

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

IN THE MATTER OF THE APPLICATION OF PACIFICORP  
FOR AUTHORITY TO CHANGE ITS DEPRECIATION  
RATES

)  
) DOCKET NO. 20000-EA-98-140  
) RECORD NO. 4618

**APPEARANCES**

**JAMES C. PAINE**, Portland, Oregon,

for Applicant PacifiCorp

**BRENT R. KUNZ**, Cheyenne, Wyoming,

for Applicant PacifiCorp

**DAVID J. LUCERO**, Cheyenne, Wyoming,

for Intervenor Consumer Advocate Staff of the

Wyoming Public Service Commission

**HEARD BEFORE**

DEPUTY CHAIRMAN STEVE FURTNEY

COMMISSIONER KRISTIN H. LEE

Commissioner Lee, presiding

**MEMORANDUM OPINION, FINDINGS AND ORDER**

**(Issued July 31, 2000)**

**PROCEDURAL FINDINGS**

1. PacifiCorp filed the above docketed application, on December 8, 1998, requesting authority to revise the Company's depreciation rates.
2. On January 8, 1999, the Commission issued an order suspending the tariffs associated with this application.
3. On October 5, 1999, the Commission issued a procedural order which set this matter for hearing on February 29, 2000. This order established an intervention and protest deadline of November 30, 2000.
4. Notice of the scheduled public hearing was published in the *Daily Rocket-Miner*, *Daily Boomerang*, *Northern Wyoming Daily News*, *Uinta County Herald*, and *Casper Star Tribune*. Additionally, public service announcements were aired on radio stations throughout the affected communities.
5. On October 7, 1999, the Consumer Advocate Staff of the Wyoming Public Service Commission, hereinafter referred

to as the Consumer Staff, filed an intervention petition with regard to this matter. This petition was granted, by the Commission, on December 8, 1999.

6. On October 20, 1999, the Wyoming Industrial Energy Consumers group, hereinafter referred to as WIEC, filed an intervention petition with regard to this matter. This petition was granted, by the Commission, on December 8, 1999.

7. Pursuant to the Commission's procedural order, a public hearing was held, with regard to this matter, on February 29, 2000. At the conclusion of the public hearing, the Commission closed the record and conducted public deliberations.

### **APPLICATION**

8. In its application, PacifiCorp stated that the Company had contracted with Deloitte & Touche, LLP, for a depreciation study which would properly match depreciation rates with the consumption of utility assets, accurately determine the net salvage value of the Company's assets and analyze the adequacy of the Company's accumulated depreciation reserves.

9. The Deloitte & Touche study identified a need to increase the composite depreciation rate for the Company's utility assets. Based upon December 31, 1997, depreciation balances, the composite depreciation rate increased from 2.92% to 3.65%.

10. PacifiCorp, requested that the Commission find that the plant lives, net salvage values and depreciation lives, contained within the Deloitte & Touche study, were proper and adequate. The Company further requested that the Commission adopt the Deloitte & Touche study recommendations and place them into the Company's Wyoming electric rates.

### **STIPULATION**

11. At the time of the public hearing PacifiCorp, Consumer Staff and WIEC had entered into a stipulation, with regard to this matter, which was filed with the Commission. A copy of this document is attached and identified as Appendix A, to this order.

12. The general terms and conditions of the stipulation are as follows:

a. The stipulated depreciations rates result in an increase of approximately \$2.9 million in PacifiCorp's annual, Wyoming depreciation expense based upon 1997 depreciable plant balances. This compares to the \$8.4 million depreciation expense increase which was contained in the application.

b. The life spans for the Gadsby, Dave Johnston, Hayden and Carbon steam plants were established at 54 years. The Blundell plant had an established life span of 37 years, and the James River plant had an established life span of 20 years. The life spans for all other PacifiCorp steam plants was established at 44 years with the exception of the Hermiston plant which retained its current 35 year life span.

c. The net salvage value for steam plants was established to be negative 6.5%. This figure compares to the existing amount of negative 4% and the proposed amount of negative 7.6%.

d. The average service life for PacifiCorp's hydraulic production plants was established at 60.06 years. This figure compares to the existing life of 59 years and the proposed life of 60 years.

e. The net salvage value for hydraulic production plants was established at negative 7.1%. This compares to the existing amount of negative 2%.

