

EXHIBIT NO. _____ (WGM-1T)
DOCKET NOS. UE-170033/UG-170034
2017 PSE GENERAL RATE CASE
WITNESS: WENDY GERLITZ

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NOS. UE-170033
and UG-170034 (*Consolidated*)

TESTIMONY OF WENDY M. GERLITZ

IN SUPPORT OF MULTIPARTY SETTLEMENT STIPULATION AND AGREEMENT
ON BEHALF OF NW ENERGY COALITION, RENEWABLE NORTHWEST, AND
NATURAL RESOURCES DEFENSE COUNCIL

September 18, 2017

I. INTRODUCTION

Q. Please state your name and position.

A. My name is Wendy Gerlitz. I am the Policy Director with the NW Energy Coalition.

Q. Please describe you background and qualifications to give testimony in this proceeding.

A. I am a graduate of the University of Wisconsin—Madison and have a Masters of Environmental Management from Yale University. I joined the staff of the NW Energy Coalition six years ago. In my time with the NW Energy Coalition, I have provided testimony on a variety of electric and natural gas utility issues at the Oregon Public Utility Commission as well as in Bonneville Power Administration rate case proceedings. I testified before the Washington Utilities and Transportation Commission in Docket No. UE 161123. I also have authored and contributed to comments submitted to the Washington Utilities and Transportation Commission in many proceedings regarding renewable energy, utility integrated resource plans, conservation, low-income programs and rate design. I am a member of the Energy Trust of Oregon Conservation Advisory Committee and the Conservation Resource Advisory Committee for the NW Power and Conservation Council.

Q. Please describe NW Energy Coalition, Renewable Northwest, and Natural Resources Defense Council.

A. NW Energy Coalition (“NWECC”) is a non-profit alliance of one hundred environmental, civic and human services organizations, utilities, businesses, labor unions, and communities of faith in the Pacific Northwest. NWECC’s primary purpose is to promote an energy future that is clean, reliable, affordable, and equitable. NWECC provides technical and policy leadership on energy issues in this region, and seeks to promote the development of renewable energy, energy

1 conservation, and affordable energy services. Additionally, NWECA, as the primary advocacy
2 organization monitoring utility implementation of the Energy Independence Act (I-937), is also
3 concerned with matters relating to Puget Sound Energy's ("PSE's") state requirements under the
4 clean energy initiative and how those requirements will be impacted by the proposed actions in
5 this filing.

6 Renewable Northwest ("RNW") is a non-profit organization that advocates for renewable
7 energy expansion before state and regional policymakers, including Bonneville Power
8 Administration and the Northwest Power and Conservation Council, as well as state agencies,
9 regulators, and individual utilities. Renewable Northwest promotes transmission, siting, and
10 regulatory policies that enable renewable energy expansion, and educates policy and regulatory
11 leaders about the benefits of new renewable energy resources.

12 Natural Resources Defense Council ("NRDC") is a non-profit corporation dedicated to
13 the preservation of the earth's natural resources and the defense of humanity, plants and animals,
14 and the earth's natural systems necessary for life. NRDC seeks to protect people and promote
15 social and economic justice by protecting the planet. NRDC is comprised of over 1.2 million
16 members and e-activists nationwide, including over 18,000 members residing in Washington.
17 NRDC advocates for the adoption of energy and regulatory policy that produces economically
18 efficient, socially responsible, and environmentally sound outcomes. NRDC has engaged on
19 issues related to the efficient use of energy, low-income energy services, environmentally
20 preferred renewable power generation, rate design, and utility procurement. NRDC frequently
21 participates in state and federal regulatory proceedings that involve the nation's utilities and has
22 offered expert testimony in previous rate cases in Washington and many other states.

1 II. INTERESTS OF NWEC, RNW, AND NRDC IN THIS PROCEEDING

2 **Q. Please describe the interests of NWEC, RNW, and NRDC that are affected by this**
3 **proceeding.**

4 A. Our members have a substantial interest in PSE's General Rate Case for tariff revisions to
5 increase rates for electric and natural gas services provided to customers in Washington, Dockets
6 UE-170033 & UG-17003, filed on January 13, 2017. PSE's proposed tariff revisions, and the
7 subsequent settlement agreement terms, will directly affect our member groups as well as the
8 individual members of our organizations. In particular, the outcome of this proceeding has a
9 high likelihood of impacting low-income customers and PSE programs that serve the interests of
10 these customers.

