



201 South Main, Suite 2300
Salt Lake City, Utah 84111

August 31, 2007

VIA OVERNIGHT MAIL

Ms. Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

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2007 AUG 31 A 9:25
IDAHO PUBLIC
UTILITIES COMMISSION

**Re: Application of Rocky Mountain Power for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property
Case No. PAC-E-07-14**

Dear Ms. Jewell:

Rocky Mountain Power, a division of PacifiCorp, hereby submits for filing an original and nine (9) copies of its Application in the above-referenced matter, along with nine copies of its direct testimony and exhibits.

Communications relating to this proceeding should be served on the following representatives for Rocky Mountain Power:

Justin Lee Brown
Senior Counsel
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Justin.Brown@PacifiCorp.com

Brian Dickman
Manager, Idaho Regulatory Affairs
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, UT 84111
Brian.Dickman@PacifiCorp.com

In addition, it is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to one or more of the following:

By E-mail (preferred): datarequest@pacificorp.com

By Fax: (503) 813-6060

By Regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF ROCKY)
MOUNTAIN POWER FOR AN)
ORDER AUTHORIZING A CHANGE)
IN DEPRECIATION RATES)
APPLICABLE TO ELECTRIC)
PROPERTY)

CASE NO. PAC-E-07-14

Direct Testimony and Exhibits

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-07-14

August 2007

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Attorney for Rocky Mountain Power

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	CASE NO. PAC-E-07- <u>14</u>
MOUNTAIN POWER FOR AN)	
ORDER AUTHORIZING A CHANGE)	APPLICATION OF
IN DEPRECIATION RATES)	ROCKY MOUNTAIN POWER
APPLICABLE TO ELECTRIC)	
PROPERTY)	

Rocky Mountain Power, a division of PacifiCorp (“Company”), pursuant to Section 61-525 Idaho Code and Rule 52 of the Idaho Public Utilities Commission (“Commission”) Rules of Procedure hereby applies to the Commission for approval of proposed changes to depreciation rates applicable to the Company’s depreciable electric property. The Company seeks an effective date for authorized depreciation rate changes of January 1, 2008. In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 67,000 customers in the state of Idaho and is subject to the jurisdiction of the Commission. The Company also provides retail electricity service under the name Rocky Mountain Power in the states of Utah and Wyoming and under the name Pacific Power in the states of Oregon, Washington and California.

2. Communications regarding this Application should be addressed to:

Brian Dickman
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4975
Fax: (801) 220-2798
Email: brian.dickman@pacificorp.com

and to:

Justin Lee Brown
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4050
Fax: (801) 220-3299
Email: justin.brown@pacificorp.com

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail (preferred)	datarequest@pacificorp.com
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232
By facsimile	(503) 813-6060

3. The Commission is empowered to ascertain and determine the proper and adequate rates of depreciation of the Company's property used in the rendering of retail electric service under the provisions of Section 61-525 Idaho Code. Each utility under the Commission's jurisdiction is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary.

4. The Company's last depreciation application, Case No. PAC-E-02-05, was filed by the Company in October 2002, and in May 2003 the Company entered into a

stipulation with the Commission Staff concerning the application. That stipulation included a commitment from the Company to perform another depreciation study within the next five years.

5. Over the last year the Company has worked with its depreciation consultant and other interested parties from across the Company's multi-state service territory, including the Commission Staff, to solicit comments and recommendations that were taken into consideration by the Company and the Company's depreciation consultant in during the development of the current depreciation study.

6. In order for the Company to maintain uniform utility accounts, the depreciation rates for system-allocated plant (i.e. production, transmission, mining and certain general plant) must be uniform and consistent among all of the Company's six state regulatory jurisdictions. In the event different depreciation rates were ordered in each state, it would result in multiple sets of depreciation accounts and records that would need to be adjusted annually for changes in allocation factors, which would impose a costly administrative burden on the Company and unnecessary expense for the Company's ratepayers.

7. The proposed accounting changes are supported by the Company's depreciation study, developed for the Company by Mr. Donald S. Roff of Depreciation Specialty Resources. The study is attached as an exhibit to Mr. Roff's prefiled testimony (Exhibit No. 5) and will be referred to hereafter as the DSR study. As shown in Table A of Exhibit No. 5 and as summarized in Mr. Roff's testimony, the DSR study proposes a reduction to the current composite depreciation rate of 2.91 percent for the Company's electric utility plant resulting in a new composite depreciation rate of 2.69 percent. The effect of applying the recommended depreciation rates to the December 31, 2006 depreciable plant balances is a decrease in total Company annual depreciation expense of approximately \$30.6 million, compared with the level of annual depreciation expense developed by

application of the currently authorized depreciation rates to the same plant balances. The proposed changes specific to the Idaho jurisdiction would be a decrease in depreciation expense of approximately \$3.5 million based on plant balances as of December 31, 2006.

Company witness Henry E. Lay, corporate accounting controller, provides testimony addressing the Company's proposed depreciation rates and gives background information describing the depreciation study process. Mr. Lay also explains the Company's confidence in both the depreciation study process and in the integrity of the Company's accounting data relied on by Mr. Roff in preparing the depreciation study.

Company witness Mark C. Mansfield, Vice President, Thermal Operations, will explain the process used by the Company's generation engineering staffs to develop estimated life spans for the Company's thermal and hydroelectric generating plants and will explain the reasons for including terminal net salvage in the steam generating plant depreciation

8. Simultaneous with the filing of this Application, the Company has filed its direct case including testimony and exhibits of the above witnesses. Pursuant to Commission Rule of Procedure 201, the Company requests that this Application be processed under Modified Procedure.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue a final Order determining:

- a. The DSR study recommendations regarding depreciation rates are the proper and adequate current depreciation rates for the Company; and
- b. The Company shall reflect, beginning January 1, 2008, the depreciation rates proposed in the DSR study in its accounts and records.

DATED this 31th day of August, 2007.

Respectfully submitted,

By Justin Lee Brown / jlw

Justin Lee Brown

Attorney for Rocky Mountain Power