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July 17, 2020

## *Via Electronic Filing*

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St. SE, Suite 100  
Salem OR 97301

Re: In the Matter of PACIFICORP, dba PACIFIC POWER  
Request for a General Rate Revision.  
**Docket No. UE 374**

Dear Filing Center:

Please find enclosed the redacted Rebuttal and Cross-Answering Testimony on Coal Decommissioning Costs and Independent Evaluator Report of Lance D. Kaufman on behalf of the Alliance of Western Energy Consumers (“AWEC”) in the above-referenced docket.

Please note that AWEC’s testimony contains protected information that is being handled in accordance with Order No. 20-040. The confidential version of AWEC’s filing has been encrypted with 7-zip software and is being transmitted electronically to the Commission, consistent with Order No. 20-088.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

Enclosure

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have this day served the **Alliance of Western Energy Consumers' Confidential Rebuttal and Cross-Answering Testimony** upon the parties shown below by sharing copies via the Huddle workspace in this docket.

Dated this 17th day of July, 2020.

Sincerely,

/s/ Jesse O. Gorsuch

Jesse O. Gorsuch

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 374**

In the Matter of )  
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PACIFICORP, dba PACIFIC POWER )  
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Request for a General Rate Revision. )  
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**REBUTTAL AND CROSS-ANSWERING TESTIMONY ON COAL  
DECOMMISSIONING COSTS AND INDEPENDENT EVALUATOR REPORT**

**OF LANCE D. KAUFMAN**

**ON BEHALF OF**

**ALLIANCE OF WESTERN ENERGY CONSUMERS**

**(REDACTED VERSION)**

**July 17, 2020**

**TABLE OF CONTENTS**

I. INTRODUCTION AND SUMMARY ..... 1  
II. IE REPORT DOES NOT ADDRESS REGULATORY CONSIDERATIONS..... 2  
III. THE KIEWIT REPORT IS NOT TRANSPARENT ..... 3  
IV. KIEWIT ESTIMATES EXCEED NORMALIZED VALUES ..... 5

**I. INTRODUCTION AND SUMMARY**

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**Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

A. My name is Lance Kaufman. I am the principal economist of Aegis Insight. I am testifying on behalf of the Alliance of Western Energy Consumers (“AWEC”).

**Q. ARE YOU THE SAME LANCE KAUFMAN WHO FILED OPENING TESTIMONY ON BEHALF OF AWEC IN THIS PROCEEDING?**

A. Yes. My qualifications are included in Exhibit AWEC/301.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. My testimony addresses the Independent Evaluation Report for PacifiCorp’s Decommissioning Costs Study Reports dated January 15, 2020 and March 13, 2020 (“IE Report”).

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A. I make the following findings in this testimony:

1. The IE Report is not tempered with regulatory or rate considerations.
2. The IE Report confirms my Opening Testimony finding that the decommissioning cost studies performed by Kiewit Corporation (“Kiewit Report”) are not transparent and cannot be reasonably evaluated.
3. The IE Report notes that the lack of transparency includes transparency regarding PacifiCorp-provided numbers. This contradicts PacifiCorp’s assertion that transparency issues are due to Kiewit contract limitations.
4. The IE Report finds certain assumptions to be arbitrary. This aligns with my Opening Testimony which, as an alternate proposal, offered line item adjustments that addressed the same assumptions flagged by the IE Report.

1           5. The IE Report demonstrates that the Kiewit estimates are above the normal range  
2           for plants of similar size.

3           Based on these findings I continue to support the decommissioning recommendations in  
4           my Opening Testimony. Specifically, the Commission should either base rates on  
5           PacifiCorp's originally filed decommissioning estimates or on the adjusted Kiewit  
6           estimates in Exhibit AWEC/305.

7           **II. IE REPORT DOES NOT ADDRESS REGULATORY CONSIDERATIONS**

8           **Q. PLEASE SUMMARIZE THIS ISSUE.**

9           A. The IE Report evaluates the Kiewit Report from an engineering perspective. As such, it  
10          does not address regulatory considerations, such as whether PacifiCorp will implement  
11          the full level of remediation contemplated or whether certain costs are double-counted  
12          due to inclusion in base rates.