11 Members of NWEC, RNW, and NRDC will be affected by (1) rate changes and cost
12 shifting among customer classes that may result from this proceeding; (2) rate design
13 modifications that may affect customer investment in energy efficiency and impact low-income
14 customers; (3) potential changes to the decoupling program which NWEC and NRDC advocated
15 for and helped implement; and (4) issues associated with the Colstrip generating units, including
16 the retirement of Colstrip Units 1 and 2 by 2022, adjusting the depreciation schedule for Colstrip
17 Units 3 and 4 to 2027, funding for a community transition plan and assistance, ensuring that
18 transmission lines associated with Colstrip can be used for other energy sources, and assessing
19 how much clean-up costs will be and how they will be met.

20 **Q. Please summarize the testimony submitted by NWEC, RNW, and NRDC.**

21 A. NWEC, RNW, and NRDC submitted testimony from Amanda Levin, Michael O'Brien,
22 Thomas Power, and Cameron Yourkowski.

23 Ms. Levin's testimony addressed monthly basic charges, residential rate design,

1 decoupling, and support for low income programs. *See* Prefiled Response Testimony of Amanda
2 M. Levin, Exh. No. __ (AML-1T); Prefiled Cross-Answering Testimony of Amanda M. Levin,
3 Exh. No. __ (AML-13T).

4 Dr. O'Brien addressed the need to review post retirement system needs and supply
5 options available to PSE in future planning. *See* Prefiled Response Testimony of Michael H.
6 O'Brien, Exh. No. __ (MHO-1T).

7 Dr. Power discussed the failure to collect adequate remediation, decommissioning, and
8 demolition costs for Colstrip Units 1 and 2, PSE's plan to address that short-fall now, the
9 importance of avoiding a similar situation for Colstrip Units 3 and 4 by setting a realistic
10 depreciation date, the need for community transition planning and assistance for the Colstrip,
11 Montana region, and the need for detailed annual reporting requirements including Colstrip
12 retirements dates and estimated costs. *See* Prefiled Direct Testimony of Thomas Michael Power,
13 Exh. No. __ (TMP-1T); Prefiled Cross-Answering Testimony of Thomas Michael Power, Exh.
14 No. __ (TMP-9T).

15 Mr. Yourkowski's testimony supported PSE joining the California Independent System
16 Operator's ("CAISO") Energy Imbalance Market ("EIM") and described the need for transition
17 planning for the transmission assets of Colstrip Units 1 and 2. *See* Prefiled Response Testimony
18 of Cameron Yourkowski, Exh.No. __ (CBY-1T).

19 III. SUPPORT FOR THE MULTI-PARTY SETTLEMENT AGREEMENT

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

21 **A.** My testimony explains the basis for NWECC, RNW, and NRDC's decision to join and
22 support the *Multiparty Settlement and Stipulation Agreement* ("Settlement") filed on September
23 15, 2017 in this proceeding. My testimony discusses why the Settlement is supported by NWECC,

1 RNW, and NRDC and why it is in the public interest.

2 **Q. Does the Settlement satisfy the interests of NWEA/RNW/NRDC and the public**
3 **interest?**

4 A. Yes. In evaluating any settlement, we want customers to be better off with the settlement
5 than before, and the public interest in clean and affordable energy should be enhanced.

6 Additionally, the State of Washington has many policies that specifically address the importance
7 of reducing greenhouse gas emissions and other pollutants.¹ State policies also support rates and
8 programs that assist low-income customers.² Supporting these state policies is in the public
9 interest.

10 In this agreement, a diverse set of parties compromised to obtain a fair, just, and
11 reasonable resolution of many of the key elements in this case. The Settlement reaches
12 agreement on the following issues pertinent to the interests of NWEA, RNW, and NRDC as they
13 relate to the Colstrip Generating Plant.

