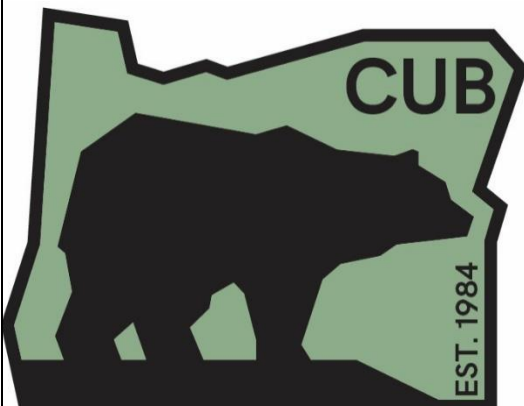


**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UE 374**

In the Matter of )  
 )  
PACIFICORP, dba PACIFIC POWER, )  
 )  
Request for a General Rate Revision. )  
 )  
\_\_\_\_\_

**REBUTTAL AND CROSS ANSWERING TESTIMONY ON COAL  
DECOMMISSIONING COSTS AND INDEPENDENT EVALUATOR REPORT  
OF THE  
OREGON CITIZENS' UTILITY BOARD**

July 17, 2020



**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**  
**UE 374**

In the Matter of	)	REBUTTAL AND CROSS
	)	ANSWERING TESTIMONY ON
PACIFICORP, dba PACIFIC POWER,	)	COAL DECOMMISSIONING COSTS
	)	AND INDEPENDENT EVALUATOR
Request for a General Rate Revision.	)	REPORT OF THE OREGON
_____	)	CITIZENS' UTILITY BOARD

**I. INTRODUCTION**

**Q. Please state your name, occupation, and business address.**

A. My name is Bob Jenks. I am the Executive Director of the Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

**Q. Please describe your educational background and work experience.**

A. My witness qualification statement is found in exhibit CUB/101.

**Q. What is the purpose of your testimony?**

A. I wish to respond to the testimony of PacifiCorp, the Alliance of Western Energy Consumers (AWEC), and the Independent Evaluator (IE) Dr. Ron Sahu regarding PacifiCorp coal decommissioning studies.

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## II. DECOMMISSIONING STUDIES

**Q. Has CUB reviewed the decommissioning studies in this case?**

**A.** Yes. There have been three examinations to estimate the costs of coal plant decommissioning that are relevant to this proceeding. First, PacifiCorp included a forecast of decommissioning costs in its last depreciated docket, UM 1968, filed September 13, 2018. As contemplated by the Multi-State Process (MSP) 2020 Protocol, the Company updated this with a third-party study on January 16, 2020 and supplemented this study on February 14, 2020 (Kiewit Report). Finally, there was an IE, Dr. Sahu hired by the Oregon Public Utility Commission (Commission) to review the Kiewit Report and his study was filed on June 21, 2020. CUB refers to these as the PacifiCorp depreciation study, the Kiewit Report, and the IE's Report.

**Q. What is CUB's conclusion after examining these studies?**

**A.** There is not a reasonable basis to determine a prudent level of decommissioning costs to allocate to Oregon under the terms of the MSP.

**Q. Can you explain?**

**A.** Yes. Traditionally, decommissioning estimates are updated with depreciation studies every 5 years. The expectation is that decommissioning costs (sometimes called negative salvage value) should be collected during the life of a generating asset, so when an asset ends its useful life, the customers that have benefited from it have paid for costs that will be incurred after it is shut down. By updating the projections every 5 years, utilities should ensure that a reasonable amount is being

1 set aside to pay these costs to ensure that customers do not have to bear an  
2 unforeseen level of costs at the end of an asset's life.

3  
4 Oregon will stop taking service from PacifiCorp's coal fleet over the next decade,  
5 due to SB 1547's mandate to remove coal costs from Oregon rates by 2030.  
6 Therefore, for Oregon purposes, these plants are nearing the end of their useful  
7 lives even if some will remain in operation to serve other PacifiCorp states. As part  
8 of the 2020 Protocol, parties from the various PacifiCorp states agreed that  
9 PacifiCorp would hire a third-party to conduct a review of projected  
10 decommissioning costs that could be used as the basis for assigning  
11 decommissioning costs to states. No party is bound by the third-party study and  
12 each state Commission retains the authority to determine the just and reasonable  
13 amount of decommissioning costs that will be assigned to customers in that state.<sup>1</sup>  
14 Each state had the option of hiring an independent evaluator to review PacifiCorp's  
15 third-party study<sup>2</sup>.

16  
17 In addition, it should be noted that the 2020 Protocol requires that this issue be  
18 determined in the depreciation docket<sup>3</sup> but in Oregon coal plant decommissioning  
19 has been moved into the general rate case by an agreement of the parties.<sup>4</sup>

20  

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<sup>1</sup> 2020 PacifiCorp Interjurisdictional Protocol, Section 4.3.1.3

<sup>2</sup> 2020 PacifiCorp Interjurisdictional Protocol, Section 4.3.4

<sup>3</sup> 2020 PacifiCorp Interjurisdictional Protocol, Section 4.3.1.3

<sup>4</sup> UM 1968, Ruling of Judge Rowe, April 13, 2020.

