

December 10, 2018

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 Secretary

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**
Second Supplemental Filing

On October 24, 2018, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), filed with the Public Service Commission of Utah (“Commission”) a Settlement Stipulation in Docket No. 17-035-69, Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: “An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018” (“Stipulation”). The Stipulation contained certain provisions that result in the buy-down of generation assets. Thus, Paragraph 50 of the Stipulation specified that the Company would make a filing to update the depreciation study filed in Docket No. 18-035-36 for the buy-down provisions within 30 days of the date the Commission issues a written order approving the Stipulation.

In accordance with the Stipulation, the Company hereby submits its second supplemental filing to update the depreciation study for the applicable terms of the 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
yvonne.hogle@pacificorp.com

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


Public Service Commission of Utah

December 10, 2018

Page 2

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

Sincerely,

A handwritten signature in blue ink that reads "Joelle Steward". The signature is written in a cursive style with a large initial "J".

Joelle Steward
Vice President, Regulation

cc: Service List

Rocky Mountain Power
Docket No. 18-035-36
Witness: Steven R. McDougal

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Second Supplemental Testimony of Steven R. McDougal

December 2018

1 **Q. Are you the same Steven R. McDougal who submitted direct testimony in this**
2 **proceeding on behalf of PacifiCorp dba Rocky Mountain Power (“the**
3 **Company”)?**

4 A. Yes.

5 **PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your second supplemental testimony?**

7 A. On November 9, 2018, the Public Service Commission of Utah (“PSC”) approved a
8 settlement stipulation in Docket No. 17-035-69, Investigation of Revenue Requirement
9 Impacts of the New Federal Tax Legislation Titled: “An act to provide for reconciliation
10 pursuant to titles II and V of the concurrent resolution of the budget for fiscal year
11 2018” (“Tax Docket”) and Docket No. 16-035-36, In the Matter of the Application of
12 Rocky Mountain Power to Implement Programs Authorized by the Sustainable
13 Transportation and Energy Plan Act (“Stipulation”). As part of the Stipulation, the
14 Company agreed to make a filing in this proceeding within 30 days of the
15 Commission’s written order approving the Stipulation in order to reflect the certain
16 provisions that, most notably, include reducing the net book balance of specific thermal
17 generation units, or a depreciation “buy down” of thermal units, using the regulatory
18 liability established by the dockets referenced above. My second supplemental
19 testimony provides the required information.

20 **Q. Please summarize which thermal units will be bought down and the regulatory**
21 **treatment as a result of the Stipulation.**

22 A. The stipulated “buy down” regulatory treatment is as follows:

23 1. The amount of current tax reduction not reflected in rates, along with the non-

24 protected excess deferred income taxes (“EDIT”) balances will be used to
 25 reduce Utah’s share of the Dave Johnston plant’s current net book value by
 26 offsetting depreciation expense.

27 2. The STEP Depreciation Funds will be used to offset depreciation expense and
 28 reduce Utah’s share of the plant’s current net book value of the Qualified
 29 Thermal Plant units listed in Table 1 below, to the extent possible, in the order
 30 listed.

31 **TABLE 1**

	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 Unit 3	2046	2027
Colstrip Unit 4	2046	2027
Jim Bridger Unit 1	2037	2028
Jim Bridger Unit 2	2037	2035

32 **Q. What is the impact to Utah allocated annual depreciation expense as a result of**
 33 **the buy down of the Qualified Thermal Plants?**

34 A. Buying down the listed Qualified Thermal Plants results in a reduction to the Utah
 35 allocated depreciation expense associated with Utah Depreciable Plant from \$100.1
 36 million to \$31.8 million. Exhibit RMP___(SRM-1SS) has been revised to reflect this
 37 update.

38 **Q. Please describe how Exhibit RMP___(SRM-1SS) has been calculated and how the**
 39 **Company plans on accounting for the plant buy downs?**

40 A. To buy down the Qualifying Thermal Plants, the Company reflected an offset as a STEP
 41 Adjustment or Tax Settlement Adjustment to the estimated December 31, 2020 net

42 book value and calculated annual depreciation amount of the revised work paper
43 supporting Exhibit RMP____(SRM-1). Next, the Utah-allocated share was calculated
44 by multiplying each of these amounts by 43.5042 percent, which is the December 2017
45 Results of Operations Utah System Generation (“SG”) allocation factor. This factor is
46 consistent with the allocation factor used to support my calculations in
47 Exhibit RMP____(SRM-1), filed as part of my direct testimony in this proceeding.
48 Since the Company cannot separate and buy down the Utah allocated share of each
49 Qualifying Thermal Plant’s net book value, the Company will make an accounting
50 entry to offset Utah’s estimated share of the annual depreciation expense. The
51 adjustment amount is reflected as the Utah Accrual Adjustment and provided in the
52 work papers.

