

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Application of

**PUGET SOUND ENERGY**

For an Order Authorizing the Sale of All of Puget Sound Energy's Interests in Colstrip  
Unit 4 and Certain of Puget Sound Energy's Interests in Colstrip Transmission System

---

DOCKET UE-200115

**PAUL L. CHERNICK  
ON BEHALF OF THE  
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL  
PUBLIC COUNSEL UNIT**

---

**EXHIBIT PLC-18**

Puget Sound Energy Response to NW Energy Coalition Data Request No. 65

**October 2, 2020**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket UE-200115  
Puget Sound Energy  
Application Authorizing Sale of PSE Interest in Colstrip Unit 4**

**NWEC DATA REQUEST NO. 065:**

Please see PSE's response to NWEC Data Requests 33-35.

- a. When PSE states that "PSE does not anticipate any changes in the value of PSE's transmission ties," what measure of value is PSE using (i.e., net book value, market value, or some other type of value)?
- b. If PSE's responses to Data Requests 33-35 did not refer to market value, please describe how the market value of PSE's transmission ties would change:
  - i. With the expansion of the Energy Imbalance Market ("EIM"),
  - ii. With NorthWestern Energy joining the EIM, and
  - iii. With the addition of Day-Ahead functionality to the EIM.
- c. What other factors could increase the market value of PSE's transmission ties?

**Response:**

- a. When Puget Sound Energy ("PSE") states that "PSE does not anticipate any changes in the value of PSE's transmission ties," PSE is referring to both net book value and market value. The sale of transmission service pursuant to the terms of an Open Access Transmission Tariff is subject to cost of service regulation. Cost of service regulation seeks to allow public utilities the opportunity to (1) recover operating costs, including income taxes, (2) recover the cost of capital investments, and (3) earn a just and reasonable return on investments. Therefore, transmission revenues are not based on "market performance," and changes in market performance do not change PSE's rate recovery for these assets. Increased demand for use of an asset subject to cost-based rates may reduce the business risk of the asset (e.g., decreased likelihood of stranded costs) but does not increase the revenue requirement for that asset. Therefore, neither the book value nor the market value of the asset would change because the revenue requirement for the Colstrip Transmission System does not change.
- b. None of (i) the expansion of the Energy Imbalance Market ("EIM"), (ii) NorthWestern Energy joining the EIM, or (iii) the addition of Day-Ahead

functionality to the EIM would affect the market value of PSE's interests in the Colstrip Transmission System. As previously stated, the sale of transmission service pursuant to the terms of an Open Access Transmission Tariff is subject to cost of service regulation. Increased demand for use of an asset subject to cost-based rates may reduce the business risk of the asset (e.g., decreased likelihood of stranded costs) but does not increase the revenue requirement for that asset. Therefore, neither the book value nor the market value of the asset would change because the revenue requirement for the Colstrip Transmission System does not change.

- c. Increases the return on equity authorized by FERC or in rate base would likely increase the market value of PSE's interests in the Colstrip Transmission System.