

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Investigation of AVISTA CORPORATION d/b/a AVISTA
UTILITIES, PUGET SOUND ENERGY, and PACIFIC POWER LIGHT COMPANY
Regarding Prudency of Outage and Replacement Power Costs

DOCKET UE-190882

**RESPONSE TESTIMONY OF AVI ALLISON
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT AA-1CT

January 10, 2020

Bracketed and Shaded Information is Designated **Company-Confidential** *and*
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DOCKET 190882

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Exhibit AA-3	Avista Response to Public Counsel Data Request No. 134, Attachment A (Dockets UE-190334, UG-190335, and UE-190222)
Exhibit AA-4C	Puget Sound Energy Revised Response to Staff Data Request No. 5, Attachment A, Tab “Variance Analysis” (Docket UE-190324)
Exhibit AA-5C	Avista Supplemental Response to Public Counsel Data Request No. 113, Attachments B and C (Dockets UE-190334, UG-190335, and UE-190222)
Exhibit AA-6	Avista Response to Staff Data Request No. 8, Attachment A (Dockets UE-190334, UG-190335, and UE-190222)
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Exhibit AA-8	PacifiCorp Response to Public Counsel Data Request No. 316
Exhibit AA-9	Avista Workpaper “190222-AVA-Other Variance Calculation.xlsx”
Exhibit AA-10	Avista Response to Staff Data Request No. 5 (Docket UE-190222)
Exhibit AA-11CC	Avista Response to Staff Data Request No. 62C Supplemental (Docket UE-190222)
Exhibit AA-12	Avista Response to Public Counsel Data Request No. 120 (Docket UE-190222)
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I. INTRODUCTION AND SUMMARY

1 **Q. Please state your name and occupation.**

2 A. My name is Avi Allison and I am a Senior Associate with Synapse Energy Economics,
3 Incorporated (“Synapse”). My business address is 485 Massachusetts Avenue, Suite 3,
4 Cambridge, Massachusetts 02139.

5 **Q. Please describe Synapse Energy Economics.**

6 A. Synapse is a research and consulting firm specializing in energy and environmental
7 issues, including electric generation, transmission and distribution system reliability,
8 ratemaking and rate design, electric industry restructuring and market power, electricity
9 market prices, stranded costs, efficiency, renewable energy, environmental quality, and
10 nuclear power.

11 Synapse’s clients include state consumer advocates, public utilities commission
12 staff, attorneys general, environmental organizations, federal government agencies, and
13 utilities.

14 **Q. Please summarize your work experience and educational background.**

15 A. At Synapse, I provide consulting and research services on a wide range of issues related
16 to the electric industry. My areas of focus include resource planning, power plant
17 economics, rate design, economic impact analysis, and regional capacity markets. I have
18 provided consulting services for a variety of public sector and public interest clients
19 including the U.S. Environmental Protection Agency, the Michigan Public Service
20 Commission, the Michigan Agency for Energy, the New York State Energy Research and
21 Development Authority, the Rhode Island Office of Energy Resources, the Efficiency

1 Maine Trust, the Maine Office of the Public Advocate, the California Department of
2 Justice, the Washington State Office of the Attorney General, Sierra Club, Natural
3 Resources Defense Council, and other organizations.

4 I have provided testimony in resource planning, power cost, and rate case dockets
5 in Arizona, Arkansas, Indiana, Michigan, Missouri, and Washington.

6 I hold a Master of Environmental Management from Yale University and a
7 Bachelor of Arts in economics from Columbia University. A copy of my current resume
8 is attached as Exhibit AA-2.¹

9 **Q. On whose behalf are you testifying in this case?**

10 A. I am testifying on behalf of the Public Counsel Unit of the Washington Attorney
11 General's Office ("Public Counsel").

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to review the prudence of incremental power costs
14 incurred by Avista Corporation ("Avista"), Puget Sound Energy ("PSE"), and Pacific
15 Power & Light Company ("PacifiCorp") as a result of the summer 2018 compliance-
16 related outage at the Colstrip Generation Station.

17 **Q. Please identify the documents and filings on which you base the opinions presented
18 in your testimony.**

19 A. My findings rely primarily upon the power cost testimonies, workpapers, and discovery
20 responses of Avista witnesses Thomas C. Dempsey and William G. Johnson, PSE

¹ Avi Allison, Exh. AA-2 (Resume of Avi Allison).

1 witnesses Ronald J. Roberts and Paul K. Wetherbee, and PacifiCorp witnesses Michael
2 G. Wilding and Charles L. Tack.

3 **Q. Please summarize your findings.**

4 A. My primary finding is that Avista, PSE, and PacifiCorp have not adequately
5 demonstrated the prudence of the actions that they and their fellow Colstrip co-owners
6 took in the months leading up to the Mercury and Air Toxic Standards (MATS)
7 emissions exceedance that led to summer outages at Colstrip Units 3 and 4. On the
8 contrary, the evidence indicates that the Colstrip co-owners should have foreseen the
9 emissions exceedance and taken stronger actions to prevent it. Their failure to avoid the
10 summer outage and derate associated with the Colstrip MATS emissions exceedance
11 resulted in unnecessary and imprudent increases in the net power costs of Avista, PSE,
12 and PacifiCorp.

13 **Q. Do you have any recommendations for the Commission?**

14 A. Yes. I recommend that the Commission not permit Avista, PSE, or PacifiCorp to recover
15 from Washington ratepayers the increased net power costs resulting from the foreseeable
16 MATS emissions exceedance at Colstrip. Instead, the incremental net power costs
17 associated with Colstrip's MATS-related outages and derates should be returned to
18 customers. The magnitude of these incremental net power costs is approximately \$3.3
19 million for Avista, \$17.4 million for PSE, and \$0.5 million for PacifiCorp.

