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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	)	Direct Testimony of Henry E. Lay
IN DEPRECIATION RATES	)	
APPLICABLE TO ELECTRIC	)	
PROPERTY	)	

ROCKY MOUNTAIN POWER

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CASE NO. PAC-E-07-14

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August 2007

1 **Q. Please state your name, business address and position with PacifiCorp (the**  
2 **Company).**

3 A. My name is Henry E. Lay. My business address is 825 N.E. Multnomah Street, Suite  
4 1900, Portland, Oregon, 97232. I am employed by the Company as corporate  
5 accounting controller.

6 **Q. Please briefly describe your professional experience and educational**  
7 **background.**

8 A. I have a Bachelor of Science degree in Accounting from the University of Utah. I  
9 have worked for the Company for over 33 years, primarily in corporate accounting  
10 management roles. The areas for which I have been responsible include asset\plant  
11 accounting, corporate\general accounting, regulatory accounting and customer  
12 accounting. I have personally prepared depreciation studies for the Company prior to  
13 the Company engaging a consultant to do this work, and I have participated in and  
14 reviewed the results of the consultant's studies previously submitted to state  
15 regulatory commissions for approval, as well as the present study.

16 **Q. What is the purpose of your testimony?**

17 A. I summarize the Company's proposal for depreciation rates and provide a summary of  
18 the effect on annual depreciation expense from applying the proposed depreciation  
19 rates to depreciable plant balances. The proposed rates are contained in the 2007  
20 depreciation study performed on behalf of the Company by Mr. Donald S. Roff of  
21 Depreciation Specialty Resources. The depreciation study performed by Mr. Roff is  
22 provided as Exhibit No. 5 and will be referred to hereafter as the DSR study.

23 I introduce the other Company witnesses who will testify in this proceeding

1 and provide a brief description of the subject matter on which they are testifying. I  
2 also provide background information describing the depreciation study process. This  
3 information will present the Company's confidence in both the depreciation study  
4 process and in the integrity of the Company's accounting data relied on by Mr. Roff  
5 in preparing the depreciation study.

6 I identify and discuss a number of significant issues considered during the  
7 preparation of this study. The disposition of these issues was reflected in the data  
8 provided to Mr. Roff and, in turn, this data formed the basis for the DSR study and  
9 the recommended changes in depreciation rates. I also support the Company's  
10 proposed effective date for implementing the changes in depreciation rates.

11 **PLANT LIVES, DEPRECIATION RATES AND DEPRECIATION EXPENSE**

12 **Q. Please explain the depreciation rates the Company is seeking commission**  
13 **approval for in this proceeding.**

14 A. The Company seeks commission approval to adopt the depreciation rates contained in  
15 the depreciation study performed by Mr. Donald S. Roff and as recommended in Mr.  
16 Roff's testimony. As shown in Table A of Exhibit No. 5 and as summarized in Mr.  
17 Roff's testimony, the depreciation study proposes a reduction of 0.22 percent to the  
18 current composite depreciation rate of 2.91 percent for the Company's electric utility  
19 plant resulting in a new composite depreciation rate of 2.69 percent. This composite  
20 rate is based on the December 31, 2006 depreciable plant balances used in the study.  
21 The specific depreciation rate changes recommended for the components of the  
22 composite depreciation rate are set forth in account detail in Schedule 1 of Exhibit  
23 No. 5 of the depreciation study.

1 **Q. What is the effect on annual depreciation expense if depreciation rates**  
2 **recommended by Mr. Roff are adopted?**

3 A. The effect of applying the recommended depreciation rates to the December 31, 2006  
4 depreciable plant balances is a decrease in total Company annual depreciation  
5 expense of approximately \$30.6 million, compared with the level of annual  
6 depreciation expense developed by application of the currently authorized  
7 depreciation rates to the same plant balances. Annual depreciation expense by  
8 functional plant classification is summarized in Table A of the DSR study.

9 Adoption of the depreciation rates proposed in the DSR study results in a  
10 decrease of approximately \$3.5 million in annual Idaho jurisdiction depreciation  
11 expense, based on December 31, 2006 depreciable plant balances. The calculation of  
12 the Idaho jurisdiction amount is described in Exhibit No. 1.

13 **INTRODUCTION OF WITNESSES**

14 **Q. In addition to yourself, who will be testifying on behalf of the Company in this**  
15 **proceeding?**

16 A. In addition to me, two witnesses will testify on behalf of the Company. These  
17 witnesses are Mr. Donald S. Roff, President of Depreciation Specialty Resources and  
18 Mr. Mark C. Mansfield, vice president, thermal operations for PacifiCorp Energy.

19 Mr. Roff will present the depreciation rates for which the Company is seeking  
20 Commission approval. He describes how the depreciation study was prepared and  
21 discusses the primary reasons for the recommended changes in depreciation rates.  
22 The first reason Mr. Roff discusses is the effect on depreciation rates of using the  
23 estimated plant depreciable lives described in Mr. Mansfield's testimony. He also

1 discusses the effect on depreciation rates due to additional negative net salvage for  
2 terminal removal of generation facilities. In addition, he will discuss the additional  
3 negative net salvage related to transmission and distribution plant assets, the decrease  
4 for which is reflective of the Company's current\historical removal and salvage  
5 experience. Mr. Roff also discusses the effect on depreciation rates of additional  
6 investment in plant, installed since the 2002 depreciation study and the reason for  
7 inclusion of nominal interim additions for facilities with terminal removal dates in the  
8 current study. The 2002 depreciation study was the basis for the rates approved by  
9 the Commission in Case No. PAC-E-02-05.

10 Mr. Mansfield will describe the process used by Company engineers to  
11 develop estimated plant depreciable lives for steam generating stations. He will  
12 explain how steam estimated plant depreciable lives provide a framework for  
13 estimating the retirement date for each steam plant. In a similar manner he will  
14 describe the procedure used to estimate the retirement date for the Company's  
15 hydroelectric generating stations. He will demonstrate that the estimated retirement  
16 dates proposed by the Company for both steam and hydro generation plants are  
17 reasonable and prudent and are appropriate inputs for Mr. Roff's depreciation  
18 analysis. Mr. Mansfield will also explain why the rates the Company proposes to  
19 include as terminal net salvage, or "decommissioning costs," in the calculation of  
20 depreciation rates for generating plants are reasonable and prudent.

## 21 **DEPRECIATION STUDY BACKGROUND**

22 **Q. Was the DSR study prepared under your direction?**

23 **A. Yes.** As corporate accounting controller, I have responsibility for the Company's

1 corporate accounting departments and for ensuring compliance with Company  
2 accounting policies and procedures. This includes periodic review and study of  
3 depreciation rates.

4 **Q. Why was it necessary for the Company to conduct the DSR study?**

5 A. The Commission ordered the Company in Case No. PAC-E-02-05 to update its  
6 depreciation study within 5 years of that order. The DSR study was conducted for  
7 that express purpose. However, it is also sound accounting practice to periodically  
8 update depreciation rates to recognize additions to investment in plant assets and to  
9 reflect changes in asset characteristics, technology, salvage, removal costs, life span  
10 estimates and other factors that impact depreciation rate calculations. The Company  
11 typically conducts depreciation studies approximately at five-year intervals.

12 **Q. What conclusions has the Company reached in this proceeding?**

13 A. The Company concludes that the DSR study is well supported by the underlying  
14 engineering and accounting data and that it results in depreciation rates that are fair  
15 and reasonable.

16 **Q. Please explain the concept of depreciation.**

17 A. There are many definitions of depreciation. The following definition was put forth  
18 by the American Institute of Certified Public Accountants in its Accounting Research  
19 Bulletin #43:

20 Depreciation accounting is a system of accounting which aims to distribute the  
21 cost or other basic value of tangible capital assets, less salvage (if any), over  
22 the estimated useful life of the unit (which may be a group of assets) in a  
23 systematic and rational manner. It is a process of allocation, not of valuation.

1 The actual payment for electric utility plant assets occurs in the period in which it is  
2 acquired through purchase or construction. Depreciation accounting spreads this cost  
3 over the useful life of the property. The fundamental reason for recording  
4 depreciation is to provide for accurate measurement of a utility's results of operations.  
5 Capital investments in the buildings, plant, and equipment necessary to provide  
6 electric service are essentially a prepaid expense, and annual depreciation is the part  
7 of that expense applicable to each successive accounting period over the service life  
8 of the property. Annual depreciation is an important and essential factor in informing  
9 investors and others of a company's periodic income. If it is omitted or distorted, a  
10 company's periodic income statement is distorted and would not meet required  
11 accounting and reporting standards.

12 **Q. Why is depreciation especially important to an electric utility?**

13 A. An electric utility is very capital intensive; that is, it requires a tremendous investment  
14 in generation, transmission and distribution equipment with long lives in order to  
15 provide electric service to customers. Thus, the annual depreciation of this equipment  
16 is a major item of expense to the utility. Regulated electric prices are expected to  
17 allow the utility to fully recover its operating costs, earn a fair return on its investment  
18 and equitably distribute the cost of the assets to the customers using these facilities. If  
19 depreciation rates are established at an unreasonable low or high level for ratemaking  
20 purposes, the utility will not recover its operating costs in the appropriate period,  
21 which will shift either costs or benefits from current customers to future customers.

