

**EXHIBIT NO. RCS-10C  
DOCKET NOS. UE-170033/UG-170034  
WITNESS: RALPH C. SMITH**

**BEFORE THE  
WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-170033  
Docket No. UG-170034**

**EIGHTH EXHIBIT (CONFIDENTIAL) TO TESTIMONY OF**

**RALPH C. SMITH**

**ON BEHALF OF PUBLIC COUNSEL**

*Data Request Responses Regarding Colstrip*

*Voluminous Confidential Attachment to Sierra Club Data Request No. 004 is Not  
Included*

**\*\*Confidential Information has been Redacted\*\***

**JUNE 30, 2017**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 355**

**PUBLIC COUNSEL DATA REQUEST NO. 355:**

Page 13 of Exhibit No. KJB-7 attached to the Direct Testimony of Katherine J. Barnard shows Adjustment 7.12 for electric operations.

- a. Please provide the workpapers that support the “Test Year” amounts shown on page 13 of Exhibit No. KJB-7.
- b. Please provide the workpapers that support the “New Rate Year” amounts shown on page 13 of Exhibit No. KJB-7.
- c. Please provide the workpapers that trace how the “PSE’s Projected Share of Decommissioning and Demolition Costs and CCR Plant Costs Colstrip Unit1 & 2” shown on Exhibit No. RJR-23 are included in the amounts shown in Adjustment 7.12 on page 13 of Exhibit No. KJB-7.
- d. Is the “Colstrip ½ Retirement Amount” shown in Adjustment 7.12 on page 13 of Exhibit No. KJB-7 in real dollars or nominal dollars? If in nominal dollars, please indicate the year of the nominal dollars and provide the supporting workpapers for that nominal dollar amount.
- e. If the answer to part (d) is that the amounts are in real dollars, please provide the workpapers that starts with the nominal dollars (indicating the year of the nominal dollars) and shows how the real dollars were calculated. Please include support for any assumption or inflation rate used in the calculation.
- f. Please provide the workpapers responsive to this request electronically in Excel (or text delimited format if not available in Excel). If not available electronically please provide a hard copy.

**Response:**

- a. See the workpaper supporting the Prefiled Direct or Supplemental Testimony of Katherine J. Barnard labeled "7.12 Hydro Treas Grants RB Reclass

17GRC.xlsx," in the tab labeled "Lead E," for test year amounts which are linked to their corresponding support.

- b. See the same workpaper in part (a) supporting the Prefiled Direct or Supplemental Testimony of Katherine J. Barnard labeled "7.12 Hydro Treas Grants RB Reclass 17GRC.xlsx," in the tab labeled "Lead E," for rate year amounts which are linked to their corresponding support.
- c. Puget Sound Energy's("PSE")projected share of decommissioning and demolition costs and Coal Combustion Residual plant costs for Colstrip shown on Exhibit No. \_\_\_\_ (RJR-23)to the Prefiled Direct Testimony of Ronald J. Roberts is not included in the amounts shown in Adjustment 7.12 on page 13 of Exhibit No. \_\_\_\_ (KJB-7)to the Prefiled Direct Testimony of Katherine J. Barnard. As explained in the Prefiled Direct Testimony of Katherine J. Barnard, Exhibit No. \_\_\_\_ (KJB-1T) on page 31,lines 9 through 14,PSE is proposing to discontinue amortization of the Treasury Grants received for the upgrades of its hydroelectric facilities, and to transfer the unamortized balance to a FERC 108 retirement account that would be established to help fund the decommissioning and remediation costs associated with Colstrip Units 1 and 2. The amounts in Adjustment 7.12 represent the calculation of the hydro grants net balances for the proposed transfer.
- d. The amount in Adjustment 7.12 on page 13 of Exhibit No. \_\_\_\_ (KJB-7)does not represent a "Colstrip 1/2 Retirement Amount."
- e. Refer to the response in part (d).
- f. The workpapers referenced in part (a) and (b)were provided electronically in support of both the Prefiled and Supplemental Direct Testimony of Katherine J. Barnard. The adjustment was unchanged in the supplemental update that was filed on April 3, 2017.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 394**

**PUBLIC COUNSEL DATA REQUEST NO. 394:**

A review of this Talen Energy web page concerning the Colstrip plant,<sup>1</sup> states as follows:

