

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-240279

TESTIMONY OF BRADLEY CEBULKO

ON BEHALF OF NW ENERGY COALITION (REDACTED)

EXHIBIT BTC-1CT(R)

May 29, 2025

Shaded information is designated as confidential per WAC 480-07-160

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**EXHIBIT LIST**

BTC-2	Qualifications of Bradley Cebulko
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BTC-7	PSE Response to NWECA DR 011, Attachment A (redacted)
BTC-8C	NWECA Cost Recovery Recommendations and Calculations

**I. Introduction**

**Q. Please state your name, business name, and address.**

A. My name is Bradley Cebulko. My business address is 2900 E Broadway Blvd. Suite 100 #780, Tucson, AZ, 85716.

**Q. Please summarize your experience and expertise.**

A. I am a Co-Founder and Partner at Current Energy Group (CEG), which was founded in May 2024. CEG provides consumer advocates, public interest organizations, and public utility commissions with regulatory, technical, economic, and policy advisory services on gas and electric regulatory issues. At CEG, I work on a wide array of issues: gas and electric long-term planning, decarbonization policy, capital investment prudence, cost of service, rate design, demand-side management programs, low-income ratepayer issues, and regulatory business models. Prior to founding CEG, I was a Senior Manager at Strategen Consulting from 2021 to 2024. Before Strategen, I worked at the Washington Utilities and Transportation Commission (Commission or UTC) for eight years. From 2013 to 2016, I was an analyst with the UTC Commission Staff focused on electric and natural gas integrated resource planning, electric and natural gas energy efficiency programs, and new program design and implementation. From 2015 to 2016, I was Commission Staff lead for all energy efficiency filings. From 2016 to 2021, I was an advisor to the UTC commissioners where I led rulemakings, such as the rules to implement the Clean Energy Transformation Act and the commissioners review of adjudicated proceedings.

I have a Master's in Public Administration from the University of Washington Evans School of Public Policy and Governance, and a Bachelor of Arts in Political Science from Colorado State University. I attach a detailed resume as BTC-2.

1   **Q.    On whose behalf are you testifying?**

2    A.    I am testifying on behalf of the NW Energy Coalition (NVEC).

3   **Q.    Have you testified before the Washington Utilities and Transportation Commission**  
4       **previously?**

5    A.    Yes. I have testified in several proceedings, including most recently on behalf of the Joint  
6       Environmental Advocates in Puget Sound Energy's (PSE or Company) 2024 general rate  
7       case. I submitted testimony on behalf of The Energy Project in Avista Utilities and PSE's  
8       2022 general rate cases. Finally, while as a Regulatory Analyst with Commission Staff, I  
9       testified regarding service quality and reliability metrics in 2014 and 2015, and then in  
10      2016 on Puget Sound Energy's proposed appliance leasing program. A full list of my  
11      testimonies and docket numbers can be found in Exhibit BTC-2.

12   **Q.    Are you sponsoring any exhibits?**

13   A.    Yes, as described in the Exhibit List, I am sponsoring exhibits BTC-2 through BTC-8.

14   **II.    Purpose and Summary of Testimony**

15   **Q.    What is the purpose of your testimony?**

16   A.    The purpose of my testimony is to analyze PSE's request for determination of prudence  
17      and cost recovery for expenditures related to 2024 plant additions for Units 3 and 4 of the  
18      Colstrip Steam Electric Station (Colstrip) and provide recommendations to the  
19      Commission on the prudence of those investments. PSE is seeking to recover  
20      \$12,062,045 million in 2024 plant additions, resulting in an overall revenue requirement  
21      increase of \$4.1 million, or .014 percent over the costs currently in Schedule 141COL.<sup>1</sup>

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<sup>1</sup> Atwood, Exh. NLA-1T at 2:14-18.

**Q. What are your recommendations to the Commission?**

A. I recommend the Commission allow the Company to recover \$4,471,477 of the \$12 million in 2024 plant additions. Specifically, I recommend the Commission:

1. Deny cost recovery for four projects related to Smart Burn investments;
2. Deny cost recovery for four projects that will not be placed in service during 2024 and thus will not be used and useful in 2024;
3. Deny cost recovery for 13 projects that extend the life of Colstrip;
4. Allow for the full recovery of 6 projects that are related to human safety (\$1,336,575);
5. Allow a pro rata share of cost recovery for major maintenance projects (\$3,314,902); and
6. Require PSE to refund to customers any costs not allowed rather than use Production Tax Credits.

**III. PSE Filing and Background**

**Q. What is the purpose of PSE's filing?**

A. On September 30, 2024, PSE filed revisions to Schedule 141COL in this docket reflecting an overall revenue requirement increase of \$4.1 million, or 0.14 percent, over the rate currently in Schedule 141COL.<sup>2</sup> PSE was seeking determination of prudence and cost recovery for expenditures related to plant additions for Colstrip Units 3 and 4. Following deliberation at the December 19, 2024 open meeting, the Commission issued Revised Order 01, which allowed the rates to go into effect subject to refund pending adjudication in this proceeding.<sup>3</sup> The rates went into effect January 1, 2025.

**Q. Which projects is PSE seeking cost recovery for in this proceeding?**

A. PSE is seeking cost recovery of 38 projects related to Colstrip investments made in 2023 and 2024. The Company is not seeking cost recovery for 2025 plant expenditures at this time. The Clean Energy Transformation Act ("CETA") requires PSE to "eliminate coal-

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<sup>2</sup> Atwood, Exh. NLA-1T at 2:14-18.

<sup>3</sup> Atwood, Exh. NLA-1T at 2:18-3:3.

1 fired resources from its allocation of electricity” by December 31, 2025.<sup>4</sup> Because the  
2 law prohibits PSE from recovering costs related to coal after December 31, 2025, PSE is  
3 seeking to recover the entirety of the project costs in one year, 2025, regardless of each  
4 project’s service life.

5 The Company testifies that the 2024 plant additions include capital for major  
6 maintenance work that is required to maintain reliability and operability of Colstrip Units  
7 3 and 4, as well as preventative maintenance work and work necessary to allow for the  
8 disposal of coal ash residuals which are an embedded part of the energy production  
9 process.<sup>5</sup> Although PSE is seeking to recover costs incurred in 2024, not all expenditures  
10 will be used and useful in 2024. The Company is seeking cost recovery of several  
11 investments that do not go into service until 2025.

12 **Q. What is PSE’s position on whether the 2024 plant additions extend the life of**  
13 **Colstrip?**

14 A. PSE Witness Nancy Atwood testifies that the investments are not intended to extend the  
15 life of the Colstrip Plant.<sup>6</sup> However, internal Company emails are inconsistent with the  
16 witness’s claims. A senior employee in an email to the witness described at least two of  
17 the projects as “[REDACTED]” and another as a “[REDACTED]”<sup>7</sup>

18 **Q. Is PSE’s documentation of its costs easy to follow and understand?**

19 A. No. In this case, PSE’s key exhibit explaining the different categories of costs, Exh.  
20 NLA-5, includes headings such as “2025 PSE 1&11” and “Other” that are undefined and

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<sup>4</sup> RCW 19.405.030(1)(a).

