

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-220053

DOCKET UG-220054

DOCKET UE-210854

(Consolidated)

SUPPLEMENTAL JOINT TESTIMONY OF

PATRICK D. EHRBAR (AVISTA)
ELIZABETH M. ANDREWS (AVISTA)
CHRIS MCGUIRE (COMMISSION STAFF)
BRADLEY MULLINS (ALLIANCE OF WESTERN ENERGY CONSUMERS)
LAUREN MCCLOY (NW ENERGY COALITION)
BRADLEY CEBULKO (THE ENERGY PROJECT)
ED BURGESS (SIERRA CLUB)
ALEX J. KRONAUER (WALMART)
JAMES F. WILSON (SMALL BUSINESS UTILITY ADVOCATES)

IN SUPPORT OF THE COLSTRIP TRACKER AND SCHEDULE 99

I. INTRODUCTION

Q. Please state your names, titles, and the party you represent in this matter.

A. Our names, titles, and representations are as follows:

- Patrick D. Ehrbar, Director of Regulatory Affairs, Avista
- Elizabeth M. Andrews, Senior Manager of Revenue Requirements, Avista
- Chris McGuire, Regulatory Analyst, Commission Staff
- Bradley Mullins, Consultant for MW Analytics, representing Alliance of Western Energy Consumers (AWEC)
- Lauren McCloy, Policy Director, NW Energy Coalition (NVEC)
- Bradley Cebulko, Manager at Strategen Consulting, The Energy Project
- Ed Burgess, Senior Director at Stratagen Consulting, Sierra Club
- Alex J. Kronauer, Senior Manager, Energy Services, Walmart
- James F. Wilson, representing Small Business Utility Advocates

Together we are representatives of the “Settling Parties”¹ in this Supplemental Joint Testimony. Except for the qualifications of Chris McGuire for Commission Staff (which are provided below), the qualifications of each Settling Party witness was previously provided in Exh. JT-1T, “Joint Testimony” filed with the Commission on July 8, 2022, in support of the Full Multiparty Settlement Stipulation (hereinafter “Settlement”), filed with the Commission on June 28, 2022 (Exh. JT-2).

Q. Chris McGuire, please state your name, address and provide information pertaining to your education background and professional experience.

A. My name is Chris McGuire, and my business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. I graduated from the University of Washington in 2002 with a Bachelor of Science degree in Cell and Molecular Biology. I graduated from the

¹ The Full Multiparty Settlement Stipulation was entered into by Avista Corporation (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), Alliance of Western Energy Consumers (“AWEC”), NW Energy Coalition (“NVEC”), The Energy Project (“TEP”), Sierra Club, Walmart, and Small Business Utility Advocates (“SBUA”), jointly referred to herein as the “Settling Parties.” These parties represent all parties to the case with the exception of the Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”), who did not join the Settlement Stipulation.

1 University of Colorado in 2010 with a Master of Business Administration and a Master of
2 Science in Environmental Studies. Prior to my employment with the Commission, I held
3 research positions at various institutions, including the University of Washington, the
4 University of Colorado, and the National Renewable Energy Laboratory. Since joining the
5 Commission in 2012, I have held the positions of Regulatory Analyst (2012-2016, 2022-
6 present), Energy Policy Strategist (2016-2018), Assistant Director of Energy Regulation
7 (2018-2021), and Director of Legislation and Policy (2021-2022).

8 **Q. Are you sponsoring Supplemental Joint Testimony in support of the**
9 **Colstrip Tracker and Tariff Schedule 99 agreed to by the Settling Parties?**

10 A. Yes. This Supplemental Joint Testimony provides discussion of the Colstrip
11 Tracker mechanism process and separate Tariff Schedule 99 “Colstrip Tracker,” agreed to by
12 the Settling Parties.

13 **Q. Are you sponsoring any other exhibits with this Supplemental Joint**
14 **Testimony?**

15 A. Yes. Included as Exh. JT-4, page 1, is a summary table of balances to be
16 included in Tariff Schedule 99 “Colstrip Tracker Costs” reflecting the balances moved from
17 base rate tariff schedules to Tariff Schedule 99. Page 2 of Exh. JT-4 provides descriptions of
18 each line-item balance. Page 3 of Exh. JT-4 is an illustration of the Colstrip Tracker process.
19 Additional workpapers supporting these balances will be filed with the Company’s
20 Compliance filing in this case. Page 4 of Exh. JT-4 provides the rate spread for removing the
21 Colstrip costs from base rate tariffs and including in Tariff Schedule 99.

