EXH. NWA-1T
DOCKETS UE-22___/UG-22___
2022 PSE GENERAL RATE CASE
WITNESS: NED W. ALLIS

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**Docket UE-22____** **Docket UG-22____**

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

NED W. ALLIS

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 31, 2022

PUGET SOUND ENERGY

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I. INTRODUCTION

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

A. My name is Ned W. Allis. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania 17011. I am Vice President of the firm of Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming"). I am testifying on behalf of Puget Sound Energy ("PSE" or "the Company").

Q. Have you prepared an exhibit describing your Professional qualifications?

A. Yes, I have. It is Exh. NWA-2.

Q. What is the nature of your testimony in this proceeding?

A. I sponsor the depreciation study performed for PSE submitted herewith as Exh. NWA-3 ("Depreciation Study"). The Depreciation Study sets forth the calculated annual depreciation accrual rates by account as of June 30, 2021 for all electric, gas, and common plant. June 30, 2021 is the last day of PSE's test year for this rate case.

II. PSE'S DEPRECIATION STUDY

Q. Please define the concept of depreciation.

A. The Federal Energy Regulatory Commission's Uniform System of Accounts for electric utilities defines depreciation as:

> Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.[1]

Q. Please identify the depreciation study you performed for PSE.

A. The study is a report entitled, "2021 Depreciation Study - Calculated Annual Depreciation Accruals Related to Electric, Gas, and Common plant as of June 30, 2021." This report sets forth the results of the depreciation study for PSE. The study was prepared and the analyses that underlie the report were conducted under my direction and supervision.

Q. What is the purpose of your depreciation study?

A. The purpose of the depreciation study is to estimate the annual depreciation accruals related to electric, gas, and common plant in service for financial and ratemaking purposes and determine appropriate average service lives and net salvage percentages for each plant account.

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[1] 18 C.F.R. 101 (FERC Uniform System of Accounts), Definition 12. The definition in the gas Uniform System of Accounts is similar.

Q. Please describe the Depreciation Study you conducted for PSE.

A. The report, which is provided as Exh. NWA-3, is presented in nine parts. Part I, Introduction, describes the scope and basis for the depreciation study. Part II, Estimation of Survivor Curves, includes descriptions of the methodology of estimating survivor curves. Parts III and IV set forth the analysis for determining life and net salvage estimates. Part V, Calculation of Annual and Accrued Depreciation explains the method, procedure, and technique used in the calculation of depreciation. Part VI, Results of Study, presents a description of the results and a summary of the depreciation calculations. Parts VII, VIII and IX include graphs and tables that relate to the service life and net salvage analyses, and the detailed depreciation calculations.

The tables on pages VI-4 through VI-13 present the estimated survivor curve, the net salvage percent, the original cost as of June 30, 2021, the book depreciation reserve, and the calculated annual depreciation accrual and rate for each account or subaccount. The section beginning on page VII-1 presents the results of the retirement rate analyses prepared as the historical bases for the service life estimates. The section beginning on page VIII-1 presents the results of the net salvage analysis. The section beginning on page IX-1 presents the depreciation calculations related to surviving original cost as of June 30, 2021.

Q. Please explain how you performed your depreciation study.

A. I used the straight-line remaining life method of depreciation, with the average service life procedure. The annual depreciation is based on a method of depreciation accounting that seeks to distribute the unrecovered cost of fixed capital assets over the estimated remaining useful life of each unit, or group of assets, in a systematic and rational manner.

For General Plant Accounts 391.1, 391.2, 393, 394, 395, 397, and 398 in electric; 376.5, 380.1, 391.1, 391.2, 393, 394, 395, 397, and 398 in gas; and 391.1, 391.2, 393, 394, 397, and 398 in common plant; I used the straight-line remaining life method of amortization. The account numbers identified throughout my testimony represent those in effect as of June 30, 2021 or anticipated in the rate period based on information provided by PSE management. The annual amortization is based on amortization accounting that distributes the cost of fixed capital assets over the amortization period authorized for each account and vintage.

Q. How did you determine the recommended annual depreciation accrual rates?

A. I did this in two phases. In the first phase, I estimated the service life and net salvage characteristics for each depreciable group, that is, each plant account or subaccount identified as having similar characteristics. In the second phase, I calculated the composite remaining lives and annual depreciation accrual rates based on the service life and net salvage estimates determined in the first phase.

