

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Application of
PACIFICORP for an Order Authorizing a
Change in Depreciation Rates Applicable to
Electric Property.

)
)
)
)

DOCKET NO. _____

APPLICATION OF PACIFICORP

PACIFICORP

October, 2002

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Application of
PACIFICORP for an Order Authorizing a
Change in Depreciation Rates Applicable to
Electric Property.

)
)
)
)

DOCKET NO. _____
APPLICATION OF PACIFICORP

PacifiCorp (or the "Company") files this application pursuant to RCW 80.04.350 and WAC 480-09-420. The Company seeks an order from the Washington Utilities & Transportation Commission ("Commission") authorizing a change in depreciation rates applicable to PacifiCorp's depreciable electric property. The Company seeks an effective date for authorized depreciation rate changes of April 1, 2002.

1. Applicant's Name and Business Address.

PacifiCorp is an Oregon corporation with Regulation offices at 825 NE Multnomah, Portland, Oregon. Applicant asks that all correspondence, pleadings and other communications associated with this filing be sent to:

D. Douglas Larson
Vice President, Regulation
PacifiCorp
201 S. Main Street, Suite 2300
Salt Lake City, UT 84140
Telephone: (801) 220-2190
Facsimile: (801) 220-3116
doug.larson@pacificorp.com

James C. Paine
Stoel Rives, LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204-1268
Phone: (503) 294-9246
Facsimile: (503) 220-2480
jcpaine@stoel.com

Please also send data requests regarding this matter to:

By E-mail (preferred): datarequest@pacificorp.com

By facsimile: (503) 813-6060

By mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

2. Applicable Statutory Provisions.

The Commission is empowered to ascertain and determine the proper and adequate rates of depreciation of PacifiCorp's property used in the rendering of retail electric service under the provisions of RCW 80.04.350. Each utility under the Commission's jurisdiction is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary. Pursuant to the provisions of RCW 80.04.350, the Commission authorized the current PacifiCorp depreciation rates in UE-991832, effective April 1, 2000. *See Third Supplemental Order Approving and Adopting Settlement Agreements* (August, 2000), pp. 14-15.

3. Specific Authorization Sought.

A. Accounting Purposes Only

PacifiCorp seeks a change, at this time for accounting purposes only, in authorized depreciation rates applicable to the Company's electric plant, effective April 1, 2002. Approval of the requested changes for ratemaking purposes will be sought in a future rate case. PacifiCorp proposes to record Depreciation Study recommendations on its fiscal-year 2003 books and records, and further proposes to appropriately reflect all modifications to the filed depreciation study reflected in the final Commission decision in this matter.

B. Supporting D & T Study and Prefiled Testimony

The proposed accounting changes are supported by PacifiCorp's Depreciation Study, developed for the Company by Mr. Donald S. Roff of Deloitte & Touche LLP. The study is marked as an exhibit of Mr. Roff's prefiled testimony (Exhibit ___ (DSR-3)) and is described hereafter as the "D&T Study". The purpose of the D&T Study was to identify the changes that have occurred since the last PacifiCorp depreciation study, to measure the effect of the changes on the recovery of presently surviving capital, and to properly revise the capital recovery rate. Application of the depreciation rate changes based on the D&T Study would result in a relatively modest decrease in annual depreciation expense of \$732,000 on a total company basis

and would result in no change in the composite depreciation rate of 3.11% for the Company's electric utility plant. This composite rate is based on the March 31, 2002 depreciable plant balances used in the D&T Study. The specific depreciation rate changes recommended for the components of the composite depreciation rate are set forth in account detail in Schedule 1 of the D&T Study. The proposed changes specific to the Washington jurisdiction would be an increase in depreciation expense of approximately \$282,000, based on plant balances at March 31, 2002. See Exhibit ___ (KCH-1). Ms. Kathryn C. Hymas, Managing Director and Corporate Business Services Controller of PacifiCorp provides testimony addressing the depreciation rates the Company proposes that the Commission find to be proper for both financial reporting and ratemaking purposes. Ms. Hymas provides background information describing the depreciation process, identifies a number of significant issues considered during preparation of the D&T Study, and addresses the Company's confidence in the integrity of the accounting data relied on by Mr. Roff.

Mr. Barry G. Cunningham, Senior Vice-President of Generation for PacifiCorp explains the process used by the Company's generation engineering staffs to develop estimated life spans for the Company's thermal and hydroelectric generating plants. Mr. Cunningham also explains the reasons for including terminal net salvage in the steam generating plant depreciation rates and addresses the inclusion of decommissioning and removal costs for PacifiCorp's Condit and American Fork Hydroelectric plants. Lastly, Mr. Cunningham explains why depreciation of water rights acquired for the operation of steam generating plants is appropriate for ratemaking purposes.

WHEREFORE, PacifiCorp respectfully requests an Order of the Commission that determines:

- a. The D&T Study recommendations regarding depreciation rates are the proper and adequate current depreciation rates for the Company;
- b. Adoption of the D&T Study recommendations into Washington electric rates would more accurately impose costs on those customers for whom such costs are incurred;

c. The D&T Study recommended depreciation rates should be incorporated into Washington electric rates in the next PacifiCorp rate case; and

d. PacifiCorp shall reflect, beginning April 1, 2002, the depreciation rates proposed in the D&T Study in its accounts and records.

DATED: October 1, 2002.



James C. Paine
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204-1268
Phone: (503) 294-9246
Facsimile: (503) 220-2480
Of Attorneys for PacifiCorp