22 **Q. What is the scope of your Supplemental Joint Testimony?**

23 A. The scope of the Supplemental Joint Testimony is to discuss the Settling

1 Parties agreement to separately track and recover, through separate Tariff Schedule 99
2 “Colstrip Tracker,” Avista’s Colstrip Units 3 and 4 costs (exclusive of transmission
3 investment and those costs included in the Energy Recovery Mechanism (“ERM”)), including
4 operating and maintenance (“O&M”) and other expenses, depreciation expense,
5 decommissioning and remediation (“D&R”) costs, and return on rate base.

6 As discussed in the Settlement Stipulation (Exh. JT-2) and Joint Testimony (Exh. JT-
7 1T), the Settling Parties agreed to work together to develop a separate Colstrip Tracker to
8 recover Avista’s Colstrip Units 3 and 4 costs, so that existing and future Colstrip costs could
9 be separately tracked, removed from base rates, and recovered through Tariff Schedule 99
10 “Colstrip Tracker.”² This Joint Testimony discusses the costs removed from base rates to
11 Tariff Schedule 99, and the process of tracking, reporting, and recovering those costs,
12 beginning December 21, 2022.

13

14 **II. COLSTRIP SETTLEMENT AGREEMENT**

15 **Q. Please summarize the Colstrip Units 3 and 4 portion of the Settlement**
16 **agreed to by the Settling Parties, as previously discussed in the Settlement and Joint**
17 **Testimony.**

18 A. As discussed in the Settlement at pages 6-7, subsection b), the Settling Parties
19 agreed that Avista would develop a separate tracking mechanism and tariff (“Tariff Schedule
20 99, Colstrip Tracker”) for all other Colstrip costs (exclusive of transmission investment and
21 costs included in the ERM) including but not necessarily limited to O&M expense,
22 depreciation expense, D&R costs, and return on rate base. The Settling Parties also agreed to

² Exh. JT-2, para 6.

1 work collaboratively with Avista in developing this mechanism, and filing details regarding
2 said mechanism in Supplemental Joint Testimony, by July 31, 2022.

3 The Settling Parties agreed that all future Colstrip investments, including the pro
4 forma Colstrip investments Avista included in this case, would be recovered separately
5 through this separate tracking mechanism, subject to review, including but not limited to an
6 examination of prudence. The review of Colstrip investments proposed for inclusion in this
7 mechanism will occur through the Company's annual tariff revision for the Colstrip Tracker.
8 Further, the Settling Parties agreed that the result of the proposed Tariff Schedule 99 "Colstrip
9 Tracker" would be to remove Colstrip costs from base rates, for potential recovery through
10 the separate Schedule.³ All costs included in Tariff Schedule 99 rates are subject to review
11 through the annual true-up process. The creation of this Colstrip Tracker and removal of these
12 costs from base rates does not have any impact on determining whether or not these costs are
13 recoverable.

14 **Q. What was agreed to per the Settlement, with regard to Avista's share of**
15 **the Dry Ash Waste Disposal Project for Colstrip Units 3 and 4?**

16 A. As discussed in the Settlement at page 6, subsection a), with regard to Colstrip
17 Units 3 and 4 investments, the Settling Parties agreed that the revenue requirement, and
18 therefore the Colstrip Tracker and Tariff Schedule 99, would specifically exclude all costs
19 related to the Dry Ash Disposal System.^{4 / 5} Washington electric's share of this project was

³ Nothing in this subsection is intended to affect the recovery of prior expenditures, except for those related to the Dry Ash Disposal System addressed in subsection 14. a) of the Settlement.

⁴ The Dry Ash Disposal System was a Colstrip project completed in 2022 that provided for installation of a "non-liquid" disposal system for Coal Combustion Residue (CCR) material created by the operation of Units 3 and 4. Washington electric share of this project is approximately \$4.1 million. Excluding the Dry Ash project from recovery in the settlement, and from the Colstrip Tracker and Tariff Schedule 99, will require the Company to expense (write-off) this balance prior to year-end 2022.

⁵ This term was for settlement purposes only and does not bind parties to any position regarding investments at Colstrip in any other current or future case involving Avista or any other regulated electric utility.

1 approximately \$4.1 million.