A. Service Life and Net Salvage Estimates

Q. Please describe the first phase of the depreciation study, in which you estimated the service life and net salvage characteristics for each depreciable group.

A. The service life and net salvage study consists of compiling historic data from records related to PSE's plant, analyzing these data records to obtain historic trends of survivor and net salvage characteristics, obtaining supplementary information from PSE's management and operating personnel concerning practices and plans as they relate to plant operations, and interpreting the above data as well as estimates used by other electric and gas utilities to form judgments of average service life and net salvage characteristics.

Q. What factors did you consider in your estimates of service life and net salvage?

A. The primary factors I considered to estimate service life are the statistical analyses of data, current PSE policies and outlook, and survivor curve estimates from prior depreciation studies. The primary factors I considered to estimate the future net salvage are analyses of historical cost of removal and salvage data, expectation regarding future removal requirements, and markets for retired equipment and materials. For more discussion of the factors used to estimate service lives and net salvage percentages, see Parts III and IV of Exh. NWA-3.

1. Service Life Estimates

Q. What historic data did you rely on to estimate service life characteristics?

A. I analyzed the Company's accounting entries relating to plant additions, transfers, and retirements recorded during the period 1987 through 2020. PSE's records also include surviving dollar value by year installed for each plant account as of June 30, 2021.

Q. What method did you use to analyze this service life data?

A. I used the retirement rate method for all accounts. This is the most appropriate method when aged retirement data are available because it determines the average rates of retirement actually experienced by PSE during the period of time covered by the study.

Q. Please explain how you used the retirement rate method to analyze PSE's service life data.

A. I applied the retirement rate method to each different group of property in the study. For each property group, I used the retirement rate method to form a life table which, when plotted, shows an original survivor curve for that property group. Each original survivor curve represents the average survivor pattern experienced by the several vintage groups during the experienced band studied. The survivor patterns do not necessarily describe the life characteristics of the property group; therefore, interpretation of the original survivor curves is required in order to use them as valid considerations in estimating service life. I used the Iowa-type survivor curves to perform these interpretations.

Q. What is an "Iowa-type Survivor Curve" and how did you use such curves to estimate the service life characteristics for each property group?

A. Iowa-type curves are a widely-used group of generalized survivor curves that contain the range of survivor characteristics usually experienced by utilities and other industrial companies. The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observing and classifying the ages at which various types of property used by utilities and other industrial companies have been retired.

Iowa-type curves are used to smooth and extrapolate original survivor curves determined by the retirement rate method. I used Iowa curves and truncated Iowa curves in this study to describe the forecasted rates of retirement based on the observed rates of retirement and the outlook for future retirements.

The estimated survivor curve designations for each depreciable property group indicate the average service life, the family within the Iowa system to which the property group belongs, and the relative height of the mode. For example, the Iowa 38-R2.5 indicates an average service life of thirty-eight years; a right-moded, or R, type curve (the mode occurs after average life for right-moded curves); and a moderate height, 2.5, for the mode (possible modes for R type curves range from one to five). Graphs of the Iowa curves are provided in Part II of Exh. NWA-3.

Q. What approach did you use to estimate the lives of significant structures and production facilities?

A. I used the life span method to estimate the lives of significant facilities for which concurrent retirement of the entire facility is anticipated. In this method, the survivor characteristics of such facilities are described using interim survivor curves and estimated probable retirement dates. The interim survivor curve describes the rate of retirement related to the replacement of elements of the facility, such as, for a building, the retirements of plumbing, heating, doors, windows, roofs, etc., that occur during the life of the facility. The probable retirement date provides the rate of final retirement for each year of installation for the facility by truncating the interim survivor curve for each installation year at its attained age at the date of probable retirement. The use of interim survivor curves truncated at the date of probable retirement provides a consistent method for estimating the lives of the several years of installation for a particular facility because a single concurrent retirement for all years of installation will occur when it is retired.

Q. Is the life span method widely used in the industry?

A. Yes. The life span method is widely used in the industry for property such as power plants and gas storage facilities. Both I and others at my firm have used the life span method in performing depreciation studies presented to many public utility commissions across the United States and Canada, and the life span method has been used in previous studies for PSE.