<sup>5</sup> Atwood, Exh. NLA-1T at 10:3-7.

<sup>6</sup> Atwood, Exh. NLA 1T at 12:7-16.

<sup>7</sup> PSE Response to NWEA DR 016, Attachment A, at 2; *id* at 6.

1 indecipherable even to an experienced regulatory analyst. Confusingly, the Company  
2 appears to offer project justification for a handful of projects but leaves most of the  
3 “notes” blank.<sup>8</sup> To aid the Commission in understanding PSE’s exhibit, please see Exh.  
4 BTC-3,<sup>9</sup> which includes PSE’s narrative description of the column headings in Exh.  
5 NLA-5.

6 **Q. Is PSE expecting to make investments in Colstrip in 2025?**

7 A. Yes. However, PSE is not seeking cost recovery for 2025 capital investments at this  
8 time.<sup>10</sup> The Company testifies that “[t]he final reporting of capital investments that get  
9 placed in service beyond what is included in this filing that get applied against PTCs will  
10 be made in the Annual Reports PSE files on or before September 30, 2025, and 2026  
11 once PSE has applied the unrecovered plant against PTCs as is allowed under PSE’s 2022  
12 general rate case.”<sup>11</sup> NWECA Witness Lauren McCloy discusses how a clear and  
13 prescriptive order concerning cost recovery in this proceeding could facilitate a resolution  
14 of PSE’s 2025 costs without another adjudication next year.

15 **Q. Has PSE entered into an agreement with another Colstrip owner related to its**  
16 **ownership of Units 3 and 4?**

17 A. Yes. PSE entered into an Interests Abandonment and Acquisition Agreement with  
18 NorthWestern Energy Corporation (Northwestern) on July 30, 2024. To the best of my  
19 knowledge, the Commission has not ruled on the prudence of the Company’s agreement  
20 with Northwestern.

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<sup>8</sup> Exh. NLA-5.

<sup>9</sup> Exh. BTC-3, PSE Response to NWECA DR 018.

<sup>10</sup> Atwood, Exh. NLA-1T at 6:1-5.

<sup>11</sup> Atwood, Exh. NLA-1T at 6:1-5.

1 **IV. Prudency Standard**

2 **Q. How does the Commission determine whether an investment decision made by the**  
3 **Company was prudent?**

4 A. This Commission has consistently applied the following standard in prudency  
5 determinations: What would a reasonable board of directors and company management  
6 have decided given what they knew or reasonably should have known to be true at the  
7 time they made a decision?<sup>12</sup>

8 **Q. What factors does the Commission rely on when determining if an investment**  
9 **decision was prudent?**

10 A. While there is no “single set of factors” the Commission must rely on when making  
11 prudence determinations, the Commission “typically focuses of four factors,” which are:

12 (1) *The Need for the Resource*: The utility must first determine whether new  
13 resources are necessary. Once a need has been identified, the utility must  
14 determine how to fill that need in a cost-effective manner. When a utility is  
15 considering the purchase of a resource, it must evaluate that resource against the  
16 standards of what other purchases are available, and against the standard of what  
17 it would cost to build the resource itself.

18  
19 (2) *Evaluation of Alternatives*: The utility must analyze the resource alternatives  
20 using current information that adjusts for such factors as end effects, capital costs,  
21 dispatchability, transmission costs, and whatever other factors need specific  
22 analysis at the time of a purchase decision. The acquisition process should be  
23 appropriate.

24  
25 (3) *Communication With and Involvement of the Company's Board of Directors*: The  
26 utility should inform its board of directors about the purchase decision and its  
27 costs. The utility should also involve the board in the decision process.

28  
29 (4) *Adequate Documentation*: The utility must keep adequate contemporaneous  
30 records that will allow the Commission to evaluate the Company's decision-  
31 making process. The Commission should be able to follow the utility's decision

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<sup>12</sup> *Wash. Utils & Transp. Comm'n v. PacifiCorp.*, Dockets UE-152253 et al, Order 12, ¶ 94 (Dec. 14, 2020); *Wash. Utils. & Transp. Comm'n v. Avista Corp. et. al.*, Docket UE-190882, Order 05 ¶ 42 (March 20, 2020).

1 process; understand the elements that the utility used; and determine the manner  
2 in which the utility valued these elements.<sup>13</sup>

3 **Q. Can the Company rely on expert witness testimony provided after the costs at issue**  
4 **in this proceeding were incurred to establish its costs were prudently incurred?**

5 A. No. Prudence review cannot be “satisfied by relying on after-the-fact expert witness  
6 testimony without supporting contemporaneous documentation of decision making.”<sup>14</sup>  
7 The “only way to determine the reasonableness of a regulated company’s actions at the  
8 time of a decision is through contemporary documentation.”<sup>15</sup>

9 **Q. Is it the burden of NWECA or any other non-Company party to demonstrate that the**  
10 **Company’s costs were not incurred prudently?**

11 A. No. “Regulated utilities bear the burden of proving that their investment decisions  
12 are prudent.”<sup>16</sup> This is consistent with utilities’ statutory obligation to show that any  
13 increase in rates is “just and reasonable.”<sup>17</sup>

14 **Q. If there is insufficient information in the record to determine whether the Company**  
15 **acted prudently, what must the Commission do?**

16 A. The Company bears the burden to demonstrate its costs were incurred prudently. My  
17 understanding is that the Commission must not allow the Company to recover its costs if  
18 there is insufficient information in the record to determine whether the Company acted

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<sup>13</sup> *Wash. Utils & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066 and UG-220067, Order 10, ¶ 204

<sup>14</sup> *Wash. Utils & Transp. Comm’n v. Avista Corp. et al*, Docket UE-190882, Order 05, ¶ 57 (March 20, 2020).

<sup>15</sup> *Id.* ¶ 59.

<sup>16</sup> *Inquiry Into Valuation of Public Service company Property Used and Useful after Rate-Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful After Rate Effective Rate, ¶ 39 (January 31, 2020) (Used and Useful Policy Statement).

<sup>17</sup> RCW § 80.04.130(4).