Plant Details

The Colstrip power plant, east of Billings, operates four coal-fired generating units capable of producing up to 2,094 megawatts of electricity. Units 1 and 2 began commercial operation in 1975 and 1976, and units 3 and 4 started in 1984 and 1986. Units 1 and 2 each have about 307 megawatts of generating capacity; Talen Energy has 50 percent ownership of each. Units 3 and 4 each have about 740 megawatts of generating capacity; Talen Energy has 30 percent ownership in Unit 3 and no ownership in Unit 4. Talen Energy's share in the plant's generating capacity is 529 megawatts. The plant employs about 360 people and is owned by Talen Energy LLC, Puget Sound Energy Inc., Portland General Electric Company, Avista Corporation, PacifiCorp and NorthWestern Energy. Low-sulfur coal and state-of-the-art scrubbers restrict sulfur dioxide emissions to less than levels required by the Clean Air Act. The plant also meets Environmental Protection Agency standards for nitrogen oxides emission. **The plant consistently ranked as one of the lowest-cost fuel plants in the Western Electricity Coordinating Council, a regional member of the North American Electricity Reliability Council that includes all the western states and the Canadian provinces of Alberta and British Columbia.**

(Emphasis added.)

- a. Please identify and provide the information showing how the plant has consistently ranked as one of the lowest-cost fuel plants in the Western Electricity Coordinating Council.

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<sup>1</sup> Talen Energy, *Colstrip Power Plant*, <https://www.talenenergy.com/generation/fossil-fuels/colstrip> (last accessed Apr. 27, 2017).

- b. Is the Plant expected to continue to be ranked as one of the lowest-cost fuel plants in the Western Electricity Coordinating Council? If not, explain fully why not.

**Response:**

- a. The statement made by Talen Energy (“Talen”) on its website related to the Colstrip power plant being “consistently ranked as one of the lowest-cost fuel plants in the Western Electricity Coordinating Council,” is an assertion made by Talen and not Puget Sound Energy (“PSE”). Talen and PSE are separate, privately held companies. PSE does not have information on what criteria or report Talen may have relied on to make the statement.
- b. Since the claim referenced above was by Talen and not PSE, PSE cannot comment on the continuation of the statement made by Talen.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 395**

**PUBLIC COUNSEL DATA REQUEST NO. 395:**

What is the current status of the planned closure date for Colstrip Units 1 and 2? In your response please address news reports<sup>1</sup> that the co-owner and operator of Colstrip, Talen Energy, wants to exit its role as Colstrip's operator by mid-2018:

- a. If Talen Energy exits its role as operator of the Colstrip plant, how would that affect the operation and projected retirement date of Units 1 and 2? Explain fully.
- b. If Talen Energy exits its role as operator of the Colstrip plant, how would that affect the operation and projected retirement date of Units 3 and 4? Explain fully.
- c. Would Puget Sound Energy or any of other co-owners become the operator of the Colstrip plant?
  - i. If not, explain fully why not. Also explain fully how this would that affect the projected retirement date for Units 3 and 4.
  - ii. If so, which co-owner(s) would operate the plant, and when would that operating responsibility commence and for how long would it continue?

**Response:**

In response to Public Counsel Data Request Public Counsel No. 395, please see the Prefiled Direct Testimony of Ronald J. Roberts, Exhibit No. \_\_\_ (RJR-1CT), page 39, line 5-6. Puget Sound Energy ("PSE") intends to keep Colstrip Units 1 and 2 in operation until the legal settlement date of on or before July 1, 2022. Nothing to this point in time has changed PSE's intention; however, as with all plants, we will continue

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<sup>1</sup> Matthew Volz, FoxBusiness.com, *Colstrip Power Plant Closure Could Come Earlier Than 2022*, Fox Business, Jan. 17, 2017, <http://www.foxbusiness.com/markets/2017/01/17/colstrip-power-plant-closure-could-come-earlier-than-2022.html>; Matthew Brown & Matt Volz, *Colstrip Power Plant Closure Could Come Earlier Than 2022*, The Washington Post, Jan. 17, 2017, <http://www.washingtontimes.com/news/2017/jan/17/utility-warns-colstrip-closure-could-come-earlier-/>; and Matthew Brown & Matt Volz, *Colstrip Power Plant Closure Could Come Earlier Than 2022*, *Flathead Beacon*, Jan. 17, 2017, <http://flatheadbeacon.com/2017/01/17/colstrip-power-plant-closure-come-earlier-2022/>.

to evaluate all factors that affect cost and reliability at the generation source. Regarding the plant operator role, please see the Prefiled Direct Testimony of Ronald J. Roberts, Exhibit No. \_\_\_(RJR-1CT), on page 10, lines 11-22; page 11, lines 1-2 and line 18-22; and page 12, lines 1-2.

