

ON BEHALF OF AVISTA CORPORATION

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ON BEHALF OF HYDRO ONE LIMITED

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**BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF
MONTANA**

IN THE MATTER OF THE JOINT)
APPLICATION OF HYDRO ONE LIMITED) DOCKET NO. D2017.9.71
(ACTING THROUGH ITS INDIRECT)
SUBSIDIARY, OLYMPUS EQUITY LLC)) SECOND SUPPLEMENTAL
AND) DIRECT
AVISTA CORPORATION) TESTIMONY
FOR AN ORDER AUTHORIZING PROPOSED) OF
TRANSACTION) JASON R. THACKSTON

FOR AVISTA CORPORATION
(ELECTRIC)

1 **Q. Please state your name, business address and**
2 **present position with Avista Corporation?**

3 A. My name is Jason R. Thackston. I am employed as
4 the Senior Vice President of Energy Resources at Avista
5 Corporation, located at 1411 East Mission Avenue, Spokane,
6 Washington.

7 **Q. Have you previously provided testimony in this**
8 **proceeding?**

9 A. Yes, I filed Direct Testimony on March 6, 2018 in
10 this proceeding. In addition, I filed Supplemental Direct
11 Testimony on March 27, 2018.

12 **Q. What is the scope of your Second Supplemental Direct**
13 **Testimony in this proceeding?**

14 A. In my direct testimony, I provided an overview of
15 the status of the filings related to the merger application
16 ("Proposed Transaction") made by Hydro One Limited ("Hydro
17 One") and Avista Corporation ("Avista") (together, the "Joint
18 Applicants") in Washington, Oregon, Idaho and Alaska, as well
19 as with the Federal Energy Regulatory Commission ("FERC"),
20 among others. In addition, I stated that because we expect
21 that Colstrip-related concerns may arise in Idaho and
22 Washington, we committed to supplementing this testimony. In
23 my Supplemental Direct Testimony filed on March 27, 2018, I
24 discussed how the Joint Applicants reached an all-party

1 settlement in the State of Washington.

2 Through this testimony the Joint Applicants are advising
3 the Commission and Parties in this case of an all-party
4 settlement that was reached in the Idaho jurisdiction.

5 **Q. In the Idaho Settlement Stipulation, did the**
6 **Parties in that case make certain commitments related to**
7 **Colstrip Units 3 and 4?**

8 A. Yes. In Commitment No. 69 in Schedule 1 of the
9 Idaho Settlement (which was filed with the Commission on April
10 16, 2018, as an attachment to the Notice of Settlement in
11 Idaho), the Parties state the following:

12 Colstrip Planning: Hydro One and Avista agree to support
13 a December 31, 2027, end of life for depreciation
14 purposes in the processes described below. Hydro One
15 and Avista also agree that issues relating to the
16 potential accelerated depreciation of Avista's interest
17 in Colstrip Units 3 and 4 and related matters should be
18 addressed in three existing, interrelated Commission
19 proceedings as follows: (emphasis added)

20
21 GNR-U-18-01 -- Investigation Into the Impact of Federal
22 Tax Code Revisions on Utility Costs and Ratemaking: As
23 part of this docket, not less than \$12.0 Million
24 regulatory liability should be created using the
25 unprotected Excess DFIT/Deferral of January - May 2018
26 tax credit. The Commission Staff anticipates resolution
27 of this proceeding by June 1, 2018. This \$12.0 Million
28 regulatory liability would then be available to offset
29 costs associated with accelerated depreciation of
30 Colstrip Units 3 and 4 or other use as determined
31 appropriate in AVU-E-18-03/AVU-G-18-02.

32
33 AVU-E-18-03 / AVU-G-18-02 -- Avista Corporation's
34 Application to Change Its Electric and Natural Gas
35 Depreciation Rates: As part of this docket, the
36 Commission will determine whether, as proposed by Hydro
37 One and Avista, December 31, 2027, should be set as the

1 "useful life" for Colstrip Units 3 and 4 for depreciation
2 purposes. The Parties will work towards resolution of
3 this proceeding by January 1, 2019.
4

5 Avista's Application 2019 Electric Integrated Resource
6 Plan (IRP): Avista's 2019 IRP will analyze multiple
7 retirement dates for Colstrip Units 3 and 4, including
8 but not limited to, the "end of useful life" date
9 determined in AVUE-18-03/AVU-G-18-02. The other
10 retirement dates analyzed, as well as the method, inputs,
11 and assumptions for those scenarios planning analyses,
12 will be determined with input from the IRP stakeholder
13 advisory group. Avista anticipates that the first draft
14 of its 2019 IRP will be released in May 2019 and its
15 second draft will be released in August 2019.
16

17 As noted above, the Parties to the settlement only agreed
18 that the issue of accelerated depreciation from 2034 and 2036
19 to December 31, 2027 would be determined in Avista's
20 depreciation filing.