1 prudently.<sup>18</sup> The Commission has previously determined that PSE and two other utilities  
2 failed to carry their burden to demonstrate costs for replacement power they incurred  
3 during an outage at Colstrip were prudent, because the companies failed to provide  
4 contemporaneous documentation of the decisions leading to the shutdown.<sup>19</sup>

5 **Q. Has the Commission previously considered whether utilities can recover the cost of**  
6 **investments that extend the life of Colstrip beyond December 31, 2025?**

7 A. Yes. In Avista's 2020 General Rate Case, the Commission did not allow Avista to  
8 recover its investment in a dry ash waste disposal system because Avista failed to  
9 demonstrate the investment was "not life-extending."<sup>20</sup>

10 **Q. Is it relevant that the Commission has never determined that the contracts**  
11 **governing the Company's ownership interest in Colstrip to be imprudent in prior**  
12 **proceedings?**

13 A. No. The Commission has instructed that, "[s]imply because a decision to begin a project  
14 is initially prudent does not, ipso facto, make the continuation or actual completion of a  
15 project prudent." Instead, companies must "continually evaluate a project as it progresses  
16 to determine if the project continues to be prudent from both the need for the project and  
17 its impact on the company's ratepayers."<sup>21</sup> In the Commission's relatively recently issued  
18 Used and Useful Policy Statement, the Commission further emphasized that "[p]rudence

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<sup>18</sup> *Wash. Utils. & Transp. Comm'n v. Avista Corp. et. al.*, Docket UE-190882, Order 05, ¶¶ 41-43 (March 20, 2020)

<sup>19</sup> *Id.*

<sup>20</sup> *Wash. Utils & Transp. Comm'n v. Avista Corp.*, Dockets UE-200900, UG-200901, & UE-200894, Order 08/05, 100, ¶ 279 (Sept. 27, 2021).

<sup>21</sup> *Wash Utils. & Transp. Comm'n. v. PacifiCorp.*, Dockets UE-152252 *et al.*, Order 12, ¶ 98 (quoting *Wash. Utils & Transp. Comm'n v. Washington Water Power Company*, Cause No. U-83-26, Fifth Supplemental Order, 1984 Wash. UTC Lexis 69 at 23).

1 is always part of the investment threshold question and is continuously evaluated during  
2 the life of an investment.”<sup>22</sup>

3 In my opinion, the Commission is well within its authority to disallow the  
4 Company from recovering any investments in Colstrip that the Commission determines  
5 were not prudently incurred. Indeed, it has done so before. The Commission previously  
6 determined that PSE “failed to demonstrate the costs related to PSE’s [Colstrip]  
7 Smartburn investment were prudently incurred.”<sup>23</sup> As discussed above, the Commission  
8 also determined that Avista could not recover the costs of its investment in the Colstrip  
9 dry ash waste disposal system.

10 **Q. Does PSE have an obligation, independent from the requirement to show its costs**  
11 **were prudently incurred, to demonstrate its investments in Colstrip are used and**  
12 **useful to Washington ratepayers?**

13 A. Yes. In the Commission’s Used and Useful Policy Statement, the Commission wrote that  
14 “[r]egulated companies bear the burden of proving that their investment decisions ...  
15 reflect capital expenditures that are used and useful to ratepayers.”<sup>24</sup> In a previous case,  
16 the Commission interpreted the phrase “used and useful” to mean an investment that  
17 provides a benefit to Washington ratepayers, “either directly (e.g., flow of power from a  
18 resource to customers) and/or indirectly (e.g., reduction of cost to Washington customers  
19 through exchange contracts or other tangible or intangible benefits).”<sup>25</sup> Under either

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<sup>22</sup> Used and Useful Policy Statement, ¶ 35, fn. 39.

<sup>23</sup> *Wash. Utils & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-190529 et al, Order 08/05/03, ¶ 197 ( July 8, 2020).

<sup>24</sup> Used and Useful Policy Statement, ¶ 39.

<sup>25</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp., PacifiCorp, d/b/a Pacific Power & Light Co.*, Dockets UE-050684 & UE-050412, Order 04/03, ¶ 50 (Apr. 17, 2006).

1 circumstance, the utility “must demonstrate a quantifiable benefit to Washington  
2 ratepayers.”<sup>26</sup>

3 **Q. How does the Clean Energy Transformation Act (CETA) inform the Commission’s**  
4 **application of the prudence and used and useful standards to PSE’s investments in**  
5 **Colstrip?**

6 A. CETA requires all electric utilities in the State to eliminate coal-fired resources from their  
7 “allocation of electricity” by December 31, 2025.<sup>27</sup> CETA defines “allocation of  
8 electricity” as “the costs and benefits associated with the resources used to provide  
9 electricity to an electricity utility’s retail electricity consumers that are located in this  
10 state.”<sup>28</sup> My interpretation of these provisions of CETA are that investments intended to  
11 extend the life of Colstrip beyond December 31, 2025, by definition, cannot be used and  
12 useful to Washington ratepayers.

13 **Q. Does CETA explicitly permit recovery of undepreciated investment in coal-fired**  
14 **generating resources that remain in-service?**

15 A. As NWECA Witness McCloy discusses in detail, CETA requires the Commission to allow  
16 utilities to recover undepreciated investment in a fossil fuel resource only if “it has been  
17 retired from service.”<sup>29</sup> However, CETA is silent on the recovery of undepreciated  
18 investment in fossil fuel generating resources that remain in-service. In my experience, it  
19 is notable when a statute specifically identifies one type of cost for inclusion in rates but  
20 is silent on the other costs. In this case, CETA states that electric utilities must eliminate

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<sup>26</sup> *Id.* ¶ 51.

<sup>27</sup> RCW 19.405.030

<sup>28</sup> RCW 19.405.020(1).

<sup>29</sup> RCW 19.405.030(3).

1 coal-fired resources from their “allocation of electricity” by December 31, 2025,  
2 however, it makes an explicit exception for decommissioning and remediation costs.<sup>30</sup> It  
3 is reasonable to conclude that CETA did not authorize the recovery of undepreciated  
4 investment in fossil resources that remain in-service beyond December 31, 2025. In this  
5 proceeding, the Company is inappropriately seeking full cost recovery of investments  
6 with multi-year service lives that extend well beyond 2025, in one year, 2025.

7 **Q. What are the estimated service lives of the projects included in the filing?**

8 A. As previously stated, the Company is seeking cost recovery for 38 projects related to  
9 Units 3 and 4 at Colstrip. The Company contends that all the projects will be “used and  
10 useful” during 2024, despite several of the investments not going into service until 2025.  
11 Nevertheless, because PSE must remove Colstrip power from its allocation of electricity  
12 beginning in 2026, Washington ratepayers will only receive direct benefit of these  
13 investments for 1 – 2 years. The 38 projects, however, have estimated services lives from  
14 [REDACTED]. Only one project has a service life of [REDACTED]<sup>31</sup> The remaining 37 projects  
15 have an estimated service life greater than [REDACTED]. 17 of the 38 projects have a service life  
16 of [REDACTED]. The remaining 21 projects have a service life greater than [REDACTED]. Nine  
17 projects have a service life of [REDACTED].

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<sup>30</sup> RCW 19.405.030(1)(a) (“This does not include costs associated with decommissioning and remediation of these facilities.”).

<sup>31</sup> Exh. NLA-5C.

*Table 1: Estimated Service Lives<sup>32</sup>*

Estimated Service Life	Number of Projects
[REDACTED]	1
[REDACTED]	17
[REDACTED]	3
[REDACTED]	8
[REDACTED]	9

**Q. Are you aware of another instance in which the Commission has allowed the Company to recover the full costs of a multi-year capital investment in one year?**

A. No. I am unaware of another instance in which the Commission allowed the utility to receive full cost recovery of a multi-year capital investment in one year. Should the Commission approve PSE's proposal, it will result in a substantial shift in benefits from Washington ratepayers to the remaining Colstrip owners, who will continue to benefit from Washington ratepayers' investments for decades to come.