Q. Have there been any changes to the probable retirement dates estimated in the current depreciation study due to changes in law or other reasons?

A. Yes. While most of the probable retirement dates are the same as used in the current depreciation rates, the probable retirement date for the Mint Farm combined cycle plant has been shortened by two years, to 2045. The updated retirement date aligns with the state's goals for significant greenhouse gas emissions reductions by 2045 as set forth in the Clean Energy Transformation Act.[2]

Q. What are the retirement dates for the Colstrip units?

A. In April 2019 the Washington State legislature passed Senate Bill 5116. It was signed into law as the Clean Energy Transformation Act ("CETA") and codified as Chapter 19.405 of the Revised Code of Washington. One of the requirements of this law is that "[o]n or before December 31, 2025, each electric utility must eliminate coal-fired resources from its allocation of electricity."[3] PSE's currently-approved depreciation rates for Colstrip Units 3 and 4, which were established in PSE's 2019 general rate case ("2019 general rate case"),[4] incorporate a probable

[2] *See* RCW 19.405.010(2).
[3] RCW 19.405.030(1)(a).
[4] *WUTC v. Puget Sound Energy,* Dockets UE-190523/UG-190530.

retirement date of December 2025. This date is consistent with CETA's requirement for the elimination of coal-fired resources by December 2025. The depreciation rates for Colstrip in the Depreciation Study use the same December 2025 retirement dates. However, as discussed in the testimony of PSE witness Susan E. Free, Exh. SEF-1T, PSE proposes a tracking mechanism for the recovery of Colstrip costs, including the remaining plant balance, as well as dismantlement and decommissioning costs.

2. Net Salvage Estimates

Q. Please explain the concept of "net salvage."

A. Net salvage is a component of the service value of capital assets that is recovered through depreciation rates. The service value of an asset is its original cost less its net salvage. Net Salvage is the salvage value received for the asset upon retirement less the cost to retire the asset. When the cost to retire exceeds the salvage value, the result is negative net salvage.

Inasmuch as depreciation expense is the loss in service value of an asset during a defined period (e.g., one year), it must include a ratable portion of both the original cost and the net salvage. That is, the net salvage related to an asset should be incorporated in the cost of service during the same period as its original cost so that customers receiving service from the asset pay rates that include a portion of both elements of the asset's service value: the original cost and the net salvage value.

Q. Please describe how you estimated net salvage percentages.

A. I estimated the net salvage percentages incorporating the historical retirement, cost of removal, and gross salvage data for the period 1998 through 2020 and considered estimates for other electric and gas companies.

Q. For electric generating facilities, are net salvage percentages based on the same analyses just discussed that are used for mass property such as electric and gas distribution accounts?

A. Yes, for the analyses of interim net salvage. The net salvage percentages for electric generating facilities were based on two components, the interim net salvage percentage and the final net salvage percentage. The interim net salvage percentage is determined based on the historical indications of the cost of removal and gross salvage amounts expressed as a percentage of the associated plant retired from the period 1998 through 2020. The final net salvage or dismantlement component was determined based on the costs expected upon the anticipated retirement of the facility.

Q. Have you included a final net salvage component into the overall recovery of electric generating facilities?

A. Yes. A final net salvage component is included in the net salvage percentage for steam and hydro production facilities. The development of the composite net salvage for these facilities, including the final net salvage component, is provided in Table 4 of Exh. NWA-3.

Q. Please explain further how you determined the final net salvage estimates.

A. For Colstrip Units 3 and 4 there are two types of costs that will be incurred subsequent to the retirement of the facilities. The first is for the dismantlement and decommissioning of the power plant itself. The second is for environmental remediation of the site, primarily due to the requirements of the federal Coal Combustion Residuals ("CCR") rule. The costs of dismantling and decommissioning the plant are based on estimates used for other utilities as well as the experience of plants that have been dismantled. A cost of $40 per kilowatt is estimated for each unit at Colstrip for the dismantlement portion of final net salvage. For the remediation costs for Colstrip Units 3 and 4, the costs are based on current estimates for these activities. Additionally, for hydro production units a cost of $10 per kilowatt was estimated for the dismantlement of the facilities.