1 **Q. Do you believe that the estimated plant depreciable lives and depreciation rates**  
2 **developed in the DSR study provide the Company with a fair and equitable**  
3 **recovery of its investment in electric utility plant and equipment?**

4 A. Yes, I believe the depreciation rates developed in the DSR study produce an annual  
5 depreciation expense which is fair and reasonable for both financial reporting and  
6 ratemaking purposes.

7 **Q. What is the basis for your confidence in the DSR study?**

8 A. I believe that a good depreciation study is the product of sound analytical procedures  
9 applied to accurate, reliable accounting and engineering data. I have reviewed Mr.  
10 Roff's work in preparing the DSR study and I concur with his choice and application  
11 of analytical procedures as described in his testimony. With respect to data inputs,  
12 the estimated plant depreciable lives used in the study are those provided by the  
13 Company and explained in Mr. Mansfield's testimony. Depreciable life estimates for  
14 other types of plant and equipment are based on Mr. Roff's actuarial analysis of the  
15 data and reviewed for reasonableness by those familiar with their operation. The  
16 accounting data has also been consistently prepared. Company employees trained in  
17 depreciation techniques extracted and summarized the retirement, salvage, and  
18 removal cost data from the accounting system, and then reviewed it for completeness  
19 and accuracy before it was provided to Mr. Roff for use in this study. Because I am  
20 comfortable with both the quality of the data inputs and the professionalism of the  
21 analysis, I have complete confidence in the recommendations contained in the DSR  
22 depreciation study.

1 **SIGNIFICANT ISSUES**

2 **Q. Please summarize the significant issues you've considered in the current study.**

3 A. The most significant issue considered in the current study relates to the estimated  
4 terminal removal date of generating facilities and the ultimate plans for removal or  
5 disposal of those facilities. The Company believes it is important to take into  
6 consideration significant events which have occurred in the years since the  
7 Commission's order in Docket No. PAC-E-02-05, where the Commission approved  
8 the settlement of the last depreciation case. Those significant events which have an  
9 impact on the expected depreciable lives of the plant include but are not limited to:  
10 (1) an evaluation of the operating and maintenance history of the plants as determined  
11 by owner operational requirements; (2) an assessment of the current condition of  
12 major equipment components; and (3) capital expenditures made and anticipated to be  
13 made at the plant;

14 With these considerations, the Company has reviewed how long the steam  
15 generation facilities can be operated and it is now recommending in this study to use  
16 64 years as the depreciable life of steam generating facilities where the Company is  
17 not a minority owner. Further explanations will be included in Mr. Mansfield's  
18 testimony.

19 **Q. ~~What are the other changes made in relationship to the steam generating~~**  
20 **facilities?**

21 A. In addition to modifying the depreciable lives on the steam generating facilities, Mr.  
22 Roff evaluated the estimated cost to remove these facilities. The Company currently  
23 views that it will operate these facilities as long as they are economically viable and

1 that those customers who are benefiting from the generation of these facilities should  
2 pay for their ultimate removal. This is consistent with past Commission orders. Mr.  
3 Roff's estimate of \$50 per kW for the removal of these facilities has been included in  
4 the study. This estimate is based on current dollars and has not been inflated to the  
5 date of removal.

6 In addition to the evaluation of the removal cost, it was also determined that a  
7 significant impact between studies resulted from the replacement of old equipment  
8 and the addition of new equipment where the facility involved has an estimated  
9 depreciation terminal life. It was determined that to mitigate the intergenerational  
10 impact, nominal interim additions should be recognized. The amount used was  
11 determined by assuming that any property retirement during the estimated five years  
12 that the new depreciation rates would be in effect would be replaced by a new  
13 addition on a dollar for dollar basis. This adjustment does not recognize the inflation  
14 which has taken place between when the original equipment was installed and its  
15 replacement. It also does not include any additions for new equipment which did not  
16 previously exist.

17 **Q. What is the significant issue related to hydroelectric facilities you considered in**  
18 **this study?**

19 **A.** —Previous studies submitted to the Commission only included removal cost for  
20 hydroelectric facilities where the Company has entered into negotiations or  
21 settlements to remove those facilities. The Company believes that either it or a  
22 successor would continue to operate the other hydroelectric facilities under terms  
23 specified by the federal government. With the current change in the political

1 environment, it has become much more probable that some of the small facilities will  
2 face challenges related to future operations and may be removed. To mitigate the  
3 intergenerational impact on customers, the Company is proposing a decommissioning  
4 reserve for hydro plants which have a definitive decommissioning agreement, as well  
5 as for small plants for which the Company has estimated some probability of being  
6 decommissioned in the next ten-year period. This reserve is not intended to cover the  
7 decommissioning or removal of any large facility.