**Q. Should the Commission allow investments that extend beyond 2025 into customer rates?**

A. No, unless the costs are related to the decommissioning and remediation of the plant, with the limited exception of projects necessary for human safety. I will discuss human safety related investments later in my testimony. The purpose of CETA is for the state to divest from coal at a date no later than December 31, 2025. The Legislature recognized that PSE ratepayers benefited from Colstrip for several decades, and thus ratepayers have the responsibility to ensure that the physical location and area surrounding the plant are appropriately remediated. The Legislature explicitly allowed decommissioning and remediation costs to go into rates beyond 2025. Given the plain language of the statute, it

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<sup>32</sup> Exh. NLA-5C.

1 does not appear that the Legislature's intent was for Washington ratepayers to be on the  
2 hook for PSE making new investments into Colstrip with multi-year service lives that  
3 extend beyond December 31, 2025, some of which have estimated service lives of [REDACTED]  
4 [REDACTED], just months before PSE must remove Colstrip from customer rates. And yet, that is  
5 what PSE is proposing in this filing. PSE is asking the Commission for full cost recovery  
6 of projects that have estimated service lives of [REDACTED] in one year.

7 **Q. Should the Commission allow investments that extend the life of the plant into**  
8 **customer rates?**

9 A. No. While nearly all—or all—of the investments will extend the life of the plant to a certain  
10 extent, we can delineate between the types of investments. For example, projects that are  
11 necessary for human safety are differently situated than projects which fix a component  
12 of a unit and have an estimated service life of 5 or more years. In the next section of my  
13 testimony, I delineate different groups of Colstrip projects for which PSE requests cost  
14 recovery in this filing.

15 **Q. PSE claims that its 2025 power costs would have been at least \$104 million (8.5**  
16 **percent) higher had the Company not had access to power from Units 3 and 4.<sup>33</sup> Do**  
17 **you have any concerns with the utility's analysis?**

18 A. Yes. The Company provides an overly simplistic and rosy analysis of its opportunity  
19 cost. The Company did not provide any workpapers to support its claim. Through  
20 discovery, I found out that the Company compared the difference in its forecasted market

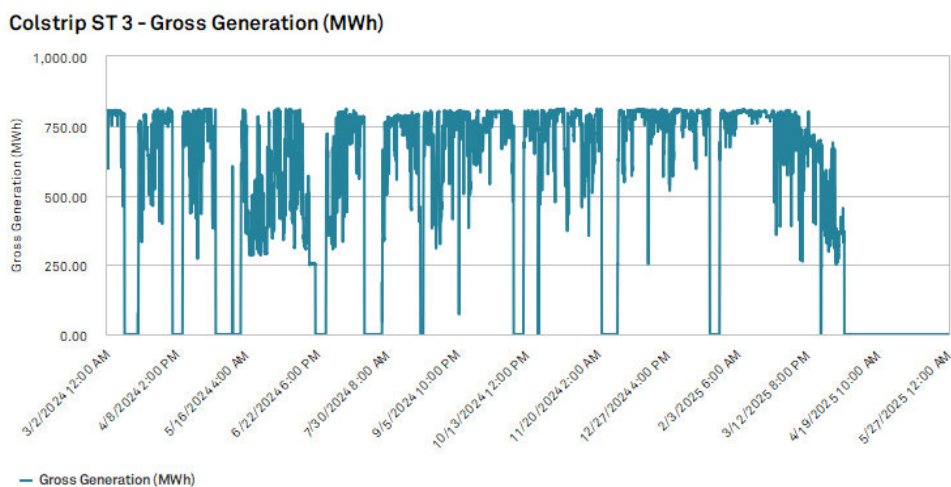
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<sup>33</sup> Atwood, Exh. NLA-1T at 15:12-14.

price for “replacement energy prices” to the “Colstrip fuel costs in the model.”<sup>34</sup> I have three primary concerns with the Company’s analysis.

First, PSE likely overestimated the likelihood that Colstrip Units 3 and 4 will be available. The number of forced outages (an unplanned shutdown or reduction in capacity) at Units 3 and 4 has increased significantly in recent years. According to the Company, the percentage of forced outage time for Units 3 and 4 has [REDACTED] [REDACTED].<sup>35</sup> Including planned maintenance outages, Units 3 and 4 were unavailable [REDACTED] of the time in 2024.<sup>36</sup> Figures 1 and 2 use publicly available data to provide a visual illustration of the frequency of Colstrip outages and unit derates for the past 12 months.

*Figure 1: Colstrip Unit 3 Hourly Operations May 1, 2024, through May 27, 2025<sup>37</sup>*



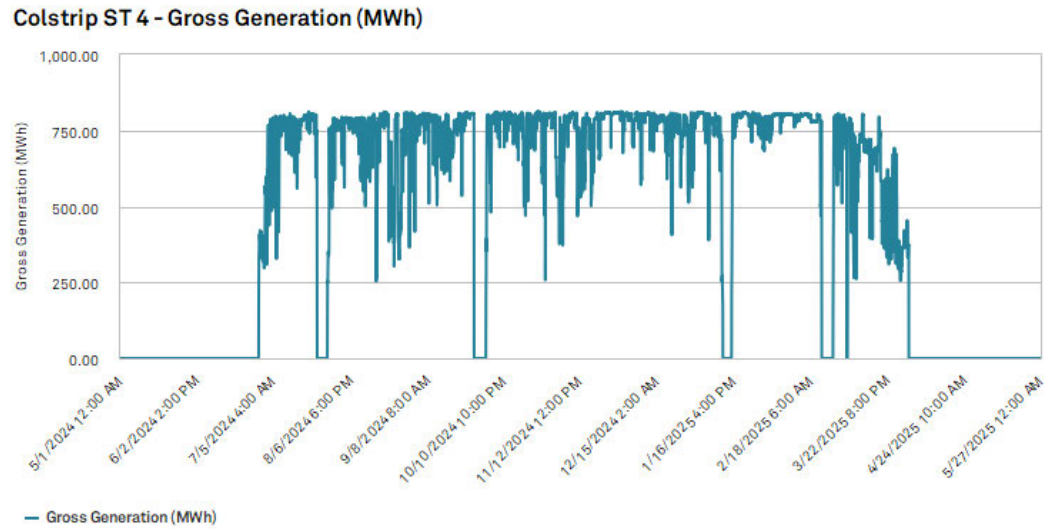
<sup>34</sup> Exh. BTC-4, PSE Response to NWECA DR 015, Attachment A.

<sup>35</sup> Calculated by dividing Forced Outage Hours by Total Outage Hours. Exh. BTC-5, PSE Response to NWECA DR 005, Attachment A.