2 **Q. What rate spread and rate design was agreed to be utilized for the**
 3 **recovery of the Colstrip Units 3 and 4 Tracker costs through Tariff Schedule 99?**

4 A. As discussed in the Settlement at page 6, subsection a), the Settling Parties
 5 agreed that the costs removed from base rates would be allocated to the rate schedules through
 6 separate Tariff Schedule 99 using a proportional allocation of the Rate Year 1 base revenue
 7 spread.⁶ Since the allocated cost corresponds an amount of revenues that is being removed
 8 from base rates for each schedule, this allocation will be used for the life of Tariff Schedule
 9 99. For rate design, revenue would be recovered through the volumetric charges on a uniform
 10 cent per kWh basis.

11

12 **III. COLSTRIP TRACKER AND TARIFF SCHEDULE 99**

13 **Q. Please summarize the Colstrip Tracker and separate Tariff Schedule 99**
 14 **proposal agreed to by the Settling Parties.**

15 A. Below provides an overview of the Colstrip Tracker and separate Tariff
 16 Schedule 99, the accounting for and administration of, agreed to by the Settling Parties.

- 17 1. Avista will remove the following costs,⁷ totaling approximately \$23.9 million from
 18 base rate tariffs, beginning with the Company's Compliance filing in this case (Docket
 19 UE-220053, et. al.), and establish separate Tariff Schedule 99 "Colstrip Tracker" to
 20 recover these costs:
- 21 a. Colstrip Unit 3 and 4 utility plant net of accumulated depreciation ("A/D") and
 - 22 Accumulated Deferred Federal Income taxes ("ADFIT")⁸;
 - 23 b. Colstrip Regulatory Asset and Liability balances related to D&R costs;
 - 24 c. Production O&M;

⁶ For purposes of the Company's Decoupling mechanism, the costs included in Schedule 99 will continue to be included in the Decoupling base and calculations.

⁷ Costs included in the Colstrip Tracker are exclusive of Colstrip transmission investment and those costs included in the Energy Recovery Mechanism ("ERM").

⁸ Excludes all costs associated with the Dry Ash Disposal System project as agreed to in the Settlement, Exh. JT-2, page 6, subsection a).

- 1 d. Depreciation and amortization expense, including the recovery of plant and the
2 Colstrip Regulatory Asset/Liability (D&R) costs;
- 3 e. Other costs, including the amortization expense of the Deferred Colstrip
4 Transition Fund; Federal income tax expense and the tax benefit of debt
5 interest.
- 6
- 7 2. The Colstrip Tracker would be administered through Tariff Schedule 99 “Colstrip
8 Tracker” with the initial rate effective date of December 21, 2022, concurrent with
9 this GRC, and would be reset each January 1st thereafter, via a filing made each
10 October 31st, until all prudently incurred costs are recovered.
- 11 a. Prudence of incurred costs will be reviewed in each year’s annual filing;
- 12 b. The Colstrip Tracker would recover non-O&M items on a one-year lag, using
13 actuals through August 31st and estimates through December 31st of the filing
14 year;
- 15 c. O&M and other expense items (production O&M and amortization expense)
16 will be included in the tracker on the test period basis (or restated basis⁹) during
17 the Two-Year Rate Plan in this case, and forecasted, as appropriate, thereafter;
- 18 d. Lifetime D&R cost estimates would be updated each year in the Colstrip
19 Tracker; and
- 20 e. Amounts that were included in Schedule 99 on a forecast basis will be trued-
21 up to actuals in each annual tariff filing.
- 22
- 23 3. Except for costs associated with regulatory assets and liabilities, all costs for Colstrip
24 capital investment and operating expenses will be removed from Tariff Schedule 99
25 and customer rates effective January 1, 2026, per the Clean Energy Transformation
26 Act (“CETA”)¹⁰.
- 27

28 Included as Exh. JT-4, page 1 and 2, is a summary table of the balances and
29 descriptions of total Colstrip costs to be moved from base rate tariff schedules to Tariff
30 Schedule 99, effective December 21, 2022, totaling approximately \$23.9 million. Also
31 included as page 3 of Exh. JT-4 is a summary illustration of the Colstrip Tracker / Tariff
32 Schedule 99 process as shown below in Illustration No. 1.

⁹ O&M and other expense referred to reflect test period expense, with the exception of Colstrip major maintenance expense, which reflects a restated balance per prior Commission Order 05, paragraph 153 of Docket UE-150204. These amounts will not be adjusted further over the Two-Year Rate Plan.

