

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 19, 2024

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: March 11, 2024

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PACIFICORP:
(Docket No. UM 1631)
Petition for Limited Waiver of OAR 860-027-0350(2).

STAFF RECOMMENDATION:

Staff recommends the Commission approve PacifiCorp's (PAC or Company) UM 1631 request for a Limited Waiver for a 2023 depreciation filing and also direct PAC to file its next depreciation study no later than December 31, 2025.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's request for a limited waiver of OAR 860-027-0350(2) for a limited waiver of the requirement to file a 2023 depreciation study with the Commission, which is required by OAR 860-027-0350(2) "no less frequently than once every five years".

Applicable Rule or Law

OAR 860-027-0350(2) requires regulated utilities to file a new depreciation study no less frequently than once every five years.

ORS 757.140(1) states:

Every public utility shall carry a proper and adequate depreciation account. The Public Utility Commission shall ascertain and determine the proper and adequate rates of depreciation of the several classes of property of each public utility. The rates shall be such as will provide the amounts required over and above the expenses of maintenance, to keep such property in a state of efficiency corresponding to the progress of the industry. Each public utility shall conform its depreciation accounts to the rates so ascertained and determined by the commission. The commission may make changes in such rates of depreciation from time to time as the commission may find to be necessary.

Analysis

On February 21, 2024, PacifiCorp submitted a request for a limited waiver of OAR 860-027-0350(2) under Docket No. UM 1631, given that the study was required to be filed by the end of 2023 to meet an administrative rule that depreciation studies be filed no less frequently than once every five years.

1. In PAC's 2018 depreciation filing, the depreciation data was based on 2017's book record; Staff viewed the data as outdated. Within the seven years from 2017 to 2024, the company's capital additions (investment) have increased significantly. The characteristics of depreciation would most likely have changed accordingly.
2. In PAC's last depreciation study, UM 1968, on March 31, 2020, PacifiCorp filed an unopposed motion to segregate issues related to coal-fired resources in the 2018 Depreciation Study proceeding and move those issues to its general rate case proceeding in Docket No. UE 374. The depreciation filing and review was divided into two parts by FERC account: one being the Steam Production Plant (Coal) in the UE 374 general rate case (GRC), the other being all non-Coal Plant in the UM 1968 Depreciation Rate study.
 - a. Non-coal FERC depreciation accounts in UM 1968 include Hydro Production Plants, Other Production Plants (Natural gas, Wind, Solar, Mobile Generators), Transmission Plants, Distribution Plants, and General Plants, for which the stipulating parties reached agreement on the combination of the assets Survival Curve and Projection Life and the Net Salvage rates. Based on these two depreciation parameters, the depreciation rates were calculated and determined. After that, the Commission issued Order No. 20-470, which authorized the updated depreciation rates for non-steam production plants.

- b. For Steam Production Plant in UE 374, Commission Order No. 20-473 directed PacifiCorp to establish depreciation rates for its coal-fueled resources based on the decommissioning cost estimates in the depreciation study filed September 13, 2018, in Docket No. UM 1968, and the 2020 Protocol exit dates.
3. Staff does not oppose the waiver request for PAC's 2023 depreciation filing, because of the regulatory deadline for the Company given all of the workload surrounding PacifiCorp and its various filings. Staff does believe that the depreciation study should be updated so as to comply with Oregon Administrative Rules and have rates that reflect the economic costs of service.

Conclusion

Staff therefore recommends the Commission approve PAC's UM 1631 request for a Limited Waiver for its 2023 filing and also direct PAC to file its next depreciation study no later than December 31, 2025.

The Company has reviewed a draft of this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's request for a Limited Waiver for its 2023 depreciation filing and direct PAC to file its next depreciation study no later than December 31, 2025.