

REVISED 1-7-2020

1 In addition, in the interests of settlement, NWECC dropped its recommendations,  
2 discussed in the testimony of witness Amy Wheelless (AEW\_1T), that the Commission  
3 order Avista to discontinue use of its current natural gas line extension methodology,  
4 “perpetual net present value” (PNPV), and revert to the previous natural gas line extension  
5 methodology in Washington, which was based on the expected revenue of a given  
6 customer. NWECC still supports this recommendation, but will pursue it outside of this  
7 proceeding in generic proceedings or a future proceeding related to Avista.

8 **Q. What is your recommendation as it regards to the settlement?**

9 A. I recommend the Commission approve the settlement in full. The agreement  
10 represents an example of one of the key tenets of the NW Energy Coalition that successful  
11 solutions come from diverse interests coming together to forge collective agreement.

12 **Q. Do you have additional comments related to the acceleration of the**  
13 **recovery of the full balance of net production plant in service to 2025?**

14 A. Yes. I agree that the solution reached in this settlement agreement is a good  
15 one for customers. However, I disagree with staff’s interpretation that CETA requires full  
16 acceleration of production plant by 2025. It is staff’s position in this testimony that  
17 “consistent with RCW 19.405.030(1)(a), coal production plant is required to be removed  
18 from rates by the end of 2025.” (page 35). This statement is incorrect. CETA does not  
19 require coal production plant to be removed from rates by the end of 2025. CETA Section  
20 3(1) requires utilities to eliminate coal from their “allocation of electricity.” This is a  
21 defined term in CETA, see CETA Section 2(1), and means the resources that are actually  
22 used to provide electricity to customers in Washington. Accordingly, Section 3(1) prohibits

1 utilities from providing and charging customers with electricity generated by coal after a  
2 date certain. Consequently, we do not see the same limitations related to production plant  
3 expenses in CETA that staff expresses in this testimony. It is not necessary, however, for  
4 the Commission to rule on the interpretation of RCW 19.405.030(1)(a) in this case.  
5 NWEC's differences with Staff regarding the interpretation of this provision does not  
6 affect either party's full support of the Stipulation.

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

8 A. Yes.

9 **Statement of The Energy Project**

10 **Q. Mr. Collins could you please summarize the purpose of your testimony?**

11 A. The purpose of my testimony is to provide support for approval of the Partial  
12 Settlement Stipulation (Stipulation) filed with the Commission in this docket. My  
13 testimony focuses on the elements of the Stipulation that impact low-income customers  
14 within Avista's service territory and explains why The Energy Project believes the  
15 Settlement is in the public interest.

16 **Q. Please discuss how the Stipulation addresses low-income issues.**

17 A. The Stipulation is beneficial for low-income customers in several important  
18 respects. The parties agree to an annual increase in low-income weatherization funding of  
19 \$650,000, from \$2.35 million to \$3.0 million, effective August 1, 2020. Low-income  
20 weatherization measures increase energy affordability in the long run and help mitigate  
21 increased energy costs. Agencies in Avista territory have been able to fully utilize  
22 available funds and would be able to further expand delivery with the increased funds. The

1 agreement also makes administrative changes to (1) more fully cover agency costs by  
2 allowing for a 10 percent agency indirect rate and a 20 percent project coordination, and (2)  
3 include repair-related expenses as an allowable use of weatherization funds.

4 Regarding energy assistance, the Stipulation provides for stability in LIRAP  
5 funding by establishing that the existing funding formula will continue through the next  
6 General Rate Case. This addresses the expiration of the current five-year LIRAP funding  
7 plan in September 2020.

8 In order to address concerns about the impact on low-income customers of  
9 disconnection for non-payment, Avista agrees to report data and to develop a  
10 Disconnection Reduction Plan in consultation with its low-income Advisory Committee.  
11 The plan would be filed with the Commission within one year of approval of the  
12 Stipulation.

13 In addition, as regards renewable energy, Avista agrees to potential renewable  
14 programs for low-income customers with its Energy Assistance Advisory Group and states  
15 its support for an aspirational goal that 30 percent of EVSE program funds be dedicated to  
16 low-income transportation electrification.