¹⁰ The Clean Energy Transformation Act allows for recovery of prudently incurred unrecovered plant (RCW 19.405.030(3) and D&R costs (RCW.19.404.030(1)(b)). All non-D&R costs, however, must be removed from customer rates by December 31, 2025, to be in compliance with CETA (RCW 19.405.030(1)(a) and (b)).

1 **Illustration No. 1: Colstrip Tracker / Tariff Schedule 99 Process**

2 **Colstrip Tracker / Tariff Schedule 99 Process** ⁽¹⁾

3 Rate Year 1 Effective December 21, 2022	4 Rate Year 2 (2024) Effective January 1, 2024	5 Calendar 2025 Effective January 1, 2025	6 *	7 Calendar 2026 Forward Effective January 1
8 12/21/2022: GRC RY1 Compliance Filing - move Colstrip Costs from Base Rates to Schedule 99	9 1/1/2024 Revised Tariff: Updated Capital investment (1-yr lag), Updated A/D and ADFIT, D&R Asset/Liability ⁽²⁾	10 1/1/2025 Revised Tariff: Updated Capital investment (1-yr lag), Updated A/D and ADFIT, D&R Asset/Liability ⁽²⁾ , Expected O&M and Other expenses.	11 Dec. 31, 2025	12 1/1/2026 On-going Schedule 99 Includes: D&R Regulatory Asset/Liability and amortization expense. ⁽²⁾
13 X Annually file on 10/31 Compliance Filing / Tariff Schedule 99. 60-Day Party Review for new rates effective: January 1 annually.				
14 ¹ Colstrip Tracker and Tariff Schedule 99 would become effective December 21, 2022 with GRC effective date. True-up Annually. Per Settlement, all incremental capital additions included beyond GRC test period 12ME 09.30.2021 is subject to prudence review and does not guarantee recovery.				
15 ² On-going decommissioning and remediation (D&R) accounting based on that approved per Avista Docket UE-190334.				
16 *Balances at 12/31/2025 for Colstrip Capital investment and operating expenses will be removed from Schedule 99.				

10 **A. Removal of Colstrip Costs from Base Rates / Tariff Schedule 99 “Colstrip Tracker”**

11 **Q. Please discuss the balances to be removed from base rate tariffs as agreed**
12 **to by the Settling Parties.**

13 A. Upon Commission order approving the Settlement, with its Compliance filing
14 in this case to be filed in December 2022 for new rates in effect on December 21, 2022, the
15 Company will file revised base rate tariffs to reflect the agreed upon Washington electric
16 revenue increase for Rate Year 1 of the Two-Year Rate Plan, totaling \$38 million. At this
17 time, the Company would also revise its base rate tariffs to reduce overall base rate revenue
18 to reflect the removal of Rate Year 1 Colstrip Units 3 and 4 net plant investments, D&R costs,
19 O&M expense and certain other expenses. These net costs would then be recovered through
20 separate Tariff Schedule 99 “Colstrip Tracker.” The detailed costs to be removed are
21 described below, resulting in an overall revenue requirement to be removed from base rates

1 and added to Tariff Schedule 99 of \$23,854,338.¹¹ A table of the overall costs, revenue
 2 requirement, and their descriptions, are provided in Exh. JT-4, pages 1 and 2. Additional
 3 workpapers will be provided with the Company’s Compliance filing to support each figure.

4 The Colstrip costs to be removed from base rates, effective December 21, 2022, is as
 5 follows (see Exh. JT-4, page 1, column e):

