

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: MARCH 19, 2003

**RE: CASE NO. PAC-E-02-5 (PacifiCorp)
CHANGE IN DEPRECIATION RATES—ELECTRIC PROPERTY**

On October 1, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) seeking an Order authorizing a change in the 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. Pursuant to *Idaho Code* § 61-525, the Commission is empowered to determine the proper depreciation rates of property used to provide retail electric service.

THE APPLICATION

The accounting changes proposed in the Application are supported by a Depreciation Study ("D&T Study") prepared by Deloitte & Touche LLP. The purpose of the D&T Study was to identify the changes that have occurred since the last PacifiCorp depreciation study, to measure the effect of the changes on the recovery of presently surviving capital, and to properly revise the capital recovery rate. If approved, the proposed depreciation rate changes will decrease the annual depreciation expense by \$732,000 on a total Company basis. The composite depreciation rate of 3.11% for the Company's electric plant will not change. Based on depreciable plant balances as of March 31, 2002, the proposed changes specific to the Idaho jurisdiction would increase the depreciation expense by approximately \$612,000.

On November 8, 2002, the Commission issued a Notice of Application in Case No. PAC-E-02-5. The Notice contained the following language:

In order to efficiently review the Application, Staff recommends that the Commission wait to establish further procedure for processing this case until the depreciation rate issue is more fully developed at the multi-state level. The Commission has been apprised that this proposed procedure is acceptable to the Company.

Since November multi-state discussions with parties have continued. Staff has reviewed the depreciation study and identified issues. Staff informs the Commission that the Company and parties in Utah have agreed in principal to the terms of a proposed settlement. Staff has sat in on some of the discussions and believes that it is now appropriate to provide further notice of procedure in the Company's Idaho jurisdiction. Staff recommends that the Commission establish a deadline for intervention and further apprises the Commission of Staff's intent to schedule a public workshop and once interested parties are identified to engage in active settlement discussions. Reference IDAPA 31.01.01.272.

Commission Decision

Staff recommends that the Commission establish a Notice of Intervention Deadline and apprises the Commission of potential intervening parties of its intent to enter into settlement negotiations. Does the Commission find the proposed procedure acceptable?

Scott Woodbury

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