14 (1) The Settlement reaches agreement for accounting treatment for Colstrip Units 1
15 and 2 to align with known agreements related to the closure of these units no later than 2022.
16 This accounting treatment reduces intergenerational inequity by paying off balances that have
17 been historically under-recovered from customers utilizing Production Tax Credits that have
18 been earned over approximately the same time-period under which the plant balances were
19 under-recovered.

21 ¹ See e.g., RCW 70.235.020, Chapter 80.80 RCW, Chapter 173-441 WAC, Chapter 173-442
22 WAC, Washington Carbon Pollution Reduction and Clean Energy Action, Exec. Order 14-04
(Apr. 29 2014), Western Public Utility Commissions' Joint Action Framework on Climate
23 Change, Wash.-Or.-Cal. (Mar. 7, 2017).

24 ² RCW 80.28.068, RCW 74.38.070.

1 (2) The Settlement sets forth an agreement to accelerate the depreciation schedule for
2 Colstrip Units 3 and 4 to December 31, 2027. This date aligns with a more accurate estimate of
3 the useful life of these units and will reduce the chances of repeating the mistakes made with
4 regard to the unrecovered plant balances of Colstrip Units 1 and 2. As described in the pre-filed
5 response testimony of Dr. Power, PSE failed to recover decommissioning and remediation costs
6 for Colstrip Units 1 and 2 during their 40+ year lifetime, Direct Testimony of Thomas Michael
7 Power, Exh. No. ____ (TMP-1T) at 9-11, leaving current rate payers on the hook for substantial
8 retirements costs. This agreement improves the alignment of the recovery of costs with the use
9 of these assets from a customer perspective, as well as providing inter-generational equity for
10 costs of remediation, decommissioning, and demolition.

11 (3) The Settlement provides a plan to fund future decommissioning and remediation
12 costs at Colstrip Units 1, 2, 3, and 4. Decommissioning and remediation costs are among those
13 that should have been collected throughout the useful life of these units, but were not adequately
14 collected. Establishing a plan to fund these future costs with Treasury Grants, pursuant to RCW
15 80.84.020(2), and Production Tax Credits that have been earned but not yet collected will
16 provide more equitable treatment to customers and ensure that the initial estimates of the costs of
17 these important responsibilities are fully and adequately funded.

18 (4) The Settlement establishes reporting requirements under which PSE will be
19 required to submit annual information to the Commission to document Colstrip's status on an
20 ongoing basis. Annual reports will include PSE's most recent estimates for retirement dates and
21 relevant discussions of consequences to customers in the event of any changes to those
22 retirement dates. PSE's reports will also update estimates related to future decommissioning and
23 remediation costs as well as the sufficiency of the RCW 80.84.020-related retirement account,

1 which is comprised of hydro-related treasury grants. PSE will also include documentation of the
2 depreciation rates for Colstrip Units 3 and 4, and any updates to decommissioning and
3 remediation costs related to those units. Lastly, PSE will update replacement power costs in its
4 report during those years when PSE files an Integrated Resource Plan. These reporting
5 requirements will help the Commission and stakeholders ensure that the terms of this Settlement
6 remain effective in understanding the costs associated with the Colstrip complex and in
7 establishing cost recovery for Colstrip generating units in a manner that results in just and
8 reasonable rates and provides for an earlier opportunity to take corrective action should it be
9 needed, rather than waiting until a rate case is filed.

10 (5) Under the Settlement, PSE agrees to participate in a community transition process
11 and to contribute \$10 million for a community transition plan and community assistance for the
12 Colstrip community. NWEA/RNW/NRDC witness Dr. Thomas Power, in his testimony in this
13 case, outlines the importance of PSE's commitment to the Colstrip community. *See* Prefiled
14 Direct Testimony of Thomas Michael Power, Exh. No. ____ (TMP-1T) at 28-46. It is in the
15 public interest of the State of Washington to encourage good corporate citizenship and a
16 responsibility to workers and communities impacted by large-scale changes in the energy
17 industry. Following the example set in the TransAlta closure agreement,³ Washington has made
18 it clear that affected communities should be afforded opportunities to pursue economic transition
19 in the face of such changes. Other owners of Colstrip generating units will hopefully be
20 encouraged by the terms of the Settlement to pursue similar commitments.