- 6 a. Capital Investment – includes test period plant balances as of twelve-months ended
 7 09/30/2021 (“12ME 09/30/2021”), adjusted for Accumulated Depreciation
 8 (“A/D”) and Accumulated Deferred Federal Income Tax (“ADFIT”), to reflect the
 9 Colstrip balances for Rate Year 1, on a 2023, average-of-monthly-averages
 10 (“AMA”) basis. This balance excludes all costs associated with the Dry Ash
 11 Disposal System capital investment. The adjusted balance reflects a net plant
 12 after ADFIT of \$17,165,611 for the rate period as of 2023 AMA (see line 5).
 13
- 14 b. Colstrip Regulatory Asset (Asset Retirement Obligation “ARO”) – includes D&R
 15 balances accounted for as ordered in Docket UE-190334 (discussed below),
 16 reflecting test period balances at 12ME 09/30/2021, adjusted to Rate Year 1 - 2023
 17 AMA balances. Going forward the accounting for D&R will continue as ordered,
 18 with updates of annual amounts and recovery through the annual Colstrip Filing
 19 and Tariff Schedule 99. This adjusted balance reflects a Colstrip Regulatory
 20 Liability of \$315,895 as of 2023 AMA (see line 6).
 21
- 22 c. Depreciation Expense – reflects depreciation expense on test period plant in
 23 service at 9/30/2021, calculated using the depreciation rates approved in Docket
 24 UE-200900. All depreciation expense associated with the Dry Ash Disposal
 25 System is removed. The overall, annual net depreciation expense totals
 26 \$11,968,978 (see line 10).
 27
- 28 d. Operating and Maintenance (O&M) Expense – reflects non-major Colstrip O&M
 29 expenses incurred per the test period 12ME 09/30/2021, and restated 09/30/2021
 30 major Colstrip O&M in the filed case. (Per prior Commission Order requiring
 31 utilizing normalization of Colstrip major maintenance over a three-year period.)
 32 Total O&M Expense totals \$11,392,286 (see lines 8 and 9).
 33

¹¹ The conversion factor used to calculate this revenue requirement includes the Commission's regulatory fee at 0.2 percent of revenues. The conversion factor will need to be updated once the Commission formally establishes a new regulatory fee which, pursuant to RCW 80.24.010, may be as high as 0.4 percent.

- 1 e. Colstrip Regulatory Asset Amortization – reflects the amortization expense of the
 2 Colstrip Regulatory Asset/Liability as ordered in Docket UE-190334 as described
 3 below for the Rate Year 1 rate effective period. Total Colstrip Regulatory
 4 Amortization is a reduction to expense totaling \$2,693,577 (see line 12).
 5
- 6 f. Other Expenses – reflects other operating expenses, such as amortization expense
 7 for the Deferred Colstrip Community Fund 2-year amortization. Total Other
 8 Expense totals \$750,000 (see line 13).
 9
- 10 g. Federal Tax and Debt Interest Expense - reflects the impact on federal tax and debt
 11 interest expenses of the adjusted balances above, totaling \$4,585,185 (see lines 15-
 12 16).
 13
- 14 h. Return on Rate Base and overall Revenue Requirement – Return on Rate Base is
 15 a component of the overall revenue requirement reflecting a return on net Colstrip
 16 rate base, utilizing the current authorized Rate of Return (ROR). For RY1 (2023)
 17 the agreed-upon ROR is 7.03%, grossed up for revenue related items using the as-
 18 filed conversion factor of 0.755294, results in an overall revenue requirement to
 19 remove from base rates of \$23,854,338 (see line 18).
 20

21 **Q. Please explain how these costs would be recovered from customers in Rate**
 22 **Year 1 through separate Tariff Schedule 99 “Colstrip Tracker”?**

23 A. Concurrent with the rate effective date of this GRC, effective December 21,
 24 2022, new separate Tariff Schedule 99 “Colstrip Tracker” would reflect the Colstrip Units 3
 25 and 4 net costs removed from base rates, as described above, of \$26,676,042 for the Rate Year
 26 1 effective period.

27 As discussed in the Settlement at page 6, subsection a), these costs would be allocated
 28 to the rate schedules in Tariff Schedule 99 using a proportional allocation of the Rate Year 1
 29 base revenue spread. This allocation will be used for the life of the rate schedule. For rate
 30 design, revenue would be recovered through the volumetric charges on a uniform cent per
 31 kWh basis. Page 4 of Exh. JT-4 provides the rate spread for removing the Colstrip costs from
 32 base rate tariffs and including in Tariff Schedule 99.

