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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER )**  
**COMPANY'S APPLICATION FOR )** **CASE NO. IPC-E-21-18**  
**AUTHORITY TO INCREASE ITS RATES )**  
**DUE TO REVISED DEPRECIATION RATES )**  
**FOR ELECTRIC PLANT-IN-SERVICE )** **COMMENTS OF THE**  
**)** **COMMISSION STAFF**  
**)**

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**STAFF OF** the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On June 3, 2021, Idaho Power Company (“Company”) applied to the Commission for authorization to implement revised depreciation rates for electric plant-in-service. The Company requested that the revised rates be effective as of December 1, 2021.

On June 24, 2021, the Commission issued a Notice of Application and set a deadline for interested parties to intervene. Order No. 35089. The Industrial Customers of Idaho Power (“ICIP”) intervened. Order No. 35114.

On August 24, 2021, Staff notified the Commission Secretary that it was entering into settlement negotiations with the parties in this case and parties in the related Oregon docket

intending to reach an agreement on revised depreciation rates and ensure those rates remain consistent among jurisdictions.

On November 10, 2021, a Settlement Stipulation (“Settlement”) and Joint Motion to Approve Settlement Stipulation were filed in this case. The Company, Staff, and ICIP (collectively the “Parties,” or individually “Party”) signed the Settlement which included an agreement on revised depreciation rates. The parties agreed the revised rates should become effective January 1, 2022.

On November 24, 2021, the Commission issued a Notice of Proposed Settlement, Notice of Modified Procedure, and Notice of Suspension of Proposed Effective Date suspending the proposed effective date until January 1, 2022.

#### **STAFF ANALYSIS**

Staff fully supports the Settlement as filed because it believes the Settlement is in the public interest and that the terms and conditions are fair, just, and reasonable. Staff fully reviewed the Company's Application containing the depreciation study. Staff focused on the Company's largest production, transmission, and distribution plant-in-service asset accounts. As a result of Staff's analysis and negotiations with the parties, adjustments were made to net salvage percentages and survivor curves to better reflect the salvage values and asset lives of the Company's largest asset accounts. Attachment 1 to the Settlement provides the agreed upon depreciation data to be included in ratemaking filings including revenue requirement filings. Attachment 1 reflects the survivor curve, net salvage percentage, original cost, book depreciation reserve, accrual amounts, depreciation accrual rate, and composite remaining life. Table No. 1 below reflects the changes in the resulting net salvage percentages and survivor curves included in the Settlement. The table also provides the resulting annual accrual amount differences based on these adjustments.

**Table No. 1: Settlement Adjustments**

ACCT.	Description	Iowa Curve / Net Salvage Percentage				Annual Accrual Amount Difference (\$)
		(As Filed)		(Settled)		
341.00	Production Plant - Structures and Improvements	55-R3	* <sup>1</sup>	60-R3	*	- 42,762
344.00	Production Plant - Generators	45-S2	*	50-R1	*	23,831
354.00	Transmission - Towers and Fixtures	80-R4	-20	85-R5	-20	- 204,251
355.00	Transmission - Poles and Fixtures	61-S0.5	-75	61-S0.5	-60	- 698,457
356.00	Transmission - Overhead Conductors and Devices	70-R1.5	-40	75-R1	-30	- 896,581
364.00	Distribution - Poles, Towers and Fixtures	62-R1	-50	64-R0.5	-50	- 430,510
365.00	Distribution - Overhead Conductors and Devices	50-R0.5	-30	50-R0.5	-25	- 214,594
368.00	Distribution - Line Transformers	48-O1	-15	51-O1	-15	- 913,062
370.10	Distribution - Meters - AMI	18-R1	0	20-L3	0	45,528
	Adjusted Annual Accrual Amount					- \$3,330,858

The signing parties also agreed to accept the changes included within the Company's depreciation settlement agreement with Oregon for asset accounts 341.00, 344.00, and 370.10 to maintain continuity in depreciation rates and asset lives between the two jurisdictions. The total calculated annual accrual is reduced by \$3.3 million compared to the Company's original filing. This difference is directly attributed to the adjustment in the Iowa Curves and net salvage percentages reached in settlement.

The parties also agreed that given the reduction to the annual accrual amount for depreciation reached through settlement, that no adjustment to Idaho jurisdictional base rates is required.

<sup>1</sup> (\*) Net salvage percentage values vary within the account by production plant, but there is no change in the values between "AS FILED" and "SETTLED".

### Salvage Percentages and Values

The Settlement reduces future recovery through depreciation by \$64 million over the life of the assets due to adjustments in net salvage percentages for asset accounts 355.00, 356.00, and 365.00 as summarized in Table No. 2, below. Overall, Staff believes the settlement represents an opportunity to recover the total costs of removing assets offset by the salvage value the Company will likely see. The table reflects the change in net salvage percentages and the resulting adjustments to future accruals reached through settlement.

**Table No. 2: Future Accrual Adjustment**

ACCT.	Description	Net Salvage Percentage		Future Accrual Difference
		(As Filed)	(Settled)	(\$)
355.00	Transmission - Poles and Fixtures	-75	-60	- 32,151,712
356.00	Transmission - Overhead Conductors and Devices	-40	-30	- 24,476,063
365.00	Distribution - Overhead Conductors and Devices	-30	-25	- 7,366,038
	Total Adjusted Future Accrual			- \$63,993,813

Staff analyzed both components of the net salvage value for each account, which included the salvage value and the cost of removal. In its analysis, Staff gave more weight to more recent data. Staff then reviewed the overall average, the annual amount, and the three- and five-year composite averages, including a trend analysis of the accounts examined. After identifying and receiving explanations for any potential outliers through discovery and identifying trends in the data, the parties were able to agree on reduced amounts for costs of removal, thereby reducing future accrual amounts.

Finally, Staff reviewed the process for posting salvage and costs of removal and found the process to be acceptable.

### Survivor Curves and Asset Lives

Standardized Iowa-type survivor curves were used to determine realistic forecasts of the remaining useful life of groups of assets examined by Staff. Staff compared Iowa survivor


curves submitted in the Company's Application to actual vintage survivor data for the highest value asset accounts. Using a least squares method, which calculates the residual difference between the survival data and the proposed Iowa Curve, Staff determined alternative Iowa curves that best matched the data. Staff believes that the Survivor curves ultimately agreed upon in the Settlement provide a realistic representation of the remaining useful lives of the Company's assets using the best available data for the accounts shown in Table No. 1 above.

### **STAFF RECOMMENDATIONS**

Staff recommends the Commission approve the Settlement as just, fair, reasonable, and in the public interest. Specifically, Staff recommends the Commission:

1. Approve the depreciation rates on an account-by-account basis as reflected in Attachment 1 of the Settlement;
2. Set an effective date of January 1, 2022, for the approved depreciation rates reflected in Attachment 1 of the Settlement; and
3. Acknowledge there be no associated change in retail rates for depreciation.

Respectfully submitted this <sup>9th</sup> day of December 2021.

  
Dayn Hardie  
Deputy Attorney General

Technical Staff: Rick Keller  
Joseph Terry

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9<sup>th</sup> DAY OF December 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-18, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY