



# 2020 COLSTRIP SALE INFORMATION SHEET

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## What did the Puget Sound Energy (PSE or "Company") request from the Washington Utilities and Transportation Commission (WUTC)?

On February 19, 2020, PSE filed with the Washington Utilities and Transportation Commission ("Commission") an application for an order authorizing the sale of all of PSE's interests in Colstrip Unit 4, and certain interests in the Colstrip transmission system to NorthWestern Corporation (NorthWestern Energy). A second Colstrip owner, Talen Montana, exercised its first right of refusal and requested to purchase one-half of the interests being sold. On July 9, 2020, the Commission suspended the procedural schedule until PSE made its supplemental filing adding Talen as a purchaser. On August 20, 2020, PSE filed with the Commission a supplemental application for an order authorizing the sale of all of PSE's interests in Colstrip Unit 4 and certain interests in the Colstrip transmission system. PSE's supplemental application requests that the Commission authorize the following:

1. The sale of one-half of PSE's interests in Colstrip Unit 4 to NorthWestern Energy;
2. The sale of one-half of PSE's interests in Colstrip Unit 4 to Talen Montana, LLC (Talen Montana);
3. The sale of certain PSE interests in the Colstrip Transmission System to NorthWestern Energy;
4. A power purchase agreement between PSE and NorthWestern Energy for 45 MW of the output of Colstrip Unit 4 with a term beginning on the date following closing and continuing for a period that expires at the earlier of 258 weeks after closing or December 31, 2025; and
5. A power purchase agreement (PPA) between PSE and Talen Montana for 45 MW of the output of Colstrip Unit 4 with a term beginning on the date following closing and continuing for a period that expires at the earlier of 258 weeks after closing or December 31, 2025.

## Who currently owns Colstrip Unit 4?

Colstrip Unit 4 is jointly owned by the following five regulated utilities:

Owner	Ownership Interest
NorthWestern Energy	30%
PSE	25%
Portland General Electric	20%
Avista	15%
PacifiCorp	10%

Each of these utilities are regulated by the state in which they provide electric service. The WUTC regulates PSE, Avista, and PacifiCorp.

## What would the ownership structure of Unit 4 be if the Proposed Transactions were approved?

Owner	Ownership Interest
Talen	12.5%
NorthWestern Energy	42%
PSE	0%
Portland General Electric	20%
Avista	15%
PacifiCorp	10%





### What does PSE state are the reasons for the Proposed Transactions?

The Washington Clean Energy Transformation Act (CETA) requires utilities to no longer serve customers with power from coal-fired generation beginning in January 1, 2026. PSE asserts that the proposed transactions are a necessary step in preparing PSE to comply with the CETA requirement. PSE also argues that the transactions are necessary due to the operational uncertainties surrounding Colstrip Unit 4, including the changing landscape of energy markets, new environmental regulations, potential carbon pricing, aging infrastructure, periodic litigation, and potential valuation differences among its six owners, which PSE believes limits the ongoing viability of Colstrip Unit 4. PSE has stated that the transactions would allow PSE to dispose of its Colstrip Unit 4 interests while simultaneously benefitting customers with lower prices, would provide net present value financial benefits to retail customers for the period 2020 through 2025, would cap PSE's liabilities with compliance costs associated with Colstrip Unit 4, would significantly reduce PSE's greenhouse gas emissions, and the loss of capacity resulting from the sale of Colstrip Unit 4 would be partially mitigated by the NorthWestern Energy and Talen Montana PPAs.

### Who are the parties in this case?

The parties in this case are PSE, Commission Staff, Public Counsel, Alliance of Western Energy Consumers (industrial customers), Microsoft Corporation, NW Energy Coalition, Renewable Northwest Project, Sierra Club, Natural Resources Defense Council, Pacific Power and Light Company, Avista Corporation, and Portland General Electric. In formal proceedings, such as this one, the Commission's regulatory staff participates like any other party, and the Commissioners make the decision on the Company's request based on evidence provided by all parties.

### What is the current status of the case?

Parties filed testimony responding to PSE's petition on October 2, 2020. The WUTC will hold evidentiary hearings on November 23, 2020.

### Does Public Counsel believe the Proposed Transactions are in the public interest?

No. Public Counsel does not believe the Proposed Transactions are in the public interest and should be denied. The public interest standard requires that ratepayers not be harmed by a transfer of property. Because ratepayers could be significantly harmed by the proposed transactions, they should be denied. Public Counsel filed expert testimony that stated:

- **Sale of Interest in Unit 4:** The Commission should reject the sale of PSE's share of Colstrip Unit 4 because (1) PSE's ability to control future Colstrip O&M budgets would be severely limited, (2) PSE would not be able to seek early retirement of Colstrip Unit 4, and (3) while PSE could seek to close Colstrip Unit 3, this effort could be vetoed under the vote sharing agreement between NorthWestern Energy and Talen.
- **Sale of Transmission Rights:** Public Counsel argues that there is no good reason for PSE to transfer the Transmission assets, but there are benefits of retaining them. PSE should retain ownership because (1) PSE ownership is likely to be less expensive for its ratepayers than ownership by NorthWestern Energy or Talen, and (2) the Transmission assets could be used to import renewable power from eastern Montana.
- **PPA:** Public Counsel argues that the Commission should reject the PPAs. PSE's analysis overstates the benefits and understates the costs, but even so, PSE's analysis shows only a small benefit of purchasing power from NorthWestern Energy and Talen. Correcting the analysis, however, shows that the PPA does not provide benefits.