1 **B. Colstrip Tracker Process**

2 **Q. Please describe the Colstrip Tracker process to update Colstrip costs**
3 **annually within Tariff Schedule 99 and report on new Colstrip capital investment to be**
4 **reviewed and included in the following new rate effective period.**

5 A. Annually, the Company would file a Compliance filing with the Commission,
6 as described below, to report on the changes in Colstrip costs, provide capital investment
7 addition reporting subject to prudence review by the Parties and this Commission, and update
8 Tariff Schedule 99. Specifically, the timing would be as follows:

- 9 1. Annually the Company will file by October 31st, a Colstrip Compliance Filing
10 including revised Tariff Schedule 99, reflecting the change in Colstrip costs for the
11 new rate effective period, beginning January 1st each year.
12
- 13 2. Parties will have 60 days for review of the filing and any new Colstrip capital
14 investment for prudence. No Party will oppose a request for an adjudication or
15 extension of the 60-day review period. Any amounts deemed imprudent by this
16 Commission would be removed as a part of the true-up to the balances in the following
17 year and at conclusion of the Colstrip final removal (non-D&R balances) on or before
18 December 31, 2025.
19
- 20 3. Capital investment additions will be included on a one-year lag, using actuals through
21 August 31st and forecasted September 1st through December 31st of the filing year.
22 a. These Colstrip investments will be recovered separately through this tracking
23 mechanism, subject to review, including but not limited to an examination of
24 prudence.
25
- 26 b. The review of these Colstrip investments proposed for inclusion in this
27 mechanism will occur through the Company's annual tariff revision for the
28 Colstrip Tracker. These costs included in the Colstrip Tracker do not
29 demonstrate their prudence and is subject to review through the annual true-
30 up process. Any balances deemed imprudent by the Commission would be
31 expensed (written off) by the Company at determination.
32
- 33 c. Colstrip costs included in Tariff Schedule 99 will be revised as shown below
34 in subsection C., beginning with RY2 (calendar 2024), effective January 1,
35 2024, and annually thereafter.
36

1 **C. Colstrip Tracker Annual Updates**

2 **Q. What balances will be adjusted annually within Tariff Schedule 99 to**
3 **reflect the changes in Colstrip costs after the first rate-effective period (Rate Year 1)?**

4 A. Yes. Tariff Schedule 99 would be administered, as further discussed above,
5 and updated annually to reflect the changes in Colstrip Units 3 and 4 costs effective January
6 1st each year. Annually the tariff would reflect:

- 7 a. Capital Investment – each year, the prior year AMA annual balance, along with
8 any incremental investment added and necessary true-ups, will be adjusted for A/D
9 and ADFIT to reflect the new rate effective period on an AMA basis. Capital
10 investment additions beyond test period investment included in Rate Year 1, will
11 be included on a one-year lag, using actuals through August 31st and forecasted
12 September 1st through December 31st of the filing year. In calendar years 2024 and
13 2025 (Rate Years 2 and 3), this new investment will be included on an AMA basis
14 of the rate effective period. After December 31, 2025, the net rate base balance
15 would be removed from Tariff Schedule 99.
16
- 17 b. Colstrip Regulatory Asset – each year this balance will be adjusted to include D&R
18 balances accounted for as ordered in UE-190334 (discussed below), reflected on
19 an AMA balance of the new rate effective period. This rate base balance will be
20 included and updated annually until remediation efforts at the Colstrip facilities
21 have been completed.
22
- 23 c. Depreciation Expense – will continue to reflect depreciation expense on existing
24 plant, net of retirements. Depreciation expense included on new investment will
25 be included in each rate period reflecting an accelerated (or useful) life to
26 December 31, 2025, subject to review annually. After December 31, 2025,
27 depreciation expense on Colstrip investment would be removed from Tariff
28 Schedule 99.
29
- 30 d. O&M and Other Expense – for calendar 2024 (Rate Year 2), effective January 1,
31 2024, O&M and Other Expense will remain at test period or restated levels
32 consistent with the Two-Year Rate Plan. For the calendar 2025 rate period,
33 effective January 1, 2025, O&M and Other expense will be based on total O&M
34 (major and non-major) and Other expenses expected for the 2025 rate effective
35 period. After December 31, 2025, total Colstrip O&M and Other Expense would
36 be removed from Tariff Schedule 99.
37

1 e. Colstrip Regulatory Asset Amortization – will continue to reflect D&R
2 amortization expense accounted for as ordered in Docket UE-190334 (see below),
3 adjusted to reflect annual expense for the new rate effective period. Colstrip
4 Amortization expense will continue beyond December 31, 2025, updated annually
5 until remediation efforts at the Colstrip facilities have been completed.
6

7 **Q. How will Colstrip costs be treated after December 31, 2025?**

8 A. In order to be compliant with CETA, total costs for Colstrip capital investment
9 and operating expenses, excluding Colstrip transmission investments and on-going D&R
10 costs, must be removed from customer rates after December 31, 2025. Therefore, after
11 December 31, 2025, the net Colstrip rate base balances included within Tariff Schedule 99 on
12 a 2025 AMA basis and the appropriate Colstrip expenses, would be removed from Tariff
13 Schedule 99.