II. SUMMER 2018 COLSTRIP MATS VIOLATION AND OUTAGE

1 **Q. What is MATS and how does it affect the operation of Colstrip?**

2 A. MATS is a federal regulation that limits emissions of mercury and other toxic pollutants
3 from power plants. As described by Avista witness Thomas Dempsey's testimony,
4 MATS regulations require that particulate matter (PM) emissions be used as a surrogate
5 for toxic emissions of non-mercury metals.² Colstrip is subject to a site-wide PM
6 emissions limit of 0.03 pounds per million British thermal units (mmBtu).³

7 **Q. Please summarize the circumstances surrounding the summer 2018 outages at**
8 **Colstrip Units 3 and 4.**

9 A. As described in Mr. Dempsey's testimony, the results of quarterly PM tests conducted at
10 Colstrip Units 3 and 4 in June 2018 indicated that Colstrip was operating in excess of its
11 MATS emission limits.⁴ In response to this exceedance, Colstrip co-owner and operator
12 Talen Energy ("Talen") removed Colstrip Units 3 and 4 from service, conducted a series
13 of inspections, and implemented a series of measures to attempt to lower PM emissions.⁵

14 **Q. Were the measures implemented by Talen effective in returning Colstrip Units 3**
15 **and 4 to compliance with MATS?**

16 A. Yes. The measures resulted in Colstrip Units 3 and 4 demonstrating compliance with
17 MATS PM standards and returning to compliant service in September 2018.⁶

² Direct Testimony of Thomas C. Dempsey, Exh. TCD-1T at 23, *WUTC v. Avista Corp.* (Dockets UE-190334, UG-190335 and UE-190222 (*Consolidated*)).

³ *Id.* at 3.

⁴ *Id.* at 3.

⁵ *Id.* at 3-5.

⁶ *Id.* at 5.

1 **Q. Has Avista estimated the impact of Colstrip’s MATS-related outage on its 2018 net**
2 **power costs?**

3 A. Yes. Avista witness William Johnson estimates that the Colstrip MATS incident
4 increased Avista’s Washington power supply expenses by \$3.5 million during all hours in
5 July and August.⁷ In response to a data request, Avista indicated that this estimate relied
6 on a calculation error and provided corrected workpapers that support a revised estimate
7 of a \$3.3 million impact during all hours in July and August.⁸

8 **Q. Has PSE estimated the impact of Colstrip’s MATS-related outage on its 2018 net**
9 **power costs?**

10 A. Yes. PSE witness Paul Wetherbee states in revised testimony that the MATS-related
11 outage contributed to an estimated \$17.9 million 2018 net power cost increase attributed
12 to the Colstrip plant.⁹ However, PSE’s workpapers indicate that during the relevant
13 months of July and August Colstrip Units 3 and 4 were responsible for a \$17.4 million
14 increase in net power costs.¹⁰

⁷ Direct Testimony of William G. Johnson, Exh. WGJ-1T at 12 (Dockets UE-190334, UG-190335 and UE-190222 (Consolidated)).

⁸ Allison, Exh. AA-3, Avista Response to Public Counsel Data Request No. 134, Attachment A (\$4.98 million value in Cell J15 multiplied by Washington allocation of 65.73 percent equals \$3.3 million) (Dockets UE-190334, UG-190335 and UE-190222).

⁹ Direct Testimony of Paul K. Wetherbee, Exh. PKW-1CTr at 15, *In re: Puget Sound Energy for Approval of its April 2019 Power Cost Adjustment Mechanism Report* (Docket UE-190324).

¹⁰ Allison, Exhibit AA-4C, PSE Revised Response to Staff Data Request No. 5, Confidential Attachment A, Tab “variance analysis (C),” Cells J198:K198 (\$8.8 million + \$8.6 million = \$17.4 million) (Docket UE-190324).

1 **Q. Has PacifiCorp estimated the impact of Colstrip’s MATS-related outage on its 2018**
2 **net power costs?**

3 A. Yes. PacifiCorp witness Michael Wilding estimated that the Colstrip MATS-related
4 outage increased PacifiCorp’s net power costs by approximately \$0.5 million.¹¹

**A. The Summer 2018 MATS-Related Colstrip Outage Was Foreseeable and
Avoidable**

5 **Q. What does Avista argue regarding the prudence of the incremental power expenses**
6 **associated with the Colstrip MATS-related outage?**

7 A. Avista argues that the Colstrip outage “was not the result of imprudent actions on the part
8 of Avista, Talen, or the other plant owners.”¹² In support of this claim, Mr. Dempsey
9 asserts that Talen acted appropriately in conducting required compliance testing,
10 notifying the Montana Department of Environmental Quality (MDEQ) of the MATS
11 compliance issue, and taking the necessary steps to bring Colstrip Units 3 and 4 back into
12 MATS compliance.

13 **Q. Do you agree with Avista’s claim that the Colstrip summer 2018 outage was not a**
14 **result of imprudent actions on the part of Avista, Talen, PSE, PacifiCorp, or the**
15 **other plant owners?**

16 A. No, I do not. While I do not contest the reasonableness of the Colstrip owners’ response
17 to the Colstrip June emissions exceedance, I do question whether the Colstrip owners

¹¹ Direct Testimony of Michael G. Wilding, Exh. MGW-1T at 15, *WUTC v. Pacific Power & Light Co.* (Docket UE-190458).