17 **Q. Are there other reasons for your support of the settlement?**

18 A. Yes. Under the original two-year rate plan proposal, electric customers faced  
19 a total 13.8 percent annual increase in rates, while the natural gas margin increase would  
20 have been 20.3 percent. A major benefit of the settlement for low-income customers is the  
21 significant reduction in the original size of Avista's rate request, dropping to 5.7 percent  
22 (base) for electric and 8.5 percent (base) for natural gas, and mitigating the bill impact for

1 low-income households. The Energy Project also sees as a benefit that the two-year rate  
2 plan proposal is not adopted, allowing customers to avoid an automatic rate increase in  
3 2021 that would have occurred without further full review of the need for added revenue at  
4 that time. Another important aspect of the revenue requirement settlement from TEP's  
5 perspective is the smaller revenue need based on the agreement that the return on equity is  
6 reduced rather than being increased as originally requested.

7 The Energy Project also supports the rate spread and rate design elements of the  
8 settlement. The rate spread is fair to residential customers and TEP is pleased that Avista  
9 has not proposed increases to the monthly basic customer charge.

10 **Q. Does The Energy Project support approval of the Settlement?**

11 A. Yes. For the reasons discussed, TEP believes that the Settlement is in the  
12 public interest. The Energy Project recommends that the Settlement be approved by the  
13 Commission.

14 **Q. Does this conclude The Energy Project's testimony?**

15 A. Yes.

16

1 **Statement of Sierra Club**

2 **Q. Could you explain the purpose of your testimony?**

3 A. The purpose of my testimony is to explain why the Sierra Club supports the  
4 proposed Partial Settlement Stipulation (“Settlement”), filed with the Commission on  
5 November 21, 2019. The Sierra Club believes the Settlement is in the public interest in  
6 transitioning towards cleaner and more affordable energy for a few reasons.

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

8 A. I recommend that the Commission approve the Settlement in full. The  
9 Settlement provides significant environmental, economic and community transition  
10 benefits. As such, this Settlement is in the public interest, and can serve as a model for  
11 other Washington utilities that face similar issues with their ownership shares of the  
12 Colstrip Power Plant.

13 **Q. Can you elaborate on why Sierra Club supports this Settlement?**

14 A. The Sierra Club believes this Settlement is in the public interest for a few  
15 reasons. First, in line with the Clean Energy Transformation Act (CETA), Section 14(j) of  
16 the Settlement contains capital investment limitations at Colstrip. Avista agrees that it will  
17 not support capital expenditures at Colstrip that go beyond routine capital maintenance  
18 costs that extend the plant’s operational life beyond December 31, 2025. Washington  
19 ratepayers should not be paying for expenses that would prolong Colstrip’s life, and will  
20 instead only support repairs associated with protecting human health and safety. Such  
21 repairs will themselves be subject to future prudence determinations by the Commission to

1 ensure that Washington customers are not charged for costs from which they will receive  
2 no benefit.<sup>86</sup>

3         Second, the costs associated with the installation of Smartburn for Colstrip Units 3  
4 and 4 are not included in the rate base for this Settlement, as referenced at Sections 13(a)  
5 and 14(j). Sierra Club’s testimony from Dr. Ezra Hausman showed that “the installation of  
6 SmartBurn was unnecessary, premature at best, ineffective, and not required for  
7 compliance with any existing or future known requirement.” (Hausman direct, page 14 at  
8 6-8). As part of the overall Settlement, Sierra Club stipulates to the deferral of this issue at  
9 this time, but intends to continue to oppose recovery of these costs when they are  
10 considered by this Commission in the future.

11         Third, Avista will provide \$3 million in funds for a Colstrip Community Transition  
12 fund, divided between shareholder and ratepayer funds. As Washington will not be using  
13 coal-fired generation after late 2025, the fund aims to provide the local residents near  
14 Colstrip in Montana with monies to help move their economy forward beyond Colstrip’s  
15 eventual closure. Importantly, there is specific eligibility for tribal members and  
16 governments. These funds might be used for education, worker re-training, low income  
17 energy efficiency or renewable energy programs, or other projects that aid in transitioning  
18 the community away from coal-fired generation. No projects that fund fossil fuels are  
19 eligible. Avista can choose to contribute more funds to transition efforts beyond the \$3  
20 million pledged in this Settlement. This contribution is also in line with Puget Sound

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<sup>86</sup> Avista notes its belief in Joint Testimony that the Colstrip Ownership and Operation Agreement may obligate them to pay a share of costs for capital projects even if they voted against such projects. Sierra Club may differ in our interpretation of this Agreement and if Avista seeks recovery for such expenses, expects that the UTC will sort out this issue in a future rate case.

