Commission granted petitions to intervene from the Idaho Irrigation Pumpers Association, Inc. ("IIPA"), Micron Technology, Inc. ("Micron"), the Idaho Conservation League ("ICL") and Sierra Club, the U.S. Department of Energy and Federal Executive Agencies ("DOE"), and the Industrial Customers of Idaho Power ("ICIP"), hereinafter referred to as the "Parties." Order Nos. 33659, 33670, 33673, 33676, and 33710.

The Parties met on February 2, 2017, and April 12, 2017, for settlement discussions regarding rate issues related to the Company's depreciation rates for its electric plant-in-service. The Parties were able to reach an agreement in principle and Idaho Power filed the agreed upon Settlement Stipulation and corresponding motion to approve on May 3, 2017. The Settlement Stipulation was entered into by Idaho Power, Commission Staff, IIPA, Micron, DOE, and ICIP, hereinafter referred to jointly as "Stipulating Parties." While ICL and Sierra Club did not wish to join the Settlement Stipulation, neither ICL nor Sierra Club opposes it.

II. SETTLEMENT STIPULATION

The Stipulating Parties agree that the Commission should adopt the depreciation rates set forth in Attachment 1 to the Settlement Stipulation, effective June 1, 2017, which would result in no associated change in retail rates. Attachment 2 to the Settlement Stipulation shows the depreciation groups for which the Parties' analyses produced differing results from the filed depreciation study and the final position agreed to by the Stipulating Parties following settlement discussions.

The Parties agreed to: (1) 20 adjustments to Idaho Power's proposed curve life combination for depreciable plant and changes in average service life or dispersion curve (or both) for Federal Energy Regulatory Commission account categories in Hydraulic Production Plant, Other Production Plant, Transmission Plant, and Distribution Plant, (2) 13 adjustments to Idaho Power's proposed net salvage rates for certain depreciable plant accounts, and (3) two adjustments to the amortization periods of certain depreciable plant. The following details the changes in depreciation parameters, as compared to the Company's initial request:

- Jim Bridger Steam Production Plant
 - Account 311.0 – Structures and Improvements. The Parties agree that the net salvage rate should be (9) instead of the proposed (10).
 - Account 312.1 – Boiler Plant Equipment – Scrubbers. The Parties agree that the Company shall use a 70-S1 survivor curve with a net salvage of (5) instead of the proposed 60-S1 survivor curve with a net salvage of (10).
 - Account 312.2 – Boiler Plant Equipment – Other. The Parties agree that the net salvage rate should be (8) instead of the proposed (10).
 - Account 312.3 – Boiler Plant Equipment – Rail Cars. The Parties agree that the Company shall use a 35-R3 survivor curve with net salvage of 10 instead of the proposed 30-R3 estimated survivor curve with zero net salvage.
 - Account 315.0 – Accessory Electric Equipment. The Parties agree that the net salvage rate should be (3) instead of the proposed (5).
 - Account 316.0 – Miscellaneous Power Plant Equipment. The Parties agree that the net salvage rate should be 2 instead of the proposed (2).
- Hydraulic Production Plant
 - Account 331.0 – Structures and Improvements. The Parties agree that the Company shall use a 120-year survivor curve life instead of the proposed 115-year survivor curve life.
 - Account 332.1 and 332.2 – Reservoirs, Dams and Waterways. The Parties agree that the Company shall use a 120-S1.5 survivor curve instead of the proposed 100-S4 survivor curve.

- Account 333.0 – Water Wheels, Turbines, and Generators. The Parties agree that the Company shall use a 100-R2.5 survivor curve instead of the proposed 90-S2 survivor curve.
- Account 334.0 – Accessory Electric Equipment. The Parties agree that the Company shall use a 65-year survivor curve life with a net salvage rate of (10) instead of the proposed 54-year survivor curve life and net salvage of (15).
- Account 336.0 – Roads, Railroads, and Bridges. The Parties agree that the Company shall use a 100-R3 survivor curve instead of the proposed 85-R4 survivor curve.
- Other Production Plant
 - Account 344.0 – Generators. The Parties agree that the Company shall use a 50-year survivor curve life instead of the proposed 45-year survivor curve life.
 - Account 345.0 – Accessory Electric Equipment. The Parties agree that the Company shall use a 55-year survivor curve life instead of the proposed 50-year survivor curve life.
- Transmission Plant
 - Account 350.2 – Land Rights and Easements. The Parties agree that the Company shall use a 100-year survivor curve life instead of the proposed 80-year survivor curve life.
 - Account 352.0 – Structures and Improvements. The Parties agree that the net salvage rate should be (33) instead of the proposed (35).

