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IDAHO PUBLIC UTILITIES COMMISSION

1407 West North Temple, Suite 330  
Salt Lake City, Utah 84116

July 21, 2020

*VIA ELECTRONIC FILING*

Diane Hanian  
Commission Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd.  
Building 8 Suite 201A  
Boise, ID 83714

**Re: CASE NO. PAC-E-18-08  
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER  
FOR AUTHORIZATION TO CHANGE DERECIATION RATES APPLICABLE  
TO ELECTRIC PROPERTY**

Attention: Ms. Hanian

Please find enclosed for filing Rocky Mountain Power's comments provided in support of the Stipulation between the Stipulating Parties in the above-referenced matter.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Joelle Steward  
Vice President, Regulation

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*Attorneys for Rocky Mountain Power*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NO. PAC-E-18-08</b>
<b>OF ROCKY MOUNTAIN POWER FOR</b>	)	<b>RMP COMMENTS SUPPORTING</b>
<b>AUTHORIZATION TO CHANGE</b>	)	<b>THE STIPULATION ON</b>
<b>DERECIATION RATES APPLICABLE</b>	)	<b>DEPRECIATION RATE CHANGES</b>
<b>TO ELECTRIC PROPERTY</b>	)	

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Pursuant to the Notice of Proposed Settlement, Notice of Modified Procedure, and Notice of Comment Deadlines issued by the Idaho Public Utilities Commission (“Commission”) on June 30, 2020, Rocky Mountain Power a division of PacifiCorp (“RMP” or the “Company”) hereby submits comments supporting the Stipulation on Depreciation Rate Changes (“Stipulation”) filed on June 15, 2020, in the above-captioned matter.

**I. PROCEDURAL BACKGROUND**

1. On September 11, 2018, Rocky Mountain Power filed an Application requesting authorization to update depreciation rates effective January 1, 2021. As part of the Application, Rocky Mountain Power filed direct testimony of Nikki Koblaha, Steve

McDougal, John Spanos, Chad Teply, and Tim Hemstreet.

2. A study recommending updates to the depreciation rates (“Depreciation Study”) for all depreciable plant accounts was filed as Exhibit No. 2 to Mr. Spanos’ testimony. The Depreciation Study as filed would have resulted in an increase in annual depreciation expense of approximately \$14.1 million on an Idaho basis, based on projected plant balances as of December 31, 2020. In addition, the proposed ending of excess reserve amortizations would have resulted in an increase of approximately \$3.2 million on an Idaho basis. Additionally the incremental rate increase from the 2013 depreciation study increases the depreciation expense by approximately \$2.0 million on an Idaho basis. Combined, these proposed changes increase Idaho’s jurisdictional depreciation expense by approximately \$19.3 million.

3. The Company conducted and filed the depreciation study to meet a Commission-ordered requirement, and because it is a prudent accounting practice. Periodically depreciation rates should be updated to recognize additions to investment in plant assets and to reflect changes in asset characteristics, technology, salvage, removal costs, life span estimates, and other factors that impact depreciation rate calculations.

4. The Company’s last depreciation study was conducted approximately five years ago. The Commission authorized the Company’s current depreciation rates on November 18, 2013, with rates effective January 1, 2014.<sup>1</sup>

5. Order 32910<sup>2</sup> authorized the creation of a regulatory asset for the Company to defer the aggregate net increase in Idaho allocated depreciation expense for the period

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<sup>1</sup> *In the Matter of the Application of PacifiCorp DBA Rocky Mountain Power to Change the Depreciation Rates Applicable to Its Electric Property*. Case No. PAC-E-13-02, Order No. 32926.

<sup>2</sup> *In the Matter of the Application of PacifiCorp, DBA, Rocky Mountain Power to Initiate Discussions With Interested Parties on an Alternative Rate Plan Proposal*, PAC-E-13-04, Order No. 32910.

beginning on January 1, 2014, until the date that the depreciation rates were reflected in customer rates. The Company has not had a general rate case since that order to include the incremental depreciation expense in customers' rates.

6. The Company and the Stipulating Parties have jointly engaged in numerous and significant good faith, arms-length negotiations in an effort to resolve the issues raised in this case, including meetings with parties in the depreciation proceedings in Oregon, Utah, Wyoming, and Washington. Several meetings were held between November 2018 and February 2020, which resulted in the Stipulation that was filed with the Commission on June 15, 2020.

7. On January 17, 2020, Rocky Mountain Power filed supplemental information relating to a January 15, 2020 Confidential Decommissioning Study that it commissioned. Then on March 16, 2020, Rocky Mountain Power filed supplemental information relating to a March 15, 2020 Confidential Colstrip Decommissioning Study (together the "2020 Decommissioning Studies").

8. In June 2020 the Company was able to reach an agreement with all the Parties to this case other than the Sierra Club, and on June 15, 2020, the Company filed the Stipulation with the Commission.