1 Energy (PSE's) recent \$10 million fund for community transition, and is roughly in line  
2 with Avista's proportional ownership share of Colstrip. The Sierra Club believes this  
3 Settlement may encourage other Colstrip owners to contribute to transition efforts as well.  
4 This section of the Settlement is aligned with the Sierra Club's goal of endeavoring for a  
5 just transition to cleaner sources of energy.

6 Fourth, Colstrip costs are accounted for in Section 13 of this Settlement. The  
7 depreciation costs for Colstrip units 3 and 4 will be accelerated to 2025 to comply with the  
8 CETA legislation. However, both transmission assets and decommissioning and  
9 remediation (D&R) costs are also part of this settlement and are treated separately. Upon  
10 Commission approval of this Settlement, \$33 million will be placed into a regulatory asset  
11 for Colstrip production plant D&R costs, and Avista will be tracking these costs. Should  
12 Avista end up spending more money than the \$33 million on Colstrip production plant  
13 D&R—as Sierra Club expects that they may well do—those costs will be eligible to be  
14 “trued up” to the actual cost in a future rate case, less any insurance monies or other funds.  
15 Because Avista will only be eligible to “recover...the actual, prudently incurred D&R  
16 costs” both Washington ratepayers, and the community of Colstrip will be protected.  
17 Washington ratepayers will not incur unnecessary expenses, and Colstrip residents will  
18 have the contaminated area reclaimed.<sup>87</sup>

19 Finally, there are many additional benefits to this settlement, including \$3 million

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<sup>87</sup> The Settlement is silent on Avista's return on equity for the Colstrip D&R regulatory asset, an issue raised in Dr. Hausman's direct testimony regarding the originally-proposed regulatory asset. Sierra Club continues to believe that the permitted rate of return on this asset should reflect the significantly reduced risk relative to physical utility assets, and the Sierra Club reserves its right to address this issue in a future rate case as appropriate.

1 for weatherization funds for low-income households, a plan to limit utility disconnections  
2 for low-income ratepayers, and support for electric vehicles, with a goal of dedicating 30%  
3 of the electric vehicle supply equipment (EVSE) program funds to low-income  
4 transportation electrification efforts.

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

6 A. Yes

7 **IX. CONCLUSION**

8 **Q. In conclusion, why is this Partial Multiparty Settlement Stipulation “in  
9 the public interest?”**

10 A. This Stipulation should be approved for the following reasons:

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12 • It strikes a reasonable balance between the interests of the Company and its  
13 customers, including its low-income customers. As such, it represents a  
14 reasonable compromise among differing interests and points of view.

15

16 • The Company’s general rate case filing has been subjected to great scrutiny  
17 through the discovery process: approximately seven months have passed  
18 since the case was filed and the Company has responded to over 840 data  
19 requests (including sub-parts).

20

21 • Ample opportunity has been afforded all Parties to participate meaningfully  
22 in the settlement process.

23

24 • In the final analysis, any settlement reflects a compromise, in the give-and-  
25 take of negotiations; the Commission, however, has before it a Partial  
26 Multiparty Settlement Stipulation that is supported by sound analysis and  
27 sufficient evidence. Its approval is “in the public interest,” and satisfies the  
28 requirement that rates be fair, just, reasonable and sufficient.

29

30 **Q. Are there legal standards that must be satisfied with respect to any  
31 settlement?**



1           A.     Yes. The Commission’s charge is to regulate in the public interest. The  
2 settlement, if approved, must result in rates that are fair, just, reasonable and sufficient.  
3 (RCW 80.28.010.) As such, the Commission must not only assure fair prices and services  
4 to customers, but also “provide the utility with rates sufficient to cover its prudently  
5 incurred costs and an opportunity to recover a return on its investment.” (WUTC v Avista  
6 Corporation, Docket Nos. UE-050482/UG-050483, Order No. 05 (December 21, 2005) at  
7 p. 10.) In the final analysis, it is the “end result” that matters, not the methods by which  
8 rates are determined. (Id., at p.11) The settlement represents the Parties’ best efforts at  
9 arriving at an end result that satisfies these requirements.

10           **Q.     Does that conclude your pre-filed direct testimony?**

11           A.     Yes, it does.