8 **Q. What is the significant issue related to transmission and distribution facilities in**  
9 **this study?**

10 A. The major factor impacting the current study for transmission and distribution plant  
11 assets is the increase in negative net salvage for certain of those assets.

12 **Q. Please describe negative net salvage for transmission and distribution plant and**  
13 **explain why it is considered a significant item in this study.**

14 A. Let me begin by first defining the terms net salvage and negative net salvage. Net  
15 salvage refers to the salvage value of property retired less the cost of removal.  
16 Negative net salvage occurs when the cost of removal exceeds the salvage value for  
17 property retired. Annual net salvage is expressed as a percentage in the depreciation  
18 study and is calculated by dividing the net salvage amount by the retirement amounts.

19 ~~Mr. Roff discusses the propriety of reflecting negative net salvage in depreciation~~  
20 ~~rates and the impact on depreciation rates of recognizing negative net salvage.~~

21 **Q. Why is more negative net salvage being incurred by the Company for**  
22 **transmission and distribution plant assets?**

23 A. Mr. Roff was provided the historical data for both removal cost and salvage to use in

1 determining the proposed negative net salvage rates. Current history reflects removal  
2 cost returning to more normal historical levels than were seen in the 2002  
3 depreciation study.

4 **Q. What procedures does the Company use to ensure salvage and cost of removal**  
5 **for distribution plant is properly recorded in the accounting records?**

6 A. The Company uses a work order system to record capital activity including additions,  
7 retirements, removal costs and salvage. A work order is established when operating  
8 departments identify property retirement units (PRUs) being installed, removed or  
9 replaced. Actual project labor and/or contractor costs incurred to remove PRUs are  
10 directly charged to the work order and are closed to the general ledger.

11 Transmission and distribution removal projects are estimated by Company  
12 engineers using the Regional Construction Management System (RCMS). RCMS  
13 uses engineered work standards ("construction standards") for each PRU to estimate  
14 the amount and percentage for allocating labor charges between installation and  
15 removal activities. Actual labor costs charged to the work order are allocated to the  
16 removal account and to the construction accounts based on these construction  
17 standards. Proceeds received from salvage of removed materials are credited back to  
18 the work order.

19 The use of work orders, the RCMS system and construction standards  
20 combine to provide a reliable and consistent process for recording salvage and cost of  
21 removal.

22 **Q. What is the significant issue related to mining facilities in this study?**

23 A. It was estimated in the 2002 depreciation study that facilities related to the Deer Creek

1 Mine would close during 2007 and not be used to access other reserves. Since that  
2 study, the Company has determined that the use of these facilities to access other  
3 reserves provides the current most economic method of doing so. The lives on these  
4 facilities have been extended to recognize the ongoing use of these facilities.

5 **EFFECTIVE DATE**

6 **Q. What does the Company propose as the effective date for implementing the DSR  
7 study depreciation rates?**

8 A. The Company's accounting system maintains depreciation rates on a calendar year  
9 basis. Therefore, the Company proposes that the new depreciation rates be made  
10 effective January 1, 2008, which is the beginning of the next calendar year following  
11 the filing of the study.

12 **RECOMMENDATIONS**

13 **Q. Summarize your recommendations to the Commission?**

14 A. I recommend that the Commission find the recommendations made by Mr. Roff in the  
15 DSR study regarding depreciation rates to be the proper depreciation rates for the  
16 Company and that the Commission order the Company to reflect the depreciation  
17 rates proposed in the DSR study in its accounts and records effective January 1, 2008.

18 **Q. Does this conclude your testimony?**

19 A. Yes.

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UTILITIES COMMISSION

Case No. PAC-E-07-14  
Exhibit No. 1  
Witness: Henry E. Lay

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

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Exhibit Accompanying Direct Testimony of Henry E. Lay