14 **Q. How will any unrecovered Colstrip net rate base costs, excluding D&R**
15 **and Colstrip transmission rate base balances, be recovered after December 31, 2025?**

16 A. Subject to review, the total unrecovered Colstrip net plant after ADFIT balance
17 at December 31, 2025, excluding Colstrip investment and D&R costs, including approved
18 2025 capital additions, net of any necessary true-ups from prior year balances, would be
19 recovered as follows:

- 20 a. The Company will have an opportunity in a future proceeding or Tariff
21 Schedule 99 Compliance filing to propose recovery of any unrecovered
22 balances deemed prudent by the Commission as of December 31, 2025, that
23 still allows the Colstrip balances to be removed as required at December 31,
24 2025.
- 25 b. True-up adjustments from prior year costs may be caused by variances in
26 forecasted additions included for September - December 2024 recovered in
27 2025, and investments in 2024 and 2025 not deemed prudent by the
28 Commission that must be removed. This allows for a final true-up of all costs
29 deemed prudent by the Commission through December 31, 2025 for final
30 recovery and removal from tariffed rates by December 31, 2025.

31 **Q. How will any D&R related costs be recovered after December 31, 2025?**
32

1 A. Beginning January 1, 2026, Tariff Schedule 99 would be updated annually to
2 reflect on-going D&R net rate base balances (net Colstrip Regulatory Asset/Liability) and
3 Colstrip Regulatory amortization expense, until remediation efforts at the Colstrip facilities
4 have been completed. The accounting for D&R costs, as previously approved by the
5 Commission in Docket UE-190334 is discussed below.

6
7 **D. Decommissioning and Remediation Costs**

8 **Q. Please describe the current accounting treatment for D&R costs**
9 **previously approved by the Commission.**

10 A. The Commission approved D&R cost accounting and recovery in Docket UE-
11 190334 as per the then Settlement agreement in that case, per Order 09. The Commission
12 summarized the agreement of the settling parties in that case at Order 09, para. 49:

13 The Parties agree to place D&R costs for Colstrip Units 3 and 4 production
14 plant into a regulatory asset (Colstrip D&R Regulatory Asset). Production
15 plant D&R costs are approximately \$33.0 million as of March 31, 2020. Avista
16 will track D&R expenditures and true-up D&R cost projections to ensure that
17 Avista recovers only the actual D&R costs the Commission determines were
18 prudently incurred. The Settlement provides that Avista will file updated D&R
19 projections in each of its GRCs until the end of the remediation process. The
20 Settlement also provides that Avista will update the annual amounts for
21 Colstrip depreciation, amortization of the regulatory asset, and the
22 amortization of Colstrip protected EDIT in each of its GRC filings.

23
24 A summary of Colstrip issues that were resolved in the 2019 general rate case, forming
25 the basis for the D&R accounting that has been included in prior, and this general rate case,
26 is as follows:

- 27 • The depreciation schedule for Colstrip Units 3 and 4 generating units was
28 accelerated to 2025.
29
30 • The Colstrip transmission assets were not accelerated and therefore are being

1 depreciated over the same life as non-Colstrip transmission assets.
2

- 3 • Deferred accounting was approved to accumulate the Colstrip ARO costs not
4 recovered from customers through existing rates, to be amortized over
5 approximately 34 years, through 2053. These costs were referred to as
6 decommissioning and removal costs (D&R).
7
- 8 • The Company was authorized to begin recovery of the D&R costs that will be
9 incurred for future closure of the facility. In the 2019 general rate case,
10 Washington's share of these costs were estimated to be approximately \$33 million.
11
- 12 • Avista was ordered to track D&R expenditures and true-up D&R cost projections
13 in each GRC until the end of the remediation process to ensure that Avista recovers
14 only the actual D&R costs the Commission determines were prudently incurred.
15

16 **Q. How will the D&R accounting and reporting requirements approved in**
17 **Docket UE-190334 be met going forward?**

18 A. Going forward, these costs will no longer be included in future general rate
19 case proceedings as these balances will be removed from base electric rates effective
20 December 21, 2022. The accounting for D&R costs will continue as ordered in Docket UE-
21 190334; however, updates of annual amounts will be provided through the Colstrip Tracker
22 annual Compliance filing, and recovery through Tariff Schedule 99, until the end of the
23 remediation process.