f. The average service life for transmission plant was established at 58.21 years. This figure compares to the existing life of 50 years and the proposed life of 56 years.

g. The net salvage value for transmission plant was established at negative 21.8 %. This figure compares to the existing

amount of negative 14% and the proposed amount of negative 35%.

h. The average service life of distribution plant was established at 42 years. This compares to the existing life of 32 years and the proposed life of 41 years.

i. The net salvage value for distribution plant was established at negative 45.8%. This compares to the existing amount of negative 3% and the proposed amount of negative 47%.

j. Over a 24 month amortization period, PacifiCorp will reverse the booking of \$3.8 million of depreciation expense which was based upon a 1996 depreciation study which was not approved by this Commission.

k. PacifiCorp will reflect the agreed upon depreciation rates in future rates cases, as well as the amortization of the \$3.8 million accounting adjustment described above. The unamortized balance of the \$3.8 million accounting adjustment will not be reflected in the Company's rate base.

l. The parties agreed to an effective date of April 1, 2000.

m. PacifiCorp will file a depreciation study, and application to further change depreciation rates, on or before October 1, 2002, based upon depreciable plant balances as of March 31, 2002, with a proposed effective date of April 1, 2002.

### **TESTIMONY**

13. At the public hearing held with regard to this matter, PacifiCorp offered the testimony of Mr. Daniel C. Peterson. Mr. Peterson offered general testimony in support of the stipulation which had been reached between the parties.

14. Specifically, Mr. Peterson stated the following:

The negotiation of the stipulation was conducted at arm's length and reflects each party's thorough understanding of the issues. The depreciation rates proposed in the stipulation were determined through the application of sound generally accepted electric utility depreciation principles and procedures. The compromise fairly balances the interest of both the Company and its customers. (Tr. p. 10.)

15. Mr. Peterson further stated that the stipulation "moves depreciation rates in the direction indicated by the [depreciation] study while protecting customers against significant bounceback if the Company's 2002 depreciation study fails to support the continuation of the trends reflected in the 1998 depreciation study." (Id at 10-11.)

16. The Consumer Staff offered the testimony of Mr. David L. Walker. Mr. Walker also offered general testimony supporting the stipulation in this matter.

17. Specifically, Mr. Walker stated the following:

The stipulation presented to the Commission is the result of significant data review, refinement and analysis. I did [an] extensive and thorough review of all the system facilities, and while my review would have yielded some different lives and net salvage values . . . my results were within the range which appeared to be reasonable. My analysis outputs for the Wyoming distribution system and Wyoming specific general plant were used by PacifiCorp in the determination of stipulated values for those accounts as part of the stipulation. It is my opinion that the stipulation should be accepted by the Commission. (Id at 34-35.)

18. WIEC, while a signatory to the stipulation, did not file testimony or participate in the public hearing held with regard to this matter.

### **CONCLUSIONS OF LAW**

19. PacifiCorp is a public utility as defined by W.S. § 37-1-101(a)(vi)(C) and, as such, subject to the Commission's jurisdiction pursuant to the provisions of W.S. § 37-1-112.

20. Proper public notice of this application, and its associated public hearing, was given. Such notice was in full compliance with the Wyoming Administrative Procedure Act and the applicable provisions of the Commission's Procedural Rules and Special Regulations.
21. A public hearing was held with regard to this matter, in compliance with the provisions of W.S. § 16-3-107 and Section 115 of the Commission's Procedural Rules and Special Regulations.
22. Public deliberations were held, with regard to this matter, pursuant to the provisions of W.S. § 16-4-403.
23. Based upon the substantial and uncontroverted evidence of record, in this proceeding, the stipulation between the formal parties is hereby found to be in the public interest and should be approved.

IT IS THEREFORE ORDERED THAT:

1. Pursuant to public deliberations held, at the conclusion of the public hearing scheduled with regard to this matter, the stipulation entered into between the formal parties to this proceeding, as described in paragraph 12 of this order, is hereby approved, in its entirety, effective April 1, 2000.
2. This order is effective immediately.

MADE and ENTERED at Cheyenne, Wyoming this 28<sup>th</sup> day of July, 2000.

PUBLIC SERVICE COMMISSION OF WYOMING

STEVE ELLENBECKER, Chairman

STEVE FURTNEY, Deputy Chairman

(SEAL)

ATTEST:

IVAN H. WILLIAMS, Assistant Secretary