<sup>36</sup> *Id.*

<sup>37</sup> Accessed through S&P Capital IQ Pro. Available at:  
<https://www.capitaliq.spglobal.com/web/client?auth=inherit#powerplant/UnitHourlyOperations?ID=2449>

Figure 2: Colstrip Unit 4 Hourly Operations May 1, 2024, through May 27, 2025<sup>38</sup>



**Q. The Company stated that Colstrip played a key role in meeting peaking demand and high prices during a January 2024 winter event. Can Colstrip outages occur during the winter as well?**

**A.** Yes. Plant operations data shows that Units 3 and 4 were unavailable, often times for several days at a time, during recent winters. For example, Unit 3 experienced outages from February 13, 2024 through February 17, 2024, and from January 19, 2025 through January 23, 2025.<sup>39</sup> Similarly, Unit 4 was offline January 5, 2023 through January 10, 2023, January 19, 2023 through January 22, 2023, December 22, 2023, January 7, 2024 through January 11, 2024, January 12, 2025 through January 14, 2025, and February 23, 2025 through February 27, 2025.<sup>40</sup>

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

1 **Q. What is your second concern with the Company's power cost analysis?**

2 A. The Company's power cost model does not appear to have considered the costs of the  
3 capital investments it is making in Units 3 and 4 and is seeking to recover in this  
4 proceeding and a subsequent filing for 2025 costs. The Company's analysis appears to be  
5 focused on fuel costs.

6 **Q. What is your third concern with the Company's power cost analysis?**

7 A. The Company assumes that it had no other alternative but to purchase market price  
8 energy to replace Colstrip. Colstrip has been a major issue before this Commission for  
9 the entirety of my 12 years working at and before the Commission. Talen and PSE agreed  
10 to shut down Colstrip Units 1 and 2 by 2022 in 2016. CETA was passed in 2019. The  
11 Company has known that it will need to move on from Colstrip for at least six years.  
12 During that time, PSE did not seek to replace Colstrip Units 3 and 4 energy and capacity  
13 prices, which may have been able to provide PSE with more certain power costs. The  
14 Company should have also provided a comparison to a commercially available  
15 alternative resource that was available prior to the point in which it had to financially  
16 commit to Unit 3 and 4 capital investments.

17 **V. Examination of Specific Projects**

18 **Q. What is the purpose of this section?**

19 A. The purpose of this section of testimony is to analyze the Company's specific costs and  
20 make recommendations on the prudence of the costs.

21 **Q. After reviewing the Company's list of projects, how would you categorize the**  
22 **projects?**

23 A. I would divide the projects into six groups:

24 1) SmartBurn related investments,

- 2) Investments that will not be used and useful in 2024,
- 3) Long-lived assets that extend the life of the plant,
- 4) Projects without justification or contemporaneous documentation,
- 5) Projects related to human safety, and
- 6) Major maintenance.

**A. The Commission should disallow costs related to SmartBurn.**

**Q. Is PSE seeking to recover costs associated with SmartBurn in this filing?**

**A.** Yes. PSE is seeking to recover four investments related to SmartBurn, totaling

[REDACTED]. In a discovery request, PSE identified 3 investments related to SmartBurn totaling just over [REDACTED].<sup>41</sup> Based on my review of Company's justification of each investment, the Company should have also identified the project "CRO simulator replacement," which is necessary to "[REDACTED] [REDACTED]".<sup>42</sup> The Company identified TOFA and SOFA projects as related to the SmartBurn technology.<sup>43</sup> Based on the Company's justifications, the CRO simulator is necessary to [REDACTED].

*Table 2: Smart Burn Related Costs<sup>44</sup>*

Project	Project Number	In Service Date	PSE Request	NWEC Recommendation
Boiler Burner AuxAir Repl U4	10027955-900	[REDACTED]	[REDACTED]	\$0
SOFA Bucket Replacement U4	10027958-900	[REDACTED]	[REDACTED]	\$0
TOFA Bucket Replacement U4	10027959-900	[REDACTED]	[REDACTED]	\$0
CRO simulator replacement	10028239-900	[REDACTED]	[REDACTED]	\$0
Total			[REDACTED]	\$0

<sup>41</sup> Exh. BTC-6, PSE Response to NWEC DR 019.

<sup>42</sup> Atwood, Exh. NLA-7C at 103.

<sup>43</sup> Exh. BTC-6, PSE Response to NWEC DR 019.

<sup>44</sup> Atwood, Exh. NLA-5C.

1 **Q. How has the Commission ruled previously on SmartBurn related investments?**

2 A. The Commission has found SmartBurn related investments to be imprudent and  
3 disallowed PSE from recovering SmartBurn related costs. In PSE and Avista's 2020  
4 general rate cases, the Commission found that PSE, and Avista, failed to demonstrate that  
5 the costs related to PSE's SmartBurn investment were prudently incurred.<sup>45</sup> The  
6 Commission found that PSE did not provide any evidence, nor did it claim, that the  
7 SmartBurn investments were required by law.<sup>46</sup> The Commission also found that the  
8 Company did not maintain appropriate documentation of its decision to install  
9 SmartBurn.<sup>47</sup>

10 **Q. Has the Company put forth any evidence or testimony in this case that the**  
11 **SmartBurn investments are prudent?**

12 A. No. The Company has not asserted any new evidence or put forth any testimony asserting  
13 that the SmartBurn investments were prudent. The Company's sole witness in this  
14 proceeding does not mention SmartBurn once in their testimony. I see no reason why the  
15 Commission should reverse its previous ruling finding all SmartBurn costs imprudent.

16 **Q. Has the Commission changed its standard of prudence since it found the SmartBurn**  
17 **investments imprudent?**

18 A. I am unaware of any changes to the Commission's prudency standard.

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<sup>45</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-190529 & UG-190530, Final Order 08, at 57-62 (July 8, 2020); *Wash. Utils & Transp. Comm'n v. Avista Corp.*, Dockets UE-200900, UG-200901, & UE-200894, Order 08/05, 100, ¶ 265 (Sept. 27, 2021).

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

1    **Q.     What is your recommendation for the four projects related to SmartBurn?**

2    A.     I recommend the Commission disallow cost recovery of all four SmartBurn related  
3           projects.

4    **B.     The Commission should disallow recovery of investments that will not be used and**  
5           **useful in 2024.**

6    **Q.     Are there projects that PSE is seeking cost recovery that will not go into service in**  
7           **2024?**

8    A.     Yes. PSE is seeking to recover 4 projects that have estimated in service dates in 2025.  
9           PSE is seeking to recover [REDACTED] associated with these four projects.