¹² Dempsey, Exh. TCD-1T at 7 (Dockets UE-190334, UG-190335 and UE-190222).

1 should have allowed the emissions exceedance to happen in the first place. The available
2 evidence suggests that Colstrip's June 2018 MATS emission exceedance was both
3 foreseeable and avoidable. If Avista, PSE, PacifiCorp, and their co-owners had taken the
4 necessary steps to address escalating PM emissions at Colstrip, they could have resolved
5 the issue long before an emissions exceedance compelled the owners to take Colstrip
6 offline during the summer peak season.

7 **Q. Prior to the June 2018 MATS emissions exceedance, when were the previous**
8 **quarterly Colstrip PM emissions tests conducted?**

9 A. The previous quarterly PM emissions tests were conducted in February 2018.¹³

10 **Q. What were the results of the February 2018 PM emissions tests at Colstrip Units 3**
11 **and 4?**

12 A. The February 2018 emissions tests indicated PM emission rates of 0.027 pounds per
13 mmBtu at Colstrip Unit 3 and 0.034 pounds per mmBtu at Colstrip Unit 4.¹⁴

14 **Q. What impact did the February 2018 PM emissions test results at Colstrip Units 3**
15 **and 4 have on the site-wide Colstrip average emissions rate?**

16 A. The February 2018 emissions test results for Colstrip Units 3 and 4 increased the
17 site-wide weighted average emissions rate to 0.030 pounds per mmBtu, which is the
18 emissions limit at Colstrip.¹⁵ In other words, following the February 2018 test, it was

¹³ Allison, Exh. AA-5C, Avista Response to Public Counsel Data Request No. 113, Attachment C (Dockets UE-190334, UG-190335 and UE-190222).

¹⁴ *Id.*

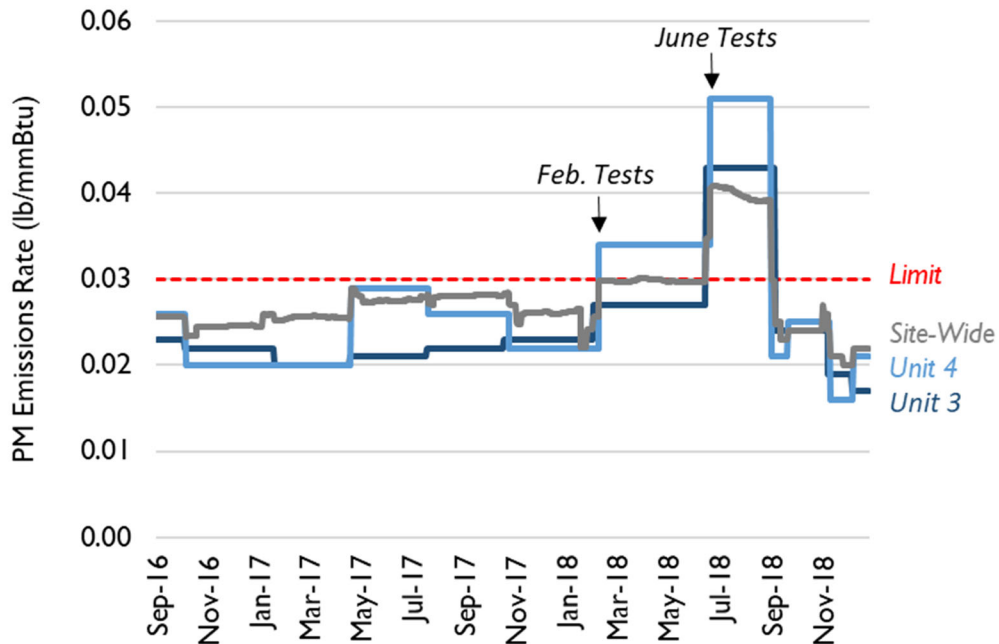
¹⁵ Allison, Exh. AA-6, Avista Response to Staff Data Request No. 8, Attachment A, Row 528 (Dockets UE-190334, UG-190335 and UE-190222).

1 clear that any further increase in the emissions rate of Unit 3 or Unit 4 would cause
 2 Colstrip to exceed its PM emissions limit.

3 **Q. How did the February 2018 Colstrip PM emissions test results compare to previous**
 4 **emissions test results?**

5 A. The February 2018 PM emissions test results indicated the highest-ever reported
 6 emissions rates at both Colstrip Unit 3 and Unit 4 since MATS testing began in 2016.¹⁶
 7 As shown in Figure 1, these elevated emissions rates resulted in the highest-ever
 8 site-wide Colstrip emissions rate reported to that point.

Figure 1. Colstrip Unit 3, Unit 4, and Site-Wide PM Emission Rates, 2016-2018



Source: Attachment A to Avista Response to Staff Data Request No. 008, Docket No. UE-190222

¹⁶ Allison, Exh. AA-6, Avista Response to Staff Data Request No. 8, Attachment A (Dockets UE-190334, UG-190335 and UE-190222).

1 **Q. What are the implications of Figure 1?**

2 A. Figure 1 shows that the June 2018 PM emissions exceedance was not an unpredictable
3 event that came “out of the blue,” but rather, a foreseeable consequence of rising PM
4 emissions. Following the February test results, which showed that Colstrip PM emissions
5 were at the allowable limit, the Colstrip co-owners knew, or should have known, that any
6 further emissions increase would cause Colstrip to exceed its allowable PM emissions
7 limit. Yet, rather than take the necessary steps to reduce PM emissions at Colstrip, the
8 plant owners allowed Colstrip’s emissions rate to continue to increase. This approach
9 predictably resulted in the June 2018 exceedance and subsequent outage.