## **II. CORRECTION TO STIPULATION**

9. While preparing comments the Company identified an error in the Stipulation. The first sentence of Paragraph 17 of the Stipulation states:

The Stipulating Parties agree that the Company will defer the change in depreciation expense from current rates, a total of \$13,940,303, for one year through December 31, 2020.

That sentence should read:

The Stipulating Parties agree that the Company will defer the change in depreciation expense from current rates, a total of \$13,940,303, for one year through December 31, 2021.

10. If the Commission approves the Stipulation the new depreciation rates would not be effective until January 1, 2021. During calendar year 2021 the incremental depreciation expense from the new depreciation rates will increase expense approximately \$13,940,303 on an Idaho allocated basis. This is the depreciation expense Stipulating Parties agreed to support deferral of in the Stipulation. In the haste of all the signing Parties to prepare and file this Stipulation with the Commission no one identified or corrected this typo.

11. The Company is providing a replacement page as Attachment 1 that corrects the date in the Stipulation, and respectfully requests that the Commission replace page 7 of the Stipulation with Attachment 1. With that correction the Company supports the Stipulation as filed and recommends that the Commission approve the depreciation rates provided with the Stipulation as Attachment 3 – Consolidated Depreciation Rates.

### **III. RECOMMEND APPROVING STIPULATION**

12. The Stipulating Parties agree that the Depreciation Study should be approved, subject to the adjustments agreed to by the Parties. These adjustments total approximately \$86.6 million on a total Company basis and were summarized in the Stipulation and included in Table 1.

**TABLE 1**

Description	Total Company Depreciation			
	EXISTING	PROPOSED	REVISED PROPOSED	REVISED PROPOSED DIFFERENCE
	A	B	C	(C - A)
Steam	245,923,367	419,112,432	348,028,372	102,105,005
Hydro	29,943,661	30,467,681	30,434,825	491,164
Other	163,112,102	203,786,985	203,715,719	40,603,617
Transmission	130,435,713	139,796,277	127,733,460	(2,702,253)
Distribution - Wyoming	23,248,951	21,881,003	21,015,097	(2,233,854)
Distribution - Utah	82,950,370	83,098,150	80,819,816	(2,130,554)
Distribution - Idaho	10,453,988	10,163,756	9,938,755	(515,233)
Distribution - PP States	78,491,062	79,683,914	79,683,914	1,192,852
General Plant	19,414,887	24,084,509	23,994,765	4,579,879
<b>Total</b>	<b>783,974,101</b>	<b>1,012,074,708</b>	<b>925,364,724</b>	<b>141,390,623</b>
<b>Total Change from Proposed (C-B)</b>			<b>(86,709,984)</b>	

13. The largest adjustment was removal of the Cholla plant from the Depreciation Study, resulting in a reduction to the amount requested in the Application of approximately \$71.8 million, total Company. The next largest adjustment to the study is attributed to changes to the transmission rates, totaling approximately \$12.1 million, total Company, which was driven by the agreement to extend the lives between two to five years for all but two of the transmission FERC accounts along with decreasing the net salvage values for most of the accounts. The Stipulating Parties also recommended changing the Iowa curves for three distribution FERC accounts, resulting in an estimated reduction to Idaho's distribution depreciation expense of approximately \$225,000.

14. Minor adjustments were also made to the rate for FERC account 331 – Hydro Structures due to changing the net salvage from negative 30 percent to negative 25 percent which decreased total Company annual depreciation expense by approximately \$33,000. The Iowa curve for FERC account 343 – Prime Movers was changed from S0-40 to R1-50, reducing total Company depreciation expense approximately \$71,000. These reductions were partially offset by including the Naughton Unit No. 3 gas conversion in

the Depreciation Study, which increased total Company depreciation expense by approximately \$748,000.

15. The Stipulating Parties agreed to remove Cholla Unit 4 from electric plant in-service as of December 31, 2020. On July 2, 2020 the Company filed an application requesting deferral of the unrecovered plant balances, decommissioning, and other closing costs for parties' review and Commission approval.<sup>3</sup>

16. When the Depreciation Study was prepared, the Company hadn't made the decision to convert Naughton Unit 3 from a coal-fired generation unit to a gas-fueled generation unit. After the filing, the Company finalized the decision to proceed with the gas conversion of Naughton Unit 3. The Stipulating Parties agreed to include the costs of the gas conversion in the Depreciation Study, which increases annual depreciation expense by approximately \$748,000.

17. The total Company and Idaho jurisdictional impacts of the stipulated changes relative to existing depreciation rates are shown in Attachment 2 filed with the Stipulation and summarized in Table 2 below.