21 **Q. Is there any agreement, explicit or implicit, that**
22 **Colstrip Units 3 and 4 would be shut down as a result of**
23 **reaching settlement in Idaho?**

24 A. Absolutely not. As I stated in my direct testimony,
25 the Joint Applicants did not in Washington nor in Idaho, as
26 a part of the merger process, commit to anything that would
27 cause an early shutdown of the Colstrip units. The Ownership
28 and Operating Agreement for Colstrip Units 3 & 4 does not
29 provide for a single owner - or any combination of owners
30 other than all six owners collectively - to commit to a
31 retirement date for the Colstrip generating units. Therefore,

1 the Joint Applicants cannot unilaterally commit to alter the
2 retirement date of the Colstrip units.¹

3 **Q. As a part of the potential for acceleration of**
4 **depreciation for Colstrip in Idaho, did the Parties consider**
5 **potential future impacts to the Colstrip community?**

6 A. Yes, the Parties did take the Colstrip community
7 into consideration. Commitment No. 70 of the Idaho Settlement
8 provides that Hydro One and Avista will arrange shareholder
9 funding of \$3.0 million towards the Colstrip Community
10 Transition Fund. The Parties to the Idaho Settlement affirmed
11 the Commitment that was previously made in the Washington
12 Settlement (as discussed in my Supplemental Direct
13 Testimony).

14 **Q. Were any agreements made regarding Avista's owned**
15 **portion of the Path 8 transmission line?**

16 A. Yes. As was agreed to in the Washington Settlement,
17 through Commitment No. 71 in the Idaho Settlement, Avista
18 agreed that it will work with the other Path 8 (MT-to-NW)
19 owners (Northwestern Energy and BPA) to resolve questions
20 surrounding the ability of any new generation to use the

¹ Pursuant to the Colstrip Ownership and Operation Agreement, Section 13d states: Each Project User's schedule of generation shall not be less at any time than such Project User's Project Share of the minimum operating capability of the Project unless all Project Users agree on a shutdown of the Project." Avista is contractually obligated to provide the necessary fuel so that we continue to meet our share of the minimum operating capability.

1 Colstrip line once Colstrip Units 1 and 2 retire, and also
2 when Units 3 and 4 retire. It does not, however, presuppose
3 any particular retirement date for these units. At least one
4 year prior to any closure of Colstrip Units 3 and 4, Avista
5 will develop a transition plan for its Colstrip transmission
6 assets. Avista agreed that it will hold at least one workshop
7 with Idaho Staff and stakeholders to determine the transition
8 plan's impacts to Idaho ratepayers. In developing this
9 transition plan, to the extent practicable, Avista should
10 participate in 1) the workshops on this topic that Puget Sound
11 Energy and the Washington Utilities and Transportation
12 Commission will be holding in 2018 (per the Puget Sound Energy
13 general rate case settlement), and 2) the BPA/Governor Bullock
14 Transmission Task Force that commenced work on December 8,
15 2017, and will work through the middle of 2018.

16 **Q. In the end, do you believe that the agreement**
17 **reached in Idaho negatively impacts Colstrip Units 3 and 4?**

18 A. No, I do not. The issue of the acceleration of
19 Colstrip will be addressed in a separate depreciation docket
20 in Idaho. However, as in Washington, there is no other tacit
21 understanding or unstated agreement concerning the closure of
22 Colstrip Units 3 and 4.

23 **Q. Does this conclude your Second Supplemental direct**
24 **testimony?**

1 A. Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that on April 17, 2018, a true and accurate copy of the foregoing document was served via U.S. Mail and electronic mail on the parties listed below:

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/s/ Michael Green _____