

April 3, 2020

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

RE: **Docket No. 18-035-36 – In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for Authority to Change its Depreciation Rates Effective January 1, 2021**
Testimony in Response to Opposition to Settlement Stipulation

In accordance with the Second Amended Scheduling Order and Notice of Hearing issued March 12, 2020 by the Public Service Commission of Utah (“Commission”), Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), hereby submits its testimony in response to the testimony filed on March 30, 2020 by Sierra Club in opposition to the settlement stipulation.

The Company respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com
utahdockets@pacificorp.com
Jana.saba@pacificorp.com
emily.wegener@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,



Joelle Steward
Vice President, Regulation

cc: Service List

Rocky Mountain Power
Docket No. 18-035-36
Witness: Chad A. Teply

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Chad A. Teply

April 2020

1 **Q. Are you the same Chad A. Teply who submitted direct testimony in this proceeding**
2 **on behalf of Rocky Mountain Power (“the Company”), a division of PacifiCorp?**

3 A. Yes.

4 **PURPOSE AND SUMMARY OF TESTIMONY**

5 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

6 A. In my rebuttal testimony, I respond to the direct testimony of the Sierra Club witness
7 Dr. Ezra D. Hausman filed March 30, 2020 recommending that the Stipulation on
8 Depreciation Rate Changes that was signed by five out of six intervening parties to this
9 docket¹ and filed on March 19, 2020 (“Stipulation”) be rejected because the depreciable
10 lives for the Company’s coal-fueled units do not align with the lives from the
11 Company’s recent 2019 Integrated Resource Plan (“2019 IRP”). My testimony
12 addresses Dr. Hausman’s arguments and provides additional support for the lives in the
13 Stipulation.

14 **REBUTTAL TESTIMONY**

15 **Q. Please summarize Dr. Hausman’s arguments for why the Stipulation should not**
16 **be approved by the Commission.**

17 A. Dr. Hausman recommends the Commission reject the Stipulation based on three main
18 arguments. First, he claims the lives for the Company’s coal-fueled units are unrealistic
19 and unreasonable. Second, he states that the lives do not align with the 2019 IRP. Third,
20 he argues that the Stipulation introduces risk of significant intergenerational inequity.
21 Each of these arguments is based on Dr. Hausman’s belief that the depreciable lives
22 agreed to in the Stipulation exceed the likely operating lives for four of the Company’s

¹ Signatory parties to the Stipulation include PacifiCorp, the Division of Public Utilities, the Utah Office of Consumer Services, Utah Association of Energy Users, Western Resource Advocates, and Utah Clean Energy.

23 coal-fueled resources.

24 **Q. What is the purpose of the 2019 IRP?**

25 A. The 2019 IRP evaluates load and resource options to identify a cost-effective preferred
26 portfolio projected across a 20-year planning horizon after considering risk, reliability,
27 uncertainty, and energy policies, among other parameters.

28 **Q. Does the 2019 IRP mandate the early retirement of coal-fueled resources?**

29 A. No. As acknowledged by Dr. Hausman, inclusion of a retirement date assumption in
30 the 2019 IRP preferred portfolio does not represent a commitment to close the resource
31 at that time.² While the 2019 IRP represents the Company's good faith plan with respect
32 to its long term portfolio, it is a planning document and not a final decision on any
33 specific resource. The Company uses this planning guidance to pursue cost-effective
34 actions, including decisions on the continued operation or early closure of any specific
35 generation resource. The Company reevaluates its portfolio on a biennial integrated
36 resource plan and off-year integrated resource plan update cycle based on the best
37 available information to ensure that it is able to meet its obligation to provide reliable
38 and least-cost least-risk electric service to its customers.

39 **Q. What is the current status of the 2019 IRP?**

40 A. The 2019 IRP is currently under consideration in Docket No. 19-035-02. Intervenors
41 have submitted comments, and the Company has filed reply comments. The
42 Commission is not required to issue any order pertaining to the 2019 IRP. Rather, the
43 Company receives a formal notification as to whether the IRP meets the Commission's
44 IRP standards and guidelines. The Company has not yet received any

² Hausman Testimony at 145-148.

45 acknowledgement from the Commission.

46 **Q. Why were your recommendations for depreciable lives in your direct testimony**
47 **different than the operating lives identified in the 2019 IRP?**

48 A. While the Stipulation (and associated Depreciation Study) and the 2019 IRP both
49 reflect shortened operating lives of various coal-fired resources, the timeframes for
50 closure differ slightly. The Depreciation Study was based on the best information
51 available at the time of filing. Rapidly changing market conditions led to a different
52 assessment of operating lives in the 2019 IRP and further shortened the operating lives
53 of certain coal-fired resources. The shortened operating lives reflected in the
54 Stipulation for the four units Dr. Hausman identifies are recognizably different than the
55 2019 IRP preferred portfolio, but only minimally so, with differences ranging between
56 four and five years.