10 **Q. What did MDEQ conclude regarding the circumstances leading up to the Colstrip**
11 **PM emissions violation?**

12 A. MDEQ concluded that the circumstances surrounding the Colstrip PM emissions
13 exceedance warranted an eight percent increase in the base penalty for the violation.¹⁷
14 MDEQ grounded this increased penalty in its evaluation of “how much control the source
15 had over the violation, the foreseeability of the violation, whether the source took
16 reasonable precautions to prevent the violation, and whether the source knew or should
17 have known of the requirement that was violated.”¹⁸ In other words, the eight percent
18 additional “circumstances” penalty appears to reflect MDEQ’s conclusion that the
19 emissions exceedance was foreseeable and avoidable.

¹⁷ Charles L. Tack, Exh. CLT-12 at 2.

¹⁸ *Id.*

1 **Q. Are you aware of additional evidence that MDEQ considered the Colstrip emissions**
2 **exceedance to be foreseeable?**

3 A. **[BEGIN COMPANY-CONFIDENTIAL]** [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED] **[END COMPANY-**

11 **CONFIDENTIAL]** However, it is worth highlighting that the final penalty factors
12 assessment retained an eight percent “circumstances” penalty based on the degree to
13 which the emissions exceedance was foreseeable and avoidable.²¹

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¹⁹ Allison, Exh. AA-7CC at 1, Avista Response to Public Counsel Data Request No. 138, Confidential Attachment D (Dockets UE-190334, UG-190335 and UE-190222).

²⁰ *Id.* at 1-2.

²¹ Tack, Exh. CLT-12 at 2.

B. The Colstrip Co-Owners Should Have Taken Additional Steps to Address the Elevated PM Emissions at Colstrip Following the February MATS PM Test

1 **Q. What actions should the Colstrip co-owners have taken in response to the February**
2 **2018 Colstrip emissions test results?**

3 A. In response to the February emissions test results, the Colstrip co-owners should have
4 performed additional testing and implemented sufficient measures to avoid an emissions
5 exceedance in June. Doing so not only would have avoided MATS non-compliance
6 penalties, but also would have resulted in lower 2018 net power expenses by avoiding the
7 need to purchase costly replacement power during the Colstrip summer outage.

8 **Q. Between February 2018 and June 2018, did any of the Colstrip co-owners conduct**
9 **any PM tests at Colstrip Units 3 or 4 that followed the official MATS PM testing**
10 **process?**

11 A. No.²² Despite the evidence of increasing PM levels and a lack of any margin for further
12 increases, none of the Colstrip co-owners conducted any preliminary versions of the test
13 that would determine whether Colstrip Units 3 and 4 would remain in compliance with
14 MATS through summer 2018.

15 **Q. Did the Colstrip co-owners conduct any investigations of the high Colstrip PM**
16 **emission rates following the February 2018 emission tests?**

17 A. Yes. The exhibits of PacifiCorp witness Charles Tack list the PM-related investigations
18 that Talen undertook on behalf of the Colstrip co-owners between the February and June

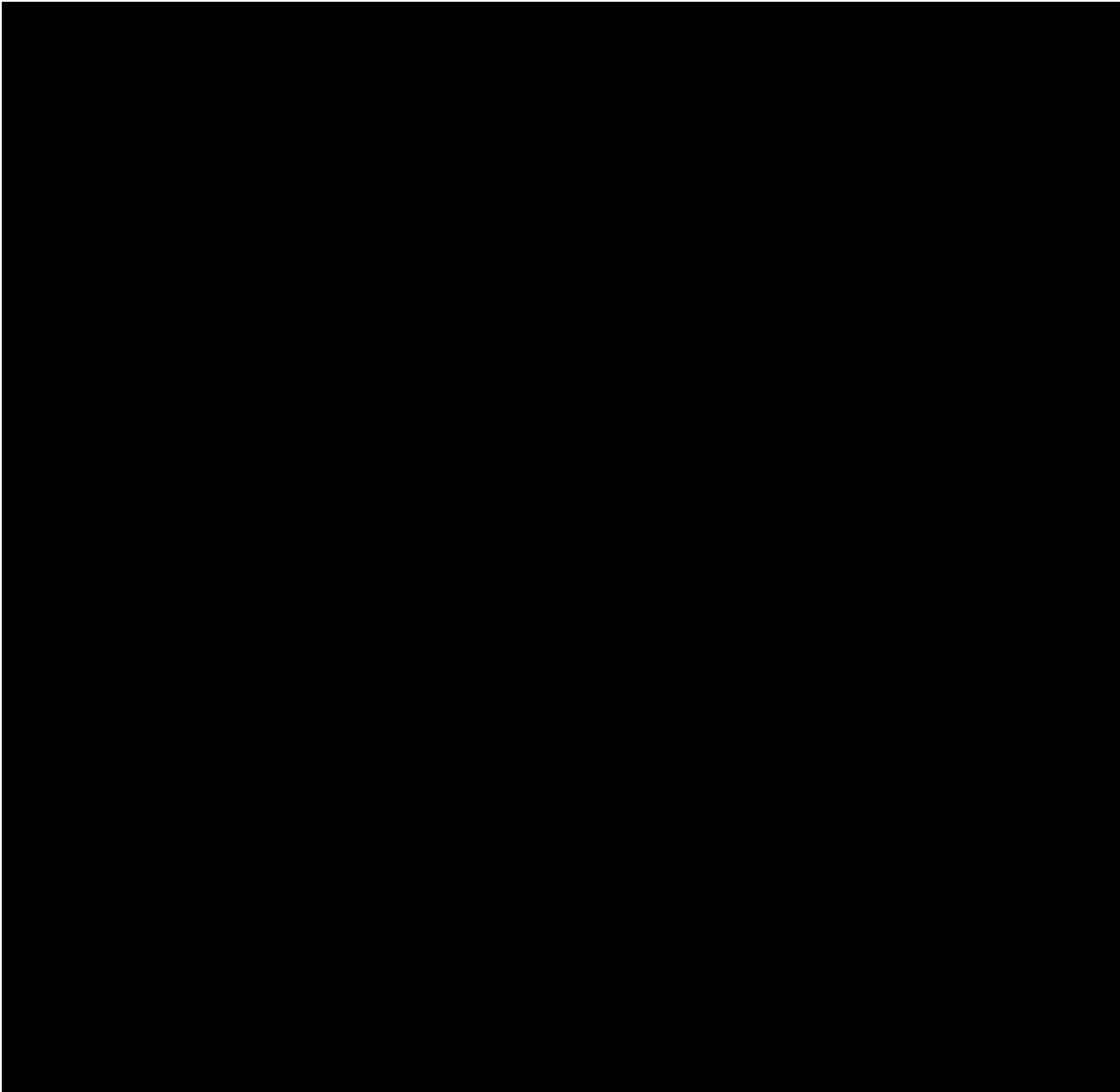
²² Allison, Exh. AA-8, PacifiCorp Response to Public Counsel Data Request No. 316(a).