53 **Q. Does Exhibit RMP____(SRM-1SS) reflect the buy down of all Qualified Thermal**
54 **Plants listed in Table 1?**

55 A. No. The projected STEP regulatory liability as of December 31, 2020 is \$192 million
56 and is assumed depleted after offsetting accelerated depreciation for Cholla Unit 4,
57 Craig Units 1 and 2, and a portion of Colstrip. As stipulated, all incremental amounts
58 in the STEP Depreciation Fund that are related to collections after December 31, 2020,
59 will be used to offset the projected Utah depreciation expense of the Qualifying
60 Thermal Plants until the results of the next depreciation study are incorporated into
61 rates. Jim Bridger Units 1 and 2 and a portion of Colstrip will be the remaining
62 Qualifying Thermal Plants after December 31, 2020 and will be offset by future STEP
63 Depreciation Fund collections. Exhibit RMP____(SRM-1) does not reflect the future
64 treatment agreed to as part of the Stipulation.

65 **Q. Will the Company update the Utah Accrual Adjustment to account for differences**
66 **of Utah allocated depreciation expense resulting from a dynamic Utah SG**
67 **allocation factor?**

68 A. No. The Company is proposing to hold the Utah Accrual Adjustment constant and will
69 true-up any differences in the Company's next depreciation study or at time of plant
70 closure, whichever is sooner. The differences will be shown in the Company's results
71 of operations report filed with the PSC.

72 **Q. How does the Company plan to account for any plant additions to Qualifying**
73 **Thermal Plants that are required for continued operation of the units before**
74 **retirement?**

75 A. For any plant additions to the thermal units bought down by the regulatory liabilities
76 from the Stipulation, the Company proposes using the revised deprecation rates
77 approved in the Depreciation Study. Although certain Qualifying Thermal Plants are
78 assumed to have been bought down, this will occur as an offset to annual depreciation
79 expense as previously explained. Since plants are operated and accounted for on a total-
80 Company basis, the approved depreciation rate will still be applied to each plant
81 balance in each period. If a capital addition is required, the respective depreciation rate
82 would be applied and expensed. The stipulated buy down of depreciation expense is
83 fixed and calculated to result in an estimated December 31, 2020 net plant balance of
84 zero.

85 **Q. Are there any additional items you would like to address?**

86 A. Yes. The amounts shown in the Total Utah Balance reflected in Table B of the
87 Stipulation did not include the net salvage associated with interim retirements. When

88 preparing the Depreciation Study, the net salvage associated with interim retirements
89 is included. When calculating the actual buy down amount to result in a net book value
90 of zero beginning January 1, 2021, the net salvage associated with interim retirements
91 should be included. The revised work paper reflects the appropriate buy down needed
92 for each respective qualifying thermal plant; however, this amount is slightly different
93 from Table B of the Stipulation.

94 **Q. Does this conclude your second supplemental testimony?**

95 A. Yes.

Rocky Mountain Power
Exhibit RMP___(SRM-1SS)
Docket No. 18-035-36
Witness: Steven R. McDougal

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Second Supplemental Testimony of Steven R. McDougal

Utah Allocated

December 2018

P A C I F I C O R P
 Depreciation Rate Comparison - Plant Balances as of December, 2020