- a) PSE does not currently foresee significant changes in the operation of Colstrip Units 1 and 2 under a potential new operator. However, the joint Colstrip owners are currently in the due diligence phase of identifying a potential new operator; therefore, additional information that affects this question may be identified. PSE does not envision an operator change effecting the date of retirement for Colstrip Units 1 and 2.
  
- b) PSE does not currently foresee significant changes in the operation of Colstrip Units 3 and 4 under a potential new operator. However the joint Colstrip owners are currently in the due diligence phase of identifying a potential new operator; therefore, additional information that affects this question may be identified. There is no projected retirement date agreement between the owners of Colstrip Units 3 and 4.
  
- c) Please see the Prefiled Direct Testimony of Ronald J. Roberts, Exhibit No. \_\_\_(RJR-1CT), page 11, lines 18-22 and page 12, lines 1-2. No changes have occurred to alter the answer provided in the testimony.
  - i. There is no projected retirement date agreement between the owners of Colstrip Units 3 and 4.
  
  - ii. Please see the above response.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
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**PUBLIC COUNSEL DATA REQUEST NO. 420**

**PUBLIC COUNSEL DATA REQUEST NO. 420:**

**Re: Direct Testimony of Ronald J. Roberts, Exhibit No. RJR-23, which lists by year Total Projected Decommissioning and Demolition Costs for Colstrip Units 1 and 2 and CCR plan Costs.**

- a. Please explain fully and show in detail exactly how the amounts listed on that exhibit have been used by Puget Sound Energy in developing its electric utility revenue requirement.
- b. Which of the amounts listed on Exhibit No. RJR-23 have been recorded by PSE as AROs?
- c. Has PSE recorded AROs for Colstrip Units 1 and 2 Decommissioning and Dismantlement? If so, please show the test year and rate year amounts and exactly where they are reflected in PSE's application
- d. Has PSE recorded AROs for Colstrip Units 1 and 2 Decommissioning and Dismantlement? If so, please show the test year and rate year amounts and exactly where they are reflected in PSE's application.
- e. Has PSE recorded AROs for Colstrip CCR costs? If so, please show the test year and rate year amounts and exactly where they are reflected in PSE's application.
- f. Are the CCR plan costs listed in Exhibit No. RJR-23 for PSE's share of the total CCR amounts for all CCRs at the Colstrip plant? If not, explain fully

**Response:**

- a. Not all of the projected decommissioning and demolition costs for Colstrip Units 1 and 2 have been used by Puget Sound Energy ("PSE") in developing its electric utility revenue requirement. As explained in the Prefiled Direct Testimony of Katherine J. Barnard, Exhibit No. \_\_\_\_ (KJB-1T), beginning at page 31 line 17,



PSE has removed the Colstrip Units 1 and 2 negative salvage amounts through the Depreciation Study adjustment per Exhibit No. \_\_\_\_ (KJB-6), page 6.

For a presentation of how PSE has used the amounts listed in Exhibit No. \_\_\_\_ (RJR-23) to the Prefiled Direct Testimony of Ronald J. Roberts, to develop PSE's electric utility revenue requirement, please refer to the following PSE responses to prior data requests in this proceeding:

- PSE's Response to WUTC Staff Data Request No. 296 and Attachment (which shows Exhibit No. \_\_\_\_ (RJR-23) and the Asset Retirement Obligation ("ARO") balance as of March 31, 2017).
  - PSE's original and First Revised Response to WUTC Staff Data Request No. 359 and Attachments provide an overview of the Asset Retirement Costs and AROs for Colstrip from May 2015 (the initial recognition of the ARO related to the Coal Combustion Residuals ("CCR") legislation) through March 2017.
  - PSE's Response to Public Counsel Data Request No. 426, subpart (g) and Attachment (which presents a depiction of the amounts included in this proceeding related to the referenced AROs).
- b. Please refer to PSE's Response to WUTC Staff Data Request No. 296 and Attachment for the amounts from Exhibit No. \_\_\_\_ (RJR-23) that PSE has recorded as AROs for Colstrip Units 1 and 2.
- c. PSE has not recorded AROs for Colstrip Units 1 and 2 decommissioning and dismantlement costs. Please refer to PSE's Response to WUTC Staff Data Request No. 142 for more information on PSE's decommissioning and dismantlement costs for Colstrip Units 1 and 2.
- d. This question is a duplication of the question asked in subpart (c).
- e. Please refer to subpart (a) above.
- f. The CCR plan costs listed on page 2 of Exhibit No. \_\_\_\_ (RJR-23) are for PSE's share of the CCR amounts for Colstrip Units 1 and 2.

