

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** DAYN HARDIE  
DEPUTY ATTORNEY GENERAL

**DATE:** JUNE 19, 2020

**SUBJECT:** APPLICATION OF ROCKY MOUNTAIN POWER FOR  
AUTHORIZATION TO CHANGE DEPRECIATION RATES  
APPLICABLE TO ELECTRIC PROPERTY; CASE NO. PAC-E-18-08

On September 11, 2018, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”) filed an Application seeking approval of its proposed changes to depreciation rates applicable to the Company’s electric plant. The Company’s last depreciation case, PAC-E-13-02, was approved by the Commission in 2013.

On October 5, 2018, the Commission issued a Notice of Application and Notice of Intervention Deadline directing Staff and parties to discuss the appropriate scheduling for the case.

Monsanto, PacifiCorp Idaho Industrial Customers (“PIIC”), Idaho Irrigation Pumpers Association, Inc., (“IIPA”) and Idaho Conservation League (“ICL”) intervened in this case.

On April 18, 2018, a technical conference was held in Boise, followed by several meetings and conference calls where settlement discussions were held with parties.

On June 15, 2020, the Company filed a proposed Settlement Stipulation (“Settlement Stipulation”) signed by the Company, Staff, Monsanto, PIIC, and IIPA (collectively the “Stipulating Parties”)<sup>1</sup>. The Stipulating Parties requested the case be processed by Modified Procedure.

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<sup>1</sup> Idaho Conservation League is not a Stipulating Party but does not oppose the Settlement Stipulation.

## THE SETTLEMENT STIPULATION

The Stipulating Parties agreed to depreciation rates that would increase annual depreciation expenses allocated to Idaho by about \$8.7 million. The Stipulating Parties further agree:

1. That the proposed depreciation rates in Attachments 1-3 of the Settlement Stipulation are just and reasonable depreciation rates and would take effect on January 1, 2021.

2. Cholla Unit 4 would be removed from electric plant in-service as of December 2020 and ratemaking treatment for unrecovered plant balances, decommissioning, and other closing costs would be addressed in Case No. PAC-E-20-03.

3. To recognize the conversion of Naughton Unit 3 to natural gas with a retirement date of December 2029. Additionally, Naughton Units 1 and 2 would reflect the filed retirement date of December 2029.

4. Any solar and/or battery storage assets acquired or developed by the Company before its next depreciation study is filed would use a 25-year lifespan based on Iowa Curves and Net Salvage values in Table 3 of the Settlement Stipulation.

5. The Company would defer the changes in depreciation expense from current rates, \$13,940,303, for one year through December 31, 2020. This amount includes about \$8.7 million of the Idaho jurisdictional allocation for the depreciation study, about \$3.2 million of excess reserve amortization in rates that end as of the effective date of the depreciation study, and about \$2.0 million for the incremental increase from 2013 depreciation study not yet reflected in rates. The Company would defer \$1,161,692 per month for 12 months in a regulatory asset account for recovery to be determined in the Company's next general rate case. No carrying charge would be applied to the regulatory asset during the deferral period until the next general rate case. A carrying charge or rate base treatment after the deferral period and the amortization period would be determined in the Company's next general rate case. The depreciation expense tracked in the RTM would be calculated using the depreciation rates provided in Case No. PAC-E-13-02, Order No. 32926, to eliminate any double counting. The Company would also stop deferring incremental depreciation expense from PAC-E-13-02 currently recovered in the Energy Cost Adjustment Mechanism effective December 31, 2020.

6. If the Company decides to retire any thermal plant besides Cholla Unit 4 before its next depreciation study, the Company will not seek to shorten the cost recovery period for such thermal plant prior to the approval of its next depreciation study.

7. The Company agrees to present an analysis supporting the proposed lives and net salvage value for all Company-owned wind resources in its next depreciation study.

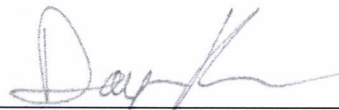
8. To support a Phase II in this case which will evaluate incremental decommissioning costs filed with the Commission on January 17, 2020 and March 16, 2020 (collectively “2020 Decommissioning Studies”) and appropriate ratemaking treatment. The Settlement Stipulation proposes to complete the review of the regulatory treatment of the 2020 Decommissioning Studies in Phase II in time to allow the Commission to issue a final order before December 31, 2020.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission process the Settlement Stipulation by Modified Procedure with comments due 21 days from issuance of a Notice of Proposed Settlement and Notice of Modified Procedure and reply comments due seven days later.

#### **COMMISSION DECISION**

Does the Commission wish to issue a Notice of Proposed Settlement and a Notice of Modified Procedure establishing a 21-day public comment period and a seven-day reply comment deadline?



Dayn Hardie  
Deputy Attorney General