

March 31, 2020

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-3398

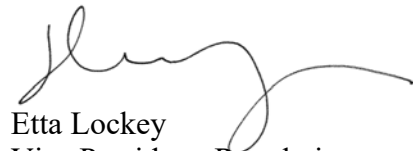
Attn: Filing Center

**RE: UM 1968—PacifiCorp's Motion to Segregate Issues Related to Coal-Fired Resources**

PacifiCorp d/b/a Pacific Power encloses for filing its Motion to Segregate Issues Related to Coal-Fired Resources in the above-referenced docket.

Please direct any informal inquiries regarding this filing to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,



Etta Lockey  
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1968**

In the Matter of  
  
PACIFICORP, d/b/a PACIFIC POWER,  
  
Application for Authority to Implement  
Revised Depreciation Schedule

**PACIFICORP’S MOTION  
TO SEGREGATE ISSUES RELATED  
TO COAL-FIRED RESOURCES**

**I. INTRODUCTION**

In accordance with ORS 756.528, PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully requests a ruling from the Public Utility Commission of Oregon (Commission) segregating the issue of depreciation rates for PacifiCorp’s coal-fired resources to allow its resolution in PacifiCorp’s pending general rate case, docket UE 374. If granted, all depreciation issues for PacifiCorp’s coal-fired resources will be substantively addressed in docket UE 374. Concurrently with this motion, PacifiCorp is filing a motion in docket UE 374 to expand the scope of that case to include a determination of depreciation rates for coal-fired resources and to supplement the record with the relevant testimony and exhibits from docket UM 1968. PacifiCorp conferred with the parties and understands that no party objects to the relief sought in this motion.

**II. BACKGROUND**

On September 13, 2018, PacifiCorp filed its application for revised depreciation rates, effective January 1, 2021. The Commission issued a prehearing conference memorandum on November 6, 2018, setting an initial schedule in this case. On February 15, 2019, in response

to PacifiCorp’s unopposed motion, the Commission issued an order holding this case in abeyance.

On February 14, 2020, PacifiCorp filed supplemental testimony updating depreciable lives to align with the 2019 Integrated Resource Plan (IRP) and the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol).<sup>1</sup> The supplemental testimony also revised decommissioning rates to reflect information in PacifiCorp’s Decommissioning Study, filed on January 16, 2020. This Decommissioning Study includes the Hunter, Huntington, Dave Johnston, Jim Bridger, Naughton, Wyodak and Hayden plants.

On March 4, 2020, the Commission issued a prehearing conference memorandum and revised schedule. Under that schedule, Staff and intervenor response testimony is due on April 13, 2020. The target date for the final order is July 20, 2020.

On February 14, 2020, PacifiCorp filed a general rate case, docket UE 374, reflecting the revised depreciation rates presented in the supplemental testimony filed in this case. Under the schedule issued in docket UE 374 on March 6, 2020, the target date for a final order is December 16, 2020.

In docket UE 374, PacifiCorp requested that the Commission implement the process in Section 4.1 by which a commission may issue “Exit Orders” that provide for specific “Exit Dates.”<sup>2</sup> An Exit Order approves a state’s discontinuation of the use of an existing resource and excludes the costs and benefits of that resource on a date certain; an Exit Date means the date on which PacifiCorp will discontinue the allocation and assignment of costs and benefits

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<sup>1</sup> The Commission adopted the 2020 Protocol on January 23, 2020. *In the Matter of PacifiCorp, dba Pacific Power, Request to Initiate an Investigation of Multi-Jurisdictional Issues and Approve an Inter-Jurisdictional Cost Allocation Protocol*, Docket No. UM 1050, Order No. 20-024 (Jan. 23, 2020).

<sup>2</sup> Docket UE 394, Direct Testimony of Etta Lockey, PAC/200, Lockey/15.

of that resource to the state issuing the Exit Order.<sup>3</sup> The 2020 Protocol sets forth proposed Oregon Exit Dates for all of PacifiCorp’s coal-fired resources, with the exception of the Hayden plant (i.e., 23 of PacifiCorp’s 24 coal-fired resources). In docket UE 374, PacifiCorp requested Exit Orders reflecting the proposed Oregon Exit Dates.<sup>4</sup>