1 official PM tests. These measures included **[BEGIN COMPANY-CONFIDENTIAL]**

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²³ Tack, Company Confidential Exh. CLT-6.
²⁴ Tack, Company Confidential Exh. CLT-7.
²⁵ Tack, Company Confidential Exh. CLT-8.
²⁶ Tack, Company Confidential Exh. CLT-7.
²⁷ Tack, Company Confidential Exh. CLT-8.
²⁸ Tack, Company Confidential Exh. CLT-7.

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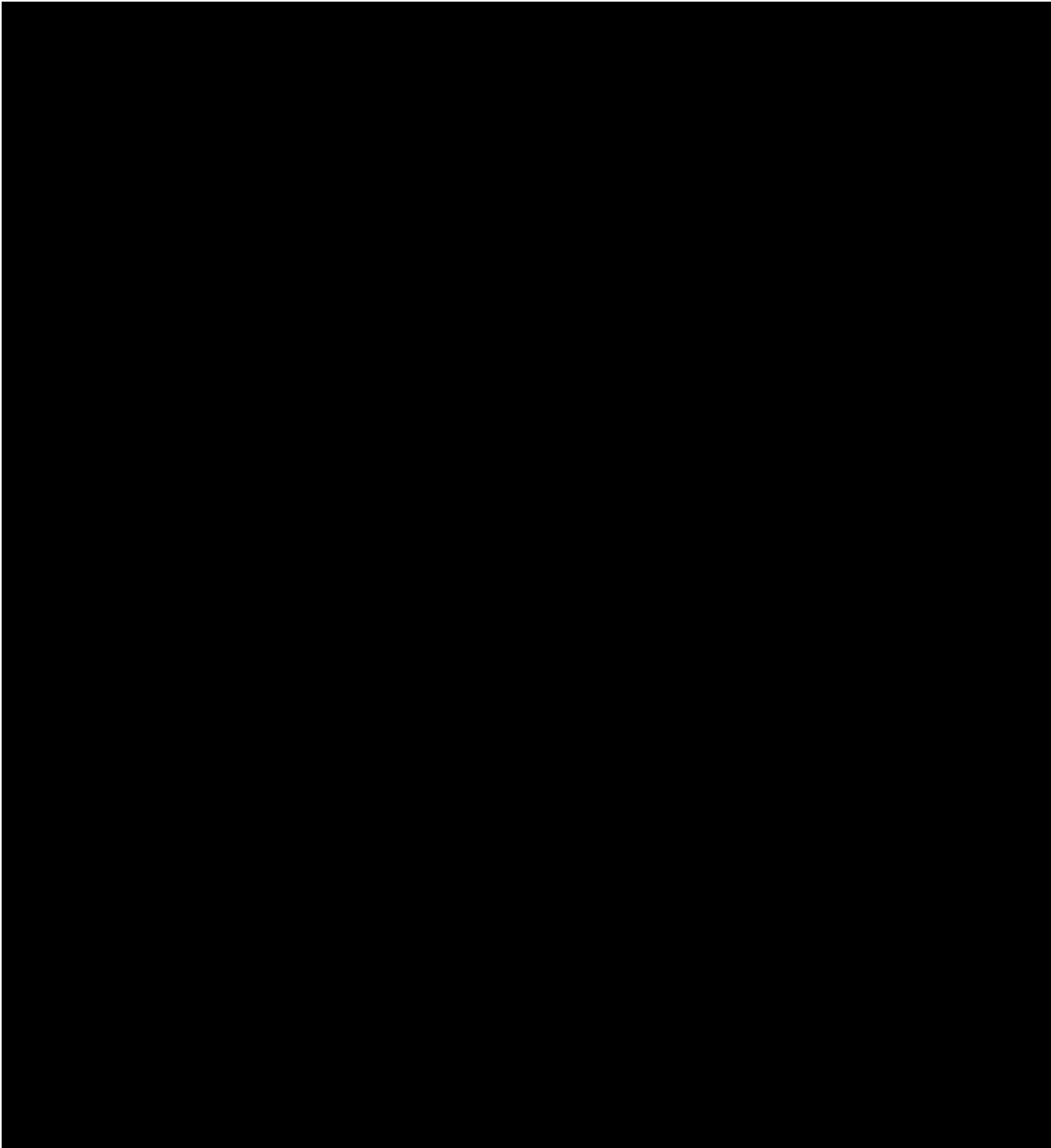
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²⁹ *Id.*

³⁰ *Id.*

³¹ Tack, Company Confidential Exh. CLT-6.

