BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PACIFIC POWER & LIGHT COMPANY For an Order Approving a Change in Depreciation Rates Applicable to Electric Property.	DOCKET UE-18____ PACIFIC POWER & LIGHT COMPANY'S PETITION FOR ACCOUNTING ORDER

I. INTRODUCTION

1 In accordance with WAC 480-07-370(b), Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, petitions the Washington Utilities and Transportation Commission (Commission) for an accounting order authorizing a change in depreciation rates applicable to PacifiCorp's depreciable electric plant consistent with the company's 2018 depreciation study (Depreciation Study). Pacific Power proposes to implement the new depreciation rates through a future rate case filing for rates effective on January 1, 2021.

2 Pacific Power is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.

3 Communications regarding this Petition should be addressed to:

Washington Dockets
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
washingtondockets@PacifiCorp.com

Matthew D. McVee
Chief Regulatory Counsel
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
matthew.mcvee@pacificorp.com

In addition, Pacific Power respectfully requests that data requests be addressed to:

By e-mail (preferred) datarequest@pacificorp.com

By regular mail Data Request Response Center
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

II. DISCUSSION

A. Depreciation Study

4 Pacific Power files this Petition under RCW 80.04.350, which authorizes the Commission to determine the proper and adequate rates of depreciation of property used in the rendering of retail electric service. Under this statute, the Commission may ascertain and set the proper and adequate rates of depreciation of utility property. Each utility must conform its depreciation accounts to the rates ordered by the Commission.

5 Pacific Power last performed a depreciation study approximately five years ago. The Commission authorized Pacific Power's request to revise depreciation rates in Order 01 issued in Docket UE-130052 on December 27, 2013. The rates went into effect on January 1, 2014. On November 25, 2015, Pacific Power filed a Limited-Issue Rate Case, Docket UE-152253, which included a request to reinstitute shorter depreciation

schedules for the coal-fired generating plants included in Washington rates. The Commission authorized the company's request in Order 12 in Docket UE-152253 on September 1, 2016, with an effective date of October 4, 2016.

6 Pacific Power has performed an updated Depreciation Study, submitted as Exhibit No. JJS-3 to the direct testimony of Mr. John J. Spanos, and requests authorization to implement the depreciation rates set forth in this study. The Depreciation Study identifies the changes that have occurred since Pacific Power's last depreciation study, measures the effect of the changes on the recovery of presently surviving capital, and revises the capital recovery rate.

7 The Depreciation Study uses December 31, 2017 historical data as the basis for the analysis and develops depreciation rates based on projected December 31, 2020 plant balances. Projecting balances through December 31, 2020, aligns with the proposed January 1, 2021 effective date and ensures consideration of all anticipated plant additions in the new depreciation rates.

8 Pacific Power's accounting system maintains depreciation rates on a calendar-year basis, and the company recommends January 1, 2021, as the rate effective date to align it with the company's anticipated implementation of a new interjurisdictional cost allocation methodology. Aligning the effective date of the depreciation rates proposed in the Depreciation Study with the anticipated implementation of a new interjurisdictional allocation methodology allows for robust evaluation of both proposals, while minimizing rate changes.

9 The proposed increase in Washington depreciation rates is driven by several factors. First, steam plant depreciation expense has increased, reflecting the impact of incremental capital additions since the last depreciation study. Because Pacific Power's

steam facilities have set terminal lives, incremental capital additions are depreciated over a shorter remaining life and therefore increase depreciation expense. Given the uncertainty regarding the period in which steam generating facilities will be allowed to continue to operate, the company does not recommend extending any of the depreciable lives of the coal plants. Moreover, the economic analysis supporting the incremental capital additions did not assume a longer depreciable life. The incremental capital additions necessary to maintain compliance with existing regulatory obligations and provide safe, reliable power total over $1.4 billion since 2013 on a total-system basis, and increase Washington-allocated depreciation expense by approximately $4.1 million.

10 Second, Pacific Power recommends shortening the terminal lives for several of the company's coal-fired units. Specifically, Pacific Power recommends shortening the terminal lives of the Jim Bridger Plant (from 2037 to 2025) and the Colstrip Plant (from 2046 to 2027). The shorter depreciable lives for the Jim Bridger Plant are consistent with the accelerated depreciation adjustment approved by the Commission in Order 12 in Docket UE-152253. Avista and Puget Sound Energy, joint owners of the Colstrip Plant, have reached agreements in Washington to establish 2017 as the new depreciable life for the units. Pacific Power's proposal is to align with the other Washington utilities for Colstrip 3 and 4. Shortening these plants' depreciable lives increases Washington-allocated depreciation expense by approximate $30.0 million.

