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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORIZATION TO CHANGE DEPRECIATION RATES APPLICABLE TO ELECTRIC PROPERTY	**CASE NO. PAC-E-18-08** **COMMENTS OF COMMISSION STAFF IN SUPPORT OF SETTLEMENT AGREEMENT**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

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 effective January 1, 2021. 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, 2019, 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 ("Stipulation") signed by the Company, Staff, Monsanto, PIIC, and IIPA (collectively the "Stipulating Parties")[1]. The Company, on behalf of the Stipulating Parties, requested the case be processed by Modified Procedure.

In summary, the Stipulating Parties entered the Stipulation for depreciation rates in resolution of all issues other than decommissioning costs for coal units which will be addressed in a proposed Phase II of this case. The Stipulating Parties agreed to depreciation rates that would increase annual depreciation expenses allocated to Idaho by about $8.7 million. Any reference to other States in the Stipulation is for illustrative purposes only and does not purport to bind other State Commissions.

The Stipulating Parties were not able to agree that each specific component of this Stipulation is just and reasonable in isolation, but all of the Stipulating Parties agree that this Stipulation as a whole is just and reasonable and is in the public interest.

The Stipulating Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Stipulating Party will use its best efforts to support the terms and conditions of this Stipulation. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Stipulating Party shall take a position in that judicial review proceeding in opposition to the Stipulation.

STAFF REVIEW

Staff reviewed the Company's Application and accompanying depreciation study prepared by Gannett Fleming Valuation and Rate Consultants, LLC. During the review, Staff analyzed the depreciation rates, service lives, remaining lives, Iowa curves and net salvage values for all plant asset accounts. Based on Staff's review and negotiations with the Stipulating parties, Staff believes that the Stipulation represents a fair, just, and reasonable compromise for all issues raised by the parties and is in the public interest.

[1] Idaho Conservation League is not a Stipulating Party but does not oppose the Settlement Stipulation.

The depreciation rates proposed in the Company's Application would have resulted in an estimated increase to annual depreciation expense of $228.1 million, across PacifiCorp's six jurisdictions, and $14.1 million on an Idaho jurisdictional basis. The Stipulation decreases the Company's proposed total system depreciation expense by $86.7 million, to $141.4 million. The impact on Idaho's jurisdictional depreciation expense is a decrease of $5.4 million, to $8.7 million. The Stipulation, if accepted, will become effective as of January 1, 2021.

The Company's Application would have resulted in an overall increase of $19.3 million to Idaho's jurisdictional depreciation expense currently included in base rates. However, the $5.4 million adjustment to the total Idaho jurisdictional depreciation expense would decrease the overall impact to $13.9 million. Table No. 1 summarizes the increase to the Idaho jurisdictional annual depreciation expense.

Table No. 1: Increase to Idaho Jurisdictional Depreciation Expense

	Application	Stipulation
Total Company - Depreciable Plant	$14,130,754	$ 8,725,756
Excess Reserve Amortization	3,214,547	3,214,547
2013 Incremental Depreciation - Not in Rates (1)	2,000,000	2,000,000
Total	**$19,345,301**	**$13,940,303**

(1) PAC-E-13-02

Table No. 2 summarizes the overall adjustments to the annual depreciation expense and further summarizes the Idaho jurisdictional annual depreciation expense before and after the Stipulation.

Table No. 2: Summary of Stipulated Depreciation Expense

Description	Total Company Current Depreciation	Total Company Proposed Depreciation	Total Company Stipulated Depreciation	Idaho Stipulated Depreciation	Idaho Stipulated Adjustments	Idaho Increase in Depreciation
Production Plant						
Steam	$ 245,923,367	$ 419,112,432	$ 348,028,372	$ 10,773,430	$ (4,421,868)	$ 6,351,562
Hydro	29,943,661	30,467,681	30,434,825	32,597	(2,044)	30,553
Other Production	163,112,102	203,786,985	203,715,719	2,530,229	(4,433)	2,525,796
Sub-Total	**438,979,130**	**653,367,098**	**582,178,916**	**13,336,256**	**(4,428,345)**	**8,907,911**
General Plant	19,414,887	24,084,509	23,994,765	502,445	(1,271)	501,174
Transmission Plant	130,435,713	139,796,277	127,733,460	582,285	(750,382)	(168,097)
Distribution Plant - ID	10,453,988	10,163,756	9,938,755	(290,232)	(225,001)	(515,233)
Distribution Plant - WY	23,248,951	21,881,003	21,015,097	-	-	-
Distribution Plant - UT	82,950,370	83,098,150	80,819,816	-	-	-
Distribution Plant - PP States	78,491,062	79,683,914	79,683,914	-	-	-
Grand Total Plant Increases	**$ 783,974,101**	**$ 1,012,074,707**	**$ 925,364,723**	**$ 14,130,754**	**$ (5,404,999)**	**$ 8,725,755**

Prior to signing the Stipulation, Staff met with the Company and intervening parties to discuss various depreciation accounts. Staff expressed concerns with several accounts where the data included in the depreciation study supported extending the depreciable lives for certain assets. Staff proposed changes to net salvage values of certain plant accounts based on historical amounts of actual removal costs. Staff also evaluated the fit of the Iowa curves to actual historical data and proposed new Iowa curves to extend the depreciable lives of certain assets. Staff believes the adjustments to net salvage values and Iowa curves are reflected reasonably in the Stipulation.