³² Direct Testimony of Charles L. Tack, Company Confidential Exh. CLT-1T at 6-7.

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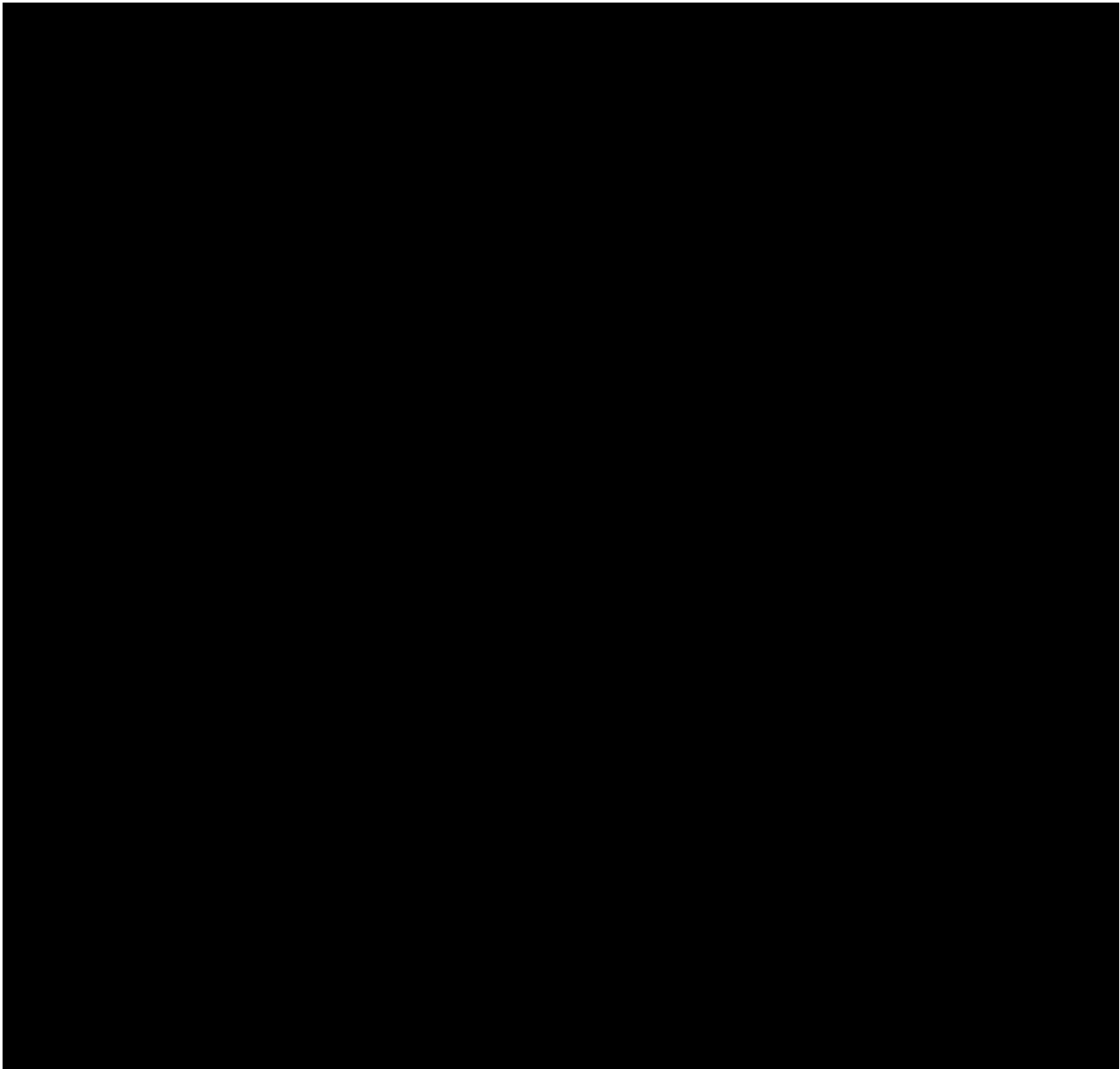
³³ Tack, Company Confidential Exh. CLT-6 at 5; Tack, Company Confidential Exh. CLT-7.

³⁴ Tack, Company Confidential Exh. CLT-1T at 9.

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Q. Mr. Tack’s testimony asserts that “MDEQ determined that Talen took extensive measures to investigate elevated PM levels after February 2018 testing and that

³⁵ Tack, Company Confidential Exh. CLT-9 at 5.

1 **those investigations indicated the units were in compliance.”³⁶ Do you agree with**
2 **this characterization of MDEQ’s conclusions?**

3 A. No. MDEQ’s description of the circumstances surrounding the Colstrip MATS PM
4 exceedance does acknowledge that Talen reviewed various alternative indicators between
5 the February and June official MATS PM compliance tests. However, nowhere does
6 MDEQ describe Talen’s investigations as “extensive” or demonstrating that the Colstrip
7 units “were in compliance.” On the contrary, the same MDEQ assessment that Mr. Tack
8 cites applied an eight percent incremental penalty based on the circumstances
9 surrounding the MATS PM violation.³⁷ This suggests that MDEQ concluded that Talen
10 did not take sufficient “reasonable precautions to prevent the violation.”³⁸

11 **Q. Is there evidence that the Colstrip co-owners could have addressed the elevated PM**
12 **emissions at the plant in time to avoid the June 2018 emissions exceedance and**
13 **associated outage?**

14 A. Yes. The fact that Talen was able to investigate and resolve the PM emission issues in
15 less than three months during summer 2018 indicates that the Colstrip PM issues could
16 have been solved during the four months between the official February and June
17 compliance tests. Unfortunately, the limited and belated investigations conducted by
18 Talen and the other co-owners between February and June 2018 were not sufficient to
19 achieve this result.

