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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
PACIFICORP for An Order Approving a)	Docket No. 02-035-12
Change in Depreciation Rates.)	STIPULATION
)	
)	

PacifiCorp, doing business as Utah Power & Light Company (“PacifiCorp” or “Company”), the Division of Public Utilities (“Division”), and the Committee of Consumer Services (“Committee”), collectively the “Parties” and individually a “Party,” stipulate as follows:

Introduction

1. On October 1, 2002, PacifiCorp commenced this proceeding by filing its Application for an Order Approving a Change in Depreciation Rates (“Application”). Based on March 31, 2002 plant balances, the changes in depreciation rates proposed by PacifiCorp would have resulted in a Utah jurisdictional increase of \$3.750 million in its annual depreciation

expense. The testimony and depreciation study of Deloitte & Touche, by Donald S. Roff, based on electric property as of March 31, 2002, (“Study”) was concurrently filed in support of the Company’s Application.

2. On March 17 and 18, 2003, representatives, including consultants, of PacifiCorp, the Division and the Committee met to discuss the issues raised in this docket as a result of analyses of the Company’s Application by Messrs. Jack Pous and Michael Arndt, on behalf of the Committee, and by the Division’s internal staff. The discussions resulted in a compromise settlement of the Parties. The initial positions taken in this Docket by PacifiCorp, the Division, and the Committee, and the settlement that was reached, are summarized below. Attached Schedule I, by this reference incorporated into this Stipulation, sets forth the detailed account-by-account depreciation rates that parties agree should be adopted by the Commission.

Positions of the Parties

3. PacifiCorp’s proposed depreciation rates, and their justification, are set forth in the Study filed with its Application.

4. The Committee’s analysis of the Application concluded that PacifiCorp’s requested negative 8.21% terminal net salvage for steam production plant should be adjusted to a positive 5% level. The basis for the Committee’s recommendation is, in part, its view of the possibility that some portion of the steam production plant may be sold in the future rather than demolished.

5. The Committee’s analysis also recommended adjustments in net salvage levels for several Company transmission plant accounts and distribution plant accounts.

6. The Committee's analysis recommended adjustments to the depreciation expense for the Company's hydro-electric plant assets. It recommended that the Naches hydro plant be removed from the Company's depreciation study in light of the pending sale of that plant.

7. The Company has elected to retire its Condit hydro plant and anticipates that the retirement will occur in 2006. This election results in a negative 295.83% salvage level for the plant, which increases the annual depreciation rate to 58.74%. The Committee recommended that recovery of the Company's \$19.7 million in estimated retirement costs for Condit may be premature at this time. The Committee raised similar concerns regarding the American Fork hydro plant. It accordingly recommended that recovery of the estimated retirement costs for the Condit and American Fork hydro plants be postponed.

8. The Division's analysis concluded the depreciation of water rights was inappropriate in light of generally appreciating values for water rights. The Division also recommended the level of negative net salvage for steam generation plants be lower than the level supported in the PacifiCorp filing. The Division was unconvinced that the sale of PacifiCorp's steam generation plants was a realistic possibility and could not support a positive net salvage for steam plants at this time. The Division was concerned that failure to accrue appropriate removal costs would create inter-generational inequities.

9. The Division recommended that, since steam plant net salvage (removal costs) was subject to such wide variance among other utilities, PacifiCorp should be required to undertake a study of steam plant removal costs specific to its own plants, and that PacifiCorp should select at least two of its plants for the study. The Committee and the Company agreed with the study proposal.

Terms of the Stipulation

10. In this Stipulation, the Parties were able to resolve the issues raised in this Docket. As a compromise of their dispute, the Parties have agreed to depreciation rates that would result in a decrease of approximately \$5.95 million in PacifiCorp's annual depreciation expense in Utah based on March 2002 depreciable plant balances. This agreement regarding specific depreciation rates and net salvage values for specific plant assets and accounts is set forth in detail in attached Schedule I, and will be only briefly summarized below. The Parties also reached agreement on certain other matters related to the Company's Application further set forth below.

11. Steam Production Plant Terminal Net Salvage. The Parties agree that PacifiCorp's terminal net salvage value for its steam production plant shall be revised by reducing the requested \$50.00 per kW level demolition cost estimate to \$25.00 per kW. Such reduction results in a negative 4.47% net salvage value for the Company's steam production plant versus the negative 6.5% currently in rates and the negative 8.21% requested by the Company in its filing.

12. Plant Life Span. The Parties make no changes to plant life spans proposed in the Company's Application.

13. Transmission and Distribution Plant Accounts. The Parties agree to the following transmission plant account net salvage levels (account net salvage levels not identified remain unchanged):

Account 356 - Overhead Conductors. The current approved depreciation rate for Account 356 reflects net salvage of negative 45%. In its Application, PacifiCorp proposed a salvage level

of negative 40%. The Committee proposed a salvage value of negative 20%. For purposes of this Stipulation, the parties have agreed that the net salvage level be set at negative 30%.