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August 2007

**P A C I F I C O R**  
 Depreciation Rate Comparison - Plant Balances as of December, 2006

Description	AF	Plant-in-Service		Depreciation Rate		Total Company Depreciation		ID	
		EXISTING	PROPOSED	EXISTING	PROPOSED	EXISTING	PROPOSED		DIFFERENCE
<b>Production Plant</b>									
Steam Production	SG	4,313,629,716		3.14%	1.66%	138,015,961	88,863,027	(49,152,933)	(3,099,805)
Steam Production - Cholla	SSGCH	373,706,197		2.40%	1.42%	8,979,019	5,314,022	(3,664,997)	(213,797)
Steam Production - Water Rights	SG	39,699,560		2.42%	2.82%	12,314,551	14,347,241	2,032,691	128,191
Hydro Production	SG	507,940,786		3.42%	3.56%	23,769,649	24,849,126	1,079,477	68,077
Other Production	SSGCT	77,890,366		4.06%	4.10%	3,162,349	3,190,555	28,206	2,166
Other Production - Gadsby Peakers		17,419,459							
Other Production - Water Rights		6,039,751,602							
Total Production Plant		5,982,632,583		3.08%	2.26%	186,241,528	136,563,972	(49,677,556)	(3,115,169)
Total Production Plant - Depreciable		2,652,005,379		2.12%	2.15%	56,313,992	56,981,736	667,744	42,111
<b>Transmission Plant</b>									
Distribution Plant									
Distribution	CA	189,247,340		2.99%	3.80%	5,658,122	7,182,106	1,523,984	-
Distribution	OR	1,484,738,167		2.89%	3.45%	42,855,111	51,177,698	8,322,587	-
Distribution	WA	348,051,140		2.97%	3.24%	10,344,646	11,273,026	928,380	-
Distribution	WY	448,005,125		2.80%	3.08%	12,564,145	13,798,530	1,234,386	-
Distribution	UT	1,904,102,727		2.55%	3.17%	48,603,233	60,420,715	11,817,482	-
Distribution	ID	228,782,258		2.73%	2.78%	6,248,403	6,359,143	110,740	110,740
Total Distribution		4,602,926,757		2.74%	3.26%	126,273,661	150,211,219	23,937,558	110,740
<b>General Plant - Vehicles *</b>									
General Plant - Vehicles	CA	546,334		6.31%	7.89%	34,474	43,109	8,636	-
General Plant - Vehicles	SG	160,469		6.31%	7.89%	10,126	12,662	2,536	160
General Plant - Vehicles	ID	1,702,914		6.69%	6.66%	113,925	113,400	(525)	(525)
General Plant - Vehicles	SG	601,792		6.69%	6.66%	40,260	40,074	(186)	(12)
General Plant - Vehicles	CN	19,078		7.12%	7.63%	1,358	1,455	96	4
General Plant - Vehicles	OR	8,158,700		7.12%	7.63%	580,899	622,111	41,212	-
General Plant - Vehicles	SG	573,856		7.12%	7.63%	40,859	43,757	2,899	183
General Plant - Vehicles	SO	657,032		7.12%	7.63%	46,781	50,100	3,319	195
General Plant - Vehicles	SG	191,148		6.71%	6.42%	12,826	12,264	(562)	(35)
General Plant - Vehicles	OT	243,769		6.71%	6.42%	16,357	15,640	(716)	(42)
General Plant - Vehicles	SE	515,618		6.69%	7.17%	34,495	36,970	2,475	163
General Plant - Vehicles	UT	2,925,636		6.69%	7.17%	195,725	209,769	14,044	886
General Plant - Vehicles	SG	2,235,460		6.69%	7.17%	149,552	160,283	10,731	630
General Plant - Vehicles	SO	40,163		6.69%	7.17%	2,687	2,880	193	15
General Plant - Vehicles	UT	12,885,342		6.69%	7.17%	862,029	923,883	61,854	-
General Plant - Vehicles	SG	646,698		7.11%	7.91%	45,980	51,131	5,151	325
General Plant - Vehicles	WA	1,690,038		7.11%	7.91%	120,162	133,623	13,461	-
General Plant - Vehicles	SG	1,795,891		5.89%	7.34%	105,778	131,853	26,075	1,644
General Plant - Vehicles	SO	15,851		5.89%	7.34%	934	1,164	230	14
General Plant - Vehicles	WY	2,974,766		5.89%	7.34%	175,214	218,405	43,192	-
General Plant - Vehicles	SO	3,627,673		3.60%	3.59%	130,596	130,206	(390)	(23)
General Plant - Vehicles	CA	746,605,98		5.04%	5.63%	37,629	42,014	4,385	-
General Plant - Vehicles	SG	57,885,36		5.04%	5.63%	2,917	3,257	340	21
General Plant - Vehicles	ID	2,389,544,33		5.64%	5.22%	134,770	124,832	(9,938)	(9,938)
General Plant - Vehicles	SG	357,556,86		5.64%	5.22%	20,166	18,679	(1,487)	(94)
General Plant - Vehicles	OR	9,170,931,72		6.65%	5.05%	809,867	463,233	(146,634)	-
General Plant - Vehicles	OR	497,491,17		6.65%	5.05%	33,083	25,129	(7,954)	(502)
General Plant - Vehicles	SO	104,190,51		6.65%	5.05%	6,929	5,263	(1,666)	(98)
General Plant - Vehicles	SG	230,588,37		5.64%	2.96%	13,005	6,834	(6,172)	(389)
General Plant - Vehicles	OT	54,683,46		5.64%	2.96%	3,084	1,621	(1,464)	(85)
General Plant - Vehicles	SE	176,171,79		5.64%	5.46%	9,936	9,624	(312)	(21)
General Plant - Vehicles	SG	3,750,480,56		5.64%	5.46%	211,527	204,880	(6,648)	(419)
General Plant - Vehicles	SO	1,404,734,49		5.64%	5.46%	79,227	76,737	(2,490)	(146)