10                    *Table 3: Projects which will not be Used and Useful in 2024<sup>48</sup>*

Project	Project Number	In Service Date	PSE Requested	NWEC Recommendation
U4 Generator Exciter	10028270-900	[REDACTED]	[REDACTED]	\$0
Replacement 3X3 Startup Transformer	10028301-900	[REDACTED]	[REDACTED]	\$0
3-5 feedwater heater	10028268-900	[REDACTED]	[REDACTED]	\$0
Northern Cheyenne AAQ System	10028238-900	[REDACTED]	[REDACTED]	\$0
Total			[REDACTED]	\$0

11  
12    **Q.     Will these projects be used and useful in 2024?**

13    A.     No. In its Used and Useful Policy Statement, the Commission stated that “[r]egulated  
14           companies bear the burden of proving that their investment decisions ... reflect capital  
15           expenditures that are used and useful to ratepayers.”<sup>49</sup> The Commission has interpreted  
16           the phrase “used and useful” to mean an investment that provides a benefit to Washington

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<sup>48</sup> Atwood, Exh. NLA-5C

<sup>49</sup> Used and Useful Policy Statement, ¶ 39.

1 ratepayers, “either directly (e.g., flow of power from a resource to customers) and/or  
2 indirectly (e.g., reduction of cost to Washington customers through exchange contracts or  
3 other tangible or intangible benefits).”<sup>50</sup> Under either circumstance, the utility “must  
4 demonstrate a quantifiable benefit to Washington ratepayers.”<sup>51</sup> The Company cannot  
5 demonstrate that these investments will be providing direct or indirect benefits to  
6 customers in 2024 because the projects were not in service on December 31, 2024.

7 Moreover, projects scheduled to come online on December 31, 2025 will never  
8 provide benefits to Washington ratepayers because, under CETA, coal generation cannot  
9 benefit Washington customers after that date. To avoid the administrative burden of  
10 future litigation concerning these projects, in its Order the Commission could instruct  
11 PSE remove from any future Colstrip filings the costs of projects (unrelated to  
12 decommissioning and remediation) that the Company has identified in this filing as likely  
13 to go into service on or after December 31, 2025.

14 **Q: What is your recommendation for the projects that will not be used and useful in**  
15 **2024?**

16 **A:** I recommend the Commission disallow cost recovery of all four projects that go into  
17 service in 2025.

18 **C. The Commission should disallow recovery of investments that extend the life of the**  
19 **plant.**

20 **Q. Will you remind the Commission if Witness Atwood’s testimony states whether PSE**  
21 **is seeking to recover project costs that extend the life of the plant?**

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<sup>50</sup> *Wash. Utils. & Transp. Comm’n v. PacifiCorp., PacifiCorp, d/b/a Pacific Power & Light Co.*,  
Dockets UE-050684 & UE-050412, Order 04/03, ¶ 50 (Apr. 17, 2006).

<sup>51</sup> *Id.* ¶ 51.

1 A. Witness Atwood testifies that none of the projects—even the projects with estimated  
2 services lives of [REDACTED]—are “intended” to extend the life of the plant.<sup>52</sup> Witness  
3 Atwood’s testimony argues that these investments are associated with the regular cadence  
4 of significant capital maintenance work.<sup>53</sup> As I explained earlier, witness Atwood’s  
5 testimony stands in contrast to internal company emails, where a senior employee emailed  
6 witness Atwood that at least two projects are “[REDACTED]” and another is a “[REDACTED]  
7 [REDACTED]”.<sup>54</sup>

8 However, Witness Atwood argues that even if these investments did extend the life  
9 of the plant, PSE is not prohibited from recovering their costs in rates. Witness Atwood  
10 testifies that CETA does not require investments not extend the life of an asset even if the  
11 depreciable life of the project extends beyond 2025.<sup>55</sup> Rather, the Company believes that  
12 the statute expressly allows for direct and indirect recovery of costs. Specifically, PSE  
13 argues that CETA allows:<sup>56</sup>

- 14 1) Recovery of undepreciated investments,
- 15 2) Recovery of direct and indirect investments that were placed in service in 2024,
- 16 3) Termination of ownership is a reason to allow recovery of undepreciated plant,
- 17 and,
- 18 4) Recovery of undepreciated investment if the retirement of the facility is in the
- 19 public interest.

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<sup>52</sup> Atwood, Exh. NLA-1T at 12:6-16.

<sup>53</sup> *Id.*

<sup>54</sup> PSE Response to NWECA DR 016, Attachment A, at 2; *id.* at 6.

<sup>55</sup> Atwood, Exh. NLA-1T at 13:10-32.

<sup>56</sup> Atwood, Exh. NLA-1T at 13:13-14:3.

1 **Q. Is PSE seeking to recover project costs that extend the life of the plant?**

2 A. Yes. First, the Company's own documentation demonstrates that it believes at least some  
3 of the projects extend the life of the plant. Second, as detailed previously, all but one of the  
4 investments have estimated service lives that extend beyond December 31, 2025. Those  
5 investments are being made to ensure that Colstrip Units 3 and 4 continue to produce  
6 electricity beyond December 31, 2025. Otherwise, there would be no reason to invest  
7 millions of dollars in the plant in 2024 and 2025. In the case where the estimated service  
8 life extends beyond 2025, the investments support the extension of the plant operations  
9 beyond 2025.

10 *Table 4: Life Extending Projects<sup>57</sup>*

Project	Project Number	In Service Date	Expected Service Life	PSE Requested	NWEC Recommendation
Scrubber Chiller Replacement	10028231-900				\$0
CEM Monitor Replacement. - U4	10028234-900				\$0
Opacity Monitor Replacement	10028235-900				\$0
Cooling Tower Fill Replacement U4	10028050-900				\$0
Mercury Monitor Replacement - Unit 3	10028007-900				\$0
Mercury Monitor Replacement - Unit 4	10028008-900				\$0
EHP G Cell Liner Purchase	10027951-900				\$0
PLC to DCS Obs. (Water Treatment Conversion)	10027949-900				\$0
River Pump Motor	10028466-900				\$0
Total					\$0

<sup>57</sup> Atwood, Exh. NLA-5C.

1  
2 **Q. Are there any 2024 capital investments that PSE excluded from its cost recovery**  
3 **request because they are either too long-lived or life extending?**

4 A. No. In fact, PSE included in its cost recovery request every single 2024 project at  
5 Colstrip.<sup>58</sup> PSE even included several small dollar projects that it admits not to have  
6 documentation or justification for a prudence determination.<sup>59</sup>

7 **Q. Do you agree with the Company that the Commission should allow PSE to recover**  
8 **investments that extend the life of the plant?**

9 A. No. First, the Company mischaracterizes the purpose of approximately half of the  
10 investments. The Company testifies that the 2024 investments are part of regularly  
11 occurring significant capital maintenance on a 3 to 4-year cycle.<sup>60</sup> Based on the  
12 descriptions of the investments,<sup>61</sup> I understand that the Company is referring to the  
13 overhaul of Unit 4. However, based on my review the Company's justifications, only 10  
14 of the 38 projects appear to be explicitly related to the Unit 4 overhaul.<sup>62</sup> Seven other

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<sup>58</sup> PSE Response to Staff DR 002 ("Please identify, by project, all Colstrip Units 3&4 plant additions placed in service in 2024 that PSE did not include in its revised Schedule 141COL rates in Docket UE-240729. Please provide an explanation for why each project was excluded from PSE's rate request in Docket UE-240729. **Response:** Puget Sound Energy did not exclude from its rate request in Docket UE-240729 any Colstrip Units 3&4 plant additions placed in service in 2024.") (line breaks omitted).