The CCR plan costs for Colstrip Units 3 and 4 are included in Exhibit No. \_\_\_\_ (RJR-24) and have not been summarized in the same fashion as Colstrip Units 1 and 2 were on Exhibit No. \_\_\_\_ (RJR-23).

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 426**

**PUBLIC COUNSEL DATA REQUEST NO. 426:**

**Re: Attachment B to Puget Sound Energy's Response to Public Counsel Data Request No. 177.**

Refer to page 12 of PricewaterhouseCoopers (PwC) Report to the Audit Committees of the Board of Directors of Puget Energy, Inc. and Puget Sound Energy, Inc.

- a. Identify and provide a copy of the five year forecast and the goodwill assumptions that were the key inputs into the Goodwill Valuation.
- b. Did the \$18.1 million impairment recorded in 2016 in connection with the two power contracts have any impact on PSE's test year or rate year operating expenses or rate base? If not, explain fully why not. If so, please identify, quantify and explain the impact.
- c. Refer to PwC Report at page 13. Has the NPNS designation and Company recording of derivative instruments on an accrual basis rather than a fair value basis, had any impact on test year or rate year operating expenses or rate base? If so, please explain fully and identify the impact.
- d. Refer to PwC Report pages 15 and 16. Are any decoupling regulatory assets or regulatory liabilities reflected in PSE's test year or rate year rate base? If not, explain fully why not. If so, please identify the amounts.
- e. Refer to PwC Report at page 16. Show in detail exactly how PSE identified the \$176.8 million portion of the Colstrip plant that was "probable of abandonment" and which was transferred into a regulatory asset.
- f. Refer to PwC Report at pages 16 and 17. Identify and provide all supporting calculations for the Colstrip Units 1 and 2 ARO of \$65.2 million and the \$56.9 million for Colstrip Units 3 and 4 as of December 31, 2016.
- g. Were these ARO amounts (Colstrip Units 1 and 2 ARO of \$65.2 million and the \$56.9 million for Colstrip Units 3 and 4) reflected in PSE's requested revenue

requirement, rate base, or operating expenses? If not, explain fully why not. If so, show exactly how, where and in what amounts these Colstrip AROs, as well as any applicable accretion on such AROs, were reflected by PSE.

**Response:**

- a. Page 12 of the referenced report does not include any reference to the goodwill valuation and therefore, Puget Sound Energy (“PSE”) assumes Public Counsel is referring to the discussion on page 13 of the referenced report. PSE has no goodwill recorded on its books, and there has been no goodwill included in this proceeding. PSE has not provided the goodwill assumptions that were used in the goodwill valuation and impairment test discussed on page 13 of the PwC 2016 Audit Results report as that section is related to PSE’s parent company, Puget Energy, Inc. and, as such, is outside the scope of this proceeding.
- b. The \$18.1 million impairment associated with two power contracts discussed on page 13 of the PwC 2016 Audit Results report are recorded on the books of PSE’s parent company, Puget Energy, Inc. and, as such, these items have no impact on the test year or rate year operating expense or rate base and are outside the scope of this proceeding.
- c. No, the Net Purchase Net Sales (“NPNS”) designation and recording of certain derivative instruments on an accrual basis rather than a fair value basis had no impact on test year or rate year operating expenses or rate base. For derivative instruments designated as NPNS, no unrealized gains or losses are recognized prior to settlement. Actual costs for these instruments are accrued to power costs in the month of delivery. Regardless, the test year NPNS transactions are not included in this proceeding, as power costs are projected for the rate year using the AURORA model as discussed in the Prefiled Direct Testimony of Paul K. Wetherbee, Exhibit No. \_\_\_(PKW-1CT).
- d. No, there are no regulatory assets or liabilities relating to decoupling reflected in PSE’s proposed rate base. Please see Attachment A to PSE’s Response to WUTC Staff Data Request No. 118, which shows that the decoupling deferrals in FERC Accounts 182.3 and 254 are not included in rate base or working capital but are reflected in a category of non-operating investment.
- e. Please refer to subpart (a) of PSE’s Response to Public Counsel Data Request No. 424.
- f. Please refer to all of PSE’s original and First Revised Responses to WUTC Staff Data Request No. 359 and in particular the revised Attachment B. Also please refer to the first paragraph and to Attachment A of PSE’s Response to Public Counsel Data Request No. 428.

g. Attached as Attachment A to PSE’s Response to Public Counsel Data Request No. 426 is a depiction of the amounts included in this proceeding related to the referenced Asset Retirement Obligations. The following provides a summary.

