



Rocky Mountain Power
Depreciation Study
Technical Conference
Docket No. 18-035-36
November 6, 2018

Financial and Operational Performance Depreciation Study Review



- Increase in annual depreciation expense in 2021 (dollars in millions):

Category	Company Increase	Utah Increase	Utah Key Drivers
Steam	\$184.5	\$80.3	See detail on next page
Distribution	27.4	23.2	<ul style="list-style-type: none"> • \$23.1 discontinuing reserve adjustment • \$1.6 increased removal costs • \$(1.5) increasing average life
Wind	28.8	12.5	<ul style="list-style-type: none"> • \$37.6 re-powering and new wind • \$(25.1) extending re-powered lives
Gas	11.9	5.2	Plant additions and increased interim retirements and removal costs
Transmission	9.3	4.1	Increased removal costs
General	4.7	2.6	Decrease in lives and increased removal costs
Hydro	0.5	0.2	Plant additions, partially offset by extending lives
Total	\$267.1	\$128.1	Annual expense increase

Financial and Operational Performance Depreciation Study Review



- Steam increase in annual depreciation expense in 2021 (dollars in millions):

Increase	Utah Key Drivers
\$80.3	<ul style="list-style-type: none"> • \$36.1 plant additions since 2013 • \$39.2 revised lives <ul style="list-style-type: none"> ○ Cholla Unit 4 moved from 2042 to April 2025 end of life; increase \$24.4 ○ Colstrip moved from 2046 to 2027; increase \$5.9 ○ Craig Unit 1 moved from 2034 to 2025; Craig Unit 2 moved from 2034 to 2026; increase \$4.7 ○ Bridger Unit 1 moved from 2037 to 2028; Bridger Unit 2 moved from 2037 to 2032; increase \$4.2 • \$5.0 discontinuing the reserve giveback adjustment from Docket No. 13-035-02

- 2018 Depreciation Study was conducted on a by-unit basis for coal assets (2012 Depreciation Study was conducted at the overall plant level)
- Lives shortened in several cases due to environmental drivers or other policy decisions
- Company has invested over **\$1.4 billion in total investments** since the 2012 Depreciation Study to provide safe, reliable power and/or to comply with laws
 - Additions on terminal-lived assets creates pressure on depreciation expense as the investment must be recovered over a shorter period

Utah Steam Plant Depreciable Lives



Plant/Unit	PacifiCorp Share Net Dependable Capacity (MW)	Commercial Date	Current Age of Unit	Utah Depreciable Life (2012)	Proposed Utah Depreciable Life (2018)
Steam Plants					
Cholla - 4	395	1981	37	2042	2025 ⁽¹⁾
Colstrip - 3	74	1984	34	2046	2027
Colstrip - 4	74	1986	32	2046	2027
Craig - 1	82	1980	38	2034	2025
Craig - 2	83	1979	39	2034	2026
Dave Johnston - 1	106	1959	59	2027	2027
Dave Johnston - 2	106	1960	58	2027	2027
Dave Johnston - 3	220	1964	54	2027	2027
Dave Johnston - 4	330	1972	46	2027	2027
Hayden - 1	45	1965	53	2030	2030
Hayden - 2	33	1976	42	2030	2030
Hunter - 1	418	1978	40	2042	2042
Hunter - 2	269	1980	38	2042	2042
Hunter - 3	471	1983	35	2042	2042
Huntington - 1	459	1977	41	2036	2036
Huntington - 2	450	1974	44	2036	2036
Jim Bridger - 1	354	1974	44	2037	2028
Jim Bridger - 2	359	1975	43	2037	2032
Jim Bridger - 3	349	1976	42	2037	2037
Jim Bridger - 4	353	1979	39	2037	2037
Naughton - 1	156	1963	55	2029	2029
Naughton - 2	201	1968	50	2029	2029
Naughton - 3	280	1971	47	2029	2019 ⁽²⁾
Wyodak - 1	268	1978	40	2039	2039
Blundell 1 (Geothermal)	23	1984	34	2037	2037
Blundell 2 (Geothermal)	10	2007	11	2037	2037
Gadsby-1	64	1951	67	2032	2032
Gadsby-2	69	1952	66	2032	2032
Gadsby-3	105	1955	63	2032	2032

(1) - Depreciation rates based on April 2025 but closure in 2020

(2) - January 2019

Filing Update – Cont.



- The Settlement Stipulation in Docket No. 17-035-69 (Federal Tax Reform) included the following “buy-down” provisions that affect the Depreciation Study
- The following will be used to accelerate the depreciation of the Dave Johnston plant (reduce Utah’s share of the net book plant balance)
 - \$4.9m related to current tax reduction
 - the grossed up non-property related Excess Deferred Income Tax (EDIT)
 - and the non-protected, non-property related EDIT
- The regulatory liability established by STEP will be used to depreciate, or buy-down Utah’s share of the remaining net book value of certain thermal plant units (identified in Table A)

TABLE A

	Currently Effective Utah Depreciable Life	Proposed Utah Depreciable Life
Cholla Unit 4	2042	April 2025
Craig Unit 1	2034	2025
Craig Unit 2	2034	2026
Colstrip Units 3	2046	2027
Colstrip Units 4	2046	2027
Jim Bridger Unit 1	2037	2028
Jim Bridger Unit 2	2037	2032

Filing Update



- The balance in the STEP depreciation fund as of December 31, 2020, which will be the last day prior to the proposed effective date of the depreciation study, will be used to buy down the total Utah-allocated balance of the qualifying thermal plant units in the order listed in Table A.
- The incremental amounts in the STEP Depreciation Fund that are collected from customers after December 31, 2020 will continue to be used to offset the projected depreciation expense of the qualifying thermal plant units until the results of the next depreciation study are incorporated into rates.
- The company will update the depreciation study to incorporate the applicable terms of the settlement within 30 days upon approval.



Discuss Pre-submitted Questions