

**EXHIBIT NO. __ (EDH-16)
DOCKET UE-200115
COLSTRIP UNIT 4 SALE
WITNESS: EZRA D. HAUSMAN, PH.D.**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

PUGET SOUND ENERGY,

**For an Order Authorizing the Sale of
All of Puget Sound Energy's Interests
in Colstrip Unit 4 and Certain of Puget
Sound Energy's Interests in the
Colstrip Transmission System**

Docket UE-200115

**EXHIBIT EDH-16 TO THE
PREFILED DIRECT TESTIMONY OF
EZRA D. HAUSMAN, PH.D.
ON BEHALF OF THE SIERRA CLUB**

October 2, 2020

535 of a coal-fueled Interim Period Resource or recommendations on capacity reductions through
536 Closures for further Commission consideration.

537 In the event of either common Exit Dates for all States or Closure as a result of the
538 Reassignment process or other appropriate regulatory proceedings, the provisions of Section 4.1.1
539 will apply.

540 **4.3. Decommissioning Costs**

541 **4.3.1. Process for Determining Decommissioning Cost Allocation**

542 **4.3.1.1. Decommissioning Studies**

543 The Company intends to undertake a contractor-assisted engineering study of
544 decommissioning costs and to make best efforts to complete the study by January 15, 2020, to
545 estimate appropriate Decommissioning Cost reserve requirements for the Jim Bridger, Dave
546 Johnston, Hunter, Huntington, Naughton, Wyodak, and Hayden coal-fueled Interim Period
547 Resources. Colstrip will also be included in the contractor-assisted engineering study of
548 decommissioning costs, and the Company will make best efforts to complete that portion of the
549 study by March 15, 2020. The Company will provide the information from the study to the States
550 as a supplemental filing in all applicable depreciation dockets. The study results will be used to
551 inform the Company's recommendation on the amount of Decommissioning Cost responsibility
552 to be allocated to States for coal-fueled Interim Period Resources that States exit at different times.
553 The Company will retain and make available the Decommissioning Studies in future regulatory
554 proceedings.

555 **4.3.1.2. Decommissioning Studies Update**

556 The Company intends to undertake the same process to complete an update to the
557 Decommissioning Studies by no later than June 30, 2024, to estimate appropriate
558 Decommissioning Cost reserve requirements for the Craig, Hunter, Huntington, and Wyodak coal-

559 fueled Interim Period Resources (collectively with the studies discussed in the paragraph above
560 constituting the Decommissioning Studies), which will be incorporated into a Company-sponsored
561 depreciation study. The Company will retain and make available the Decommissioning Studies
562 update in future regulatory proceedings.

563 **4.3.1.3. Commission Determination of Decommissioning Costs**

564 No Party will be bound by the Decommissioning Cost estimates in the Decommissioning
565 Studies undertaken pursuant to Paragraphs 4.3.1.1 and 4.3.1.2, and final determination of each
566 State's just and reasonable Decommissioning Cost allocation for each coal-fueled Interim Period
567 Resource will remain exclusively with each Commission and will be determined in the
568 depreciation dockets in which the Decommissioning Costs are included.¹²

569 **4.3.1.4. Decommissioning Costs Allocation**

570 For coal-fueled Interim Period Resources having a common operating life across all States,
571 each State shall be allocated its share of actual Decommissioning Costs based on either an SG
572 Factor (if closed during the Interim Period) or an Assigned Production ("AP") Factor, adjusted for
573 any Reassignment or Limited Realignment effects (if closed after the Interim Period). For coal-
574 fueled Interim Period Resources that do not have a common operating life across all States, each
575 Exiting State shall be allocated, using either an SG Factor (if closed during the Interim Period) or
576 an AP Factor, adjusted for any Reassignment or Limited Realignment effects (if closed after the
577 Interim Period), that State's share of estimated Decommissioning Costs based on the
578 Decommissioning Studies described in Sections 4.3.1.1 and 4.3.1.2. If the Decommissioning
579 Costs ordered to be included in the reserve balance established for an Exiting State are less than
580 the estimated Decommissioning Costs allocated to that Exiting State as specified above, such

¹² For California, Decommissioning Costs will be addressed in PacifiCorp's next general rate case.

581 difference shall not be allocated to any other State under any circumstance. If PacifiCorp
582 effectuates Closure of a coal-fueled Interim Period Resource after one or more States have exited
583 from the Resource, the Company may, with the burden of proof and subject to PacifiCorp
584 supporting its proposal in testimony,¹³ propose to allocate to and collect from each State that is
585 participating in that Resource at the time of Closure that State's share, based on either an SG Factor
586 (if closed during the Interim Period) or an AP Factor, adjusted for any Reassignment or Limited
587 Realignment effects (if closed after the Interim Period), of actual Decommissioning Costs less the
588 regulatory liabilities for Exiting States including interest as described in Section 4.3.2 and less any
589 difference between the reserve balance established for each Exiting State and the estimated costs
590 allocated to each Exiting State as described above. Parties in such State(s) may take any position
591 regarding a Company request to recover Decommissioning Costs.

592 **4.3.2. Accounting for Decommissioning Costs Reserve Balances when All**
593 **States Do Not Exit a Unit**

594 After an Exit Date by some but not all States, the estimated Decommissioning Costs
595 reserves allocated to the Exiting State(s) associated with a coal-fueled Interim Period Resource
596 unit, from which that State is exiting, will be accounted for as a regulatory liability that is excluded
597 from rate base. Interest will be accrued on that regulatory liability at the Company's then-
598 authorized weighted average cost of capital¹⁴ for each State that continues to participate in that
599 coal-fueled Interim Period Resource after an Exit Date until the decommissioning work on that
600 unit is completed.

¹³ PacifiCorp's testimony will identify and explain the variances between estimated and actual Decommissioning Costs.

¹⁴ Not to exceed the maximum carrying charge allowed by applicable law or Commission Order.

601 **4.3.3. Accounting for Interim and Final Retirements**

602 Before any State exits a coal-fueled Interim Period Resource, but no later than December
603 31, 2021, the Company shall propose to the Parties a process for separately accounting for removal
604 costs associated with interim retirements and final Decommissioning Costs in its accounting
605 system. Each State may determine the regulatory treatment for such removal costs in appropriate
606 proceedings.

607 **4.3.4. Individual State Review Process**

608 Any Party, at its discretion and cost, may pursue actions it deems necessary or appropriate
609 to review and evaluate the Decommissioning Studies or Decommissioning Costs and may take any
610 positions based on its review and findings. If a Commission issues an order identifying an
611 independent evaluator for the Decommission Studies, and the Commission Order provides for the
612 deferral and later recovery in rates of the cost of the independent evaluator, the Company agrees
613 to initially pay for this independent evaluation.

614 **4.4. Qualifying Facilities**

615 The allocation of QF PPAs shall be treated in accordance with Sections 4.4.1 and 4.4.2 of
616 this 2020 Protocol, superseding Section (IV)(A)(3) of the 2017 Protocol. For Washington, QF
617 PPAs will be assigned and allocated consistent with the terms of Appendix F during the Interim
618 Period. Other than addressing the allocation of the costs and assignment of benefits of QF PPAs
619 among the States, this 2020 Protocol does not restrict or affect any Commission's jurisdiction over
620 any agreement or interaction between QFs and the Company. QF PPAs shall be treated in the
621 following manner for allocation and assignment purposes.