

UE-152253 / Pacific Power & Light Company
February 5, 2016
PC Data Request 61

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Re: Depreciation Acceleration.

If the Jim Bridger units continue to be used to generate electricity after 2025, will other jurisdictions, wholesale customers, or entities receive service from the plant after 2025? If yes, please explain in detail why Washington ratepayers should fully pay depreciation in rates assuming a 2025 depreciation life starting with rates resulting from this rate case when other entities would continue to receive the benefit of the energy output from the existing Jim Bridger assets, including the SCRs, after 2025. Also please explain if this could result in post-2025 recipients of the generation output from the Jim Bridger Units receiving the energy output at below the true cost of generating the electricity since a larger portion of the plant costs would have been recovered by the Company in advance of the anticipated plant retirement date.

Response to PC Data Request 61

As discussed in the direct testimony of R. Bryce Dalley and in the Company's response to Public Counsel Data Request 60, adjusting depreciable lives for coal-fueled generation facilities included in Washington rates would not restrict Pacific Power from operating those generation units to serve Washington customers or customers in other states after the end of those depreciable lives.

Costs of operating the facilities included in Washington rates are allocated using the West Control Area inter-jurisdictional allocation methodology approved by the Washington Utilities and Transportation Commission. The Company is not proposing any modifications to how resources are allocated among states as part of this proceeding. Rather, the Company proposes to accelerate depreciation for coal-fueled generating plants in Washington rates to provide greater planning flexibility as federal and state environmental policies are implemented. Each state commission has the discretion to implement depreciable schedules it believes are appropriate for customers in its state. Those schedules determine the time period over which capital costs required to allow safe, reliable, and compliant operation of the resources are recovered from customers. The Company expects that parameters such as state and federal policies, regulatory compacts, as well as the then-current operating costs and benefits projections will ultimately dictate whether or not individual state commissions will support continued receipt of energy from individual units as their depreciable lives are met. Nonetheless, the Company expects that customers that continue to receive energy and system capacity from these resources as depreciable lives are met will continue to incur the then-current costs of generating the electricity, as well as the costs associated with on-going run-rate capital expenditures required to maintain safe, reliable, and compliant operation of the resources from that timeframe going forward, consistent with the governing regulatory framework within which the company operates. Ultimately, the actual operating lives of the assets could be shorter or longer than the depreciable lives established by the commissions.

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As discussed in the direct testimony of Chad Teply, the SCR investments at Jim Bridger units 3 and 4 are necessary for continued operation of those units after 2015 and 2016, respectively. As discussed above, each state commission has the discretion to amortize capital investments in rates over a time period it believes is appropriate.

PREPARER: R. Bryce Dalley

SPONSOR: R. Bryce Dalley