- Account 353.0 – Station Equipment. The Parties agree that the Company shall use a 52-year survivor curve life instead of the proposed 50-year survivor curve life.
- Account 354.0 – Towers and Fixtures. The Parties agree that the Company shall use an 80-year survivor curve life instead of the proposed 75-year survivor curve life.
- Account 356.0 – Overhead Conductors and Devices. The Parties agree that the Company shall use a 74-R1.5 survivor curve instead of the proposed 65-R2 survivor curve.
- Distribution Plant
 - Account 361.0 – Structures and Improvements. The Parties agree that the Company shall use a 70-R3 survivor curve instead of the proposed 70-R2.5 survivor curve.
 - Account 362.0 – Station Equipment. The Parties agree that the net salvage rate should be (6) instead of the proposed (10).
 - Account 364.0 – Poles, Towers, and Fixtures. The Parties agree that the Company shall use a 58-year survivor curve life instead of the proposed 55-year survivor curve life.
 - Account 366.0 – Underground Conduit. The Parties agree that the Company shall use a 65-year survivor curve life instead of the proposed 60-year survivor curve life.
 - Account 367.0 – Underground Conductors and Devices. The parties agree that the net salvage rate should be (11) instead of the proposed (15).

- Account 368.0 – Line Transformers. The Parties agree that the net salvage rate should be (7) instead of the proposed (10).
- Account 369.0 – Services. The Parties agree that the Company shall use a 55-year survivor curve life instead of the proposed 50-year survivor curve life.
- Account 370.0 – Meters. The Parties agree that the Company shall use a 30-year survivor curve life instead of the proposed 27-year survivor curve life.
- Account 370.1 – Meters – AML. The Parties agree that the Company shall use an 18-R1.5 survivor curve with a net salvage rate of (5) instead of the proposed 16-S1.5 survivor curve and net salvage of (10).
- Account 373.2 – Street Lighting and Signal Systems. The Parties agree that the Company shall use a 40-year survivor curve life instead of the proposed 35-year survivor curve life.
- General Plant
 - Account 390.11 and 390.12 – Structures and Improvements. The Parties agree that the net salvage rate should be (3) instead of the proposed (10).
 - Account 397.4 – Communication Equipment – Fiber Optic. The Parties agree that the Company shall use a 15-year amortization period instead of the proposed 10-year amortization period.
- Accounts Not Studied
 - Account 303 – Miscellaneous Intangible Plant. The Parties agree to a 62-month amortization period instead of the current 60-month amortization period.

As explained in Section 13 of the Settlement Stipulation, the terms of the agreement as set forth in the proposed Settlement Stipulation represent a compromise of the differing depreciation methodologies, theories, and opinions presented in this case, and do not necessarily reflect an endorsement of the underlying rationale for each adjustment by any of the Stipulating Parties.

The Parties in this matter that are also parties to the pending Valmy docket (Case No. IPC-E-16-24) agree or do not object to the terms set forth in the settlement stipulation filed simultaneously in that docket which includes: (1) a levelized Idaho jurisdictional revenue increase of \$13.3 effective June 1, 2017, (2) a balancing account to track the incremental costs and benefits associated with the accelerated Valmy end-of-life date, (3) regulatory accounts, including regulatory assets, to facilitate compliance with Generally Accepted Accounting Principles, (4) a process to review the prudence of expenditures by specified dates, and (5) plant closure negotiations. If the Valmy settlement stipulation is approved by the Commission, the amount all Idaho customer classes pay for electric service will increase by \$13.3 million which equates to an overall increase of 1.17 percent.

III. IDAHO POWER'S SUPPORT FOR THE SETTLEMENT STIPULATION

Idaho Power supports the Settlement Stipulation in this case because it: (1) implements depreciation rates that appropriately reflect the cost of the Company's assets over time, (2) maintains consistency with previously approved depreciation rate determination methodologies to achieve a reasonable level of stability in depreciation expense and, in turn, customer rates, (3) achieves a result that has no negative financial impact on the Company, and (4) maintains one set of depreciation records for the Company's two retail state jurisdictions to minimize accounting costs and preserve

administrative efficiencies. The 35 depreciation parameter adjustments were the result of a combination of: (1) changes agreed to as a matter of compromise, (2) changes that better align the life and curve combinations, (3) changes that keep the parameters within industry standards, (4) changes that are based on industry ranges, consultant experience, and statistical data, and (5) changes that were made for settlement purposes only.

Idaho Power believes the depreciation parameters agreed to in the Settlement Stipulation represent a reasonable compromise of the differing depreciation methodologies, theories, and opinions presented in this case, and results in depreciation rates that will appropriately reflect the cost of the Company's assets over time. In addition to depreciation parameters that result in reasonable asset lives and salvage percentages, the Stipulating Parties have agreed that the depreciation rates resulting from the Settlement Stipulation will result in no retail rate change for customers. Similarly, the Settlement Stipulation does not have a material negative financial impact on the Company, striking a balance between customer and shareowner interests. Finally, the Settlement Stipulation provides for the same depreciation rates in both retail state jurisdictions resulting in lower depreciation system costs and administrative efficiencies.

IV. CONCLUSION

The Company believes that the proposed Settlement Stipulation is a reasonable resolution of the issues and is in the public interest. For all the reasons presented in these comments, Idaho Power urges the Commission to adopt the Settlement

Stipulation submitted in this proceeding as filed, without modification, and to issue an order authorizing the terms of the Settlement Stipulation effective June 1, 2017.

DATED at Boise, Idaho, this 18th day of May 2017.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 18th day of May 2017 I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS IN SUPPORT OF SETTLEMENT STIPULATION upon the following named parties by the method indicated below, and addressed to the following:

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