

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
PACIFICORP FOR AN ORDER AUTHORIZING)	CASE NO. PAC-E-02-05
A CHANGE IN DEPRECIATION RATES)	
APPLICABLE TO ELECTRIC PROPERTY)	ORDER NO. 29265
)	
)	

On October 1, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application for a change in its current depreciation rates applicable to PacifiCorp's depreciable electric property. This change, the Company states, is for accounting purposes only. PacifiCorp intends to seek approval of the requested changes for ratemaking purposes in a future rate case. The accounting changes proposed by the Company in its Application are supported by a Depreciation Study based on March 31, 2002 plant balances prepared by Deloitte & Touche, LLP and the pre-filed testimony of three PacifiCorp witnesses. Pursuant to *Idaho Code* § 61-525, the Commission is empowered to determine the property depreciation rates of property used to provide retail electric service. The net effect of the Company's Application would be to increase depreciation expense allocated to Idaho by \$0.6 million annually.

On May 7, 2003, Commission Staff and PacifiCorp filed a Stipulation (dated April 28, 2003), a Joint Motion for Approval of Stipulation and separate letters in support of the Stipulation. The Stipulation is offered as a compromise settlement of the issues raised in Case No. PAC-E-02-5. Reference IDAPA 31.01.01.274. Under the terms of the negotiated Stipulation and Settlement, the depreciation expense currently booked by the Company will decrease approximately \$0.9 million annually. This is a \$1.5 million difference in annual depreciation expense from the Company's original request for an increase of \$0.6 million.

On May 16, 2003, the Commission issued a Notice of Stipulation and Proposed Settlement and Notice of Modified Procedure in Case No. PAC-E-02-05. The deadline for filing written comments or protests was May 30, 2003. The Commission Staff was the only party to file comments. Staff, by way of comment, adopted its previous May 6, 2003 Letter of Support of Stipulation and Proposed Settlement. Staff in its Letter of Support notes that it conducted an analysis of the Company's filing and performed an audit of the physical plant located in Idaho.

Staff believes that the Settlement is a just and reasonable resolution of the depreciation issues raised in the Company's filing and is fair to both the Company and its customers.

The consensus reached between the Staff and the Company imposes changes to the Company's original proposal. A general description is set forth below:

1. The terminal net salvage value for steam production plant demolition will be computed at the rate of \$25.00/KW instead of the requested \$50.00/KW. This rate reflects the possibility of a sale of a steam production plant at a book-value gain. While the sale is not likely, the Company did acknowledge that it is possible.
2. Depreciation of water rights will cease as of April 1, 2003.
3. Cost recovery for the Condit hydro plant shall be extended from 3.5 years to a 7-year recovery period. This reduces the annual depreciation expense and allows for more certainty to be achieved before accelerating the depreciation.
4. Proposed depreciation expense for the Naches hydro plant will be removed because the plant is subject to a pending sale.
5. Net salvage levels for various transmission and distribution plant accounts will be changed.
6. It appears that all states are considering approval of the depreciation rates for system assets as proposed by this Settlement. By using the same rate in all jurisdictions, the depreciation expense will be easier to calculate and track.

In addition to the above changes, the Company has agreed to immediately begin a process to resolve the discrepancies identified by Staff between the Company's continuing property records and its on-site property records. The development and implementation of this accounting process will be open to Staff for evaluation and input. Finally, the Company has agreed to perform another depreciation study within the next five years.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. PAC-E-02-05, including the Company's original Application to change its depreciation rates, the Deloitte & Touche Depreciation Study that accompanied the Application and the subsequent Stipulation and proposed Settlement. We continue to find it reasonable to process

this case pursuant to Modified Procedure, i.e., by written comment rather than by hearing. IDAPA 31.01.01.204.

Pursuant to Rule 276 of the Commission's Rules of Procedure, the Commission is not bound by settlements. IDAPA 31.01.01.276. The Rules indicate that the Commission will independently review any settlement proposed to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law and regulatory policy. The Commission has considered the Stipulation and proposed Settlement and finds its terms and proposed changes to PacifiCorp electric property depreciation rates to be reasonable and in the public interest. Reference Stipulation, Schedule 1.

The Commission shares Staff's concern regarding discrepancies between continuing property records and on-site property records for PacifiCorp plant located in Idaho. The Company is directed to prepare a revised accounting process reconciling its property records and present a plan for implementation of same for Staff review within 90 days.

The Commission notes that approval of an accounting change does not constitute approval of the proposed changes in depreciation rates for ratemaking purposes. The proposed depreciation rate adjustments are solely for booking and accounting purposes, and will have no impact on customer rates unless and until the Company files a general rate case.

The effect of the Stipulated change in depreciation rates is to decrease PacifiCorp's overall average depreciation rate from 3.11% to 2.94%. This will decrease depreciation expense from approximately \$20,597,405 to \$19,698,788 annually based on March 31, 2002 depreciable plant balances. The Company is directed to begin booking depreciation expense at the rates set forth in the Stipulation--Schedule 1 effective April 1, 2003.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Utah Power & Light Company and the issues raised in Case No. PAC-E-02-05 pursuant to Idaho Code Title 61, *Idaho Code* 61-525, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that PacifiCorp's depreciation rates are revised as set forth in Schedule 1 to the Stipulation and proposed Settlement submitted in this case, which is incorporated herein

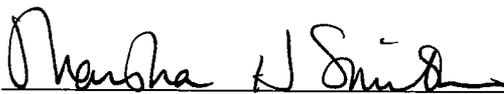
by reference. Commission approval of the change in depreciation rates for accounting purposes does not constitute approval of the depreciation rates for ratemaking purposes.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

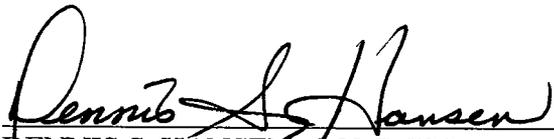
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th day of June 2003.



PAUL KJELLANDER, PRESIDENT

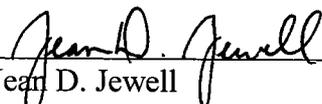


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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