



RECEIVED

2013 JAN 31 AM 9:52

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

January 31, 2013

IDAHO PUBLIC  
UTILITIES COMMISSION

***VIA OVERNIGHT DELIVERY***

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

**Re: Case No. PAC-E-13-02  
In the Matter of Rocky Mountain Power's Application for an Order Authorizing  
Changes in Depreciation Rates Applicable to Electric Property.**

Dear Ms. Jewell:

Rocky Mountain Power, a division of PacifiCorp, hereby submits for filing an original and nine (9) copies of errata page 5 of Company witness Mr. Henry Lay's direct testimony.

Page 5 of Mr. Lay's testimony refers to a "depreciation rate of 4.18 percent" that should have read "depreciation rate of 3.05 percent" a clean and legislative copy of the errata page is provided. The Company respectfully requests that the original filed copies of page 5 of Mr. Lay's testimony be replaced with the errata page.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen  
Vice President, Regulation and Government Affairs

1 depreciation rate of 3.05 percent as set in the 2007 depreciation study and used for  
2 setting rates in the last general rate case. Any difference between the current rate  
3 of 3.05 percent and the new rate used by the Company for depreciation expense  
4 (currently estimated at 67 percent) will be recorded as a regulatory asset with  
5 recovery through 2020.

6 The Carbon removal costs will also be excluded from the depreciation rate  
7 and recorded as part of the regulatory asset. The removal costs will be included in  
8 the next general rate case and the estimate will be updated based on the best  
9 available removal cost projections at that time. The Company will request  
10 recovery of the removal costs through 2020 in the next general rate case  
11 consistent with the depreciation.

## 12 Depreciation Study Background

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

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

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

22 The actual payment for an electric utility plant asset occurs in the period in  
23 which it is acquired through purchase or construction. Depreciation accounting  
24 spreads this cost over the useful life of the property. The fundamental reason for  
25 recording depreciation is to provide for accurate measurement of a utility's results

1 | depreciation rate of ~~4.183.05~~ percent as set in the 2007 depreciation study and  
2 | used for setting rates in the last general rate case. Any difference between the  
3 | current rate of ~~4.183.05~~ percent and the new rate used by the Company for  
4 | depreciation expense (currently estimated at 67 percent) will be recorded as a  
5 | regulatory asset with recovery through 2020.

6 |         The Carbon removal costs will also be excluded from the depreciation rate  
7 | and recorded as part of the regulatory asset. The removal costs will be included in  
8 | the next general rate case and the estimate will be updated based on the best  
9 | available removal cost projections at that time. The Company will request  
10 | recovery of the removal costs through 2020 in the next general rate case  
11 | consistent with the depreciation.

## 12 | **Depreciation Study Background**

13 | **Q. Please explain the concept of depreciation.**

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

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

22 |         The actual payment for an electric utility plant asset occurs in the period in  
23 | which it is acquired through purchase or construction. Depreciation accounting  
24 | spreads this cost over the useful life of the property. The fundamental reason for  
25 | recording depreciation is to provide for accurate measurement of a utility's results