³⁶ Tack, Company Confidential Exh. CLT-1T at 16.

³⁷ Tack, Exh. CLT-12 at 2.

³⁸ *Id.*

1 **Q. The Colstrip co-owners may have needed to reduce output at Colstrip Units 3 and 4**
2 **in spring 2018 in order to resolve the Colstrip PM emission issues identified by the**
3 **February tests. Would that have resulted in Avista, PSE, and PacifiCorp**
4 **experiencing net power cost increases similar to the increases associated with the**
5 **summer 2018 outage that actually occurred?**

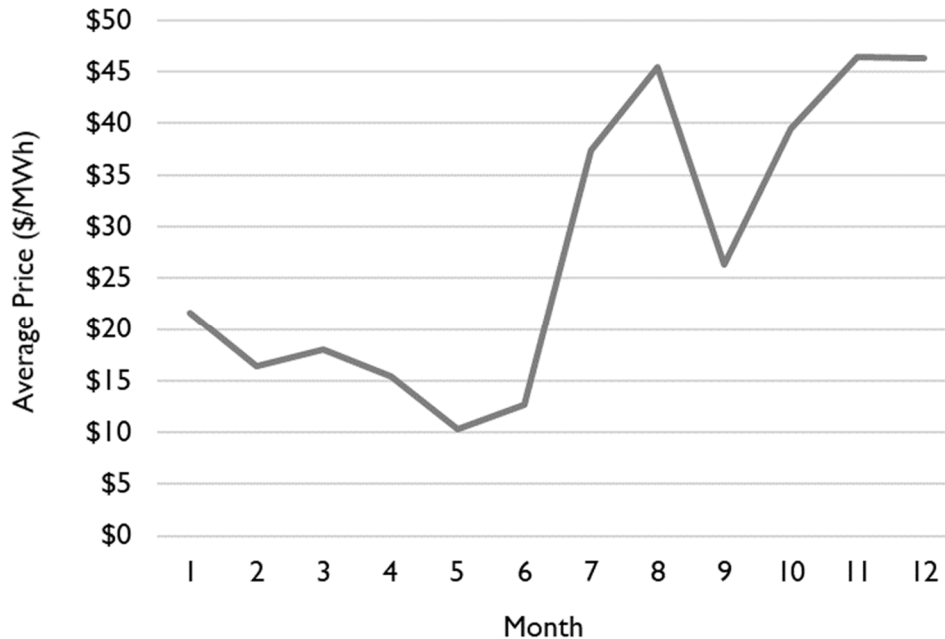
6 A. No. Even if the Colstrip co-owners had needed to take Colstrip Units 3 and 4 offline in
7 March, April, and/or May in order to address the elevated PM issues identified in the
8 February test results, that would have had a much smaller impact on the net power costs
9 of Avista, PSE, and PacifiCorp than the outage that occurred in July and August 2018.
10 This is because July and August are among the months with the highest regional energy
11 prices, whereas March, April, and May are relatively low-priced months (see Figure 2).
12 According to data contained in Avista's workpapers, average energy prices faced by
13 Colstrip in July and August 2018 were approximately 2.8 times greater than average
14 energy prices across March, April, and May.³⁹ This indicates that the cost of power to
15 replace the Colstrip units going offline would have been substantially lower in spring
16 2018 than it was in July and August. In fact, Avista data indicates that **[BEGIN AVISTA**
17 **CONFIDENTIAL]** [REDACTED]
18 [REDACTED].⁴⁰ **[END AVISTA CONFIDENTIAL]** This

³⁹ Allison, Exh. AA-9, Avista Workpaper "190222-AVA-Other Variance Calculation.xlsx," tab "Kettle and Colstrip," Column N (Dockets UE-190334, UG-190335 and UE-190222).

⁴⁰ Allison, Exh. AA-5C, Avista Response to Public Counsel Data Request No. 113, Confidential Attachment B, Tab "DataTable," Row 18 (Docket UE-190222).

1 suggests that Avista, PSE, and PacifiCorp may even have reduced their net power costs
2 by taking Colstrip Units 3 and 4 offline in May.

Figure 2. Average 2018 Monthly Energy Prices Faced by Colstrip



Source: Avista Workpaper "190222-AVA-Other Variance Calculation.xlsx," tab "Kettle and Colstrip."

C. Avista, PSE, And PacifiCorp Did Not Provide Sufficient Oversight of Colstrip's Operations in 2018.

3 **Q. Does Avista's testimony mention the February PM emission test results or any of**
4 **the other circumstances leading up to the June 2018 PM emissions exceedance at**
5 **Colstrip?**

6 **A.** No. Avista witness Thomas Dempsey's testimony makes no mention of the
7 circumstances preceding the June 2018 PM emissions exceedance. Mr. Dempsey's
8 testimony appears to presume that a prudent after-the-fact response to the June PM
9 emissions exceedance establishes that the exceedance and associated outage were not

1 imprudent. There is no reasonable basis for such a presumption. In this case, the prudence
2 of the actions leading up to the exceedance is critical to whether the outage was the result
3 of imprudent actions.