Description	AF	Plant-in-Service	Depreciation Rate		Total Company Depreciation			DIFFERENCE	ALLOCATED UT
			EXISTING	PROPOSED	EXISTING	PROPOSED	DIFFERENCE		
Production Plant									
Steam Production	SG	7,224,199,492	3.40%	3.63%	245,923,367	262,190,740	16,267,373	7,076,984	
Steam Production - Water Rights		35,638,063							
Hydro Production	SG	995,097,431	3.01%	3.06%	29,943,661	30,467,681	524,020	227,971	
Other Production	SG	5,075,636,837	3.21%	4.02%	163,112,102	203,786,985	40,674,883	17,685,266	
Other Production - Water Rights		32,709,325							
Total Production Plant		13,363,281,147							
Total Production Plant - Depreciable		13,294,933,760	3.30%	3.73%	438,979,130	496,445,406	57,466,276	25,000,221	
Transmission Plant									
	SG	7,375,554,755	1.77%	1.90%	130,435,713	139,796,277	9,360,564	4,072,235	
Distribution Plant									
Distribution	CA	280,326,706	2.67%	2.70%	7,472,463	7,570,061	97,598	-	
Distribution	OR	2,243,678,194	2.52%	2.57%	56,492,130	57,702,243	1,210,113	-	
Distribution	WA	526,113,490	2.76%	2.74%	14,526,469	14,411,610	(114,859)	-	
Distribution	WY	783,969,878	2.97%	2.79%	23,248,951	21,881,003	(1,367,948)	-	
Distribution	UT	3,160,310,244	2.62%	2.63%	82,950,370	83,098,150	147,780	147,780	
Distribution	ID	386,446,632	2.71%	2.63%	10,453,988	10,163,756	(290,232)	-	
Total Distribution		7,380,845,143	2.64%	2.64%	195,144,371	194,826,823	(317,548)	147,780	
General Plant - Vehicles *									
General Plant - Vehicles	CA	852,236	3.48%	8.63%	29,658	73,548	43,890	-	
General Plant - Vehicles	SG	304,035	8.63%	8.63%	10,580	26,238	15,658	6,812	
General Plant - Vehicles	ID	2,295,198	4.28%	8.73%	98,234	200,371	102,136	-	
General Plant - Vehicles	OR	7,689,932	7.04%	8.73%	32,910	67,128	34,217	14,886	
General Plant - Vehicles	SG	857,171	7.04%	6.43%	541,318	494,414	(46,904)	-	
General Plant - Vehicles	SO	255,789	7.04%	6.43%	60,345	55,116	(5,229)	(2,275)	
General Plant - Vehicles	SE	409,796	5.04%	6.43%	18,008	16,447	(1,560)	(673)	
General Plant - Vehicles	SE	251,862	5.04%	8.92%	10,368	15,654	5,286	2,300	
General Plant - Vehicles	SG	3,051,700	5.04%	8.92%	12,694	22,466	9,772	4,163	
General Plant - Vehicles	SG	2,635,088	5.04%	8.92%	153,806	272,212	118,406	51,512	
General Plant - Vehicles	UT	10,010,742	5.04%	8.92%	132,808	235,050	102,241	44,080	
General Plant - Vehicles	WA	1,022,424	5.60%	2.90%	504,541	892,958	388,417	388,417	
General Plant - Vehicles	WA	2,079,440	5.85%	8.78%	34,059	17,638	(16,421)	(7,144)	
General Plant - Vehicles	WY	2,585,714	5.85%	8.78%	57,256	29,650	(27,605)	-	
General Plant - Vehicles	SO	1,860,982	2.51%	6.23%	121,647	182,575	60,928	26,506	
General Plant - Vehicles	CA	793,720	4.49%	5.31%	151,264	227,026	75,761	-	
General Plant - Vehicles	CA	2,04,130	4.49%	5.31%	46,711	115,939	69,229	29,847	
General Plant - Vehicles	ID	4,350,829	4.34%	5.19%	35,638	42,147	6,509	-	
General Plant - Vehicles	SG	779,534	4.34%	5.19%	9,165	10,839	1,674	728	
General Plant - Vehicles	OR	11,812,885	5.48%	5.19%	188,826	225,808	36,982	2,883	
General Plant - Vehicles	OR	1,109,492	5.48%	5.19%	33,832	650,890	616,058	-	
General Plant - Vehicles	SG	236,400	2.10%	3.50%	60,800	61,133	333	145	
General Plant - Vehicles	SE	219,289	4.56%	6.38%	4,964	8,274	3,310	1,440	
General Plant - Vehicles	SO	3,608,320	4.56%	6.38%	10,000	13,991	3,991	1,700	
General Plant - Vehicles	SO	1,475,100	4.56%	6.38%	164,539	230,211	65,671	28,570	
General Plant - Vehicles	UT	18,540,989	4.56%	6.38%	67,265	94,111	26,847	11,575	
General Plant - Vehicles	WA	1,563,941	5.07%	3.43%	845,469	1,182,915	337,446	337,446	
General Plant - Vehicles	WA	3,133,469	5.07%	3.43%	79,292	107,478	28,186	(11,158)	
General Plant - Vehicles	SG	3,120,067	5.66%	6.86%	176,596	214,037	37,441	16,288	
General Plant - Vehicles	WY	5,012,276	2.32%	2.68%	283,695	343,842	60,147	-	
General Plant - Vehicles	CA	454,745	2.32%	2.68%	10,550	12,187	1,637	-	
General Plant - Vehicles	SG	13,637	2.32%	2.68%	316	365	49	21	