CUB identifies several problems in the interplay between the various studies and estimates:

- The expected decommissioning costs in the Kiewit Report [REDACTED]. This raises serious questions about the accuracy of both, as well as questions of whether earlier decommissioning studies were reasonable attempts to establish decommissioning projections.

- The IE's report concludes that [REDACTED]

[REDACTED]

[REDACTED]<sup>5</sup> [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>6</sup>

- The IE found that [REDACTED]

[REDACTED]<sup>7</sup>

**Q. What is the difference in decommissioning costs between PacifiCorp's depreciation study and the Kiewit Report?**

**A.** PacifiCorp's estimated the decommissioning costs to be \$259 million in its depreciation study.<sup>8</sup> The Kiewit Report estimates costs to be more than [REDACTED]

[REDACTED]<sup>9</sup>

<sup>5</sup> IE Report at 5 (June 21, 2020).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 6.

<sup>8</sup> See UE 374 – AWEC/300/Kaufman/22, line 18.

<sup>9</sup> See UE 374 – AWEC/300/Kaufman/22, line 19.

1 This is a degree of variation that goes well beyond changes in cost forecasts and  
2 therefore challenges the reasonableness of both studies. It also raises serious  
3 questions concerning whether PacifiCorp's previous decommissioning studies  
4 were conducted prudently and whether there has been an historic misallocation  
5 of costs.

6 **Q. Please Explain.**

7 **A.** Proper utility regulation requires that the construction, operation, and  
8 decommissioning of a plant be funded fairly by the customers who receive the  
9 benefit of that plant. This is the well-known principle of cost causation in  
10 ratemaking. This requires reasonable decommissioning studies that provide a  
11 fair basis for collecting decommissioning costs. For example, Jim Bridger Unit  
12 3 began operation in 1976 and has depreciable lives of 49 years (Oregon) and 61  
13 (Utah). In the case of Oregon, if PacifiCorp were to underestimate the cost of  
14 decommissioning by 75% or more for the first 44 years and then try to collect  
15 the rest over the final 5 years of useful life, it would raise a serious issue of  
16 intergenerational equity. Customers in the 70s, 80s, 90s, 00s and 10s were  
17 significantly undercharged and customers from 2021 to 2025, and potentially  
18 beyond 2025, are being asked to overpay significantly to make up the  
19 difference.

20 **Q. What did the IE determine with respect to the Kiewit Report?**

21 **A.** [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]

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**Q. With such widely divergent information, what should be done?**

**A.** First, CUB is disappointed with the level of information that is before stakeholders in this proceeding. The 2020 Protocol was negotiated by CUB and other parties as the basis for how to deal with different energy policies between the eastern and western states in PacifiCorp’s service territory. The expectation was that the independent study and independent evaluation would provide the information necessary for parties to identify the decommissioning costs that should be assigned to Oregon customers as one step in implementing SB 1547 and the 2020 protocol.

1 Second, CUB does not have an engineer on staff. As part of the MSP  
2 negotiations, we advocated for an IE in order to provide Oregon with the  
3 independent evaluation that is necessary for parties to determine whether the  
4 estimated decommissioning costs are reasonable. Again, it is incredibly  
5 important to have an accurate picture of true decommissioning costs, as they  
6 will become the basis for ratemaking in Oregon. Other states have an incentive  
7 to support high decommissioning forecasts to get Oregon customer to pay as  
8 much as possible for the coal plants before we exit the plants. Under the 2020  
9 protocol, Oregon's payment accrues interest at the Company's cost of capital  
10 until decommissioning begins and reduces what other customers will potentially  
11 have to pay. PacifiCorp also has an incentive to support a high  
12 decommissioning forecast. There is a risk that in the future another state will  
13 disallow decommissioning cost under the theory that PacifiCorp did not extract  
14 enough out of Oregon ratepayers. The IE was designed into this process to  
15 provide protection for Oregon customers. [REDACTED]  
16 [REDACTED]  
17 [REDACTED] CUB has an interest in ensuring  
18 decommissioning cost estimates are as accurate as possible.

19  
20 Under the current circumstances, the Kiewit Report cannot be used as the basis  
21 of cost recovery for decommissioning. As an alternative, CUB believes that  
22 decommissioning cost recovery should continue to be based on the numbers  
23 from the PacifiCorp depreciation study.



1

2 CUB recognizes that this may not be a satisfactory conclusion, [REDACTED]

3 [REDACTED]

4 [REDACTED]

At the moment, the

5 information on the record in this proceeding is sparse and widely varied. It is

6 difficult for CUB to articulate a position, but the IE Report makes it clear that

7 more information is needed. CUB recognizes that further proceedings in this

8 docket or an entirely new investigation might be required. CUB's desire is to

9 reach a resolution on this issue that is in the public interest and retains flexibility on

10 how to reach that resolution going forward.

11 **Q. Does this conclude your testimony?**

12 **A.** Yes.