Source: Factors from  
 December 2006 Semi-Annual  
 Report - Beginning/Ending  
 Average\*

Allocation Factor Table	ID
CA	0.0000%
CN	4.0164%
ID	100.0000%
OR	0.0000%
SE	6.5385%
SG	6.2854%
SO	5.8560%
SSGCH	5.8378%
SSGCT	7.5641%
UT	0.0000%
WA	0.0000%
WY	0.0000%

**P A C I F I C O R I**  
 Depreciation Rate Comparison - Plant Balances as of December, 2006

Description	AF	Plant-in-Service	Depreciation Rate		Total Company Depreciation			ID
			EXISTING	PROPOSED	EXISTING	PROPOSED	DIFFERENCE	
General Plant - Vehicles	392.5 UT	14,388,677.85	5.64%	5.46%	811,521	786,018	(25,503)	(226)
General Plant - Vehicles	392.5 WA	523,028.23	7.34%	6.66%	38,390	34,811	(3,580)	
General Plant - Vehicles	392.5 WA	2,460,463.55	7.34%	6.66%	180,598	163,758	(16,840)	
General Plant - Vehicles	392.5 WY	1,360,666.39	4.67%	6.80%	63,543	92,506	28,963	1,827
General Plant - Vehicles	392.5 WY	3,441,467.08	4.67%	6.80%	160,717	233,970	73,254	
General Plant - Vehicles	392.9 CA	277,150.97	2.30%	2.69%	6,374	7,448	1,073	
General Plant - Vehicles	392.9 CA	4,975.76	2.30%	2.69%	114	134	19	1
General Plant - Vehicles	392.9 ID	42,132.09	2.51%	2.50%	1,058	1,055	(3)	(0)
General Plant - Vehicles	392.9 ID	794,271.90	2.51%	2.50%	19,936	19,887	(49)	(49)
General Plant - Vehicles	392.9 OR	2,482,143.44	2.19%	2.45%	54,359	60,873	6,514	
General Plant - Vehicles	392.9 OR	167,559.25	2.19%	2.45%	3,670	4,109	440	28
General Plant - Vehicles	392.9 OR	3,525.00	2.19%	2.45%	77	86	9	1
General Plant - Vehicles	392.9 UT	50,888.86	2.51%	2.59%	1,277	1,319	42	3
General Plant - Vehicles	392.9 UT	1,243,979.94	2.51%	2.59%	31,224	32,251	1,028	65
General Plant - Vehicles	392.9 UT	1,413,183.28	2.51%	2.59%	35,471	36,638	1,167	69
General Plant - Vehicles	392.9 UT	19,313.32	2.51%	2.59%	485	501	16	1
General Plant - Vehicles	392.9 UT	4,031,989.11	2.51%	2.59%	101,203	104,533	3,330	
General Plant - Vehicles	392.9 WA	39,302.46	2.87%	2.65%	1,128	1,040	(88)	(6)
General Plant - Vehicles	392.9 WA	578,859.33	2.87%	2.65%	16,613	15,319	(1,295)	
General Plant - Vehicles	392.9 WY	173,932.38	3.27%	3.37%	5,688	5,859	171	11
General Plant - Vehicles	392.9 WY	1,949,914.30	3.27%	3.37%	63,762	65,680	1,918	
General Plant - Vehicles	392.9 OT	51,384.00	2.51%	2.18%	1,290	1,122	(167)	(10)
General Plant - Vehicles	396.3 CA	1,034,237	9.92%	10.34%	61,227	106,925	45,698	
General Plant - Vehicles	396.3 ID	157,360	9.55%	9.15%	15,028	14,405	(623)	(39)
