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July 11, 2017

IDAHO PUBLIC
UTILITIES COMMISSION

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

RE: Objection of Avista Corporation to Petition to Intervene of Sierra Club

Enclosed for filing with the Commission are an original and nine copies of an Objection of Avista Corporation, dba Avista Utilities (Avista), to the Petition to Intervene of Sierra Club, in Docket Nos. AVU-E-17-01 and AVU-G-17-01.

Please direct any questions related to the transmittal of this filing to Liz Andrews at 509-495-8601

Sincerely,

A handwritten signature in black ink, appearing to read "D J Meyer", with a horizontal line extending to the right.

David J. Meyer
Vice President and Chief Counsel for
Regulatory & Governmental Affairs

Enclosures

DAVID J. MEYER
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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF
AVISTA CORPORATION DBA AVISTA
UTILITIES FOR AUTHORITY TO INCREASE
ITS RATES AND CHARGES FOR ELECTRIC
AND NATURAL GAS SERVICE IN IDAHO

CASE NO. AVU-E-17-01
AVU-G-17-01

OBJECTION OF AVISTA
CORPORATION TO PETITION TO
INTERVENE OF SIERRA CLUB

COMES NOW, Avista Corporation (hereinafter “Avista” or the “Company”), and objects to the Petition to Intervene of Sierra Club, in the above-captioned dockets.

I.

On July 7, 2017, the Sierra Club filed a Petition to Intervene in Avista’s pending rate case. In its Petition, the Sierra Club alleges broadly that Avista’s rate increases for 2018 and 2019 will have “environmental, health and economic consequences” for Sierra Club members who are customers of Avista. (See ¶3 of Petition) Sierra Club claims that it will not otherwise “unduly broaden” the issues in this proceeding, and that it will focus on: (1) \$24 million in capital additions related to the Colstrip Coal Plant; and (2) the “depreciation expense and schedule applicable to the Colstrip Coal Plant.” (Petition at ¶4)

II.

The Petition offers no explanation whatsoever of how these particular issues relate in any way to the “environmental” and “health” consequences of its members. Indeed, as the Company’s filing makes clear, the roughly \$24 million of Colstrip capital expenditures over the three year period of 2017-2019 are all “mandatory and compliance” items, as explained in the Company’s filing.¹ Company Witness Kinney goes on to explain, in his pre-filed testimony, that these capital expenditures include Avista’s pro rata share of ongoing capital expenditures associated with normal outage activities on Units 3 and 4 at Colstrip. (Kinney Direct at p.31, lines 6-7) He observes that “every two out of three years, there are planned outages at Colstrip with higher capital program activities.” (*Id.* at lines 6-9) Finally, he explains that:

The entire body of capital work performed in a calendar year at Colstrip includes a variety of projects that the operator characterizes under the following categories: Environmental Must Do, Sustenance, Regulatory, and Reliability Must Do.

(*Id.* at p.31, lines 17-21)² (The business cases associated with these capital projects are set forth in Avista’s Exhibit No. 4, Schedule 3, pages 90-92.) These are the types of capital expenditures that are in the ordinary course of business and have been routinely incurred over many years and are made for the purpose of keeping the plant in compliance with applicable regulations and operating standards, as shown in the table below:

¹ As shown in Table No. 6 of Company Witness Kinney’s Direct Testimony, at page 16, these “Mandatory and Compliance” items total approximately \$9.5 Million in 2017; \$4.4 Million in 2018; and \$10.4 Million in 2019. The variation from year to year is driven by maintenance schedules that coincide with planned outages. *See* Table 6 at line 19 of page 16 of Kinney Direct.

² In general, these expenditures are meant for ongoing maintenance of the plant. An example of an “Environmental Must Do” project is the Coal Combustion Residual Work that is required for ash pond upgrades and closures; an example of a “Sustenance” project is Boiler Tube Repair/Replacement; and an example of “Reliability Must Do” project is for Large Motor Rewinds.”

Table No. 1: Avista's Share of Colstrip Capital Expenditures (System)

Colstrip Transfers To Plant					
Actual			Planned		
<u>2014*</u>	<u>2015</u>	<u>2016*</u>	<u>2017*</u>	<u>2018</u>	<u>2019*</u>
\$ 6,045	\$ 1,620	\$ 11,313	\$ 9,500	\$ 4,420	\$ 10,370
* Colstrip Unit #3 or #4 outage years; 15% of costs planned per Talen Energy					

On-going capital expenditures associated with normal outage activities required for continued operations of the Colstrip generating facility.