Description	Location in Attach A	ARC Dep	ARO Accr	Combined
debit / (credit)				
Operating Expenses:				
Colstrip 1&2	cols g-i line 10	\$ (7,383)	\$ 132,483	\$ 125,100
Colstrip 3&4	cols g-i line 11	5,411	62,750	68,161
Total Operating Expenses	cols g-i line 12	<u>\$ (1,973)</u>	<u>\$ 195,233</u>	<u>\$ 193,261</u>
Description	Location in Attach A	ARC	ARO	Combined
debit / (credit)				
Rate Base:				
Colstrip 1&2	cols j-l line 21	\$ 16,586,784	\$ (18,851,693)	\$ (2,264,909)
Colstrip 3&4	cols j-l line 25	17,433,269	(19,195,282)	(1,762,013)
Total Rate Base	cols j-l line 29	<u>\$ 34,020,052</u>	<u>\$ (38,046,975)</u>	<u>\$ (4,026,922)</u>

In addition to the amounts shown above and in Attachment A, the proposed depreciation rates for Colstrip Units 3 and 4 contain final cost of removal components to recover PSE’s legal obligations associated with the ARO recognized for requirements of the Coal Combustion Residuals rule that are discussed in PSE’s Responses to Staff Data Request Nos. 299 and 359. The level of final cost of removal for Colstrip Units 3 and 4 is discussed in the Prefiled Direct Testimony of John J. Spanos, Exhibit No. \_\_\_\_ (JJS-1T), starting at page 12 and in PSE’s Response to ICNU Data Request No. 027, specifically the file entitled “PSE - Production - Terminal Net Salvage Calculations.xlsx.” PSE has not included any interim or final salvage associated with Colstrip Units 1 and 2 in this proceeding as it is proposing an alternative funding mechanism to pay for legal and non-legal cost of removal for Colstrip Units 1 and 2. Please see the Prefiled Direct Testimony of Katherine J. Barnard, Exhibit No. \_\_\_\_ (KJB-1T) for a discussion of the proposal.

**ATTACHMENT A to PSE's Response to  
PUBLIC COUNSEL Data Request No. 426**

Attachment A to PSE's Response to Public Counsel Data Request No. 426

Analysis of how much Colstrip ARC Depreciation and ARO Accretion is included in the Revenue Requirement debit (credit)

Description	Test Year		Adjustment		Restated		Impact on		Impact on	
	ARC Dep	ARO Accr	ARC Dep	ARO Accr	ARC Dep	ARO Accr	ARC Balance	ARO Balance	ARC Balance	ARO Balance
	a	b	d	e	g	h	j	k	l	m
1 In Current Rates*										
2 Colstrip 1&2	\$ (3,982)	\$ 71,457	\$ (3,401)	\$ 61,026	\$ (7,383)	\$ 132,483	\$ 1,701	\$ (30,513)	\$ (28,813)	
3 Colstrip 3&4	3,375	39,135	2,036	23,615	5,411	62,750	(1,018)	(11,807)	(12,826)	
4	<u>(608)</u>	<u>110,592</u>	<u>(1,365)</u>	<u>84,641</u>	<u>(1,973)</u>	<u>195,233</u>	<u>682</u>	<u>(42,321)</u>	<u>(41,638)</u>	
5 Incremental**										
6 Colstrip 1&2	645,438	540,148	(645,438)	(540,148)	-	-	322,719	270,074	592,793	
7 Colstrip 3&4	694,357	584,770	(694,357)	(584,770)	-	-	347,178	292,385	639,563	
8	<u>1,339,795</u>	<u>1,124,918</u>	<u>(1,339,795)</u>	<u>(1,124,918)</u>	<u>-</u>	<u>-</u>	<u>669,897</u>	<u>562,459</u>	<u>1,232,356</u>	
9 Total										
10 Colstrip 1&2	641,456	611,605	(648,839)	(479,122)	(7,383)	132,483	324,420	239,561	563,981	
11 Colstrip 3&4	697,731	623,905	(692,320)	(561,155)	5,411	62,750	346,160	280,577	626,738	
12	<u>1,339,187</u>	<u>1,235,510</u>	<u>(1,341,159)</u>	<u>(1,040,277)</u>	<u>(1,973)</u>	<u>195,233</u>	<u>670,580</u>	<u>520,138</u>	<u>1,190,718</u>	
13										
14 Included in										
15	0	0								
16 * In line 7 Adj 6.06E	\$ 1,352,125	\$ 1,424,661								
17 **In line 8 Adj 6.06E	\$ 1,476,017	\$ 1,148,003								
18	0	0								
19 Combined	\$ 2,828,141	\$ 2,572,664								
20	0	0								
21										
22										
23										
24										
25										
26										
27										
28										
29										