24 **Q. What was reported in this GRC for the D&R costs and amortization to be**
25 **included in this case?**

26 A. As ordered, annually, the Company evaluates the D&R estimate and updates
27 the costs. In this GRC, the Company reported that the most current estimate of Avista's share
28 of D&R costs is \$28 million. After factoring in the amount customers will have paid by
29 December 2022, the annual amount that has been included in this case is \$819,408, which is
30 slightly less than the amount being collected from customers through December 31, 2022 of

1 \$979,164. Of the \$28 million of currently estimated D&R costs, the Company has incurred
2 approximately \$4.0 million through September 30, 2021.

3

4 **E. Public Interest**

5 **Q. Do the Settling Parties agree that the Colstrip Tracker meets the Public**
6 **Interest?**

7 **A.** Yes. The Settling Parties agree that the Colstrip Tracker meets the Public
8 Interest standard -- WAC 480-07-750(2), because it: (1) facilitates CETA compliance with
9 respect to D&R costs (*see* RCW 19.405.030(1)(b)); (2) improves transparency and improves
10 parties' ability to review/challenge new Colstrip costs; and (3) allows for ratemaking
11 flexibility during uncertain times for Colstrip.

12

13 **F. Individual Statement of NWEAC**

14 **Q. Please summarize NWEAC's view on the Tariff Schedule 99, "Colstrip**
15 **Tracker."**

16 **A.** NWEAC supports the proposal for a tracker for Colstrip, as part of a
17 comprehensive settlement in this proceeding. Under Washington's Clean Energy
18 Transformation Act ("CETA"), Avista must remove all coal-fired power from customer rates
19 by the end of 2025. This means that planned expenditures discussed by Avista in this
20 proceeding will be no longer used and useful by the end of 2025. Furthermore, there is no
21 guarantee—and indeed, it seems unlikely—that Colstrip will be operational in 2024. In
22 addition, continued operation of Colstrip in 2024 would likely be imprudent, unreasonable,
23 and harmful to ratepayers. Several proposed projects for 2024-2025 are meant to extend the

1 life of the plant and are not associated with decommissioning and remediation. NWEAC and
2 other stakeholders have previously asked the Commission to act preemptively to protect
3 customers from sinking more money into the continued operation of this plant.¹² Although
4 the Commission has so far declined to do so, it is not fair to customers to keep kicking this
5 can down the road. We are supportive of a tracker because it will allow NWEAC and other
6 parties to recommend disallowance of any life-extending investments at Colstrip. If Avista
7 seeks to recover the costs of any life-extending Colstrip investments that are included in the
8 Colstrip Tracker, then NWEAC intends to request that the Commission deny cost recovery.
9 This is not only consistent with the intent of CETA, but it will also provide necessary certainty
10 to the owners and protect Washington customers from further entanglement in complex legal
11 fights between the Colstrip owners. In our view, the policy, market conditions, and common-
12 sense weigh in favor of plant closure.

13

14

IV. CONCLUSION

15

16

Q. Please summarize the position of the Settling Parties, and the purpose of this Supplemental Joint Testimony.

17

18

19

20

21

22

A. As discussed in the Settlement (Exh. JT-2) and Joint Testimony (Exh. JT-1T), the Settling Parties agreed to work together to develop a separate Colstrip Tracker to recover Avista's Washington Colstrip Units 3 and 4 costs, so that existing and future Colstrip costs could be separately tracked, removing them from base rates, and recovered through Tariff Schedule 99 "Colstrip Tracker." This Supplemental Joint Testimony describes the Colstrip Tracker mechanism process and separate Tariff Schedule 99 "Colstrip Tracker," developed

¹² See Docket UE-210241: Request to Initiate Investigation on behalf of NGOs.

1 and agreed to by the Settling Parties.

2 Furthermore, the Settling Parties agree that approval of the Colstrip Tracker, and the
3 process and recovery of Avista's Washington share of Colstrip Units 3 and 4 costs through
4 Tariff Schedule 99, as described in this Supplemental Joint Testimony, in conjunction with
5 the overall Settlement proposed by the Settling Parties as discussed in the Joint Testimony
6 (Exh. JT-1T), is in the public interest.

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

8 A. Yes, it does.