Accordingly, if anything, these expenditures are in furtherance of environmental, health and safety objectives – i.e., the professed concerns of the Sierra Club. (These capital expenditures do not, in and of themselves, serve to otherwise extend the useful life of Units 3 and 4; accordingly, this should not serve as a “toehold” for the Sierra Club to argue over the “remaining useful life” of these plants or the date by which such plants should be taken out of service.) Besides, the Sierra Club’s Petition does nothing to explain why these Colstrip capital expenditures or depreciation schedules in this rate case raise unspecified “environmental” or “health” concerns.

The Sierra Club has also actively participated in Avista’s IRP process as a member of the Technical Advisory Committee. A public draft of the IRP was provided to the Idaho and Washington Commissions and interested parties on June 30, 2017. The Sierra Club will have continuing opportunities to address Colstrip Units 3 and 4 as part of its ongoing participation in the Technical Advisory Committee and through the IRP comment period after the IRP is filed on August 21, 2017.

III.

As for its professed interest in the depreciation rates associated with Colstrip, the Sierra Club acknowledges that the Company “does not request a change to depreciation rates at the

Colstrip plant.” (See Petition at p.4) Indeed, the Colstrip depreciation rates have not changed in the Company’s last several general rate filings. Accordingly, that issue alone will produce no change in the alleged “economic” impact through rates on the Sierra Club’s Idaho constituency (nor, of course, will it have “environmental” or “health” impacts). Whether or not Avista’s depreciation rates for Colstrip Units 3 and 4 differ from other Colstrip owners, as argued by the Sierra Club, is simply not germane to issues before the Idaho Commission at this time.

The Sierra Club is making an issue of depreciation rates for Colstrip Units 3 and 4 in Puget Sound Energy’s pending general rate case in the State of Washington. (See Docket UE-170033). In that proceeding, Sierra Club is sponsoring the testimony of Ezra Hausman in which it argued for a shorter depreciation schedule with an “end-of-life assumption” of no later than December 31, 2024. (See Response Testimony of Witness Hausman, Exh. EDH-1T, p.24, lines 4-16). As such, the Sierra Club recommended that Puget’s proposed end-of-life assumption for Units 3 and 4 for depreciation purposes of 2035 should be reduced to 2024. For its part, Avista has also consistently used 2035 for depreciation purposes – accordingly, there is no inconsistency between PSE and Avista, in that regard, as implied by the Sierra Club.³ In short, it would appear that the Sierra Club is attempting to “bootstrap” an argument over depreciation rates in this jurisdiction, based on ongoing litigation involving PSE’s pending Washington rate case.

If, in fact, the Sierra Club seeks to “bootstrap” its way into arguing for an earlier termination of Colstrip Units 3 and 4 in Avista’s general rate filing, through arguing for a shorter depreciation schedule, then this will surely “broaden the issues” well beyond what is now before

³ It is true, however, that in PSE’s 2007 Rate Case (Docket No. UE-072300), the rate case settlement previously utilized 2044 and 2045 for Colstrip Units 3 and 4, respectively. (Hausman Response Testimony, *supra*, at Exh. EDH-1T, p.24, lines 4-7)

the Commission. And that should not be allowed.⁴ In the very least, the Commission should clarify that any intervention by the Sierra Club should not serve to broaden the issues by positing an earlier termination date for Colstrip Units 3 and 4.

IV.

As for the alleged “economic” impact on the constituents of the Sierra Club resulting from either (1) the \$24 million of capital expenditures, or (2) the appropriate depreciation rate for Units 3 and 4, the Commission Staff has reviewed such items in the past. Indeed, the Snake River Alliance and the Idaho Conservation League, which have represented much of the Sierra Club’s constituency in several prior Avista cases, have also joined in settlements which have imbedded within them the ongoing Colstrip capital expenditures and depreciation rates for Colstrip.

V.

For the foregoing reasons, Avista objects to the Petition to Intervene of the Sierra Club, believing that such an intervention will, in fact, “unduly broaden” the issues. The Petition, on its face, does not identify, with the required specificity, any “environmental, health and economic consequences” to Idaho ratepayers associated with the only two issues that the Sierra Club raises: the \$24 million of capital expenditures and depreciation rates for Units 3 and 4. Other parties to this proceeding will adequately represent its interests, including Staff. Finally, it has other forums in which to address its concerns, including Avista’s ongoing IRP process in which it is participating.

⁴ The Commission Staff’s accountants, engineers and auditors have proven themselves more than capable of examining the appropriateness of depreciation rates; the Sierra Club, for its part, will add no additional value in this regard, unless it otherwise intends to unduly “broaden” the issue.

RESPECTFULLY SUBMITTED this 11th day of July, 2017.

AVISTA CORPORATION



David J. Meyer
VP and Chief Counsel for Regulatory and
Governmental Affairs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 11th day of July, 2017, served the foregoing Objection to Intervene of Sierra Club in Docket No. AVU-E-17-01 and AVU-G-17-01, upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to:

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