**TABLE 2**

Description	Allocation Factor	Total Change	Allocated		
			WY	UT	ID
Steam	SG	(71,084,060)	(10,734,346)	(30,924,523)	(4,421,868)
Hydro	SG	(32,856)	(4,962)	(14,294)	(2,044)
Other	SG	(71,266)	(10,762)	(31,004)	(4,433)
Transmission	SG	(12,062,817)	(1,821,596)	(5,247,827)	(750,382)
Distribution - Wyoming	WY	(865,906)	(865,906)	-	-
Distribution - Utah	UT	(2,278,334)	-	(2,278,334)	-
Distribution - Idaho	ID	(225,001)	-	-	(225,001)
Distribution - PP States	Various	-	-	-	-
General Plant	Various	(89,744)	(76,019)	(7,030)	(1,271)
<b>Total Change</b>		<b>(86,709,984)</b>	<b>(13,513,590)</b>	<b>(38,503,012)</b>	<b>(5,404,998)</b>

<sup>3</sup> *In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Rates and Charges in Idaho and Approval of Proposed Electric Service Schedules and Regulations*, Case No. PAC-E-20-03.

18. The Depreciation Study included plant-specific estimates of decommissioning costs supported by Mr. Teply's direct testimony. As part of an agreement reached with parties in the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol, the Company committed to have an independent third party complete a decommissioning study by January 15, 2020.

19. Pursuant to Section 4.3.1.1, Decommissioning Studies, of the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol, the Company provided the results of the contractor-assisted engineering study of decommissioning costs for the Jim Bridger, Dave Johnston, Hunter, Huntington, Naughton, Wyodak, and Hayden coal plants as a supplemental filing in all states with applicable depreciation dockets.

20. On January 16, 2020, the confidential decommissioning study ("2020 Decommissioning Study"), was filed in all of the pending depreciation dockets in Rocky Mountain Power's jurisdictions. On March 16, 2020, the decommissioning cost study for Colstrip was also filed with the same parties.

21. The Stipulating Parties request that the Commission establish Phase II in this proceeding, and establish a scheduling conference to facilitate further review of the regulatory treatment of the 2020 Decommissioning Studies. The Stipulating Parties will make all reasonable efforts to complete Phase II in time to allow the Commission to issue a final order before December 31, 2020.

22. The parties have agreed that if terms reached with other parties concerning depreciation rates vary from the terms of the Stipulation, the Stipulating Parties will meet and discuss the different terms and one or more Stipulating Party may request that the



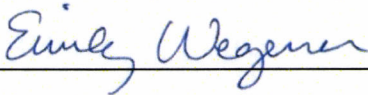
Commission revisit the Stipulation to incorporate such term if it is more favorable to customers.

#### IV. REQUEST FOR RELIEF

Rocky Mountain Power respectfully requests that the Commission issue an order approving: (1) the terms and conditions of the Stipulation with the correction noted above; (2) the depreciation rates provided as Attachment 3 to the Stipulation; (3) new depreciation rates to become effective January 1, 2021; (4) deferral of \$13,940,303 during calendar year 2021; and (5) notifying parties of a scheduling conference for Phase 2 of this proceeding to provide additional time to further review and determine the regulatory treatment of the incremental decommissioning costs included in the 2020 Decommissioning Study.

DATED this 21<sup>st</sup> day of July, 2020.

Respectfully submitted,  
ROCKY MOUNTAIN POWER



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ATTACHMENT 1  
Stipulation Replacement Page

with those in the Application, excluding the resolution of the Phase II issue identified below.

17. The Stipulating Parties agree that the Company will defer the change in depreciation expense from current rates, a total of \$13,940,303, for one year through December 31, 2021. This amount is comprised of the Idaho jurisdictional allocation of \$8.7 million for the Depreciation Study, \$3.2 million of excess reserve amortizations in rates that end as of the effective date of the Depreciation Study, and \$2.0 million for the incremental increase from the 2013 depreciation study not yet reflected in rates. The Company will defer \$1,161,692 ( $\$13,940,303 / 12$ ) each month in a regulatory asset account for recovery to be determined in the Company's next general rate case. No carrying charge will be applied to the regulatory asset during the deferral period until the next general rate case. A carrying charge or rate base treatment and the amortization period will be determined in the Company's next general rate case. The depreciation expense tracked in the RTM will be calculated using the depreciation rates provided in Case No. PAC-E-13-02, Order No. 32926, to eliminate any double counting. The Company will stop deferring incremental depreciation expense from PAC-E-13-02 currently recovered in the ECAM effective December 31, 2020, because this incremental depreciation expense is included in the \$13,940,303 referenced above.

18. The Stipulating Parties request that the Commission establish Phase II in this proceeding, and establish a scheduling conference to facilitate further review of the regulatory treatment of the 2020 Decommissioning Studies. The Stipulating Parties will make all reasonable efforts to complete Phase II in time to allow the Commission to issue a final order before December 31, 2020.