Description	AF	Plant-in-Service	Depreciation Rate		Total Company Depreciation			ALLOCATED UT
			EXISTING	PROPOSED	EXISTING	PROPOSED	DIFFERENCE	
General Plant - All Other	SO	40,099,508	1.53%	2.55%	613,522	1,022,537	409,015	176,343
General Plant - All Other	UT	45,382,211	1.53%	2.55%	694,348	1,155,442	461,094	461,094
General Plant - All Other	SE	1,041,182	1.53%	2.55%	15,930	26,550	10,620	4,524
General Plant - All Other	SG	92,763	2.52%	2.08%	2,338	1,929	(408)	(178)
General Plant - All Other	SO	1,488,037	2.52%	2.08%	37,499	30,951	(6,547)	(2,823)
General Plant - All Other	WA	11,467,860	2.52%	2.08%	288,991	239,453	(49,538)	-
General Plant - All Other	SG	860,033	1.95%	2.55%	16,771	21,931	5,160	2,245
General Plant - All Other	SO	132,386	1.95%	2.55%	2,582	3,376	794	342
General Plant - All Other	WY	17,893,960	1.95%	2.55%	348,933	456,770	107,837	-
Total General Plant - All Other		234,170,613	1.75%	2.30%	4,100,495	5,381,250	1,280,755	745,322
Total General Plant		521,234,022	3.72%	4.62%	19,414,887	24,084,509	4,669,623	2,608,310
Total Company - Depreciable Plant		28,572,567,679	2.74%	2.99%	783,974,101	855,153,016	71,178,915	31,828,546
COL-STRIP RESERVE AMORTIZATION	SG				(2,293,038)	-	2,293,038	997,567
HUNTER RESERVE AMORTIZATION	SG				(5,927,184)	-	5,927,184	2,578,572
GADSBY RESERVE AMORTIZATION	SG				(2,341,500)	-	2,341,500	1,018,650
BLUNDELL RESERVE AMORTIZATION	SG				(785,202)	-	785,202	341,596
WYOMING - DISTRIBUTION RESERVE AMORTIZATION	WY				(2,077,204)	-	2,077,204	-
UTAH - DISTRIBUTION RESERVE AMORTIZATION	UT				(23,109,549)	-	23,109,549	23,109,549
IDAHO - DISTRIBUTION RESERVE AMORTIZATION	ID				(2,508,698)	-	2,508,698	-
Total Company		28,640,915,067			744,931,725.70	855,153,015.71	110,221,290.01	

* For regulatory purposes, vehicle depreciation is re-classified as O&M

CERTIFICATE OF SERVICE

Docket No. 18-035-36

I hereby certify that on December 10, 2018, 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

Erika Tedder etedder@utah.gov

Assistant Attorney General

Patricia Schmid
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84111
pschmid@agutah.gov

Robert Moore
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84111
rmoore@agutah.gov

Justin Jetter
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84111
jjetter@agutah.gov

Steven Snarr
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84111
stevensnarr@agutah.gov

Rocky Mountain Power

Data Request Response Center datarequest@pacificorp.com
Jana Saba jana.saba@pacificorp.com;
utahdockets@pacificorp.com

Western Resource Advocates

Sophie Hayes (C)
Western Resource Advocates
307 West 200 South, Suite 2000
Salt Lake City UT 84101
sophie.hayes@westernresources.org

Nancy Kelly (C)
Western Resource Advocates
9463 N. Swallow Rd.
Pocatello ID 83201
nkelly@westernresources.org

Steven S. Michel (C)
Western Resource Advocates
409 E. Palace Avenue, Unit 2
Santa Fe NM 87501
smichel@westernresources.org

Penny Anderson
penny.anderson@westernresources.org

Utah Clean Energy

Hunter Holman (C)
Utah Clean Energy
1014 2nd Avenue
Salt Lake City, UT 84103
hunter@utahcleanenergy.org

Sarah Wright (C)
Utah Clean Energy
1014 2nd Avenue
Salt Lake City, UT 84103
sarah@utahcleanenergy.org

Sierra Club

Matthew Gerhart
Sierra Club
1536 Wynkoop St., Suite 200
Denver, Colorado 80202
matt.gerhart@sierraclub.org

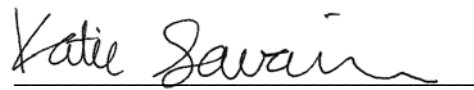
Marta Darby
Sierra Club
2101 Webster St., Suite 1300
Oakland, CA 94612
marta.darby@sierraclub.org

Ana Boyd
Sierra Club
2101 Webster St., Suite 1300
Oakland, CA 94612
ana.boyd@sierraclub.org

Utah Association of Energy Users

Gary A. Dodge
HATCH, JAMES & DODGE, P.C.
10 West Broadway, Suite 400
Salt Lake City, Utah 84101
gdodge@hjdllaw.com

Phillip J. Russell (C)
HATCH, JAMES & DODGE, P.C.
10 West Broadway, Suite 400
Salt Lake City, Utah 84101
prussell@hjdllaw.com



Katie Savarin
Coordinator, Regulatory Operations