13          **Q. WHAT IS AN EXAMPLE OF HOW THE ENGINEERING PERSPECTIVE**  
14          **DIFFERS FROM THE REGULATORY PERSPECTIVE?**

15          A. Both my Opening Testimony and the IE Report take issue with PacifiCorp's approach to  
16          removing asphalt. The IE Report addresses the issue from an engineering perspective,  
17          noting that [REDACTED] may not apply to all roads and lots.<sup>1/</sup> In my Opening  
18          Testimony, for instance, I question whether PacifiCorp will remove all roads and lots  
19          rather than continue to use the facilities for other purposes.<sup>2/</sup> I also note that certain  
20          expenses included in the Kiewit Report, like labor expense, are already included in  
21          PacifiCorp's revenue requirement.<sup>3/</sup> This is more of a regulatory perspective.

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<sup>1/</sup> IE Report at 15, Section (vii).

<sup>2/</sup> AWEC/300 Kaufman/26:17-27:2.

<sup>3/</sup> Id. at 24:15-16.



1 **Q. WHY IS IT IMPORTANT TO REVIEW THE KIEWIT DECOMMISSIONING**  
2 **COST ESTIMATES FROM A REGULATORY PERSPECTIVE AND NOT JUST**  
3 **AN ENGINEERING PERSPECTIVE?**

4 A. The Commission is charged with setting just and reasonable rates for customers, which in  
5 this instance includes just and reasonable decommissioning cost estimates for  
6 PacifiCorp's coal plants. If PacifiCorp is able to repurpose or reuse certain assets  
7 following the closure of a coal plant, then from a regulatory perspective, these costs  
8 should not be included in decommissioning cost estimates, or included at a lesser amount,  
9 because these assets will not be decommissioned. The IE Report, by contrast, assumes  
10 that all assets will be decommissioned because it is attempting to evaluate an appropriate  
11 decommissioning cost from an engineering perspective.

12 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS ISSUE?**

13 A. I recommend the Commission address PacifiCorp's decommissioning study from both a  
14 regulatory and engineering perspective. As such, the Commission should recognize that  
15 the IE Report is incomplete in that it does not account for regulatory considerations such  
16 as PacifiCorp's ability to repurpose or reuse various assets, or whether PacifiCorp is  
17 already recovering certain expenses in its revenue requirement.

18 **III. THE KIEWIT REPORT IS NOT TRANSPARENT**

19 **Q. PLEASE SUMMARIZE THIS ISSUE.**

20 A. The Kiewit Report and the resulting estimates are essentially "Black Box" estimates of  
21 decommissioning costs. On its surface, the report does not appear to be a black box  
22 because it lists numerous assumptions and has numerous line items in the cost estimate.  
23 However, closer examination reveals that many assumptions are not reported, and the  
24 methods and formulae to transform from assumptions into estimates are not provided.

1 Furthermore, several of the assumptions in the Kiewit Report appear to be arbitrary. I  
2 note these issues in my Opening Testimony and the IE Report confirms my findings.

3 **Q. IS THE BLACK BOX NATURE OF THE KIEWIT REPORT LIMITED TO**  
4 **KIEWIT’S NUMBERS AND ASSUMPTIONS?**

5 A. No. The IE Report also notes that there is no transparency into the cost items directly  
6 provided by PacifiCorp to Kiewit – the “ [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED].”<sup>4/</sup> While I showed in my Opening

10 Testimony that the lack of transparency with the decommissioning cost estimates was due  
11 to PacifiCorp’s decision not to require Kiewit to provide workpapers supporting its cost  
12 estimates as part of the scope of work,<sup>5/</sup> the IE Report further demonstrates that the cost  
13 estimates PacifiCorp provided to Kiewit similarly lack foundation. Regardless of  
14 contract issues with Kiewit, therefore, PacifiCorp should at least be able to provide  
15 transparency and justification for the cost items developed internally by PacifiCorp. I  
16 note in my Opening Testimony that these costs could include items already covered in  
17 base rates and may not be incremental costs.<sup>6/</sup>

