

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-13-02
POWER TO CHANGE THE DEPRECIATION)	
RATES APPLICABLE TO ITS ELECTRIC)	NOTICE OF
PROPERTY)	PROPOSED SETTLEMENT
)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32891

On January 22, 2013, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) submitted an Application seeking a Commission Order, pursuant to *Idaho Code* § 61-525 and Rule 52 of the Idaho Public Utilities Commission (“Commission”) Rules of Procedure, for approval of proposed changes to depreciation rates applicable to Rocky Mountain’s depreciable electric plant. The Company proposes an effective date of January 1, 2014 for its proposed changes.

On March 28, 2013, the Commission issued a Notice of Application and Intervention Deadline. *See* Order No. 32772. Subsequently, Monsanto Company (“Monsanto”) and PacifiCorp Idaho Industrial Customers (“PIIC”) were granted permission to intervene as a party. *See* Order Nos. 32773 and 32804.

On April 26, 2013, the Commission issued a Notice of Public Workshop. A public workshop was held on May 9, 2013, allowing interested parties the opportunity to discuss a possible settlement of the issues presented in this case.

NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that on September 10, 2013, Rocky Mountain filed a document with the Commission (“Stipulation”), including attachments, that proposes to settle the relevant issues in this case. The Stipulation was agreed to by representatives of the Company, Staff, Monsanto, and PIIC (“Parties”).

YOU ARE FURTHER NOTIFIED that the following is a summary of the relevant terms of the Parties’ Stipulation:

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1. The Stipulating Parties agree that the proposed depreciation rates set forth in Attachment 1, Stipulated Rates, attached and incorporated into the Stipulation, represent just and reasonable depreciation rates for Rocky Mountain Power in Idaho commencing January 1, 2014.
2. The depreciation rates, originally proposed by the Company in its January 22, 2013, filing, result in an estimated increase in annual depreciation expense across PacifiCorp's six jurisdictions of approximately \$160.8 million (\$83.9 million excluding the early retirement of the Carbon Plant), based on estimated plant balances as of December 31, 2013, before the additional Oregon depreciation expense for shorter coal plant lives. Table 1 (see document) of the Stipulation shows the estimated impact of the agreed-upon changes to the depreciation rates on the Company's filed depreciation study. In Attachment 2 – Jurisdictional Allocation, detailed jurisdictional allocations are provided by category. As a result of the settlement discussions, the Stipulating Parties have agreed to the following adjustments to the Company's filed depreciation study and proposed rates, as described in Paragraphs 9-29. These adjustments are summarized in Table 2 of the Stipulation (see document) and indicate the estimated impact on depreciation expense.
3. The Stipulating Parties have agreed to extend the terminal life estimate for the Gadsby Plant from December 31, 2022, to December 31, 2032. This adjustment results in new lower depreciation rates, including the impact of adding estimated interim retirements for the extended period. The stipulated depreciation rates also include recognition of the excess reserve adjustment in the calculation. The stipulated depreciation rates have been computed using an estimated terminal removal rate of \$40/kW. (Adjustment A)
4. The Stipulating Parties have agreed to shorten the terminal life on the James River Plant from December 31, 2016, to December 31, 2015, to correct an error in the original Application, and to reduce net salvage estimated in the calculation from -1% to zero. These changes result in higher depreciation rates. (Adjustment B)
5. The Stipulating Parties agree that, for the Chehalis Plant, Currant Creek Plant, Lake Side Plant, Hermiston Plant and Gadsby Peaker Plant (Units 4-6), the interim retirement curve for Account 343 Prime Movers is changed from a 40-R₁ to a 45-R_{2.5}. There is no change in the proposed terminal removal dates for each of these plants from those presented in the study. The Stipulating Parties agree to lower the terminal removal cost for the CCCT gas units from the Company's proposed level of \$20/kW to \$15/kW. (Adjustment C)

6. The Stipulating Parties agree that wind generation units will use a 30-year terminal life. The terminal removal cost has been lowered from the Company's proposed level of \$9/kW to \$7/kW. (Adjustment D)
7. The Stipulating Parties agree that the Carbon Plant terminal net salvage estimate is reduced from the proposed \$330/kW to \$117/kW and the stipulated depreciation rates are calculated based on the April 2015 retirement date. This terminal net salvage estimate of \$117/kW is used for calculating rates in this Stipulation and will not be relied on in developing future removal cost estimates for other generation facilities. Until actual results are available, updated current estimates will be provided as needed in future filings, and to the extent the updated estimates differ from the \$117/kW, this issue can be reexamined in those filings. The amount ultimately deferred for the Carbon Plant will be trued up to actual prudently incurred removal costs in accordance with the procedures set forth in the stipulation in Case No. PAC-E-13-04 (the "GRC Stipulation"). The remaining plant balances for Carbon Plant will be recovered through 2020 consistent with the GRC Stipulation. (Adjustment E)
8. The Stipulating Parties accept the Company's proposed method in the study to use Iowa Curves to determine interim retirements for production facilities with terminal lives. The proposed depreciation rates reflect adjustments to the retirement curves on coal generation facilities in Account 311 Structures and Improvements from 90-R₂ to 120-R_{1.5}, Account 312 Boiler Plant Equipment from 60-L₁ to 68-S₀ and Account 314 Turbo-generator Units from 55-L₁ to 57-S₀. Reliance on the Company's Iowa Curve method for settlement purposes shall not prevent parties from taking a different position on this issue in future depreciation cases. (Adjustment F)
9. The Stipulating Parties agree to extend lives on transmission assets by: (1) extending the curve for Account 353 Station Equipment from the proposed 57-S₀ to a 58-S₀, (2) extending the curve for Account 356 Overhead Conductors and Devices from 60-R₃ to 63-R₃; and (3) merging Account 353.7 Supervisory Equipment with Account 353 Station Equipment resulting in a change to the life-curve combination and related net salvage for those assets from the proposed 20-R₂ with zero net salvage to 58-S₀ with -5% net salvage. All other lives and retirement curves are accepted as proposed by the Company. Any transmission excess reserve balance will be amortized over the remaining life of the assets rather than on an expedited basis. As part of calculating the stipulated depreciation rates, the depreciation reserve has been redistributed within the transmission function resulting in reduced rates on all accounts within the transmission function and an overall reduction in the composite depreciation rates on those facilities. (Adjustment G)

