Exh. DCG-6
Dockets UE-190334, UG-190335, and UE-190222
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-190334, UG-190335, and UE-190222 (*Consolidated*)**

EXHIBIT TO TESTIMONY OF

David C. Gomez

STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Avista's Response to Staff Data Request No. 2

October 3, 2019

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Washington	DATE PREPARED:	05/05/2019
DOCKET NO.:	190222	WITNESS:	William Johnson
REQUESTER:	UTC Staff	RESPONDER:	William Johnson
TYPE:	Data Request	DEPT:	Power Supply
REQUEST NO.:	Staff – 002	TELEPHONE:	(509) 495-4046
		EMAIL:	bill.johnson@avistacorp.com

REQUEST:

In the pre-filed direct testimony of Mr. William G. Johnson, he states that actual net power costs were $15,544,268 below authorized net power costs for 2018.[1] He goes on to add that "Avista's natural gas generation facilities generated 7 aMW less than the authorized level in 2018."[2] Mr. Johnson states that the lower than expected gas generation in the 2018 ERM deferral year was partially due to the 2018 outage and derate of Coyote Springs 2 ("CS2") caused by the failure of the station's installed step-up transformer and the degraded performance of its spare.

UTC STAFF DATA REQUEST NO. 2:

SUBPART A: Mr. Johnson testified that the combined effect of both the outage and derate of CS2 in the 2018 ERM deferral period forced Avista to purchase additional higher-priced power to replace the lost generation. Please specify and/or allocate the amount of the 7aMW of lower gas fired generation that is due to: (1) the outage; and (2) derate of CS2. Please provide these figures, by month, in both aMW and MWh.

SUBPART B: Mr. Johnson testified that the Company estimated $4.6 million (Washington allocation) in added expense associated with procuring replacement power due to CS2's outage and derate. Please provide all documents and/or other information the Company relied on to arrive at this estimate. Please also state whether the $4.6 million in estimated added net power expense is included in the calculation of the $15.5 million credit deferral balance at the end of 2018.

SUBPART C: Please provide a list (including dollar amounts) of any capital additions and transfers to plant, O&M, and transmission expense attributable to the outage and derate of CS2 in 2018. For O&M and transmission expense related to the outage and derate at CS2, specify whether these amounts flowed through the ERM bands in the 2018 deferral period or whether the Company will seek recovery of these expenses in its 2019 general rate case.

SUBPART D: For any money spent on capital additions and transfers to plant related to the 2018 outage and derate of CS2, specify the amounts of those funds that will be included in rate base in the Company's 2019 general rate case. Include in your response the capital cost and expense of replacing CS2's step-up transformer and degraded spare.

[1] Johnson, Exhibit No. WGJ-1T at 7:2-3.
[2] *Id*. at 10:7-9.

SUBPART E: For the failed step-up transformer and the degraded spare at CS2, provide: (1) the service life; (2) original acquisition date and cost; (3) accumulated depreciation; and (4) remaining book value.

SUBPART F: List any and all insurance, manufacturer, warranty, legal, or any other claims (including dollar amounts) either made or anticipated to be made by Avista to recover costs related to the outage and derate of CS2 in 2018.

RESPONSE:

All attachments are being provided in electronic format only.

Subpart A:

Please see Staff_DR_002 Attachment A for the monthly difference between actual generation and authorized generation during 2018. Any differences related to the outage and/or the de-rate are embedded within these amounts. It is not possible to isolate the amount which is directly attributed to the issues as Colstrip and/or CS2 given the market is a combination of multiple factors (such as load and weather, etc.) that happen simultaneously.

Subpart B:

Please see Staff_DR_002 Attachment B for the calculation of the estimated expense due to the incidents at both CS2 and Colstrip. This analysis was based only on the months that were primarily affected, October and December, for CS2 and July and August for Colstrip. This analysis estimated the expense due to the issues at the plants to be $4.6 for CS2 and $3.5 million for Colstrip.

Please see Staff_DR_002 Attachment C for the calculation of the estimated expense due to the incidents at both CS2 and Colstrip using a modified analysis approach. In this analysis, the outage/deration expense was calculated in two ways. The first calculation looks only at the hours when the plant was completely offline. The second analysis looks at hours that the plant was completely offline or was de-rated (or in Colstrip's case had only one unit offline) probably as a result of the ongoing issue (transformer at CS2 and emissions at Colstrip). In this analysis, the range of expense for CS2 is estimated to be between $4.8 and $5.1 million. The range of expense for Colstrip is estimated to be between $.7 and $3.1 million.

The additional expense is embedded in the 2018 ERM calculation of the $15.5 million reduction in actual power supply expense below the authorized power supply expense.

Subpart C:

Please see Staff_DR_002 Attachment D for Avista's 2018 O&M and Capital Expenditures for 2018 for CS2. This information is provided in the method received by the Plant Operator and recorded to the general ledger, and is not specific to the step-up transformer. Expenses related to the transformer issues are embedded within these totals. O&M expenses, with the exception of Transmission Expense are not included in the Energy Recovery Mechanism (ERM), but rather are embedded within actual test period expenses in Avista's general rate case Docket No. UE-190334. Transmission expense does flow through the ERM, however, it is unknown if there was either increased or decreased transmission expense related to the issues at the plants. The primary BPA

PTP transmission contract expense for each plant did not change due to the issues at the plants, but transmission expense may have been effected by the reduced need to purchase additional transmission beyond the BPA PTP capacities (reduction in expense), or the need to purchase transmission to buy replacement power (increase in expense).

Capital costs are also not included in the Energy Recovery Mechanism. Costs related to the Generator Step-Up Transformer Swap is summarized by Expenditure Request (ER), recorded to the general ledger, and transferred to plant in the month recorded. Approximately $799,000 (system) in costs are embedded in the Company's test year Rate Base in Avista's general rate case Docket UE-190334 (Tab Capital, line 4, ER 4133).

Subpart D:
Please see part (c).

Subpart E:
Please see Staff_DR_002 Attachment E for the service life, original purchase price, accumulated depreciation and net book value of Transformer #3 and Transformer #4.

Subpart F:
Avista has not submitted any claims to date, but is anticipating filing an insurance claim on the failed Transformer #3. The expected claim is $5.2 million, which accounts for already incurred expenses of $799,000 (see part C), plus an estimated $1.2 million for transportation, testing, disassembly and inspection, plus an estimated repair cost and return to the plant of $4.1 million, less a $1 million deductible. Estimates have been provided by a third party transformer repair contractor and are subject to fluctuation pending findings during inspection.

Avista Response to Staff DR No. 2, Attachment E

						Depreciation Rate	12/2004-12/2007	4.20%
T#3	**Transformer #3**						1/2008-12/2012	3.10%
	Purchase Price	Date Delivered		Out of Service Date	Accumulated Depreciation	Net Book Value	1/2013-9/2018	6.14%
	1,734,000.00		Dec-04	Sep-18	1,045,688.70	688,311.30		
						Depreciation Rate		
							12/2009-12/2012	3.10%
T#4	**Trasformer #4**						1/2013-3/2019	6.14%
	4,268,000.00		Dec-09	N/A	2,034,769.00	2,233,231.00		