The 2020 Protocol also addresses responsibility for decommissioning costs for coal-fired resources subject to an Exit Order. In docket UE 374, PacifiCorp has asked the Commission to allocate decommissioning costs to Oregon according to the 2020 Protocol.<sup>5</sup> The Decommissioning Study filed on January 16, 2020 in docket UM 1968 is designed to implement these provisions.<sup>6</sup>

### III. ARGUMENT

Depreciation accounting spreads the unrecovered costs of a capital asset, less any salvage value, over the estimated remaining useful life of the asset.<sup>7</sup> A key input to the calculation of depreciation rates, therefore, is the terminal life of a resource.<sup>8</sup> Another key input is salvage value, which includes the costs of dismantlement or decommissioning for steam and other production resources.<sup>9</sup>

In docket UE 374, PacifiCorp has requested the Commission implement the 2020 Protocol and address both useful lives and decommissioning costs for PacifiCorp’s coal-fired generation resources. The requested Exit Orders will set an Exit Date, which will determine the remaining life of PacifiCorp’s coal-fired resources for purposes of serving Oregon

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<sup>3</sup> *Id.* at PAC/200, Lockey/13.

<sup>4</sup> *Id.* at PAC/200, Lockey/14-15.

<sup>5</sup> *Id.* at PAC/200, Lockey/21-22.

<sup>6</sup> PacifiCorp updated the Decommissioning Study to include additional information related to Colstrip Units 3 and 4 and filed the new study in this docket on March 16, 2020.

<sup>7</sup> Direct Testimony of Nikki L. Kobliha, PAC/100, Kobliha/4.

<sup>8</sup> Direct Testimony of John C. Spanos, PAC/200, Spanos/4.

<sup>9</sup> *Id.* at PAC/200, Spanos/9-10.

customers. The proposed treatment of decommissioning costs will also help determine the net salvage value for each resource.

For judicial efficiency and to avoid inconsistent orders, PacifiCorp proposes to sever the determination of depreciation rates for its coal-fired resources from this docket to allow a single determination of this issue in docket UE 374. The depreciation rates now proposed in docket UM 1968 reflect the proposed Exit Dates in the Exit Orders PacifiCorp is seeking in docket UE 374. If the Commission changes the Exit Dates in docket UE 374, however, this will also change the depreciation rates now reflected in UM 1968. Because a final order in docket UM 1968 will precede a final order in docket UE 374, this could result in misaligned outcomes between the two cases. In addition, the allocation of decommissioning costs to Oregon is a key input to depreciation rates for PacifiCorp's coal-fired generation, but a determination of that issue in docket UE 374 will also come after the final order date in docket UM 1968.

Under ORS 756.528, the Commission has broad discretion to segregate issues and order separate hearings. Under OAR 860-001-0600, the Commission also has discretion to consolidate proceedings for hearing. The Commission should exercise its discretion here to segregate the determination of depreciation rates for coal-fired resources, which will allow this issue to be addressed and resolved in a single case, docket UE 374.

A list of the testimony, exhibits and studies relevant to depreciation rates for coal-fired resources, including certain general and background information, follows below. PacifiCorp is seeking to supplement its filing in docket UE 374 to add this information to that case. Because certain of these documents, such as the depreciation study filed by Mr. John Spanos,

contain information that also relate to other issues in this docket, PacifiCorp does not plan to withdraw these filings from docket UM 1968 at this time.

- Direct Testimony of Nikki Kobliha, PAC/100, Kobliha/8, line 7 - Kobliha/9, line 17
- Direct Testimony and Exhibits of John J. Spanos, PAC/200 – PAC 203
- Direct Testimony and Exhibits of Chad Teply, PAC/400 – PAC/402
- Supplemental Direct Testimony and Exhibits of John J. Spanos, PAC/600 – PAC/601.
- Supplemental Direct Testimony and Exhibits of Steven R. McDougal, PAC/700 – PAC/702
- Supplemental Direct Testimony and Exhibits of Chad A. Teply, PAC/800 – PAC/803
- Decommissioning Study for Hunter, Huntington, Dave Johnston, Jim Bridger, Naughton, Wyodak and Hayden plants, filed January 16, 2020
- Decommissioning Study Update for Colstrip plant, filed March 16, 2020

#### **IV. CONCLUSION**

To promote judicial efficiency, PacifiCorp respectfully requests that the Commission segregate the determination of depreciation rates for PacifiCorp's coal-fired resources from other issues in this docket and permit hearing and resolution of that issue in docket UE 374.

Respectfully submitted this 31<sup>st</sup> day of March, 2020.



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