Adjustments

Production Plant – Steam

Cholla Unit 4 depreciation expense has been removed and the remaining book value will be removed from plant in-service as of December 2020. The overall impact to the annual depreciation expense is a system decrease of $71.8 million. The total impact of all other adjustments to Idaho jurisdictional annual depreciation expense is a reduction of $4.4 million.

Production Plant – Hydro

The net salvage values used to calculate the annual depreciation expense for FERC Account No. 331 – Hydro Structures has been adjusted to reflect the actual historical data provided in the depreciation study with the Application. The adjustment decreases the Idaho jurisdictional annual depreciation expense by $2,044.

Transmission Plant

The Company's depreciation study recommends shortening the depreciable lives of certain assets which would result in an increase to PacifiCorp's total system annual depreciation expense by $9.4 million. The Stipulation changes the Iowa curves to following FERC Accounts: 350 – Land Rights, 352 – Structures, 353 – Station Equipment, 354 – Towers and Fixtures, 355 – Poles and Fixtures, 356 – Overhead Conductors, 359 – Roads and Trails. The Stipulation also changes the net salvage values to FERC Account 354 – Towers and Fixtures. The adjustments extend the remaining depreciable life of the assets, which decreases PacifiCorp's total system annual depreciation expense by $12.1 million. The total impact to the Idaho jurisdictional annual depreciation expense is a reduction of $750,382

Distribution Plant – Idaho

The Stipulation adjusts four accounts specific to Idaho Distribution plant which reduces the Idaho jurisdictional annual depreciation expense by $225,001. The first two adjustments change the net salvage values to FERC Account No. 365 – Overhead Conductors and Devices from -35% to -30%, and to FERC Account No. 371 – Installation on Customer Premises from -45% to -35%. Staff believes the agreed upon net salvage values are more reflective of historical trends experienced by the Company for these two accounts. The overall impact of increasing the net salvage values is a reduction to Idaho jurisdictional annual depreciation expense of $35,166.

The other two adjustments to Idaho Distribution plant changes Iowa curves to increase the remaining life of assets in FERC Account No. 362 – Station Equipment and FERC Account No. 364 – Poles and Fixtures. Extending the depreciable lives of these assets reduces the proposed Idaho jurisdictional annual depreciation expense by $230,262.

The remaining adjustments to Idaho Distribution accounts are additions and retirements expected to occur by the end of December 2020. They amount to an increase to the Idaho jurisdictional annual depreciation expense by $40,427.

Other

The Stipulation includes other aspects that are summarized below:

1. The Company will defer the increase in the Idaho jurisdictional annual depreciation expense of $13.9 million for one year through December 31, 2021[2]. The Company will record $1,161,692 per month 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. The amortization and treatment of the regulatory asset will be determined in the Company's next general rate case. The Company will stop recovering the incremental depreciation expense from PAC-E-13-02 in the Energy Cost Adjustment Mechanism effective December 31, 2020.
2. The Company will request Cholla Unit 4 ratemaking treatment for unrecovered plant balances, decommissioning, and other closing costs in Case No. PAC-E-20-03 and future filings with Commission.
3. 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.
4. Naughton Unit 3 will be converted to a natural gas plant with a retirement date of December 2029. Additionally, Naughton Units 1 and 2 will also reflect the proposed retirement date of December 2029. By converting Naughton Unit 3 to natural gas, the annual depreciation expense, across PacifiCorp's six jurisdictions, increases by approximately $747,715.
5. 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.
6. 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 Stipulation.
7. The Parties support a Phase II in this case to evaluate incremental decommissioning costs filed with the Commission on January 17, 2020 and March 16, 2020

[2] Page 7, Paragraph 17 of the Stipulation contains a typo. The Company will defer the change in depreciation expense for one year through December 31, 2021, not through December 31, 2020 as indicated in the Stipulation.

(collectively "2020 Decommissioning Studies") and appropriate ratemaking treatment. The parties intend to review the regulatory treatment of the 2020 Decommissioning Studies in Phase II to be completed in time to allow the Commission to issue a final order before December 31, 2020.

PUBLIC COMMENTS

As of July 21, 2020, the Commission has not received any comments from customers.

STAFF RECOMMENDATIONS

Staff believes the Stipulation represents a fair, just, and reasonable compromise of all issues raised by the parties to this case and therefore recommends that the Commission approve the Stipulation and all its terms and conditions.

Respectfully submitted this 21st day of July 2020.

Dayn Hardie
Deputy Attorney General

Technical Staff: Rick Keller
Joseph Terry
Bentley Erdwurm
Travis Culbertson

i: umisc/comments/pace18.8dhrkjtbetnc comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21st DAY OF JULY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF IN SUPPORT OF SETTLEMENT AGREEMENT,** IN CASE NO. PAC-E-18-08, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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