

Exh. JT-1
Docket UE-180778
Witness: Nikki Kobliha
Jason Ball
Lance Kaufman

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP DBA PACIFIC POWER &
LIGHT COMPANY,**

Respondent.

DOCKET UE-180778

TESTIMONY OF

Nikki Kobliha
Jason Ball
Lance Kaufman

Joint Testimony in Support of Settlement Stipulation

July 17, 2020

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 3

TERMS OF THE AGREEMENT 5

 Proposed Reduction to Depreciation Rates..... 5

 Proposed Changes..... 5

THE AGREEMENT SATISFIES THE SETTLING PARTIES’ INTERESTS AND IS
 CONSISTENT WITH THE PUBLIC INTEREST 7

 Statement of PacifiCorp (Nikki Kobliha) 7

 Statement of Commission Staff (Jason Ball) 8

 Statement of Public Counsel and PCA (Lance Kaufman) 9

CONCLUSION..... 9

1 **INTRODUCTION**

2 **Q. What is the purpose of this Prefiled Joint Testimony?**

3 A. This prefiled joint testimony (Joint Testimony) recommends that the Washington
4 Utilities and Transportation Commission (Commission) approve the Multi-party
5 Settlement Stipulation (Stipulation) in this proceeding between PacifiCorp d/b/a
6 Pacific Power & Light Company (PacifiCorp or Company), the Staff of the
7 Washington Utilities and Transportation Commission (Staff), the Public Counsel Unit
8 of the Washington State Attorney General’s Office (Public Counsel), and Packaging
9 Corporation of America (PCA) (individually “Settling Party”, and collectively,
10 “Settling Parties”) regarding depreciation issues in docket UE-180778. This
11 Stipulation resolves all issues in this proceeding, and is supported by the Settling
12 Parties.¹

13 **Q. Please state your names, titles, and the Settling Party you represent in this**
14 **matter.**

15 A. Our names, titles, and representation are as follows:

- 16 • Nikki Kobliha, Vice President, Chief Financial Officer and Treasurer,
17 PacifiCorp
- 18 • Jason Ball, Deputy Assistant Director, Energy Regulation Section, Staff
- 19 • Lance Kaufman, Principle Economist of Aegis Insight, representing Public
20 Council and the Packaging Corporation of America

21 **Q. Ms. Kobliha, please provide information pertaining to your educational**
22 **background and professional experience.**

23 A. My name is Nikki L. Kobliha. I am employed by PacifiCorp as Vice President, Chief
24 Financial Officer and Treasurer. I received a Bachelor of Business Administration

¹ Sierra Club is the only non-settling party and does not oppose the settlement.

1 with a concentration in Accounting from the University of Portland in 1994. I
2 became a Certified Public Accountant in 1996. I joined the Company in 1997 and
3 have taken on roles of increasing responsibility before being appointed Chief
4 Financial Officer in 2015. I am responsible for all aspects of the Company's finance,
5 accounting, income tax, internal audit, Securities and Exchange Commission
6 reporting, treasury, credit risk management, pension, and other investment
7 management activities.

8 **Q. Mr. Ball, please provide information pertaining to your educational background**
9 **and professional experience.**

10 A. My name is Jason L. Ball. I am the Deputy Assistant Director in the Energy
11 Regulation Section of the Regulatory Services Division at the Commission. My
12 business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My
13 email address is jason.ball@utc.wa.gov. Please see page two of Exhibit JT-1 (Joint
14 Testimony in Support of Partial Settlement Stipulation) in consolidated Dockets UE-
15 191024, UE-190750, UE-190929, UE-190981, and UE-180778) dated July 16, 2020,
16 for testimony describing my qualifications.

17 **Q. Mr. Kaufman, please provide information pertaining to your educational**
18 **background and professional experience.**

19 A. I am the Principal Economist of Bardwell Consulting and I have been qualified as an
20 expert in Alaska, Oregon, and Arizona. I received my Ph. D. in Economics from the
21 University of Oregon and I have 15 years of professional experience as an economist,
22 including six years of experience working with the Oregon Public Utility
23 Commission and the Alaska Attorney General public utility group. I am a Certified

1 Depreciation Professional.

2 **BACKGROUND**

3 **Q. Please describe the Company's initial filing in this proceeding.**

4 A. PacifiCorp submitted a petition requesting approval of a proposed change to its
5 depreciation rates applicable to electric property with the Commission on
6 September 13, 2018. PacifiCorp proposed to implement the new depreciation rates
7 through a future general rate case, which was subsequently submitted on
8 December 13, 2019, and later consolidated with this proceeding. Along with its
9 petition, the Company submitted prefiled direct testimony and exhibits from five
10 witnesses: Ms. Nikki Koblaha, Mr. Steven R. McDougal, Mr. John J. Spanos,
11 Mr. Chad A. Teply, and Mr. Timothy Hemstreet.