4 **Q. Was Avista aware of Talen’s investigations into the increased Colstrip PM emissions**
5 **following the February 2018 PM tests?**

6 A. Evidently not. In discovery, Avista stated that it “does not recall Talen’s investigation
7 into the increase” in Colstrip PM emissions in the first quarter of 2018.⁴¹ In a separate
8 discovery response, Avista stated that to its knowledge Colstrip did not burn Area A coal
9 from the Rosebud Mine for the purpose of evaluating elevated PM levels at Colstrip.⁴²

10 Talen subsequently confirmed that Colstrip did in fact burn Area A coal in June 2018 for
11 the purpose of addressing elevated PM levels.⁴³ These responses suggest that the lack of
12 discussion in Mr. Dempsey’s testimony regarding the important context surrounding the
13 June PM emissions exceedance may stem in part from a lack of awareness of that
14 context.

⁴¹ Allison, Exh. AA-10, Avista Response to Staff Data Request No. 5, Subpart D (Dockets UE-190334, UG-190335 and UE-190222).


⁴² Allison, Exh. AA-11CC, Avista Response to Staff Data Request No. 62C Supplemental, Subpart B (Dockets UE-190334, UG-190335 and UE-190222).

⁴³ Allison, Exh. AA-12, Avista Response to Public Counsel Data Request No. 120(a) (Dockets UE-190334, UG-190335 and UE-190222).

1 **Q. Has PSE demonstrated sufficient oversight of Talen’s investigations into the**
2 **increased Colstrip PM emissions following the February 2018 PM tests?**

3 A. No. While the testimony of PSE witness Mr. Roberts references Talen’s investigations
4 into increasing Colstrip emissions, in discovery PSE indicated that it was not aware of
5 Talen’s investigations until after the June tests showed that Colstrip was out of
6 compliance with MATS.⁴⁴ In addition, PSE stated that it did not have any correspondence
7 or documents relating to the elevated PM levels experienced by Colstrip in the first
8 quarter of 2018.⁴⁵

9 **Q. Has PacifiCorp demonstrated sufficient oversight of Talen’s investigations into the**
10 **increased Colstrip PM emissions following the February 2018 PM tests?**

11 A. No. Of the three utilities, PacifiCorp has provided the most useful information regarding
12 the nature of the Colstrip co-owners’ investigations into the increasing PM emissions at
13 Colstrip. It also appears that PacifiCorp may have paid more attention to the elevated PM
14 issue during the first quarter of 2018 than Avista or PSE. However, PacifiCorp appears to
15 have too readily accepted Talen’s use of unreliable alternative indicators, rather than
16 rigorous PM tests, to conclude that Colstrip would pass its official June MATS PM
17 compliance test.⁴⁶ In addition, **[BEGIN PACIFICORP CONFIDENTIAL]** 

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⁴⁴ Allison, Exh. AA-13, PSE Response to Staff Data Request No. 24 and No. 6 (Docket UE-190324).

⁴⁵ Allison, Exh. AA-14, PSE Response to Staff Data Request No. 3(g) (Docket UE-190324).

⁴⁶ Tack, Company Confidential Exh. CLT-1T at 13. *See also* Allison, Exh. AA-8, PacifiCorp Response to Public Counsel Data Request No. 316(b).

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[REDACTED]

[REDACTED].⁴⁷ [END

PACIFICORP CONFIDENTIAL] This suggests that PacifiCorp did not treat the elevated PM levels at Colstrip as a matter of serious concern until after the emissions exceedance occurred and the Colstrip units were forced to go on outage.

Q. Are you concerned by Avista’s, PSE’s, and PacifiCorp’s insufficient oversight of the PM emissions issues and investigations leading up to the June 2018 PM emissions exceedance?

A. Yes. The three utilities’ lack of attention to Colstrip’s MATS compliance issues is concerning given the relevance of MATS compliance to the operations and viability of Colstrip Units 3 and 4.

Q. Does Talen’s role as the Colstrip operator excuse Avista, PSE, or PacifiCorp from having to bear the incremental power costs associated with the Colstrip outage?

A. No. Regardless of which Colstrip co-owner was ultimately at fault for the PM exceedance issues at Colstrip, no utility should be permitted to recover from Washington ratepayers the increased power costs resulting from the foreseeable violation of MATS limits. A lack of attention to important operational decisions at the Colstrip plant is certainly not a reason to excuse any of these utilities from having to bear the costs of imprudent actions that led to the Colstrip outage. Instead, an apparent lack of oversight is additional evidence of imprudence.

⁴⁷ Tack, Confidential Exh. CLT-3.

III. CONCLUSIONS AND RECOMMENDATIONS

1 **Q. Please summarize your conclusions and recommendations regarding the summer**
2 **2018 Colstrip outage.**

3 A. I conclude that the Colstrip outage was the result of imprudent actions on the part of the
4 Colstrip co-owners. The outage resulted from a foreseeable and avoidable violation of
5 MATS standards. Given the high and escalating nature of Colstrip PM emissions rates
6 revealed by tests conducted in February 2018, the Colstrip co-owners should have taken
7 sufficient steps to lower PM emissions prior to the June 2018 exceedance and outage. I
8 therefore recommend that the Commission not permit Avista, PSE, or PacifiCorp to
9 recover from Washington ratepayers the increased net power costs resulting from the
10 Colstrip outage. The value of these incremental power costs, which should be returned to
11 customers, is approximately \$3.3 million for Avista, \$17.4 million for PSE, and \$0.5
12 million for PacifiCorp.

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.