18 **Q. DOES THE IE REPORT SUPPORT OTHER CONCLUSIONS FROM YOUR**  
19 **OPENING TESTIMONY?**

20 A. Yes. The IE Report finds certain assumptions to be arbitrary.<sup>7/</sup> This aligns with my  
21 Opening Testimony, which offered line item adjustments that addressed the same  
22 assumptions flagged by the IE Report.

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<sup>4/</sup> IE Report at 5, Section (b).

<sup>5/</sup> AWEC/302 at 22.

<sup>6/</sup> AWEC 300, Kaufman/26:4-9.

<sup>7/</sup> IE Report at 14-17.

1 **Q. CAN YOU SUMMARIZE THE ASSUMPTIONS THAT THE IE REPORT TAKES**  
2 **ISSUE WITH?**

3 A. Yes, the table below matches the IE Report concerns with my proposed adjustments.

Assumption	IE Report	AWEC 300
Asbestos/buried pipe/ARO	Page 14 par i., iii., vii. (second)	Page 24 line 17 and page 25 lines 12 to 15
Below grade structure removal	Page 14 par ii.	Page 24 lines 18 and 19
Pond removal depth	Page 15 par v	Page 24 lines 20 to 21
Coal pile and runoff ponds	Page 15 par vi. and viii.	Page 25 lines 5 to 7
Road and parking lots	Page 15 par vii (first)	Page 24 lines
Other Liabilities	Page 16 part ix	AWEC 305 page 3 line 8
Materials and supplies	Page 17 part x	Page 25 lines 3 and 4.

4 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

5 A. I maintain the recommendation from my Opening Testimony to either adopt PacifiCorp's  
6 originally filed decommissioning estimates or to adopt the adjustments proposed in my  
7 Opening Testimony.

8 **IV. KIEWIT ESTIMATES EXCEED NORMALIZED VALUES**

9 **Q. PLEASE SUMMARIZE THIS ISSUE.**

10 A. Table 2 of the IE Report compares the Kiewit Report to normal industry costs on a \$ per  
11 MW basis for equivalent-sized projects. Seven of eight Kiewit estimates exceeded the  
12 upper range of normal costs. Most of these plants were two to four times the upper range  
13 of normalized costs. The Kiewit estimate within normal range was Huntington, which  
14 was at the top of the range.<sup>8/</sup>

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<sup>8/</sup> IE Report at 20, Table 2.

1 **Q. DOES THE IE REPORT'S COMPARISON OF INDUSTRY STANDARD**  
2 **DECOMMISSIONING COSTS ALSO SUPPORT YOUR RECOMMENDATIONS**  
3 **IN OPENING TESTIMONY?**

4 A. Yes. The IE Report shows that the Kiewit Report's decommissioning cost estimates are  
5 two to four times higher than the upper range of normal costs. This is consistent with my  
6 Opening Testimony observation that PacifiCorp has incentive to overestimate  
7 decommissioning expense and that the Kiewit Report estimates are likely substantially  
8 higher than actual costs that will be incurred.<sup>9/</sup> This supports a conclusion that inclusion  
9 of these assumed costs in Oregon rates will result in unjust and unreasonable rates for  
10 Oregon customers. This risk is particularly high with respect to coal plants that Oregon  
11 exits before other PacifiCorp states, like Jim Bridger (other than Unit 1), because the  
12 2020 Protocol specifies that Oregon will pay the estimated decommissioning costs for  
13 these plants, rather than actual decommissioning costs once they are incurred.<sup>10/</sup> Thus,  
14 estimated decommissioning costs for these plants that are too high will result in Oregon  
15 customers paying more than they should.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

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<sup>9/</sup> AWEC/300, Kaufman/23-30.  
<sup>10/</sup> 2020 Protocol § 4.3.1.4.