Adjustment based on pro-rata relationship of old to new dep rates of underlying asset  
Adjustment eliminates incremental expense as presumed to be in new study

Colstrip 1&2 Test Year  
Impact of Dep Adj  
Included in Rate Base  
Colstrip 3&4 Test Year  
Impact of Dep Adj  
Included in Rate Base  
Combined Colstrip  
Impact of Dep Adj  
Included in Rate Base

\$ 16,262,364	\$ (19,091,254)	\$ (2,828,889)
324,420	239,561	563,981
<u>\$ 16,586,784</u>	<u>\$ (18,851,693)</u>	<u>\$ (2,264,909)</u>
\$ 17,087,108	\$ (19,475,859)	\$ (2,388,751)
346,160	280,577	626,738
<u>\$ 17,433,269</u>	<u>\$ (19,195,282)</u>	<u>\$ (1,762,013)</u>
\$ 33,349,473	\$ (38,567,113)	\$ (5,217,640)
670,580	520,138	1,190,718
<u>\$ 34,020,052</u>	<u>\$ (38,046,975)</u>	<u>\$ (4,026,922)</u>

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
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2017 General Rate Case**

**SIERRA CLUB DATA REQUEST NO. 004**

**SIERRA CLUB DATA REQUEST NO. 004:**

**Please reference the testimony of Ronald J. Roberts, P. 10.**

- a. What arrangements has PSE made for the continued operation of Colstrip units 1 and 2 should Talen Energy terminate its role as plant operator in 2018? Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe these arrangements.
- b. What arrangements have PSE and the other co-owners of Colstrip units 3 and 4 made for the continued operation of those units should Talen Energy terminate its role as plant operator in 2018? Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe these arrangements.
- c. Describe the process that would take place among the co-owners to replace Talen Energy's ownership share in Colstrip. Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe this process.

**Response:**

Puget Sound Energy ("PSE") and our co-owners of Colstrip Units 3 & 4 received notice from Talen Energy ("Talen") on May 23, 2016 of its intention to resign as operator of Colstrip Units 3 & 4 effective two years from the date of the notice (May 23, 2018). The notice was made pursuant to provisions of the Colstrip Units 3 & 4 Ownership and Operation Agreement, but Talen's intent is to cease its role as operator of all four Colstrip Units.

Shortly following receipt of Talen's May 2016 notice, all of the Colstrip owners began a process to identify and engage a new operator to assume operations of Colstrip Units 1-4 on or prior to May 2018. Since that time, the owners have met frequently to determine the scope of need for a third-party operator to take over Talen's responsibilities, to identify potential operator candidates, to draft a request for proposals from such candidates, and to evaluate responsive bids. As of the date of this response, the owners have received a bid from one candidate and are awaiting bids from others.

Upon receipt of all bids, the owners intend to collectively evaluate the bids and then enter into discussions with the selected candidate in order to negotiate terms and conditions of an operations and maintenance contract.

With respect to subsection (c), above, because Talen's notice to its co-owners related only to its operation of the Units at Colstrip, and not to its ownership of any of the Colstrip Units, the only responsive material relating to that topic can be found in the transfer provisions of either the ownership agreement for Units 1 & 2 or the ownership and operations agreement for Units 3 & 4. Please refer to the Second and Third Exhibits to the Prefiled Direct Testimony of Ronald J. Roberts, Exhibit No. \_\_\_\_ (RJR-3) and Exhibit No. \_\_\_\_ (RJR-4), respectively, for copies of the Colstrip 1 & 2 agreements.

Please see Attachment A to PSE's Response to Sierra Club Data Request No. 004 for the Colstrip 3 & 4 Ownership and Operation Agreement.

Attachment A to PSE's Response to Sierra Club Data Request No. 004 is CONFIDENTIAL per Protective Order in WUTC Dockets UE-170033 and UG-170034.



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- a. What arrangements has PSE made for the continued operation of Colstrip units 1 and 2 should Talen Energy terminate its role as plant operator in 2018? Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe these arrangements.
- b. What arrangements have PSE and the other co-owners of Colstrip units 3 and 4 made for the continued operation of those units should Talen Energy terminate its role as plant operator in 2018? Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe these arrangements.
- c. Describe the process that would take place among the co-owners to replace Talen Energy's ownership share in Colstrip. Provide any documents, including but not limited to contracts, memos, board presentations, etc. that describe this process.