10. The Stipulating Parties agree to extend lives on distribution assets by merging Account 362.7 Supervisory Equipment with Account 362 Substation Equipment, and using the appropriate state-specific lives for Account 362 in Utah, Idaho and Wyoming. (Adjustment H)
11. The Stipulating Parties agree to amortize net salvage on specific mining accounts as follows: (1) stipulated depreciation rates for Utah mining assets have been established using a terminal life as established in the filed study; (2) net salvage percentages have been adjusted for Account 399.41 Surface Processing Equipment – Preparation Plant from -7% to -6% and for Account 399.46 Longwall Equipment from 5% to 7%; and (3) depreciation reserves have been reallocated within the mining accounts. As a result, the stipulated depreciation rates are lower than the Company's proposed rates on most of the mining accounts. (Adjustment I)
12. In order to offset the depreciation expense impacts of the shortened remaining life at the Carbon Plant, which is calculated to be \$34.7 million, the Stipulating Parties agree to expedite the amortization of the excess depreciation reserve at the Gadsby Plant and the Hunter Plant. The Stipulating Parties agree that the excess reserve at the Gadsby Plant and the Hunter Plant, calculated as of December 31, 2011, will be returned on a straight line basis. The excess reserve of \$21,073,503 associated with the Gadsby Plant will be amortized based on 9 years and the excess reserve of \$29,635,920 associated with the Hunter Plant will be amortized based on 5 years, resulting in an annual amortization of \$8.2 million. These amounts will be recorded as a separate item by crediting depreciation expense and debiting the depreciation reserve. The new depreciation rates for the Hunter Plant and Gadsby Plant have been recomputed excluding the above identified amounts of excess reserve. This recalculation of rates produced an estimated increase in depreciation expense of \$2.4 million. Coupled with the \$8.2 million excess reserve amount, this results in a net annual decrease in depreciation expense of \$5.8 million. The Stipulating Parties agree the excess reserve amortization will occur annually starting January 1, 2014, and will continue until the full \$34.7 million is returned or ending with the implementation of new rates resulting when new rates from the next depreciation study are implemented. During the next depreciation case, an assessment will be made as to the final disposition of any remaining amount of the \$34.7 million which has not been returned at that time. (Adjustment J)
13. The Stipulating Parties agree to amortize depreciation excess reserve for two other steam generation plants with an excess reserve as of December 31, 2011, the Blundell Plant with an excess reserve of \$7,852,016 and the Colstrip Plant with an excess reserve of \$22,930,383, as follows: (1) the annual amount is determined for each plant with any excess reserve by dividing the excess reserve by 10; (2) the annual amortization will occur

beginning January 1, 2014, until new depreciation rates resulting from the next depreciation study are implemented; and (3) the stipulated depreciation rates are determined by excluding the identified excess reserve in the calculation. This adjustment is intended to offset the large steam plant increase in this Stipulation and does not set precedent for any future depreciation study. (Adjustment K)