The Parties agree to the following distribution plant account net salvage levels (account net salvage levels not identified remain unchanged):

Account 364 - Poles, Towers, and Fixtures. In its Application, PacifiCorp proposed a salvage level of negative 85%. The Committee proposed a salvage value of negative 65%. For purposes of this Stipulation, the parties have agreed that the net salvage level be set at negative 75%.

Account 366 - Underground Conduit. In its Application, PacifiCorp proposed a salvage level of negative 90%. The Committee proposed a salvage value of negative 50%. For purposes of this Stipulation, the parties have agreed that the net salvage level be set at negative 50%.

Account 367- Underground Conductors. In its Application, PacifiCorp proposed a salvage level of negative 20%. The Committee proposed a salvage value of negative 15%. For purposes of this Stipulation, the parties have agreed that the net salvage level be set at negative 15%.

Account 368 - Line Transformers. In its Application, PacifiCorp proposed a salvage level of negative 10%. The Committee proposed a salvage value of positive 5%. For purposes of this Stipulation, the parties have agreed that the net salvage level be set at 0%.

Account 369 - Services. In its Application, PacifiCorp proposed a salvage level of negative 50%. The Committee disputed the Company's recommended salvage value. For purposes of this Stipulation, the parties have agreed that the net salvage level is set at negative 20%.

14. Hydro-electric Plant Retirement Costs. In view of its pending sale, the Parties agree that the Company's proposed depreciation expense for the Naches hydro plant should be removed because depreciation expense will stop for the Naches hydro plant at the time of the sale. The Parties further agree that any additional recovery by the Company of costs for the Condit hydro plant shall be extended from 3.5 years to a 7-year recovery period.

15. Water Rights. The Parties agree that further depreciation of the Company's water rights shall be suspended as of April 1, 2003.

16. Exclusion of this Change in Depreciation Rates for Fiscal Year 2003. The Parties agree that this Stipulation shall first take effect April 1, 2003. However, in the event the Company files a general rate case that utilizes any portion of fiscal year 2003 as a test year period, the Parties further agree that such test year shall be normalized to recognize the effect of this Stipulation on depreciation expense for the entire 12-month period.

17. Study of Steam Production Demolition Costs. The Parties agree that it is in the Company's and its customers' interests to more accurately attempt to estimate what the terminal net salvage (demolition costs) might be for the Company's steam production plant. To that end a Task Force consisting of PacifiCorp representatives as well as regulatory representatives from all PacifiCorp interested jurisdictions will select an expert consultant to investigate and evaluate steam production demolition costs at representative plants selected by the Task Force. The Task Force will be responsible for oversight of the selected consultant and the resulting report. In an effort to maximize the independence of the resulting report, all contact, regarding policy or direction, with the selected consultant must include the Task Force members. The report of the Task Force's findings and recommendations will be filed with PacifiCorp's next depreciation

study. All costs relating to such report will be borne by PacifiCorp with the understanding that PacifiCorp will be permitted to seek reimbursement of such costs through the rate setting process in an appropriate future case. No member of the Task Force will be bound by the results of such study in the determination of proper depreciation rates for any future period.

18. Next Company Depreciation Study and Filing. The Parties agree that PacifiCorp shall file its next depreciation study and application with the Commission no later than five years after the Commission's final order in this Docket.

General Terms and Conditions

19. The Parties agree that this Stipulation represents a compromise of their positions. Evidence of conduct or statements made or provided in the negotiation and discussion phases of this Stipulation shall not be admissible as evidence in any proceeding before the Commission or any court. All negotiations relating to the Stipulation are privileged and confidential.

20. The Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt the Stipulation in its entirety.

21. The Parties shall cooperate in submitting this Stipulation to the Commission for acceptance, and shall support adoption of the Stipulation both before the Commission and in any appeal of a final order of the Commission approving this Stipulation. Each Party shall make available a witness in support of the Stipulation. In the event other parties to this Docket introduce witnesses opposing approval of the Stipulation, the Parties shall cooperate in cross-examining such witnesses and in providing rebuttal testimony as necessary to the testimony of the opposing witnesses.

22. In the event the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving the Stipulation, each Party reserves the right, upon written notice to the Commission and all parties to the proceeding, within 15 days of the date of the Commission's order, to withdraw from the Stipulation. In such case, no Party to the Stipulation shall be bound or prejudiced by the terms of this Stipulation and each Party shall be entitled to seek reconsideration of the Commission's order, to file any testimony it chooses, to cross-examine witnesses and in general to put on such case as it deems appropriate.

23. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

24. No Party shall be bound by any position, approach, methodology, etc., asserted in the negotiation of this Stipulation, except to the extent expressly stated in this Stipulation.

25. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or depreciation, and no party shall be deemed to have agreed that any method, theory or principle of regulation or depreciation employed in arriving at this Stipulation is appropriate for resolving any issues in any other pending or future proceeding. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

26. The obligations of the Parties under this Stipulation are subject to the Commission's approval of the Stipulation in accordance with its terms and conditions and such approval being upheld on appeal by any court of competent jurisdiction.

Entered into and agreed this ____ day of April, 2003.

PacifiCorp

Stoel Rives LLP
Attorneys for PacifiCorp

Division of Public Utilities

Assistant Attorney General

Committee of Consumer Services

Assistant Attorney General

[Schedule I attached]