57 **Q. Does evaluating depreciable lives based on each individual unit rather than by all**
58 **units at a particular location, as the Company has done for the first time in its**
59 **Depreciation Study, affect the determination of depreciable lives?**

60 A. Yes. In earlier depreciation studies, the Company evaluated depreciable lives based on
61 all operating units in a given location. Assessing individual units has allowed the
62 Company to present a much more granular planning picture in the context of the
63 Depreciation Study with improved alignment with integrated resource plan
64 assumptions for the broader coal-fueled fleet.

65 **Q. Does the Depreciation Study and Stipulation take into account that Oregon and**
66 **Washington will no longer receive benefits or pay costs related to coal-fueled**
67 **resources after specified dates?**

68 A. All Stipulating Parties are aware of the laws in Oregon and Washington. These laws do
69 not render the depreciable lives identified in the Stipulation unrealistic or unreasonable.

70 **Q. Do you agree with Dr. Hausman’s argument that a difference between depreciable**
71 **and operating lives results in “significant intergenerational inequity”?**³

72 A. No. Assuming the Company proceeds to close the four coal-fueled generating units Dr.
73 Hausman focuses on as identified in the 2019 IRP, the difference between the
74 depreciable lives agreed to in the Stipulation and the 2019 IRP are not materially
75 significant given the overall long lives of these units. Specifically, closure dates
76 identified in the 2019 IRP preferred portfolio are consistent with the depreciation lives
77 for most resources. The 2019 IRP calls for the closure of Naughton Units 1 and 2 in
78 2025, versus 2029 in the Stipulation; and Jim Bridger Units 1 and 2 in 2023 and 2028
79 respectively, versus 2028 and 2032 in the Stipulation. The difference does not create
80 “significant intergenerational inequity” problems when considered on balance with the
81 broader set of coal-fueled resources, and leads to greater rate stability, which justifies
82 any mismatch that could occur.

83 **Q. Does the Stipulation address a course of action should the depreciable lives vary**
84 **from the operating lives of coal-fueled resources?**

85 A. Yes. As set forth in paragraphs 21 and 22 of the Stipulation, the Stipulating Parties have
86 agreed “to meet to discuss strategies that may be implemented to address rate impacts

³ Hausman Testimony at 60.

87 associated with potential earlier retirements at coal plants stemming from the 2019
88 IRP” and “with potential earlier retirements of coal resources whose current
89 depreciable lives extend 10 or more years in the future.”

90 **CONCLUSION AND RECOMMENDATION**

91 **Q. What do you conclude in your rebuttal testimony?**

92 A. The Stipulation before the Commission for approval in this proceeding represents a
93 good faith, collaborative effort by five out of six intervening parties in this docket, who
94 represent a diverse group of interests including consumer advocacy, industrial
95 customers, and environmental advocates. The depreciable lives used in the Stipulation
96 for the Company’s coal-fueled units are reasonable and in the public interest. I
97 recommend that the Commission approve the Stipulation as filed.

98 **Q. Does this conclude your rebuttal testimony?**

99 A. Yes.

CERTIFICATE OF SERVICE

Docket No. 18-035-36

I hereby certify that on April 3, 2020, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Cheryl Murray cmurray@utah.gov
Michele Beck mbeck@utah.gov

Division of Public Utilities

dpudatarequest@utah.gov

Assistant Attorney General

Patricia Schmid pschmid@agutah.gov
Justin Jetter jjetter@agutah.gov
Robert Moore rmoore@agutah.gov
Victor Copeland vcopeland@agutah.gov

Rocky Mountain Power

Data Request Response Center datarequest@pacificorp.com
Emily Wegener emily.wegener@pacificorp.com
Jana Saba jana.saba@pacificorp.com;
utahdockets@pacificorp.com

Western Resource Advocates

Sophie Hayes (C) sophie.hayes@westernresources.org
Nancy Kelly (C) nkelly@westernresources.org
Steven S. Michel (C) smichel@westernresources.org

Utah Clean Energy

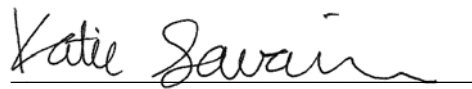
Hunter Holman (C) hunter@utahcleanenergy.org
Sarah Wright (C) sarah@utahcleanenergy.org

Sierra Club

Julian Aris (C) julian.aris@sierraclub.org
Gloria Smith gloria.smith@sierraclub.org
Ana Boyd (C) ana.boyd@sierraclub.org

Utah Association of Energy Users

Gary A. Dodge gdodge@hjdllaw.com
Phillip J. Russell (C) prussell@hjdllaw.com


Katie Savarin
Coordinator, Regulatory Operations