14. The Stipulating Parties agree to amortize depreciation excess reserve on distribution plant for Utah, Idaho and Wyoming as follows: the annual amortization has been determined for each state by identifying the excess reserve for each state individually in the Company's filed study as of December 31, 2011, and then dividing the excess reserve for Utah by 6.5 years, the excess reserve for Idaho by 13 years, and the excess reserve for Wyoming by 15 years. The stipulated depreciation rates have been determined by excluding the identified excess reserve amounts from the calculation. The annual amortization will occur beginning January 1, 2014, until new depreciation rates from the next depreciation study are implemented. This adjustment is intended to offset the large steam plant increase in this Stipulation and does not set precedent for any future depreciation study. (Adjustment L)
15. The Stipulating Parties agree to stipulated depreciation rates calculated using June 30, 2013, actual account balances within specific functions without terminal lives, including transmission, Utah, Idaho and Wyoming distribution and Utah, Idaho and Wyoming general plant. (Adjustment M)
16. The Stipulating Parties agree to adjust general plant lives to be consistent with the Oregon Settlement. Utah, Idaho and Wyoming depreciation rates have been adjusted using the life-curve combinations agreed to in Oregon. For Idaho, Account 390 Structures and Improvements, the life has been changed from 55R₃ to 58-R₁, Account 392.09 Transportation Equipment-Trailers from 33-L₂ to 34-L₂ and Account 396.03 Light Power Operated Equipment from 8-R₂ to 9-L₃. Each state's estimated salvage remains as provided in the Company's originally filed depreciation study. (Adjustment N)
17. For the depreciation rates for Wyoming and Idaho, the Stipulating Parties agree to adjust Klamath-Accelerated depreciation to an end date of December 31, 2022, consistent with the approved life in Utah. The life may be reassessed in the next depreciation cases in Wyoming and Idaho. If Klamath-Accelerated facilities are retired prior to December 31, 2022, return of and on any remaining balance will continue after retirement of the facilities as though it remained in service through December 31, 2022, and the Stipulating Parties agree not to challenge this recovery based on "used and useful" arguments. (Adjustment O)

18. The Stipulating Parties agree to the Company's proposal to move the balance of communication equipment to mass asset accounting with a consistent 24-year life and a depreciation rate of 4.3%. The depreciation reserves will continue to be maintained on a state basis which ensures no inadvertent jurisdictional transfer of depreciation reserve benefits created from different depreciation rates historically being used by each state.
19. The Stipulating Parties agree that the Company will provide a section in the next depreciation study, for informational purposes only, listing the specific mining assets, reserve balances, and respective lives owned by its Wyoming mining subsidiary.
20. A new depreciation study will be filed with the Idaho Public Utilities Commission no later than five years from the date of the written order resolving the issues in this Docket, or as otherwise ordered by the Commission. The Stipulating Parties agree the Company will maintain the right to file a new depreciation study sooner than five years.
21. The Stipulating Parties agree the Company will implement a reporting system to keep the Stipulating Parties and the Utah, Idaho and Wyoming Commissions informed regarding any matters likely to have implications regarding potential stranded costs of generating assets. The Company will propose a reporting method by no later than December 31, 2013.
22. The Stipulating Parties agree the Company will provide updated cost estimates regarding Carbon Plant's terminal net salvage, including any new third-party studies as part of the Company's next general rate cases in Idaho, Utah and Wyoming.
23. The Stipulating Parties agree to adhere to the depreciation study treatment established according to paragraphs 10-14 of the Stipulation in Case PAC-E-13-04 (the "GRC Stipulation") if approved by the Idaho Public Utilities Commission. The parties are requesting that the stipulated depreciation rates from this study be effective on January 1, 2014 for purposes of financial reporting. Per the GRC Stipulation, the Company will establish a regulatory asset that will track for further recovery or refund, the aggregate net difference between the depreciation expense that would have been booked beginning in 2014 under the depreciation rates in effect as of the date of the GRC Stipulation and the depreciation expense actually booked beginning in 2014 under the depreciation rates approved by the Commission in this Case until the new depreciation rates are reflected in customer rates. Recovery of the deferral shall be allocated to customers on a proportionate basis, based on the cost of service relationships established in the next Idaho general rate case with rates proposed to be effective on or after January 1, 2016, as modified by future cost of service studies in future rate cases.

YOU ARE FURTHER NOTIFIED that any reference to other States in the Stipulation is for illustrative purposes only and does not purport to bind other State Commissions.

YOU ARE FURTHER NOTIFIED that the Parties agree that the Stipulation represents a compromise of the positions of the Parties on all issues contained in the Stipulation.

YOU ARE FURTHER NOTIFIED that the Parties agree that the Stipulation is in the public interest. The Parties agree to support the Stipulation before the Commission, and no Party shall appeal any portion of this Stipulation or Order approving the same.

YOU ARE FURTHER NOTIFIED that the Stipulation is subject to approval by the individual State Commissions and contains a provision allowing the Parties, upon notice and within 15 days, to withdraw from the Stipulation if the Commission rejects, modifies or adds additional provisions to the Stipulation.

YOU ARE FURTHER NOTIFIED that the Stipulation and the Company's Application in Case No. PAC-E-13-02 has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices, 472 W. Washington Street, Boise, Idaho. The Company's Application is also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that the Commission is not bound by any settlement reached by the parties. The Commission will independently review any proposed settlement to determine whether the settlement is just, fair and reasonable, and in the public interest, or otherwise in accordance with law or regulatory policy. The Commission may accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted. IDAPA 31.01.01.274-.276.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within **twenty-one (21) days from the service date of this Notice**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Daniel E. Solander
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, UT 84111
E-mail: daniel.solander@pacificorp.com

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Rocky Mountain at the e-mail address listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-502 and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that Rocky Mountain's Application and Stipulation will be processed under Modified Procedure. Persons interested in submitting written comments regarding the Application and Stipulation reached by the Parties or protesting the use of Modified Procedure should do so no later than 21 days from the service date of this Order.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th day of September 2013.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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