The approach for net salvage for these facilities is the same as used and adopted in previous depreciation studies for the Company.

B. Calculation of Remaining Life and Annual Depreciation Rates

Q. Please describe the second phase of the process used in the depreciation study to calculate composite remaining lives and annual depreciation accrual rates.

A. After estimating the service life and net salvage characteristics for each depreciable property group, I calculated the annual depreciation accrual rates for each group based on the straight-line remaining life method, using remaining lives weighted consistent with the average service life procedure. The annual depreciation accrual rates were calculated as of June 30, 2021.

Q. Please describe the straight-line remaining life method of depreciation.

A. The straight-line remaining life method of depreciation (also referred to as the straight-line method and remaining life technique) allocates the original cost of the property, less accumulated depreciation, less future net salvage, in equal amounts to each year of remaining service life.

Q. Please describe amortization accounting.

A. In amortization accounting, units of property are capitalized in the same manner as they are in depreciation accounting. Amortization accounting is used for accounts with many units, but small asset values. Depreciation accounting is difficult for these assets because periodic inventories are required to properly reflect plant in service. Consequently, retirements are recorded when a vintage is fully amortized rather than as the units are removed from service. That is, there is no dispersion of retirements. All units are retired when the age of the vintage reaches the amortization period. Each plant account or group of assets is assigned a fixed period, which represents an anticipated life during which the asset will provide its full benefit. For example, in amortization accounting, assets that have a 15-year amortization period will be fully recovered after 15 years of service and taken off the Company's books, but not necessarily removed from service in the field. In contrast, assets that are taken out of service before 15 years remain on the books until the amortization period for that vintage has expired.

Q. For which PSE plant accounts is amortization accounting recommended?

A. Amortization accounting is recommended for certain General Plant or General Plant related accounts. These accounts are Accounts 391.1, 391.2, 393, 394, 395, 397, and 398 in electric; 367.5, 380.1, 391.1, 391.2, 393, 394, 395, 397, and 398 in gas; and 391.1, 391.2, 393, 394, 397, and 398 in common plant. These accounts represent a relatively small percentage of PSE's depreciable plant as of June 30, 2021. The amortization periods and rates for these accounts are the same as those approved in PSE's 2017 general rate case,[5] except for cathodic protection, plant accounts 367.5 and 380.1 in gas. The amortization periods for cathodic protection accounts proposed with this study are consistent with the average service life of these assets used under depreciation accounting.

Q. Please describe how you determined depreciation rates for assets with legal obligations.

A. PSE follows Accounting Standards Codification ("ASC") 410, which governs the accounting for Asset Retirement Obligations ("ARO") for financial reporting purposes. An ARO is a legal obligation associated with the retirement of an asset, where the company is legally responsible for such things as removing equipment or cleaning up hazardous materials at some future date. As is discussed in Exh.

[5] *WUTC v. Puget Sound Energy,* Dockets UE-170033/UG-170034.

SEF-1T, ASC 410 requires that the ARO be recorded at its discounted net present value and then accreted over time to equal the future value of the remediation. In addition to the ARO, ASC 410 also requires the recognition of an Asset Retirement Cost ("ARC") that is depreciated over the life of the asset to which the ARO relates ("underlying asset").

For ratemaking purposes, net salvage is recovered through depreciation expense on a straight line-basis and, as a result, there are timing differences between the recognition of cost of removal for ratemaking and financial reporting purposes. From an accounting standpoint, PSE reclassifies amounts from the net salvage component included in the depreciation of the underlying asset that is recorded at studied rates in order to recognize its ARO accretion and ARC depreciation on its books for financial reporting purposes. ARCs and AROs are typically not studied in a depreciation study. However, because PSE reclassifies the net salvage component from the underlying assets that are studied, I have included the accumulated accretion for its AROs and the book reserve for its ARCs in determining the depreciation rates for the underlying assets. This approach results in the accumulated depreciation used for the depreciation study properly incorporating net salvage recovered to date through depreciation. Additionally, as discussed in Exh. SEF-1T, PSE is eliminating its test year ARO accretion and ARC depreciation because the recovery of these amounts is included in the studied rate for the underlying assets in my report.

Q. Please use an example to illustrate the development of the annual depreciation accrual rate for a particular group of property in the depreciation study.