12 Among other proposed changes, the Company's initial petition and
13 depreciation study recommended shortening the lives of the Jim Bridger and Colstrip
14 coal-fired generation facilities, as well as accounting for the impact of repowering
15 many of the Company's wind generation facilities in 2019 and 2020.

16 **Q. Did the Company make any updates to the filing?**

17 A. Yes. As part of PacifiCorp's Multi-State Process, the Company committed to
18 conducting and providing the results of a contractor-assisted engineering study of
19 decommissioning costs for several of the Company's coal-fired generation facilities.
20 On January 17, 2020, PacifiCorp provided a report that included the
21 decommissioning costs for the Jim Bridger plant. On March 17, 2020, PacifiCorp
22 provided a report for the Colstrip plant. On April 1, 2020, PacifiCorp submitted

1 supplemental testimony and exhibits supporting the changes driven by the
2 decommissioning studies in the consolidated proceeding.

3 **Q. How did this settlement develop?**

4 A. In February of 2019, the Company requested that the procedural schedule in this
5 proceeding be suspended and held in abeyance until additional relevant information
6 became available through the Company's 2019 Integrated Resource Plan (IRP)
7 stakeholder process. The Commission granted the Company's request in Order 03.
8 The Company subsequently requested that the procedural schedule continue to be
9 suspended until after the Company filed its general rate case in December of 2019.
10 The Commission again granted the Company's request and required the Company to
11 update its petition to incorporate the impacts of the Clean Energy Transformation Act
12 (CETA) and the Company's IRP.

13 During the period in which this proceeding's procedural schedule was
14 suspended and held in abeyance, PacifiCorp held a series of multi-state depreciation
15 meetings to address the issues in the Company's depreciation study, which was filed
16 in five states. As a result of the multi-state meetings, parties from Utah, Idaho, and
17 Wyoming were able to reach a multi-state settlement in principle with the Company.
18 Separate settlement stipulations were subsequently filed in Utah, Idaho, and
19 Wyoming.

20 PacifiCorp additionally held several informal workshops and settlement
21 meetings with parties to the Washington depreciation proceeding, docket UE-180778,
22 to discuss settlement options specifically for Washington. Through those discussions,
23 Settling Parties agreed to use the same depreciation rates for system assets as agreed

1 to with parties in Utah, Idaho, and Wyoming, along with additional Washington-
2 specific terms as described below.

3 **TERMS OF THE AGREEMENT**

4 **Q. What are the terms of the agreement?**

5 A. The Settling Parties have reached a comprehensive resolution of all issues in this
6 docket. The agreement is as follows:

7 **Proposed Reduction to Depreciation Rates**

8 Settling Parties agree that the proposed depreciation changes set forth in Attachment
9 1 to the Stipulation, Depreciation Study Changes, represent just and reasonable
10 changes to the initial depreciation study filed by the Company in September 2018.
11 Attachment 2 shows the effect of these changes relative to the Company's original
12 request filed on September 13, 2018, on both a total-Company and Washington-
13 allocated basis. Attachment 3 contains the consolidated depreciation rates agreed to
14 by the Settling Parties. These changes result in a reduction to the Washington-
15 allocated depreciation rates of \$1,481,335, at the filed plant balance. The final
16 depreciation expenses included in the general rate case settlement agreement are
17 calculated based on the settled depreciation rates and the settled plant in this
18 Stipulation.

19 **Proposed Changes**

20 As a result of the settlement discussions, Settling Parties have agreed to the changes
21 to the following accounts as shown in Attachment 1:

- 22
- 23 • Hydro Account 331 Hydro Structure
 - 24 • Simple Cycle Gas Account 343 for Gadsby Peak
 - Transmission Accounts 350.2, 352, 353, 354, 355, 356, 357, 358, and 359

- Washington Distribution Accounts 360.2, 361, 362, 364, 365, 366, 367, 368, 369.1, 369.2, 370, 371, and 373
- Washington General Plant Account 390, 392.01, 392.05, 392.09, 392.03, and 396.07
- Wyoming General Account 390

PacifiCorp agrees that if the Company develops or acquires new solar and/or battery storage assets before the Company files its next depreciation study, the Company will use a 25-year life span for solar facilities with corresponding depreciation rates based on the Iowa Curves and Net Salvage values set forth in Table 3 until the effective date of the Company’s next depreciation study, which is expected to be filed in 2025.