<sup>59</sup> Atwood, NLA-1T, at 11, FN 17 ("Note that four minor projects listed in Exh. NLA-7C totaling approximately \$100,000 were initially non-capital projects and were subsequently transferred to capital, based on financial review. Accordingly, such projects (numbers 10028462-900, 10028463-900, 10028464-900, and 10028465- 900) do not have specific capital justification summaries.").

<sup>60</sup> Atwood, Exh. NLA-1T at 12:7-16

<sup>61</sup> Atwood, Exh. NLA-7C.

<sup>62</sup> Atwood, Exh. NLA-7C.

1 projects appear to be related other major capital maintenance projects, such as “vehicle  
2 replacements” and upgrading the computer systems to Windows 11. I will address the  
3 major capital maintenance, e.g., Unit 4 overhaul, in the next section of my testimony. The  
4 remaining 21 projects appear to be unrelated to the overhaul of Unit 4, such as SmartBurn  
5 related projects.

6 **Q. Does NWECC agree with PSE that RCW 19.405.030(3) allows for the recovery of**  
7 **undepreciated investments in Colstrip Units 3 and 4?**

8 A. No, because the Colstrip Units 3 and 4 remain in service. NWECC Witness McCloy  
9 describes that CETA was passed in 2019 with a goal to “eliminate coal-fired electricity”  
10 by December 31, 2025,<sup>63</sup> was designed to promote the early retirement of fossil generating  
11 resources, and that the financial incentives for utility shareholders in RCW 19.405.030(3)  
12 were written in the past tense so that they only in apply after the plant “has been retired  
13 from service.”

14 **Q. Would it be in the public interest for the Commission to allow the Company to recover**  
15 **the full value of the Colstrip investments placed in service in 2024 even if the**  
16 **investment will have a useful life beyond December 31, 2025?**

17 A. No. In 2019, the legislature passed an unambiguous requirement for the electric utilities to  
18 stop using coal-fired generating resources. The legislature gave the Company more than  
19 six years to plan. The Company chose to remain invested in the coal plant through  
20 December 31, 2025. It willingly entered into an agreement with Northwestern Corporation  
21 to transfer ownership at the end of 2025.<sup>64</sup> It did not have an obligation to remain an owner

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<sup>63</sup> RCW 19.4050.010(2).

<sup>64</sup> Atwood, Exh. NLA-1T at 13:24-29.

1 through the end of 2025 and thus incur the capital investments it is making. The owners of  
2 the coal plant do not intend to shut down the plant, and so they made a series of decisions  
3 to make major capital investments in 2023, 2024, and 2025 to continue to operate the plant  
4 beyond December 31, 2025. PSE is now asking Washington ratepayers to pay, in full, for  
5 the long-lived investments. The costs PSE is asking Washington ratepayers to bear will not  
6 come close to aligning with the benefits that they will receive because PSE is prohibited  
7 from using coal-fired generation to benefit Washington ratepayers in 2026 and beyond.

8 **Q. What is your recommendation?**

9 A. I recommend the Commission disallow the costs identified in Table 4.

10 **D. The Commission should disallow recovery of investments for which PSE does not**  
11 **provide a justification or contemporaneous documentation of the decision making.**

12 **Q. Are there any projects in which the Company does not provide a justification?**

13 A. Yes. PSE seeks to recover the costs of four projects without any justification. Despite  
14 testifying that PSE “provided a detailed description of each 2024 project” witness Atwood  
15 includes a footnote that explain four minor projects “totaling approximately \$100,000 were  
16 initially non-capital projects and were subsequently transferred to capital, based on  
17 financial review.”<sup>65</sup> Witness Atwood continues that these projects do not have specific  
18 capital justification summaries. NWECA subsequently gave PSE another opportunity to  
19 justify these four projects, asking in discovery for PSE to identify where parties can find  
20 the justifications for each of the projects identified for cost recovery. With respect to these  
21 four projects, PSE responded, “No Capital Justification available, inspection based work  
22 after removal.”<sup>66</sup>

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<sup>65</sup> Atwood, Exh. NLA-1T at 11:1.

<sup>66</sup> Exh. BTC-7, PSE Response to NWECA DR 011, Attachment A.

1 *Table 5: Projects without Capital Justification*<sup>67</sup>

Project	Project Number	In Service Date	PSE Requested	NWEC Recommended
Boiler Feed Pump Rebuild-Element	10028462-900			\$0
PA Fan Motor Rewind/Refurb	10028463-900			\$0
Boiler Feed Booster Pump RB	10028464-900			\$0
Motor Circ Wtr Pump Cap Spare	10028465-900			\$0
Total				\$0

2  
3 **Q. Did PSE provide any contemporaneous documentation of the decision to move**  
4 **forward with those projects?**

5 A. No. Accordingly, PSE has not met the Commission's clearly articulated prudence standard.

6 **Q. What is your recommendation for projects without a capital justification?**

7 A. I recommend the Commission disallow cost recovery because the Company provided  
8 neither justifications nor contemporary documentation of its decision making.

9 **E. The Commission should allow full cost recovery of projects necessary for human**  
10 **safety.**

11 **Q. Is the Company seeking cost recovery of projects necessary for maintaining safety?**

12 A. The Company's justifies six projects as necessary for human safety.<sup>68</sup> For example, the  
13 plant operators installed temporary scaffolding and a service elevator for use during the  
14 boiler overhaul.

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<sup>67</sup> Atwood, Exh. NLA-5C

<sup>68</sup> Atwood, Exh. NLA-7C.

1   **Q.     For the projects not necessarily related to safety mechanisms during the boiler**  
2           **rebuild, how were you able to identify that the project was necessary for safety?**

3   A.     For each project justification, the Company includes economic metrics, such as the  
4           internal rate of return and estimated payback period. For certain projects, the Company  
5           marked the economic metrics with a statement that reads “ [REDACTED] .”<sup>69</sup> I  
6           then verified that the project description supported a safety designation.

7                           *Table 6: Project related to Human Safety*<sup>70</sup>

Project	Project Number	In Service Date	PSE Requested	CEG Recommended
Switchgear Mod - NFPA Compliance	10028032-900	[REDACTED]	[REDACTED]	[REDACTED]
Boiler Snubber Rebuild U4	10028048-900	[REDACTED]	[REDACTED]	[REDACTED]
Boiler Capital Scaffolding U4	10028053-900	[REDACTED]	[REDACTED]	[REDACTED]
Boiler Capital Elevator U4	10028054-900	[REDACTED]	[REDACTED]	[REDACTED]
Hot Reheat Elbow Replacement U4	10028049-900	[REDACTED]	[REDACTED]	[REDACTED]
Coal Pipe Replacement U4	10028051-900	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>			[REDACTED]	[REDACTED]

8

9   **Q.     What is your recommendation for projects related to Human Safety?**

10   A.     I recommend the Commission allow full cost recovery of the projects.

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<sup>69</sup> Atwood, Exh. NLA-7C.

