

Docket No: 18-035-36: Application of Rocky Mountain Power for Authority to Change its
Depreciation Rates Effective January 1, 2021

Questions for the November 6, 2018 Tech Conference

Utah Public Service Commission

1. Please explain how the “Original Cost” numbers found in column J of Spanos Workpapers 1 and 2 tie to plant numbers found in PacifiCorp’s 2017 Form 1 Steam Electric Plant Generating Statistics (beginning on Page 402). Please explain how inconsistencies could occur.
2. It appears not all of the workpapers and exhibits included in this docket have been filed with formulas intact (for example, Spanos Workpapers 1-8; and Teply Workpapers 9, Fleet \$/kw number). Please provide updated workpapers with formulas intact or explain why this is not possible
3. Please explain how PacifiCorp treats depreciation and decommissioning of common facilities at jointly owned plants, in this study.

Division of Public Utilities

1. Page 3, line 63-64 of Nikki Kobliha testimony discusses a \$100.1 million increase in depreciation expense based on the proposed depreciation rates.

The calculation of this referenced \$100.1 million is shown on Exhibit RMP (SRM-1).

The depreciation rates used to calculate this \$100.1 million are the depreciation rates shown in Appendix of Exhibit RMP (JJS-2) on pages 1394-1422.

- (a) What would the \$100.1 million be using the depreciation rates calculated in the Depreciation Study shown on pages 60-77 of Exhibit RMP (JJS-2)? Please provide the workpaper supporting this response.
- (b) Looking at Steam Production, Exhibit RMP (SRM-1) shows an increase of \$75.3 million using the 5.80% Steam Production depreciation rate shown on page 1400 of Exhibit RMP (JJS-2). Is it correct that using the 4.79% Steam Production depreciation shown on page 66 of Exhibit RMP (JJS-2) the increase in Utah Allocated Steam Production depreciation expense would be \$43.6 million? If not please provided a corrected statement.

Page 1 of Exhibit RMP (SRM-1)		Existing Rate		Page 66 of Exhibit RMP (JJS-2) Proposed Rate			
		Depreciation Rate	Company Depreciation	Depreciation Rate	Company Depreciation	Difference	Allocated UT
	12/31/2020 Plant-in-Service						
	A	B	C	D	E=A*D	F=E-C	G=F*43.5042%
Steam Production	7,224,199,492	3.40%	245,923,367	4.79%	346,039,156	100,115,789	43,554,533

2. Page 54 of Exhibit RMP (JJS-2) states that “the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life of the vintage.”

(a) Do the calculations of the depreciation rates shown on pages 60-77 of Exhibit RMP (JJS-2) use the actual book reserve as of December 31, 2017?

(b) Do the calculations of the depreciation rates shown on pages 1394-1422 of Exhibit RMP (JJS-2) use an actual “book reserve” or an estimated reserve amount as of December 31, 2020?

3. Page 59 of Exhibit RMP (JJS-2) discusses pages 1394-1422 of Exhibit RMP (JJS-2) and states: “The schedule develops the annual depreciation accrual rates based on the projected original cost, allocated book reserve, future accruals and composite remaining life utilizing the same parameters as of December 31, 2020.”

Is the referenced “allocated book reserve” used in the depreciation rates shown on pages 1394-1422 of Exhibit RMP (JJS-2) an actual reserve amount on the company’s books? If yes, please state as of what date those are the “book reserve” amounts.

4. Page 54 of Exhibit RMP (JJS-2) states: “The accrued depreciation calculation consists of applying an appropriate ratio to the surviving original cost of each vintage of each account based upon the attained age and service life.”

Page 59 of Exhibit RMP (JJS-2) discusses pages 1394-1422 of Exhibit RMP (JJS-2) and states: “The schedule develops the annual depreciation accrual rates based on the projected original cost, allocated book reserve, future accruals and composite remaining life utilizing the same parameters as of December 31, 2020.”