Table 3

<u>Accounts at Issue</u>	<u>Iowa Curve</u>	<u>Net Salvage (%)</u>
Solar Production (projected)		
341 - Structures and Improvements	R3-40	-2%
344 - Generators	S2.5-25	-2%
345 - Accessory Electric Equipment	S2-25	0%
Battery Storage (projected)		
	L3-15	-5%

PacifiCorp agrees to analyze and provide robust support for its proposed lives and net salvage values for all Company-owned solar and/or battery storage assets in its next depreciation study.

PacifiCorp agrees to conduct an analysis of Account 390 entries in Oregon and Utah, based on information available from the year 2000 and forward. This analysis will accompany the filing of the next depreciation study. The intent of this additional analysis (situs vs. system-allocated) will be to provide more transparency into the derivation of the life and net salvage characteristics considered when

1 determining a single depreciation rate for Oregon Account 390 and when determining
2 a single rate for Utah Account 390.

3 In addition, PacifiCorp agrees to collect the depreciation study data for
4 Account 390 in Oregon and Utah in separate situs and system-allocated depreciation
5 study groups beginning with data entered from January 2020 and forward.

6 The Settling Parties agree that, other than as agreed to in the Stipulation, the
7 proposed depreciation rates for all other accounts will be consistent with those in the
8 Company's initial filing.

9 **THE AGREEMENT SATISFIES THE SETTLING PARTIES' INTERESTS**
10 **AND IS CONSISTENT WITH THE PUBLIC INTEREST**

11 **Statement of PacifiCorp (Nikki Kobliha)**

12 **Q. Does PacifiCorp support this Settlement?**

13 A. Yes. The modifications agreed to by Settling Parties of this Settlement are acceptable
14 for PacifiCorp, and beneficial because it allows the Company to maintain common
15 accounting for non-coal, system assets. PacifiCorp appreciates the Settling Parties'
16 diligence and continued attention on the Company's depreciation study, and the
17 Settling Parties' willingness to work with the Company to reach a beneficial outcome.

18 **Q. What changes were made to the Company's coal depreciable lives?**

19 A. The coal depreciable lives are addressed in the settlement agreement in the general
20 rate case and the other consolidated dockets.

21 **Q. Does PacifiCorp have any concerns with the Settlement?**

22 A. As part of the Stipulation, PacifiCorp agreed to conduct an analysis of Account 390
23 entries in Oregon and Utah, based on information available from the year 2000 and
24 forward for the next depreciation study. In addition, PacifiCorp agreed to collect the

1 depreciation study data for Account 390 in Oregon and Utah in separate situs and
2 system-allocated depreciation study groups beginning with data entered from January
3 2020 and forward. While this study may provide additional transparency, it is an
4 administratively burdensome task that may not provide commensurate value.

5 **Q. Does this complete your testimony on behalf of PacifiCorp?**

6 A. Yes.

7 **Statement of Commission Staff (Jason Ball)**

8 **Q. Please explain why Staff supports the Stipulation.**

9 A. The Stipulation provides closure to a complex and detailed analysis of the Company's
10 depreciation rates. Over the next five years these rates will provide the Company with
11 appropriate cost recovery for depreciating plant. In addition, the Stipulation requires
12 the next depreciation study to incorporate a critically important analysis of solar and
13 battery storage assets. This analysis is necessary to fulfill requirements for clean
14 energy procurement under the Clean Energy Transformation Act. As a package, the
15 depreciation rates agreed to through this Stipulation will provide the Company with
16 adequate cost-recovery while securing analysis of newer assets needed to meet
17 CETA's 2030 requirements. Staff has thoroughly reviewed the depreciation study and
18 supplemental filings submitted in this docket, and believes that this Stipulation is in
19 the public interest.

20 **Q. Does this complete your testimony on behalf of Staff?**

21 A. Yes.

1 **Statement of Public Counsel and PCA (Lance Kaufman)**

2 **Q. Do Public Counsel and PCA support this stipulation?**

3 A. Yes. Public Counsel and PCA support this Stipulation. This Stipulation results in
4 depreciation rates that are consistent with PacifiCorp's expected retirement, cost of
5 removal, and salvage patterns. The Stipulation also includes a study of Oregon and
6 Utah structures and improvements in Account 390. Group depreciation requires that
7 property within each group follow similar retirement patterns. Account 390 includes
8 both office buildings, which are considered system assets, and shops, warehouses,
9 and other operating buildings, which are generally considered situs assets. The study
10 will confirm whether it is appropriate to group these assets or to depreciate the assets
11 using separate rates. For these reasons, Public Counsel and PCA believe the
12 Stipulation is in the public interest.

13 **Q. Does this complete your testimony on behalf of Public Counsel and PCA?**

14 A. Yes.

15 **CONCLUSION**

16 **Q. Does this conclude the Settling Parties' Joint Testimony in support of the**
17 **Agreement?**

18 A. Yes.