

Idaho Public Utilities Commission

Case No. PAC-E-13-02

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Contact: Gene Fadness (208) 334-0339, 890-2712

Website: www.puc.idaho.gov

PUC adopts settlement to PacifiCorp depreciation case

State regulators have approved the first update to PacifiCorp's depreciation rate since 2008, but only at slightly more than half that originally proposed by the utility, which operates in eastern Idaho as Rocky Mountain Power.

A settlement proposed by a number of interested parties increases the current depreciation rate of 2.54 percent to 2.93 percent effective Jan. 1, 2014. PacifiCorp originally proposed 3.24 percent. In dollar amounts, the original proposed increase for the Idaho jurisdiction was \$8.9 million. After settlement discussions, Idaho's proportion is \$4.6 million and the total six-state increase is about \$88.3 million, down from an original proposal of \$160.8 million.

The Idaho Public Utilities Commission adopted the settlement, which does not immediately impact customer rates. The amount allocated to Idaho customers of PacifiCorp will likely be included whenever the utility next adjusts base rates, not anticipated until Jan. 1, 2016 at the earliest. Commission staff, PacifiCorp, Monsanto and the PacifiCorp Idaho Industrial Customers participated in settlement discussions.

Depreciation is a system of accounting that spreads the cost or value of a company's tangible assets (less salvage) over their useful life. Electric utilities are capital intensive, requiring major investments in generation, transmission and distribution plant. If depreciation rates are set at an unreasonably high or low level, the utility does not recover its operating expenses, shifting either the costs or the benefits from current customers to future customers.

About two-thirds of the increase in the depreciation rate is attributable to the early retirement and estimated removal cost of the 172-megawatt Carbon coal plant near Helper, Utah. Another contributing factor is capital additions to the company's steam generation facilities.

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