**First Supplemental Response:**

Puget Sound Energy ("PSE") and the other co-owners of Colstrip Units 3 and 4 received a notice from Talen Energy ("Talen"), dated June 19, 2017, that stated, in part, as follows:

After carefully evaluating the advantages and disadvantages of transitioning to a third-party Operator, Talen Montana has concluded that remaining as Operator is the best option for the Colstrip Steam Electric Station (the "Station") and the owners for the following primary reasons:

1. Talen Montana expects to operate the Station at a lower cost than a third-party operator, in part because Talen Montana does not charge a management fee or otherwise profit from operating the Station;

2. Remaining as Operator eliminates the substantial cost and diversion of the owners' internal resources necessary to transition to a third-party operator;
3. Remaining as Operator avoids the potential regulatory and commercial risks in assigning and transferring the various environmental and other permits and contracts to the third-party operator;
4. Certain duties performed by Talen Montana and its affiliates, including management of the pension for Station employees, cannot be easily transitioned to a third-party operator;
5. As part owner of the Station, Talen Montana is incentivized more than a third-party operator to identify and implement operational changes, otherwise improve Station performance and plan for the long-term future of the Station; and
6. Talen Montana has no intention of resigning as operator of Units 1 and 2, resulting in inefficiencies because of separate operators for Units 1 and 2 and Units 3 and 4;

On balance, the potential costs and risks of a third-party operator, including the transition to a third-party operator, outweigh any potential benefits to the Station or the owners. Additionally, as a gesture of good faith and to remedy the financial impacts resulting from the notice of intent to resign, Talen Montana is prepared to reimburse the other owners for their reasonable out-of-pocket costs incurred to date related to the effort to transition to a new operator, including the fees paid to the Owners' joint legal counsel, up to \$225,000 in the aggregate.

Attached as Attachment A to PSE's First Supplemental Response to Sierra Club Data Request No. 004 is a copy of the notice from Talen, dated June 19, 2017, to the co-owners of Colstrip Units 3 and 4.

**ATTACHMENT A to PSE's  
First Supplemental Response to  
SIERRA CLUB Data Request No. 004**



Dale Lebsack • President • Talen Montana, LLC  
835 Hamilton St., Suite 150 • Allentown, PA 18101  
(610) 601-0360 • [dale.lebsack@talenergy.com](mailto:dale.lebsack@talenergy.com)

June 19, 2017

**VIA CERTIFIED MAIL**

Puget Sound Energy, Inc.  
Attn: Kimberly Harris, President and  
Chief Executive Officer  
10885 N.E. 4th Street, Suite 1200  
Bellevue, WA 98004-5591

Portland General Electric Company  
Attn: James Piro, President and Chief  
Executive Officer  
121 SW Salmon Street  
Portland, OR 97204

NorthWestern Corporation  
Attn: Robert C. Rowe, President and  
Chief Executive Officer  
3010 W. 69th Street  
Sioux Falls, SD 57108

PacifiCorp  
Attn: Gregory E. Abel, Chairman and  
Chief Executive Officer  
825 NE Multnomah Street  
Portland, OR 97232

Avista Corporation  
Attn: Scott Morris, President and  
Chief Executive Officer  
P.O. Box 3727  
1411 East Mission Avenue  
Spokane, WA 99220-3727

Re: **Withdrawal of Resignation as Operator – Colstrip Units 3&4 Ownership and  
Operation Agreement**

Ladies and Gentlemen:

Reference is hereby made to that certain Colstrip Units 3&4 Ownership and Operation Agreement dated as of May 6, 1981, by and among NorthWestern Corporation, Puget Sound Energy, Inc., Avista Corporation, Portland General Electric Company, PacifiCorp, and Talen Montana, LLC (“Talen Montana”), as amended (the “Ownership and Operation Agreement”). Capitalized terms used but not defined herein have the meanings given to them in the Ownership and Operation Agreement.

By letter dated May 23, 2016, Talen Montana provided notice of its intent to resign as Operator effective on May 23, 2018 in accordance with Section 3(c) of the Ownership and Operation Agreement. For the reasons summarized below, Talen Montana notifies the other Owners that it is hereby withdrawing its notice of its intent to resign as Operator and that it intends to remain as Operator.