A. I will use Electric Plant Account 365.00, Overhead Conductors and Devices, as an example because it is one of the largest depreciable groups.

The retirement rate method was used to analyze the survivor characteristics of this property group. Aged plant accounting data were compiled from 1987 through 2020 and analyzed to best represent the overall service life of this property. The life tables for the 1987-2020 and 2001-2020 experience bands are presented on pages VII-148 through VII-153 of Exh. NWA-3. The life tables display the retirement and surviving ratios of the aged plant data exposed to retirement by age interval. For example, page VII-148 shows $1,227,862 retired during age interval 0.5-1.5 with $538,269,132 exposed to retirement at the beginning of the interval. Consequently, the retirement ratio is 0.0023 ($1,227,862/$538,269,132) and the survivor ratio is 0.9977 (1-0.0023). The percent surviving at age 0.5 of 99.96 percent is multiplied by the survivor ratio of 0.9977 to derive the percent surviving at age 1.5 of 99.74 percent. This process continues for the remaining age intervals for which plant was exposed to retirement during the period 1987-2020. The resultant life tables, or original survivor curves, are plotted along with the estimated smooth survivor curve, the 38-R2.5 on page VII-147.

The net salvage analysis is presented on pages VIII-60 and VIII-61 of Exh. NWA-3. The percentages shown on this page are based on the result of annual gross salvage minus the cost to remove plant assets as compared to the original cost of plant retired during the period 1998 through 2020. The 23-year period experienced negative $33,702,539 ($2,577,219 - $36,279,758) in net salvage for $106,884,203 plant retired. The result is negative net salvage of 32 percent ($33,702,539/$106,884,203), while the most recent five-year average is negative 49 percent. Therefore, based on the statistics for this account as well as the three-year rolling averages and trend in recent years, the recommended net salvage for distribution overhead conductor is negative 30 percent. The recommended negative 30 percent net salvage is generally consistent with the overall average net salvage of negative 32 percent.

The calculation of the annual depreciation related to original cost of Account 365, Overhead Conductors and Devices as of June 30, 2021, is presented on pages IX-136 and IX-137 of Exh. NWA-3. The calculation is based on the 38-R2.5 survivor curve, the 30 negative net salvage percent, the attained age, and the allocated book reserve. The tabulation sets forth the installation year, the original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual. These totals are brought forward to the table on page VI-9.

Q. Were there any depreciation rates developed for plant accounts for assets not yet in service as of June 30, 2021?

A. Yes. There are two groups of assets where I developed depreciation rates for plant accounts for assets not in service as of June 30, 2021. First, PSE, jointly with

Puget LNG LLP, is constructing a liquefied natural gas ("LNG") plant at the Port of Tacoma ("Tacoma LNG"). The Tacoma LNG facility will be placed in service after June 30, 2021. The recommended depreciation rates for this facility are presented in Table 2, page VI-12 of Exh. NWA-3. The rates are based on survivor curves, net salvage percentages and the estimated probable retirement date and calculated as of the expected in-service date of the facility. Each of the parameters is based on estimates of comparable facilities for PSE as well as similar assets installed by other natural gas companies. The probable retirement date is based on the overall term of the lease for the land and for the facility.

Second, PSE has plans to develop or acquire renewable natural gas ("RNG") facilities, as referenced by PSE witness Josh J. Jacobs in Exh. JJJ-1T. Depreciation rates have been developed for these facilities based on the current expectations of service lives and net salvage for these assets and are also presented in Table 2 of Exh. NWA-3.

Q. What is PSE proposing for the costs of legacy meters that were retired as the result of its AMI program?

A. As discussed in Exh. SEF-1T, PSE proposes to recover the costs of legacy electric meters and gas modules through a regulatory asset. Depreciation rates for legacy meter costs are not included in the depreciation study because these assets have been or will soon be retired. The current depreciation rates should be used for legacy electric meters and gas modules until they are retired.

