

**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. MSG-03**

**PSE RESPONSE TO WUTC DATA REQUEST NO. 017**

**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**

**WUTC STAFF DATA REQUEST NO. 017:**

**Re: Market Value of Colstrip Transmission Assets**

Please provide PSE's best and latest estimate on the market value of the transmission assets that will be sold to NorthWestern Energy under the proposed Colstrip Transmission System Purchase and Sale Agreement.

**Response:**

Puget Sound Energy ("PSE") believes the net book value of the transmission assets sold in the Colstrip Transmission System Purchase and Sale Agreement is the best representation of its market value.

The Colstrip Transmission System has limited value because it connects solely to (i) the NorthWestern transmission system in Montana and (ii) the Bonneville Power Administration ("BPA") Eastern Intertie in western Montana. For the most part, the Montana Intertie Agreement with BPA only allows the owners of the Colstrip Transmission System to transmit power owned by them across the BPA Eastern Intertie. Any potential purchaser of PSE's interest in the Colstrip Transmission System other than the existing owners of the Colstrip Transmission System would need to negotiate new arrangements with BPA, and it is unclear what BPA can or is willing to do to enter into new arrangements across the Eastern Intertie.

Each owner of the Colstrip Transmission System (i.e., Avista Corporation, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and PSE) is a regulated entity. The ability of an owner of the Colstrip Transmission System to acquire an asset at a value greater than the net book value and incorporate the acquisition amount in excess of the net book value would be controlled by the regulators for such owner. To do so would require the owner of the Colstrip Transmission System to convince its regulators that it would be in the public interest to "inflate" the rate base for such owner's customers and, therefore, the asset value to them would more likely be its existing rate base value (i.e., net book value).

Additionally, any sale of transmission assets to entities outside of the owners of the Colstrip Transmission System is limited because the Colstrip Project Transmission Agreement provides a right of first refusal to the other owners of the Colstrip

Transmission System. PSE offered rights of first refusal to each of the owners of the Colstrip Transmission System pursuant to the terms and conditions of the Colstrip Project Transmission Agreement upon the same terms as the proposed Colstrip Transmission System Purchase and Sale Agreement with NorthWestern Energy. No owner of the Colstrip Transmission System exercised its rights of first refusal under the Colstrip Project Transmission Agreement for these interests in the transmission assets.

Given these circumstances, PSE believes the likelihood of the sale of the transmission assets being anything other than net book value is low. Therefore, PSE believes the net book value of the transmission assets sold in the Colstrip Transmission System Purchase and Sale Agreement is the best representation of its market value.