### When will there be a decision?

The UTC is expected to issue a decision no later than January 19, 2021.

### How can customers comment to the UTC about this case?

The Commission is holding a virtual public comment hearing in two sessions on Thursday, October 8, 2020, at 1:30 pm and 6:00 pm. An in-person public comment hearing will not be held due to the COVID-19 pandemic. PSE customers are able to share their thoughts about the transaction or tell the Commissioners how this case will impact them by telephone or online using the following information:

#### **Virtual Public Hearing for Session 1**

- Thursday, October 8<sup>th</sup> at 1:30 pm
- By phone at (253) 372-2181; Conference ID: 387 414 077#
- Online via Microsoft Teams at: [https://teams.microsoft.com/l/meetup-join/19%3ameeting\\_N2Ew-ZjMwNGUtYWY3Mi00MWNiLWJiM-DAtZjdLYTION2RINjA1%40thread.v2/0?context=%7b%22Tid%22%3a%2211d0e217-264e-400a-8ba0-57dcc127d-72d%22%2c%22Oid%22%3a%22e087e-ca4-4cd8-416f-8fc0-53ed60dbc833%22%7d](https://teams.microsoft.com/l/meetup-join/19%3ameeting_N2Ew-ZjMwNGUtYWY3Mi00MWNiLWJiM-DAtZjdLYTION2RINjA1%40thread.v2/0?context=%7b%22Tid%22%3a%2211d0e217-264e-400a-8ba0-57dcc127d-72d%22%2c%22Oid%22%3a%22e087e-ca4-4cd8-416f-8fc0-53ed60dbc833%22%7d)

#### **Virtual Public Hearing for Session 2**

- Thursday, October 8<sup>th</sup> at 6:00 pm
- By phone at (253) 372-2181; Conference ID: 508 314 784#
- Online via Microsoft Teams at: [https://teams.microsoft.com/l/meetup-join/19%3ameeting\\_NTg-zYTQ4ZWQtN2UyYS00ODVhLTljMWYtNT-EzYjBiYmNhYjdk%40thread.v2/0?context=%7b%22Tid%22%3a%2211d0e217-264e-400a-8ba0-57dcc127d-72d%22%2c%22Oid%22%3a%22e087e-ca4-4cd8-416f-8fc0-53ed60dbc833%22%7d](https://teams.microsoft.com/l/meetup-join/19%3ameeting_NTg-zYTQ4ZWQtN2UyYS00ODVhLTljMWYtNT-EzYjBiYmNhYjdk%40thread.v2/0?context=%7b%22Tid%22%3a%2211d0e217-264e-400a-8ba0-57dcc127d-72d%22%2c%22Oid%22%3a%22e087e-ca4-4cd8-416f-8fc0-53ed60dbc833%22%7d)

If you would like to comment during the public hearing, please sign up prior to the hearing by contacting the Commission's records center at (360) 664-1234 or by email at [records@utc.wa.gov](mailto:records@utc.wa.gov).

In addition to providing comments at the August 8<sup>th</sup> Public Hearing sessions, customers can provide comments in the following ways:

- Via UTC web form at: [utc.wa.gov/consumers/](http://utc.wa.gov/consumers/) (click on "Submit a Comment" link at the top of the web page)
- By e-mail at: [comments@utc.wa.gov](mailto:comments@utc.wa.gov)
- By mail at: **UTC, P.O. Box 47250, Olympia, WA 98504-7250**
- By phone: **1-888-333-WUTC (9882)**

Please include your name and mailing address, the name of the company, and the related Docket Number (UE-200115). For more information, see <http://www.utc.wa.gov/>, or call 1-800-562-6150.

### Who is Public Counsel?

The Public Counsel Unit of the Washington Attorney General's Office represents residential and small business customers of state-regulated electric, natural gas, and telecommunications companies. Public Counsel advocates on behalf of customers before the UTC and courts regarding utility rates, mergers, business practices, service quality, energy efficiency, and policy matters. You can contact Public Counsel by email at: [utility@atg.wa.gov](mailto:utility@atg.wa.gov), or by mail at: Attorney General's Office, Public Counsel Unit, 800 Fifth Avenue, Suite 2000, Seattle, WA 98104.