<sup>70</sup> Atwood, Exh. NLA-5C.

1 **F. The Commission should allow a pro rata share of costs (in service date through**  
2 **December 31, 2025) for projects related to Major Maintenance.**

3 **Q. What are projects related to significant maintenance?**

4 A. PSE testifies that, throughout the history of the operation of Colstrip, the plant operators  
5 have overhauled each unit on a 3 year cycle, until 2016/2017, when they moved to a 4-  
6 year cycle.<sup>71</sup> Witness Atwood testifies that the owners moved to a 4-year cycle given the  
7 uncertainty of the ability of Colstrip to operate in the future due to state and federal  
8 regulatory considerations.<sup>72</sup>

9 **Q. What type of projects are included in the Major Maintenance category?**

10 A. The majority of projects are directly related to the overhaul of Unit 4, which had an in  
11 service date of [REDACTED]. I also included several projects unrelated to the overhaul  
12 but appear to be significant investments that occur on a regular basis but are not directly  
13 related to plant operations. Examples include the replacement of vehicles and computer  
14 operating systems.

15 *Table 7: Major Capital Maintenance Projects*<sup>73</sup>

Project	Project Number	In Service Date	Estimated Service Life	PSE Requested	NWEC Recommended
Auxiliary Turbine Overhaul U4	10027952-900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Turbine/Generator Base OH U4	10027953-900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Boiler Coutant Bottom U4	10027954-900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Air Preheater Basket Repl U4	10027956-900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

<sup>71</sup> Atwood, Exh. NLA-1T at 12:7-16.

<sup>72</sup> *Id.*

<sup>73</sup> Atwood, Exh. NLA-5C.

Boiler Waterwall Repl/Maint U4	10027957-900				
Air Preheater Seal Repl U4	10028047-900				
Workstation upgrades (Windows 11)	10028145-900				
Mobile Equipment replacements (2024)	10028241-900				
Paste Plant Overflow Structure Modifications	10027950-900				
Boiler Economizer Tube Repl U4	10027960-900				
Vehicle Replacements (2024)	10028243-900				
Total					

**Q. How has the Commission treated Colstrip major capital maintenance costs in prior cases?**

A. In at least two previous cases, the parties, including PSE, agreed that major maintenance would be recovered over a three-year period, and the Commission approved the relevant settlement term. In the 2014 power cost only rate case, PSE agreed that “[m]ajor maintenance for Colstrip will be amortized over the projected time period to the next major event, which is three years, and included in rates based on budgeted expenditures and the estimated timing of the event.”<sup>74</sup>

In PSE’s 2022 general rate case, the settling parties agreed that “[m]ajor maintenance costs incurred during the MYRP will be amortized over three years, regardless of the year incurred. Costs amortized after 2025 would not be recovered in

<sup>74</sup> *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Docket UE-141141, Final Order 04, ¶ 8 (Nov. 3, 2014).

1 rates. The Settling Parties retain all rights to challenge Colstrip costs when PSE files  
2 tariff revisions for the tracker.”<sup>75</sup>

3 **Q. Does the 2022 settlement term apply to this case?**

4 A. Yes. The 2022 settlement created a two-year multiyear rate plan (MYRP) that included  
5 calendar years 2023 and 2024. This filing covers Colstrip costs incurred in 2024, which is  
6 during the MYRP in question. Thus, the settlement’s term governing the recovery of  
7 “[m]ajor maintenance costs incurred during the MYRP” applies.

8 **Q. Did NWEA support the settlements in 2014 and 2022?**

9 A. NWEA was not a party to the 2014 case. NWEA supported the 2022 general rate case  
10 settlement.

11 **Q. Do you believe that it would be reasonable to continue the practice of disallowing**  
12 **major maintenance costs incurred after 2025?**

13 A. Yes. As discussed in my testimony, CETA requires PSE to remove coal-related costs  
14 from rates by December 31, 2025. The legislature set a clear demarcation with an explicit  
15 exception for costs related to decommissioning and remediation of the plant.

16 **Q. PSE is not proposing to recover major maintenance costs after 2025. Rather, it is**  
17 **proposing to accelerate the cost recovery of the projects to conclude by the end of**  
18 **2025. Is that a reasonable alternative?**

19 A. No. First, the Company is seeking a work around because of the legislature’s prohibition  
20 of recovering coal-related costs after 2025. While it is arguable that any investment made  
21 into Colstrip will extend the life of the plant, there is reason to delineate the types of

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<sup>75</sup> *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dkts. UE-220066 and UG-220067, Final Order 24 / 10, App. A Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE’s Green Direct Program, ¶ 23.j (Dec. 22, 2022).

1 projects PSE is seeking recovery of in this filing. I have identified several types of cost  
2 categories in my testimony. Here, I am recognizing the distinction of major maintenance  
3 projects that occur on a regular occurring basis from other life extending projects,  
4 particularly those that have long expected service lives. For Unit 4 overhaul costs, PSE is  
5 asking Washington ratepayers to pay for an additional [REDACTED] of costs after December  
6 31, 2025, without a commensurate level of benefit. The benefits to Washington  
7 customers will not match the costs PSE is seeking.

8 **Q. What is your recommendation?**

9 A. I recommend that the Commission allow a pro rata share of the major maintenance costs  
10 into rates. The pro rata share is calculated as the number of months the project is in  
11 service until December 31, 2025, divided by the estimated service life of the project. For  
12 example, if a project went into service on July 1, 2024, and the project has an estimated  
13 service life of 3 years, the Company would collect 50% of the total costs of the project  
14 (i.e. 18 months / 36 months = 0.5). This recommendation is consistent with the 2022  
15 general rate case settlement requirement, which stated that costs amortized, and in this  
16 case otherwise would be depreciated beyond 2025, would not be recovered in rates. My  
17 calculations are available in exhibit BTC-8<sup>76</sup>.

18 **VI. Conclusion**

19 **Q. Please summarize your recommendations concerning this filing.**

20 A. I recommend the Commission allow the Company to recover \$4,471,477 of the \$12  
21 million in 2024 plant additions. Specifically, I recommend the Commission:

- 22 1. Deny cost recovery for four projects related to Smart Burn investments,

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<sup>76</sup> Exh. BTC-8, NWECC Cost Recovery Recommendations and Calculations.

- 1                   2. Deny cost recovery for four projects that will not be placed in service during
- 2                   2024 and thus will not be used and useful in 2024,
- 3                   3. Deny cost recovery for 13 projects that extend the life of Colstrip,
- 4                   4. All for the full recovery of 6 projects that are related to human safety
- 5                   (\$1,336,575), and
- 6                   5. Allow a pro rate share of cost recovery for major maintenance projects
- 7                   (\$3,314,902).
- 8                   6. Require PSE to refund to customers any costs not allowed.

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

10  **A.     Yes.**