Since the depreciation rates shown on pages 1394-1422 of Exhibit RMP (JJS-2) used “projected original costs”, do the calculations of the depreciation rates shown on pages 1394-1422 of Exhibit RMP (JJS-2) use estimated additions per vintage year of each account in order to apply “an appropriate ratio to the surviving original cost of each vintage of each account”?

5. Page 51 of Exhibit RMP (JJS-2) is discussing the net salvage estimate for Account 353.00, Station Equipment and states: “The net salvage estimate for station equipment is negative 10 percent, is within the range of other estimates, and reflects the levels of net salvage anticipated for this account.”
- (a) Is it a correct statement that of the \$40,800,877 annual accrual shown on page 74 of Exhibit RMP (JJS-2) for Account 353.00, Station Equipment, approximately \$3,709,171 is being collected annually based on the -10% estimated future net salvage parameter?¹ If not, please provide a corrected statement.
 - (b) Is it correct that page 610 of Exhibit RMP (JJS-2) shows that on average over the recent five-year period of 2013-2017 the company incurred \$1,615,326 net cost of removal (cost of removal less gross salvage) per year in Account 353.00, Station Equipment? If not, please provide a corrected statement.
6. Page 51 of Exhibit RMP (JJS-2) is discussing the historic net salvage analysis of Account 353.00, Station Equipment and states: “The net salvage percent based on the overall period 1992-2017 is 11 percent negative net salvage and based on the most recent five-year period is 14 percent.” These historic net salvage percents are shown on pages 609-610 of Exhibit RMP (JJS-2).
- (a) Is it a correct statement that the percents shown in the last column on pages 609-610 of Exhibit RMP (JJS-2) are calculated by dividing the “net salvage amount” by the “regular retirements” amounts? If this is not a correct statement, please provide a corrected statement.
 - (b) Is it a correct statement that the “net salvage amount” are the actual amounts incurred in the “year” shown in the first column? If this is not a correct statement, please provide a corrected statement.
 - (c) Is it a correct statement that the “regular retirements” amounts shown are the actual amounts incurred when the retired plant was originally installed? If this is not a correct statement, please provide a corrected statement.
 - (d) Is it a correct statement that a majority of the “regular retirements” amounts shown were not incurred in the “year” shown in the first column? If this is not a correct statement, please provide a corrected statement.

¹ \$40,800,877 total accrual * (10%/110%) = \$3,709,170.63 for net cost of removal.

7. The response to DPU Data Request 1.34 states: “There may be some amounts included in the decommissioning costs shown in Exhibit RMP (CAT-2) which also have been designated as ARO costs for SEC reporting.”

Additionally, the response to DPU Data Request 1.35 states: “The AROs were not included as part of the rate base or as part of depreciation expense in the revenue requirement calculation in the previous general rate case.”

- (a) Is it a correct statement that the current customer rates do not include any recovery of the company’s ARO costs? If this is not a correct statement, please provide a corrected statement.
 - (b) Is the company proposing to recover ARO costs through the decommissioning costs in the depreciation rates in this proceeding?
 - (c) How is the company planning on recovering ARO costs in a future general rate case?
 - (d) Please provide the amounts and description of the amounts that have been designated as ARO costs for SEC reporting.
8. The response to DPU Data Request 1.33(d) states that “the Company continues to evaluate the economics of a natural gas conversion of the respective units, or will otherwise complete such analysis in the future.”

Does the company agree that if Craig Unit 1, Cholla Unit 4, or Naughton Unit 3 are converted to natural gas units, the life span of those units would be extended past the dates proposed on page 43 of Exhibit RMP (JJS-2)?

Sierra Club

1. Do the new proposed depreciation schedules bear any relation to the coal unit retirement analyses that the Company is conducting as part of its integrated resource plan process? If so, explain that relationship. If not, explain why not.
2. Do the new proposed depreciation schedules bear any relation to the Company’s depreciation schedules in the other states in which it operates? If so, explain that relationship. If not, explain why not.
3. Do the proposed depreciation schedules take into account the economic value provided by the Company’s generating units? If so, explain how. If not, explain why not.