21 (6) Under the settlement, PSE agrees to work with other Colstrip owners on a
22

23 ³ *See* SB 5769 (2011), §§ 101(4), (5); 106(3), (4); 301; 302.

1 Colstrip Transmission Study. The Settlement requests that the Commission convene a
2 stakeholder workshop or series of workshops, in coordination with PSE and Commission Staff,
3 to investigate the use of the transmission line by other resources after Colstrip Units 1 and 2
4 retire. Obtaining a commitment to immediately begin transmission-related studies promotes the
5 goal of ensuring that the transmission lines utilized for Colstrip generation remain fully utilized
6 as Colstrip generation drops off. These transmission assets are currently paid for by Washington
7 ratepayers and are scheduled to continue as such even after Colstrip Units 1 and 2 retire. These
8 transmission lines also offer the opportunity to bring generation from Montana wind to
9 Washington, a renewable resource that would help further the state's clean energy goals and
10 complement Washington's renewable resources.

11 **Q. Are there other issues of the Settlement that pertain to the interests of**
12 **NWEC/RNW/NRDC in this case?**

13 A. Yes. There are two additional areas of interest to our groups. First, the Settlement
14 includes a commitment from PSE to continue shareholder funding for low-income
15 weatherization in the amount of \$100,000 and to provide an additional amount of \$2 million
16 toward low-income weatherization. This support of low income weatherization furthers state
17 policies in support of low-income customers and energy efficiency.

18 Second, the Settlement addresses one issue relating to decoupling: the inclusion of fixed
19 production costs in the decoupling mechanism. The agreement states that fixed production cost
20 recovery will be included in the electric decoupling mechanism consistent with Staff 's proposal
21 to set the total allowed revenue for fixed production costs recovery per decoupled group at the
22 level the Commission authorizes in this proceeding. *See* Prefiled Testimony of Jing Liu, Exh.
23 No. ___ (JL-1CT) at 48-56. Initially, NWEC, RNW, and NRDC opposed the inclusion of fixed

1 costs in the decoupling mechanism. For settlement purposes, we are willing to accept the
2 inclusion of these costs in the decoupling mechanism with the specific method of calculation
3 outlined in the Settlement terms. We believe this calculation methodology will provide a more
4 accurate recovery of costs than the one presented by PSE in its original proposal in this case.

5 **Q. Does NWEC/RNW/NRDC have a position on the rate spread and rate design**
6 **elements contained in the Settlement?**

7 A. No, the specific elements related to rate spread and rate design contained in the
8 Settlement agreement are outside of the scope of the interests in rate spread and rate design we
9 have raised in this case.

10 **Q. Does the Settlement resolve all issues of concern for NWEC, Renewable Northwest,**
11 **and NRDC?**

12 A. No. The majority of the issues surrounding decoupling and certain portions of electric
13 rate design remain to be resolved by the Commission, following the August 30, 2017 evidentiary
14 hearing.

15 **Q. What is your recommendation regarding the Settlement?**

16 A. I recommend the Commission approve the Settlement in full. The agreement represents
17 an example of one of the key tenants of the NW Energy Coalition, that successful solutions come
18 from diverse interests coming together to forge a collective agreement. This Settlement resolves
19 contentious issues related to the Colstrip Generating Plant in a fair, just, and reasonable outcome
20 for customers. It resolves years of under-recovery of the depreciation expense for the Colstrip
21 units by bringing the depreciation schedules in line with more realistic end-of-life dates. The
22 Settlement also resolves other revenue recovery issues without significantly impacting electric
23 rates for customers. Importantly, the Settlement also provides a commitment to assist the

1 Colstrip, Montana community with the economic transition that will occur as a result of closure
2 of the Colstrip Generating Plant. Additionally, through the commitment to low-income
3 weatherization, the agreement furthers state policy that seeks to maximize energy efficiency and
4 ensure weatherization services to low income customers.

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

6 A. Yes.