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IDAHO PUBLIC  
UTILITIES COMMISSION

September 20, 2023

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd.  
Bldg. 8, Suite 201-A  
Boise, Idaho 83714

**Re: Case No. AVU-E-19-01 - Avista Corporation 2023 Annual Colstrip Report per Order No. 34814**

Dear Ms. Noriyuki:

Avista Corporation, dba Avista Utilities (Avista or the Company) provides this report on the status of its Colstrip ownership interest to the Idaho Public Utilities Commission (Commission) as required by Order No. 34818 in Case No. AVU-E-19-01, relating to the matter of Avista's 2020 Electric Integrated Resource Plan (IRP).

## **I. BACKGROUND**

On February 28, 2020, Avista filed its 2020 IRP, which was later acknowledged by the Commission via Order No. 34818 issued on October 15, 2020. During the review of the IRP by Commission Staff (Staff), Staff stated concerns about the Company's Colstrip analysis included in the 2020 IRP, noting the concerns dated back to the Company's 2017 IRP. Concerns noted by Staff included insufficient and unclear information related to Colstrip, treatment of Colstrip retirement between Washington and Idaho, decommissioning costs, and potential retirement dates modeled. As a result of the concerns raised, *"Staff recommended the Commission require Avista to file an annual report on Colstrip with updated economic analysis, estimated retirement dates, closure plans, a progress report on closing plans and activities, and an annual accounting for*

*decommissioning and remediation. Id. Staff further recommended the Commission require Avista to notify the Commission within 30 days of partner decisions and plant issues that could materially affect Idaho customers.”*<sup>1</sup> In the Company’s reply comments filed on September 2, 2020, the Company noted it supported Staff’s recommendation. In the final Commission order acknowledging the 2020 IRP the Commission ordered Avista to “*file an annual update on its Colstrip ownership interest, as noted above, by October 1 of each year. Avista also shall notify the Commission within 30 days of Colstrip partner decisions and plant issues that may materially affect Idaho customers.*”<sup>2</sup>

## **II. 2023 COLSTRIP TRANSACTION**

On February 13, 2023, in the same case referenced above, Avista provided an update to the Commission regarding ownership of Colstrip Units 3 and 4. In the update, Avista provided notice to the Commission that on January 16, 2023, the Company entered into an agreement with NorthWestern Corporation (NorthWestern) under which the Company would abandon its 15 percent ownership in Colstrip Units 3 and 4, and NorthWestern would acquire ownership. There is no monetary exchange included in the transaction. The transaction is scheduled to close on December 31, 2025 or such other date as the parties mutually agree upon.

Under the agreement, the Company will remain obligated through the close of the transaction to pay its share of (i) operating expenses, (ii) capital expenditures, but not in excess of the portion allocable pro rata to the portion of useful life expired through the close of the transaction and (iii) except for certain costs relating to post-closing activities, site remediation expenses. In addition, the Company would enter into a vote sharing agreement under which it would retain its voting rights with respect to decisions relating to remediation. The Company will retain its Colstrip transmission system assets, which are excluded from the transaction.

## **III. UPDATED COLSTRIP ECONOMIC ANALYSIS**

Avista filed its 2023 Electric IRP on June 1, 2023, which it did not include Colstrip generation in any scenario within the plan beyond December 31, 2025. Although the Company did

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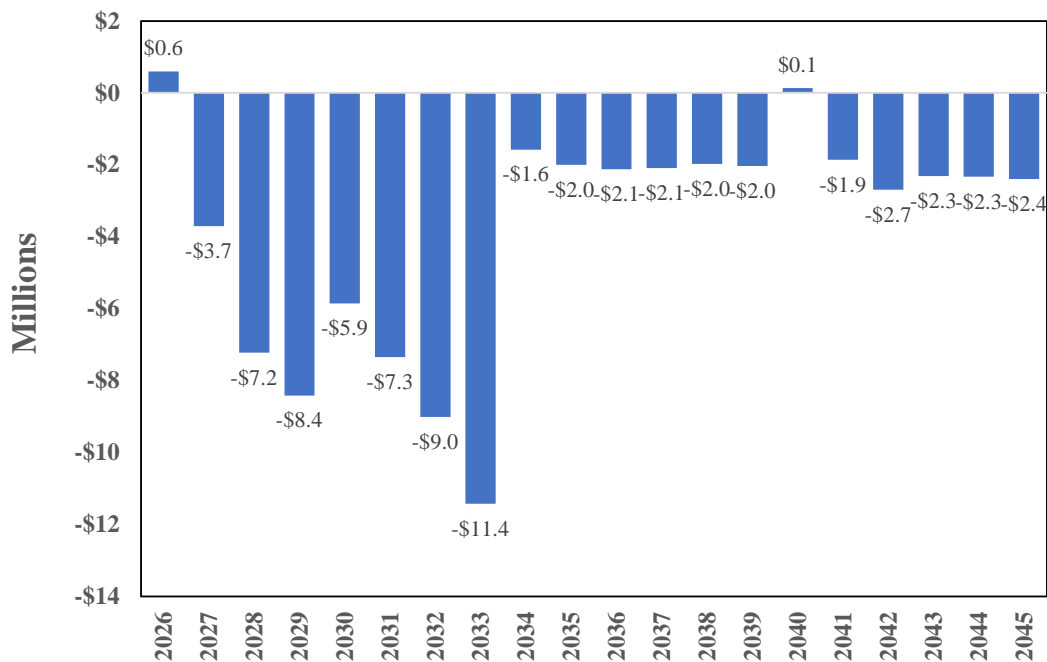
<sup>1</sup> Order No. 34818 at page 9.

