DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

TERRI CARLOCK

KENT SCHNEIDER

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:APRIL 11, 1997

RE:CASE NO. IPC-E-97-4

AMORTIZATION OF CERTAIN GENERAL PLANT ACCOUNTS

REQUEST FOR AN ACCOUNTING ORDER

On March 28, 1997, Idaho Power Company (Idaho Power; Company) filed an Applica­tion with the Idaho Public Utilities Commission (Commission) in Case No. IPC-E-97-4 requesting an accounting Order authorizing the amortization of certain general plant accounts.  The accounts included in the proposed change include the following:

|  |  |
| --- | --- |
| Account | Description |
| 391.10  391.20  393.00  394.00  395.00  397.00  398.00 | Office Furniture & Equipment  Computer Equipment (Excluding Main Frame Hardware)  Stores Equipment  Tools, Shop & Garage Equipment  Laboratory Equipment  Communication Equipment  Miscellaneous Equipment |

Presently, the Company is required to track all general plant assets from installation to retirement.  As reported by the Company, this methodology requires that the original purchase of an asset be recorded and an identification number assigned to the asset.  Throughout the asset’s life, any transfers between areas are reported to and recorded by the Plant Accounting area of the Finance Department.  Periodic inventories are taken to verify the existence and location of the asset.  At the end of the asset’s useful life a property disposal report is prepared and sent to Plant Accounting.  The retirement of the asset is then recorded on the Company’s accounting records.

The Company’s proposal would allow Idaho Power to account for additions and retirements at the vintage level for each account rather than on an individual item basis.  The items would be recorded at the vintage level and amortized over the current life for the account.  When each vintage group in the primary account becomes fully depreciated, the original cost of the vintage group is retired from plant in service.  No interim retirements would be recorded.

The Company contends that its request is revenue neutral at this time since the accounts will be amortized using the currently approved depreciation rates.

The proposed accounting for general plant at the vintage level is less labor intensive than tracking each item specifically.  The plant items are high in volume but low in cost per unit.  Total investment in the affected accounts comprise only about 2% of current gross plant in service investment.  Currently there are approximately 55,500 such items in the Company’s accounting records.  The proposed accounting treatment is represented to be consistent with the Company’s goals of reducing costs and committing employees’ time to those activities that increase efficiency.  The current procedure requires recording the original purchase of individual assets in a detailed subledger, assigning unit costs, recording transfer and retirements, preparing paperwork, assigning and attaching identification numbers to assets and conducting periodic inventories.  This labor intensive process would be avoided under the Company’s proposal.

As represented, the Company will continue to maintain internal controls over general plant assets by emphasizing employee accountability, and limiting and scrutinizing budget dollars utilized for the purchase of general plant assets.

Commission Decision

Staff has not completed its analysis and has requested additional information from the Company.  Staff recommends that the Company’s Application be processed under Modified Procedure.  Does the Commission believe that such a procedure is appropriate?  If not, what is the Commission’s preference?

Scott Woodbury

vld/M:IPC-E-97-4.sw