General Plant - Vehicles	396.3 ID	1,322,100	9.55%	9.15%	126,261	121,027	(5,233)	(5,233)
General Plant - Vehicles	396.3 OR	5,501,554	7.22%	9.71%	397,212	534,023	136,811	
General Plant - Vehicles	396.3 UT	75,269	9.55%	10.35%	7,188	7,789	601	35
General Plant - Vehicles	396.3 UT	3,218,384	9.55%	10.35%	307,356	333,048	25,692	
General Plant - Vehicles	396.3 WA	78,184	8.93%	9.69%	6,982	7,578	596	38
General Plant - Vehicles	396.3 WA	1,619,168	8.93%	9.69%	144,592	156,929	12,337	
General Plant - Vehicles	396.3 WY	83,897	7.82%	10.37%	6,561	8,703	2,142	135
General Plant - Vehicles	396.3 WY	2,323,366	7.82%	10.37%	181,687	241,013	59,325	
General Plant - Vehicles	396.7 CA	2,683,072	3.42%	5.60%	91,761	150,371	58,610	
General Plant - Vehicles	396.7 CA	5,259,976	5.81%	3.87%	305,605	203,643	(101,961)	(101,961)
General Plant - Vehicles	396.7 ID	1,108,688	5.81%	3.87%	64,415	42,924	(21,491)	(1,355)
General Plant - Vehicles	396.7 ID	20,650,824	4.88%	5.39%	1,007,760	1,113,339	105,579	
General Plant - Vehicles	396.7 OR	1,754,665	4.88%	5.39%	85,628	94,598	8,971	566
General Plant - Vehicles	396.7 OR	147,956	4.88%	5.39%	7,220	7,977	756	44
General Plant - Vehicles	396.7 OR	1,249,389	5.81%	2.71%	72,590	33,842	(38,747)	(2,444)
General Plant - Vehicles	396.7 OT	724,648	5.81%	2.71%	42,102	19,628	(22,474)	(1,311)
General Plant - Vehicles	396.7 UT	73,823	5.81%	6.89%	4,289	5,090	801	53
General Plant - Vehicles	396.7 UT	12,448,540	5.81%	6.89%	723,260	858,259	134,999	8,514
General Plant - Vehicles	396.7 UT	1,645,834	5.81%	6.89%	95,623	113,471	17,848	1,048
General Plant - Vehicles	396.7 UT	29,897,495	5.81%	6.89%	1,737,044	2,061,270	324,226	
General Plant - Vehicles	396.7 WA	471,083	7.16%	6.81%	33,730	32,066	(1,663)	(105)
General Plant - Vehicles	396.7 WA	4,934,725	7.16%	6.81%	353,326	335,905	(17,422)	
General Plant - Vehicles	396.7 WY	13,827,018	3.93%	5.19%	543,402	717,923	174,522	11,006
General Plant - Vehicles	396.7 WY	9,887,251	3.93%	5.19%	388,569	513,364	124,795	
Total General Plant - Vehicles*		218,826,406	5.62%	6.14%	12,292,072	13,440,871	1,148,800	(97,386)
<b>General Plant - All Other</b>								
General Plant - All Other	389.2 ID	4,868	2.36%	2.01%	115	98	(17)	(17)
General Plant - All Other	389.2 UT	1,228	2.36%	2.36%	29	29	0	0
General Plant - All Other	389.2 UT	34,071	2.36%	2.36%	804	805	1	
General Plant - All Other	389.2 WY	23,404	2.36%	2.01%	552	469	(83)	