<sup>2</sup> Order No. 34818 at page 14.

conduct a study to determine if using 2023 Electric IRP assumptions and models validated that the December 31, 2025 exit is cost-effective. Avista created this alternative study where the existing Idaho allocation of Colstrip output is available to Idaho customers through 2034. The retirement date of 2034 was selected to avoid the anticipated capital upgrades of installing selective catalytic reduction technology which may be required to meet potential regional haze impacts.

Avista utilized the PRiSM model to conduct this alternative study and included all future fixed and capital costs anticipated to keep the plant operating through 2034. The study results indicate a \$47 million PVRR<sup>3</sup> benefit to Idaho customers for a 2025 exit versus a 2034 exit, which represents a 1% cost reduction between 2024 and 2045. The analysis shows a modest benefit of Colstrip in 2026, then added annual costs through 2045, as shown in Figure 1 below. Ultimately, the costs savings to Idaho customers is met by utilizing recently acquired resources through the 2022 All-Source Request for Proposals and wholesale market purchases supplemented with potential new natural gas peaking resources located in Northern Idaho.

**Figure 1: Annual Change to Idaho Electric Revenue Requirement For a 2025 exit versus 2034**



<sup>3</sup> Present Value of Revenue Requirement in 2025 nominal dollars.

#### **IV. COLSTRIP CLOSURE PLANS AND ACTIVITIES**

Avista is not aware of any specific closure plans although Northwestern's 2023 Integrated Resource Plan<sup>4</sup> references a potential retirement date in 2042. Within Northwestern's Action plan Northwestern commits to the following from page 85:

##### **Evaluate the potential early closure of Colstrip**

*As the future of Colstrip becomes more clear, NorthWestern may need to replace the lost capacity from its largest single resource. Given the large impact a Colstrip retirement would have on NorthWestern customers, NorthWestern will closely monitor developments regarding Colstrip.*

As discussed above, Avista will transfer its ownership interest to Northwestern on December 31, 2025. Any future closure plans or activities will be up to the then current owners of Colstrip.

#### **V. COLSTRIP DECOMMISSIONING AND REMEDIATION**

The Company's Plant Accounting group estimates future decommissioning costs for Colstrip and records a liability at the present value of those future payments. Asset Retirement Obligation (ARO) accounting is used to increase this liability in order to have the full amount recorded when the liabilities come due. The Company's Plant Accounting and Generation department works with the operator (Talen) to get the most current estimates of these costs. This review is done annually and an adjustment to the ARO accounting balances is recorded, if deemed material.

In each Idaho general rate case, the Company builds the ARO accounting into our request for recovery and includes the most current estimates of future decommissioning/ARO costs for Colstrip. This review in each general rate case will continue throughout the 30+ years as necessary, which is the time frame that Avista is recovering these costs from customers. The Company pays

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<sup>4</sup> [Montana Integrated Resource Plan Volume 1 \(northwesternenergy.com\)](https://www.northwesternenergy.com/montana-integrated-resource-plan-volume-1), page 80, "In the Base Case production cost outputs, NorthWestern's portfolio emits roughly 3.5 million tons of carbon annually in 2023 which increases to 5 million tons in 2026, Figure 8-18. The carbon intensity of the portfolio is roughly 850 pounds (lbs.) per MWh which is roughly in line with the current U.S. average carbon intensity of 853 lbs. per MWh<sup>40</sup>. After the Colstrip retirement in 2042 the carbon emissions drop.

for these costs as the work is performed, which reduces the liability. Idaho's share of the future liability included in the most recent general rate case was approximately \$10.1 million. Please note that this will change in future general rate cases.

## **VI. CONCLUSION**

Avista will continue to provide an updated report on Colstrip as required, with a final report no later than October 1, 2025. For questions about this report please contact James Gall at 509-495-2189 ([james.gall@avistacorp.com](mailto:james.gall@avistacorp.com)) or me at 509-495-2782 ([shawn.bonfield@avistacorp.com](mailto:shawn.bonfield@avistacorp.com)).

Sincerely,

*/s/ Shawn Bonfield*

Shawn Bonfield  
Sr. Manager of Regulatory Policy & Strategy  
Avista Utilities