11 Third, the revised depreciation rates account for the impact of repowering many of the company's wind generation facilities in 2019 and 2020. The estimated balances in the Depreciation Study schedule for projected plant balances as of December 31, 2020, reflect both the new investment in plant due to repowering, as well as the costs of the replaced wind turbine equipment in the depreciation reserve. The treatment of the

replaced wind turbine equipment in the depreciation reserve is consistent with the composite or group procedure of depreciation Pacific Power applies to all facilities. Pacific Power also recommends that the terminal lives of the repowered facilities be extended by 10 years from the date they are repowered. In addition, the wind plant depreciation expense also accounts for the company's new wind facilities in Wyoming, which expected to be in service in 2020. Together, repowering and the new wind facilities increase the Washington-allocated depreciation expense by approximately $2.4 million.

B. Overall Rate Impact of Proposed Depreciation Rate Changes

12 The Depreciation Study proposes a system-wide increase of 0.9 percent to the current composite depreciation rate of 3.11 percent for Pacific Power's electric utility plant, resulting in a new composite depreciation rate of 4.02 percent. Applying the recommended depreciation rates to the projected December 31, 2020 depreciable plant balances results in an increase in total-company annual depreciation expense of approximately $561.7 million, compared with the level of annual depreciation expense developed by application of the currently authorized depreciation rates to the same plant balances. Adoption of the proposed depreciation rates results in an increase of approximately $38 million in annual Washington depreciation expense, based on projected December 31, 2020 depreciable plant balances. Pacific Power proposes to include the impacts of the Depreciation Study in Washington rates as part of the company's next general rate case filing.

B. Testimony and Exhibits in Support of Petition

13 In support of this Petition, the company is providing the policy testimony of Nikki L. Kobliha, Vice President, Chief Financial Officer and Treasurer of PacifiCorp. Ms. Kobliha's direct testimony, provided as Exhibit No. NLK-1T, provides a summary of the company's proposal for new depreciation rates and their effect on annual depreciation expense, provides background information supporting and describing the development of the Depreciation Study, and outlines the factors related to steam generating facilities that were considered in the Depreciation Study.

14 The direct testimony of John J. Spanos, Senior Vice President of Gannett Fleming Valuation and Rate Consultants, LLC, provided as Exhibit No. JJS-1T, presents the Depreciation Study, describes how the Depreciation Study was prepared, provides the depreciation rates for which the company is seeking Commission approval, and discusses the basis for the recommended changes in depreciation rates.

15 The direct testimony of Steven R. McDougal, Director of Revenue Requirements, provided as Exhibit No. SRM-1T, summarizes the effect on annual depreciation expense from applying the proposed depreciation rates to depreciable plant balances. Mr. McDougal also provides support for the jurisdictional allocation of the new depreciation rates, and describes the company's recommendations on certain state-specific factors considered during the preparation of the Depreciation Study.

16 The direct testimony of Chad A. Teply, Senior Vice President of Strategy and Development, provided as Exhibit No. CAT-1T, describes the process used to evaluate the current approved plant depreciable lives for steam and natural gas generating stations and the procedures used to estimate the retirement date for PacifiCorp's natural gas, wind, and hydroelectric generating resources. Mr. Teply also demonstrates that the

estimated retirement dates proposed for PacifiCorp's generation plants are reasonable and appropriate for use in the Depreciation Study. Mr. Teply further explains why the rates proposed as terminal net salvage, or "decommissioning costs," in the calculation of depreciation rates for thermal generating plants are reasonable and prudent.

17 Finally, direct testimony of Timothy J. Hemstreet, Director of Renewable Development, provided as Exhibit No. TJH-1T, describes PacifiCorp's project to repower its wind facilities and the process of determining an appropriate life for the repowered wind facilities. Mr. Hemstreet also describes the methodology used to estimate the retirement date for PacifiCorp wind and hydroelectric generating resources.

C. Importance of System-Wide Consistency

18 For administrative and economic efficiencies, Pacific Power strives to maintain uniform utility accounts, including depreciation rates, across its six-state service territory. To maintain consistent depreciation rates across states, Pacific Power is also filing the Depreciation Study in Oregon, Idaho, Utah, and Wyoming. Maintaining consistent depreciation rates across all states avoids multiple sets of depreciation accounts and records that would impose a costly administrative burden on Pacific Power and unnecessary expense for the company's customers.

III. REQUEST FOR RELIEF

19 For the reasons described above and in the testimony and exhibits supporting this Petition, Pacific Power respectfully requests that the Commission issue an order finding:

a. The Depreciation Study recommendations regarding depreciation rates, adjusted to take into account past Commission orders on depreciation, are proper and adequate depreciation rates for Pacific Power;

b. Adoption of the Depreciation Study's recommendations, adjusted to take into account past Commission orders on depreciation, into Washington electric rates will result in fair and reasonable rates and accurately impose costs on those customers for whom such costs are incurred; and

c. The final ratemaking treatment of the depreciation rates will be addressed in a future general rate case.

Respectfully submitted this 13th day of September, 2018.

By: _____/s/_____

Matthew D. McVee
Chief Regulatory Counsel
Pacific Power & Light Company
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
(503) 813-5585
mathew.mcvee@pacificorp.com