

**BEFORE THE WASHINGTON
UTILITIES AND 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 the Colstrip Transmission System

DOCKET UE-200115

EXH. NEH-03

PSE RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 001

**ON BEHALF OF
NW ENERGY COALITION AND
RENEWABLE NORTHWEST**

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**

PUBLIC COUNSEL DATA REQUEST NO. 001:

Please refer to the Direct Testimony of Ronald J. Roberts, Exh. RJR-1CT at 3:30-34.

- a. Please describe in detail how approval of the proposed transaction would allow PSE to “accelerate its path to compliance with the Washington Clean Energy Transformation Act”.
- b. Please explain in detail how PSE’s accelerated path to compliance would be “subject to final resolution of Colstrip Unit 3”.
- c. Would PSE’s accelerated path to compliance require the retirement of Colstrip Unit 3 before January 1, 2026? Please explain.

Response:

- a. The Washington Clean Energy Transformation Act generally requires Puget Sound Energy (“PSE”)
 - (i) to eliminate coal-fired resources from its allocation of electricity used to serve retail loads in the state by December 31, 2025 (RCW 19.405.030(1));
 - (ii) to make all retail sales of electricity to Washington customers greenhouse gas-neutral by January 1, 2030 (RCW 19.405.040(1)); and
 - (iii) to meet one hundred percent (100%) of its retail electric load to Washington customers using non-emitting electric generation and electricity from renewable resources by January 1, 2045 (RCW 19.405.050(1)).

The sale of PSE’s interests in Colstrip Unit 4 accelerates PSE’s compliance with each of these mandates.

The sale of PSE's interests in Colstrip Unit 4 accelerates PSE's compliance with the mandate that PSE eliminate coal-fired resources from its allocation of electricity used to serve retail loads in the state by January 1, 2026, by reducing PSE's reliance on coal-fired resources by 185 megawatts (MW) of capacity by January 1, 2026 (a reduction of 95 MW of coal-fired resource capacity immediately and a reduction of 90 MW of coal-fired resource capacity in the first half of 2025).

If PSE is unable to dispose of its interests in Colstrip Units 3 & 4 or if the units remain operational on or after January 1, 2026, then PSE cannot continue to serve its retail customer loads with the power generated by the units. In such event, PSE will have no choice but to sell the power directly to the market and operate its interests as a merchant function, much as Talen Montana, LLC ("Talen Montana"). Talen Montana has found it difficult to operate its interests in the Colstrip Generating Station on a merchant basis due to increasing costs of compliance for coal-fired generation and declining market prices due to relatively inexpensive natural gas-fired generation and the increased penetration of renewable resources. Therefore, it is in the interests of PSE to dispose of its interests in Colstrip Units 3 & 4 or effectuate the retirement of those units by January 1, 2026, provided that such actions do not harm PSE customers.

The sale of PSE's interests in Colstrip Unit 4 significantly reduce PSE's greenhouse gas emissions by an annual average reduction of 350,000 metric tons of carbon dioxide immediately, which is an accelerated compliance with the mandates that required PSE to have a greenhouse gas-neutral power supply portfolio by January 1, 2030 and a greenhouse gas-free power supply portfolio by January 1, 2045.

- b. As discussed in the response to part a. above, RCW 19.405.030(1) requires PSE to eliminate coal-fired resources from its allocation of electricity used to serve retail loads in the state by January 1, 2026. At the time of enactment of the Washington Clean Energy Transformation Act, PSE's power supply portfolio included two sources of coal-fired resources: (i) output from the TransAlta Centralia Coal Plant under the TransAlta Centralia Coal Transition Power Purchase Agreement (the "TransAlta PPA") and (ii) output from Colstrip Units 1 through 4.

TransAlta PPA. The TransAlta PPA expires prior to January 1, 2026, and would not complicate PSE's mandate to comply with RCW 19.405.030(1).

Colstrip Units 1 & 2. PSE and Talen Montana permanently retired Colstrip Units 1 & 2 in early January of 2020, and PSE's ownership interests in Colstrip Units 1 & 2 would not complicate PSE's mandate to comply with RCW 19.405.030(1).

Colstrip Unit 4. The sale of PSE's interests in Colstrip Unit 4 in 2020 would guarantee that PSE has disposed of 185 MW of capacity of coal-fired resources by January 1, 2026, in compliance with RCW 19.405.030(1).

Colstrip Unit 3. PSE would retain its ownership interests in Colstrip Unit 3, and RCW 19.405.030(1) would require PSE to address the output from, operational costs for, and revenues associated with these ownership interests for the period beginning January 1, 2026.

- c. No. RCW 19.405.030(1) would not require the retirement of Colstrip Unit 3 by January 1, 2026, although retirement of the unit would be one method of complying with the mandate. Other methods of complying with the mandate could include, for example, sale of PSE's ownership interests in Colstrip Unit 3, sale of the output associated with PSE's ownership interests in Colstrip Unit 3 to an entity outside of Washington pursuant to a long-term or intermediate-term power purchase agreement, or the sale of the output associated with PSE's ownership interests in Colstrip Unit 3 in a manner similar to a merchant generator, such as the sales currently made by Talen Montana from its ownership interests in Colstrip Unit 3.