DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 14, 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 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.

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 plant items in the identified accounts are high in volume (approximately 55,000 items) but low in cost per unit.  Total investment in the affected accounts comprise only about 2% of current gross plant in service investment.  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 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.  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.

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

On April 18, 1997, Notices of Application and Modified Procedure were issued in Case No. IPC-E-97-4.  The deadline for filing written comments was May 9, 1997.  The Commission Staff was the only party to file comments.  (Attached).  Staff notes that the Commission has approved similar accounting treatment for the same accounts for The Washington Water Power Company in Order No. 25102, Case No. WWP-E-93-9.  Staff recommends Commission approval of the requested change in accounting and depreciation for the identified general accounts.  Staff agrees that the proposal is a cost and labor saving measure that is revenue neutral for rate base and depreciation.  Staff recommends that Idaho Power continue to evaluate and update its internal controls and procedures and requests that its evaluations be made available to Staff for audit purposes.

Commission Decision

Does the Commission continue to find Modified Procedure to be appropriate in Case No. IPC-E-97-4?  Should the Company’s Application requesting an accounting Order authorizing a change regarding amortization of certain general plant accounts be approved?  If not, what is the Commission’s preference?

Scott Woodbury

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