

**Exh. DCG-18
Dockets UE-200900, UG-200901,
UE-200894
Witness: David C. Gomez**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-200900, UG-200901,
UE-200894 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

David C. Gomez

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Avista's Response to UTC Staff Data Request No. 138, Avista SmartBurn IRPs

April 21, 2021

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	03/10/2021
CASE NO.:	UE-200900 & UG-200901	WITNESS:	Jason R. Thackston
REQUESTER:	UTC Staff	RESPONDER:	T Dempsey/ D Soyars
TYPE:	Data Request	DEPT:	GPSS/Env Compliance
REQUEST NO.:	Staff – 138	TELEPHONE:	(509) 495-4960
		EMAIL:	tom.dempsey@avistacorp.com

SUBJECT:

Re: Capital Additions - Test Year

REQUEST:

In Avista witness Thackston's prefiled direct testimony, Exh. JRT-1T at 57:4-12, he states the following:

Q. Is SCR currently required on Colstrip Units 3 and 4?

A. No, SCR is not currently required. However, there has been a long expectation of SCR being required on Colstrip Units 3 and 4 when the plant was still expected to continue operations well into the future. The expectation of SCR being needed at the plant to meet the Regional Haze Program was an expectation that was modeled in the Company's IRP since at least the 2011 IRP. In fact, as discussed later, members of the IRPs Technical Advisory Committee requested the inclusion of SCR for Colstrip modeling and often requested earlier dates for the installation, which were modeled through different scenarios (See Exh. JRT-10, 11 Part 1, pgs. 1 – 29). (Emphasis added.)

The Commission sent an acknowledgment letter to Avista in each of the IRP proceedings listed below:

2011 IRP, Docket UE-101482, dated January 12, 2012;
2013 IRP, Docket UE-121421, dated March 28, 2014;
2015 IRP, Docket UE-143214, dated March 14, 2016; and
2017 IRP, Docket UE-161036, dated March 7, 2018,

Each acknowledgment letter states the following (emphasis added):

By acknowledging compliance with statute and rule, the Commission does not signal pre-approval for ratemaking purposes of any course of action identified in the IRP. The Commission will review the prudence of the Company's actions at the time of any future request to recover costs of resources in customer rates. The Commission will reach a prudence determination after giving due weight to the information, analyses, and strategies contained in the Company's IRP along with other relevant evidence.

Because an IRP cannot pinpoint precisely the future actions that will minimize a utility's costs and risks, we expect that the Company will regularly update the assumptions that underlie the analysis within the IRP and adjust its investment strategies accordingly.

Is it Avista's position that modelling a scenario in an IRP, which includes the installation SCR at Colstrip Units 3 and 4, represents its "evidence of need" under the Commission's prudence standard for its share of Colstrip SmartBurn costs? If the answer is yes, please explain.

RESPONSE:

No. It is not Avista's position that the modeling scenarios in the IRP are "evidence of need". However, the IRP is often the place where analytical work about the acquisition of new resources or significant modification of existing resources takes place, because the IRP considers the economic impact of changes to resources to Avista's resource stack. The IRP is also a vehicle to inform the Commission and other stakeholders about the analysis that is being performed. The modeling of the SmartBurn costs for Unit 3 and 4 were considered through the SCR scenario analyses in the IRPs listed above. As explained throughout the SmartBurn section of Mr. Thackston's testimony, the decision for the installation of the SmartBurn technology was made as a step towards the expectation that an SCR would be required at a future date to meet Regional Haze requirements as shown by the IRP scenarios. The Regional Haze requirements are still there, but the Colstrip Units 3 and 4 portion of that requirement has changed as other facilities closed over time. Avista did not have any way to foresee that these other facilities would close and, therefore, that the requirement would change. Based on the information that Avista had at the time, SmartBurn was an intermediate step that could delay the need for a costly SCR and/or install a smaller and less costly to buy and less costly to operate SCR for Units 3 and 4.