**PACIFICORF**  
 Depreciation Rate Comparison - Plant Balances as of December, 2006

Description	AF	Plant-in-Service	Depreciation Rate		Total Company Depreciation			ID
			EXISTING	PROPOSED	EXISTING	PROPOSED	DIFFERENCE	
General Plant - All Other	390 CA	1,408,911	2.22%	2.38%	31,278	33,508	2,230	0
General Plant - All Other	390 CA	2,749	2.22%	2.38%	61	65	4	(170)
General Plant - All Other	390 ID	858,185	2.43%	2.12%	20,854	18,160	(2,694)	(29,577)
General Plant - All Other	390 ID	9,421,521	2.43%	2.12%	228,943	199,366	(29,577)	(0)
General Plant - All Other	390 OR	9,807	2.32%	2.21%	228	217	(11)	(122)
General Plant - All Other	390 OR	19,390,052	2.32%	2.21%	449,849	429,076	(20,774)	(2,252)
General Plant - All Other	390 OR	1,798,855	2.32%	2.21%	41,733	39,806	(1,927)	(61)
General Plant - All Other	390 OR	35,791,058	2.32%	2.21%	830,353	792,007	(38,345)	(329)
General Plant - All Other	390 OT	374,036	2.34%	2.06%	8,752	7,720	(1,032)	(129)
General Plant - All Other	390 UT	7,583,242	2.43%	2.32%	184,273	176,113	(8,160)	(2,386)
General Plant - All Other	390 UT	1,905,265	2.43%	2.32%	46,298	44,248	(2,050)	(0)
General Plant - All Other	390 UT	37,745,581	2.43%	2.32%	917,218	876,602	(40,615)	(15,249)
General Plant - All Other	390 UT	35,065,708	2.43%	2.32%	852,097	814,365	(37,732)	(0)
General Plant - All Other	390 WA	65,829.15	3.80%	3.80%	2,502	2,500	(2)	154
General Plant - All Other	390 WA	10,786,963.94	3.80%	3.80%	409,905	409,681	(224)	2
General Plant - All Other	390 WY	544,734	2.58%	2.58%	14,054	16,500	2,446	(59,305)
General Plant - All Other	391.1 OR	5,574,121	2.58%	2.58%	143,812	168,843	25,031	(1,886)
General Plant - All Other	397 CA	4,039,625	26.85%	20.42%	1,084,639	825,010	(259,630)	(14,594)
General Plant - All Other	397 CA	2,803,091	4.15%	4.15%	116,328	116,399	71	(22,821)
General Plant - All Other	397 ID	1,551,086	4.15%	4.15%	64,370	64,409	39	(306)
General Plant - All Other	397 ID	5,437,948	4.75%	3.79%	258,303	206,268	(52,035)	(43)
General Plant - All Other	397 ID	6,197,707	4.75%	3.79%	294,391	235,086	(59,305)	(11,801)
General Plant - All Other	397 OR	3,376,740	5.44%	4.06%	183,695	136,961	(46,734)	(6,004)
General Plant - All Other	397 OR	35,872,536	5.44%	4.06%	1,951,466	1,454,992	(496,474)	(7)
General Plant - All Other	397 OR	16,720,190	5.44%	4.06%	909,578	678,172	(231,407)	(0)
General Plant - All Other	397 UT	28,074,167	5.44%	4.06%	1,527,235	1,138,690	(388,545)	(127)
General Plant - All Other	397 UT	1,190,707	4.75%	4.11%	56,559	48,980	(7,578)	4,659
General Plant - All Other	397 UT	103,265	4.75%	4.11%	4,905	4,248	(657)	58
General Plant - All Other	397 UT	29,401,712	4.75%	4.11%	1,396,581	1,209,454	(187,128)	(2,867)
General Plant - All Other	397 UT	16,061,013	4.75%	4.11%	762,898	660,678	(102,221)	(563)
General Plant - All Other	SSGCT	14,157	4.75%	4.11%	672	582	(90)	(4)
General Plant - All Other	397 UT	27,813,566	4.75%	4.11%	1,321,144	1,144,125	(177,020)	(169,027)
General Plant - All Other	397 WA	3,444,922	5.30%	5.24%	182,581	180,567	(2,014)	(266,413)
General Plant - All Other	397 WA	9,345,241	5.30%	5.24%	495,298	489,835	(5,463)	(303,045)
General Plant - All Other	397 WY	13,597,450	4.86%	5.40%	660,836	734,716	73,880	
General Plant - All Other	397 WY	180,662	4.86%	5.40%	8,780	9,762	982	
General Plant - All Other	397 WY	18,487,587	4.86%	5.40%	898,497	998,946	100,450	
General Plant - All Other	397 OT	4,026,752	4.31%	3.18%	173,553	128,095	(45,458)	
General Plant - All Other	SSGCH	854,308	4.31%	3.18%	36,821	27,176	(9,644)	
General Plant - All Other	397 OT	6,488	4.31%	3.18%	280	206	(73)	
<b>Total General Plant - All Other</b>		396,991,106	4.17%	3.66%	16,573,118	14,523,535	(2,049,584)	
<b>Total General Plant</b>		615,817,512	4.69%	4.54%	28,865,190	27,964,406	(900,784)	
<b>Mining Plant</b>	SE	196,152,876	5.87%	3.52%	11,510,180	6,905,799	(4,604,381)	
<b>Total Company - Depreciable Plant</b>		14,049,535,107	2.91%	2.69%	409,204,552	378,627,133	(30,577,419)	
<b>Total Company</b>		14,106,654,126						(3,531,775)

\* For regulatory purposes, vehicle depreciation is re-classified as O&M.