Q. Should PSE be able to recover the costs of legacy meters?

A. Yes. In PSE's previous general rate case, my colleague at Gannett Fleming, John Spanos, testified on behalf of PSE that he was not familiar with any instances in which a company was not allowed a return of unrecovered legacy meter costs.[6] I am also not familiar with any such instances, nor am I aware of any since the Company's 2019 general rate case. Mr. Spanos also provided examples of cases in which companies were allowed both a return of and return on unrecovered meters costs.[7]

PSE's legacy electric meter and gas module costs were prudently incurred costs and had been allowed in rate base and have historically been deployed for the benefit of customers. Rejecting a return of these costs would result in the disallowance of the recovery of prudently-incurred costs that were necessary to provide service and that have been approved for recovery in rates. The issue regarding the return of these costs is that the service life of legacy meters is shorter than previously anticipated, not that these costs were not prudently incurred. Legacy electric meters and gas modules provide service to customers, but due to the installation of next generation technology (i.e., the AMI meters), only a portion of legacy meter costs have been recovered to date. PSE, therefore, should receive a return of these costs.

[6] *See WUTC v. Puget Sound Energy,* Dockets UE-190529/UG-190530, Spanos, Exh. JJS-4T at 3:16-19.

[7] *See id.* at 4:15-7:14. These include Florida Public Service Commission Dockets 080677-EI and 090130-EI; Nevada Dockets 10-02009, 10-03022, and 10-03023; North Carolina Dockets E-2, Sub 1131, 1142, 1103, and 1153; and New York Public Service Commission Cases 16-E-0060 and 18-E-0067.

I note that PSE's proposal for the recovery of these costs is already a deferral of cost recovery when compared to their experienced service lives. The proposed 20-year recovery period is longer than the remaining lives of these assets (because they have now reached the end of their service lives), which would support recovery of legacy meter costs.

Q. What are the primary factors that result in changes in depreciation rates for the depreciation study?

A. For many accounts and depreciable groups, the service life estimates, net salvage estimates, and depreciation rates are relatively similar to those currently used by the Company. For electric assets, the study results in a net increase in depreciation expense, which is primarily related to Account 344, Generators. This account is subdivided into subaccounts for combined cycle, simple cycle and wind generation. The depreciation study results in increases in depreciation for both subaccounts.

For simple cycle plants, the proposed service life and net salvage estimates are similar to the current estimates. However, there have been recent additions at Fredonia which, consistent with the use of the life span method, will have a shorter life than the original investment at the plant, resulting in an increase in depreciation expense. The increase in depreciation for wind generation is the result of similar plant activity. The increase in depreciation expense for combined cycle plants for Account 344 are the result of additions and retirements since the last study, the shorter life span for Mint Farm discussed previously, and lower net salvage estimate resulting from the net salvage analysis for the current study.

For gas plant, the increase in depreciation expense is primarily due to gas mains and services accounts. For gas mains, the current study indicates a shorter service life than the previous depreciation study. For gas services, the data indicate a more negative net salvage estimate is appropriate. The combination of these factors results in an overall increase in gas depreciation expense. Changes for other electric, gas and common accounts are less significant and in many instances are offsetting.recovery of legacy meter costs.

Q. In your opinion, are the depreciation rates set forth in the depreciation study the appropriate rates for the Commission to approve in this proceeding?

A. Yes. These rates appropriately reflect the rates at which the value of PSE's assets should be recovered through depreciation expense over their useful lives. These rates are an appropriate basis for setting electric and gas rates and to use for looking at depreciation and amortization expense going forward.

C. Alternative Analysis for Colstrip Units 3 and 4

Q. Have you prepared an alternative analysis related to the depreciation rates for Colstrip Units 3 and 4?

A. Yes. As I previously mentioned, PSE proposes to recover costs associated with Colstrip Units 3 and 4 in a tracking mechanism. In paragraph 425 in Order 08 in its 2019 general rate case, the Commission ordered that PSE propose a plan for the recovery of dismantlement and remediation costs for Colstrip Units 3 and 4 that complies with CETA. As discussed in Exh. SEF-1T, PSE's proposal moves the recovery of decommissioning and remediation costs of the units to a tracking and true-up mechanism. As such, PSE's depreciation rates for Colstrip Units would no longer need to include a component for net salvage as it will be handled separately within the tracking and true-up mechanism. Accordingly, as requested by PSE, I have prepared an alternative analysis for Colstrip Units 3 and 4 that provides only for the recovery of the original cost component within the depreciation rates (i.e., that excludes net salvage). This analysis is presented in Exh. NWA-4.

III. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.