

Exh. SRM-6T  
Dockets UE-191024 *et. al.*  
Witness: Steven R. McDougal

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba  
PACIFIC POWER & LIGHT COMPANY

Respondent.

Dockets UE-191024, UE-190750,  
UE-190929, UE-190981, UE-180778  
(*Consolidated*)

**PACIFICORP**

**SUPPLEMENTAL TESTIMONY OF STEVEN R. MCDUGAL**

**April 2020**

**ATTACHED EXHIBITS**

Exhibit No. SRM-7—Depreciation Expense Comparison

Exhibit No. SRM-8—Washington Depreciation

1 **Q. Are you the same Steven R. McDougal who previously filed testimony in the**  
2 **2018 Depreciation Study proceeding, docket UE-180778, on behalf of PacifiCorp**  
3 **dba Pacific Power & Light Company (PacifiCorp or the Company)?**

4 A. Yes.

5 **Purpose of Supplemental Testimony**

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

7 A. The purpose of my supplemental testimony is to update the depreciation impact to  
8 Washington from the Company's supplemental filing in this proceeding. My  
9 supplemental testimony supports the calculation and impact of including the revised  
10 decommissioning costs and other plant closure costs.

11 **Q. Please summarize the update to the decommissioning costs.**

12 A. As set forth in the 2020 Inter-Jurisdictional Allocation Protocol, the Company  
13 engaged a third party to perform updated Decommissioning Studies for certain steam  
14 plants.<sup>1</sup> The initial Decommissioning Study included revised decommissioning cost  
15 estimates for seven of the twelve steam plants. These plants included Hunter,  
16 Huntington, Dave Johnson, Jim Bridger, Naughton, Wyodak, and Hayden. A second  
17 Decommissioning Study was conducted to provide a revised decommissioning cost  
18 estimate for the Colstrip plant. The first component of the revised decommissioning  
19 cost is for the Base Estimate and includes revised cost estimates for decommissioning  
20 and reclamation. These costs are included in the depreciation rate calculation that is  
21 supported in the supplemental testimony of Mr. John J. Spanos, Exhibit JJS-8T. The  
22 second component of the decommissioning cost is for Other Plant Closure Costs such

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<sup>1</sup> See Exhibit No. EL-3 at 29.

1 as material and supply inventory, rolling stock, coal pile excavation and haul-off, coal  
2 mine closure and other miscellaneous costs. The revised decommissioning costs are  
3 discussed further in the supplemental testimony of Mr. Chad A. Teply, Exhibit CAT-  
4 28T.

5 **Q. What is the impact on depreciation after the inclusion of the Base Estimate**  
6 **decommissioning and reclamation cost.**

7 A. The incremental impact on coal plant depreciation of the Company's supplemental  
8 filing from updating the Base Estimate is \$36.7 million total-Company, or  
9 \$8.3 million Washington-allocated as shown in column D of Exhibit SRM-7. The  
10 revised coal plant deprecation expenses, compared to the Company's approved  
11 depreciation rates, are \$327.3 million total-Company, or \$73.6 million Washington-  
12 allocated. Further details on this calculation can be found in Exhibit SRM-8.

13 **Q. Please describe the Other Plant Closure Costs?**

14 A. Although separately identified, the Other Plant Closure Costs are necessary for the  
15 Company to fully recover all costs associated with closing a plant during the  
16 remaining operational life of the plant. For example, each generation plant has a  
17 certain level of materials and supplies inventory that is required to operate the plant.  
18 Under normal retirement circumstances, these costs would be included in the closure  
19 costs of the generation plant; however, because the Washington proposed depreciable  
20 life of each unit can differ from the actual plant retirement date, it is important the  
21 Company collect these costs in advance of the actual plant retirement. The Other  
22 Plant Closure Costs are estimated at \$197.8 million for the Jim Bridger Units 1-4 (Jim  
23 Bridger) and \$3.7 million for the Colstrip Unit 4 generation plant as seen in Exhibit

1 CAT-30. Approximately \$138.9 million of the total amount for Jim Bridger is directly  
2 related to the Bridger Coal Mine. The Company performed a more detailed analysis  
3 on the Bridger Coal Mine and has included the revised estimated separately.  
4 Accordingly, the proposed amount included for Jim Bridger is \$59.1 million.

5 **Q. Please explain the Bridger Coal Mine amount included in the Other Plant**  
6 **Closure Costs?**

7 A. The Bridger Coal Mine is an operational mine that provides coal to Jim Bridger.  
8 Traditionally, the cost associated with the mine and coal extraction are included in net  
9 power costs over the life of the mine. The Washington assumed life for Jim Bridger  
10 is the end of 2023, which is shorter than the assumed life of the Bridger Coal Mine.  
11 The additional costs included for the Bridger Coal Mine provide the Company the  
12 opportunity to recover the costs associated with the undepreciated mine investment  
13 and reclamation within the same timeframe. The undepreciated mine investment is  
14 estimated at \$22.4 million and the reclamation contribution is estimated at \$95.8  
15 million.

16 **Q. How does the Company plan to recover and use the Other Plant Closure Costs?**

17 A. The Company is proposing to recover the Other Plant Closure Costs over the  
18 remaining depreciable life, or December 31, 2023, and in the revenue requirement of  
19 this general rate case filing. If approved, the amount collected from Washington  
20 customers would be deferred to a regulatory liability. The regulatory liability will  
21 then be debited when actual plant retirement occurs and Other Plant Closure costs are  
22 accrued. This treatment will allow the Company an opportunity for full recovery of  
23 the associated closure costs of a generation plant. Additional details supporting the

1 revenue requirement calculation of the Other Plant Closure Costs can be found in the  
2 supplemental testimony and exhibits of Ms. Shelley E. McCoy, Exhibit SEM-6T.

3 **Q. Does this conclude your supplemental testimony?**

4 A. Yes.