Colstrip Units 3&4 Project Users  
June 19, 2017  
Page 2

After carefully evaluating the advantages and disadvantages of transitioning to a third-party Operator, Talen Montana has concluded that remaining as Operator is the best option for the Colstrip Steam Electric Station (the "Station") and the owners for the following primary reasons:

1. Talen Montana expects to operate the Station at a lower cost than a third-party operator, in part because Talen Montana does not charge a management fee or otherwise profit from operating the Station;
2. remaining as Operator eliminates the substantial costs and diversion of the owners' internal resources necessary to transition to a third-party operator;
3. remaining as Operator avoids the potential regulatory and commercial risks in assigning and transferring the various environmental and other permits and contracts to the third-party operator;
4. certain duties performed by Talen Montana and its affiliates, including management of the pension for Station employees, cannot be easily transitioned to a third-party operator;
5. as a part owner of the Station, Talen Montana is incentivized more than a third-party operator to identify and implement operational changes, otherwise improve Station performance and plan for the long-term future of the Station; and
6. Talen Montana has no intention of resigning as operator of Units 1&2, resulting in inefficiencies because of separate operators for Units 1&2 and Units 3&4;

On balance, the potential costs and risks of a third-party operator, including the transition to a third-party operator, outweigh any potential benefits to the Station or the owners. Additionally, as a gesture of good faith and to remedy the financial impacts resulting from the notice of intent to resign, Talen Montana is prepared to reimburse the other owners for their reasonable out-of-pocket costs incurred to date related to the effort to transition to a new operator, including the fees paid to the Owners' joint legal counsel, up to \$225,000 in the aggregate.

Talen Montana will be sending the owners a separate letter outlining its long-term plan for enhancing the Station's operating paradigm. We look forward to discussing our vision for the Station at the June 26 meeting in Seattle.

Very truly yours,

TALEN MONTANA, LLC

By: 

Name: Dale Lebsack

Title: President

cc: Colstrip Units 3&4 Project Committee (via email)  
Colstrip Operator Transition Legal Group (via email)

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 142**

**WUTC STAFF DATA REQUEST NO. 142:**

**RE: Decommissioning and Remediation of Colstrip Units 1 and 2**

Please provide a detailed itemized list of account balances held as of September 30, 2016 as well as dates and amounts of all funds previously added for each item separately for decommissioning and remediation of Colstrip Units 1 and 2 for Cost of Removal (Non-Asset Retirement Obligations). Please identify which items are considered decommissioning and which are remediation. Please provide this information in an Excel spreadsheet with clear labeling for each year.

**Response:**

Costs of removal are estimated and embedded in the approved depreciation rates and accumulated depreciation reserve balances through approved depreciation studies some of which are negotiated and settled. Cost of removal is split between “legal,” associated with the Asset Retirement Obligations, and “non-legal,” associated with the non-legal cost of removal (i.e. Non-Asset Retirement Obligation amounts). In general, non-legal cost of removal is considered to be recovering the decommissioning related activities. Additionally, costs are estimated at the aggregate level as opposed to the specific activity level. Therefore, there is not a detailed list of activities or projects associated with the Colstrip Units 1 & 2 non-legal (Non-Asset Retirement Obligation) cost of removal portion of the accumulated depreciation reserve balance. The non-legal portion of cost of removal associated with Colstrip Units 1 & 2, as of September 30, 2016, is \$8,836,193. The table on the following page shows the amounts by year. Please see Puget Sound Energy’s Responses to WUTC Staff Data Request Nos. 143 and 144 for additional details on remediation costs.

Prior 2004	\$	8,280,948
2004		(106,499)
2005		6,195
2006		(430,502)
2007		(67,973)
2008		440,432
2009		38,005
2010		(42,135)
2011		45,871
2012		7,653
2013		126,429
2014		374,714
2015		166,113
Thru 9/30/16		(3,058)
	\$	<u>8,836,193</u>

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**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 296**

**WUTC STAFF DATA REQUEST NO. 296:**

Regarding remediation costs for Colstrip units 1 and 2, please provide the total legal obligation currently recorded on the Company's books. This is a continuing data request.

**Response:**

The Asset Retirement Obligation ("ARO") currently recorded on Puget Sound Energy's ("PSE") books is based upon the Master Plan Summary Report Update from Geosyntec Consultants dated September 23, 2016, included in Exhibit No. \_\_\_\_ (RJR-24) and as summarized in Exhibit No. \_\_\_\_ (RJR-23) to the Prefiled Direct Testimony of Ronald J. Roberts.

Attached as Attachment A to PSE's Response to WUTC Staff Data Request No. 296 is an electronic spreadsheet presenting PSE's total recorded ARO for Colstrip Units 1 and 2 as of March 31, 2017, as well as the total legal obligations that gave rise to the ARO.

The underlying study containing the cost estimate of the total legal obligation that was used to determine the ARO has not changed. However, the ARO has been adjusted by \$6.8 million from the December 31, 2016 balance to exclude the activities listed below from the current recorded ARO for accounting purposes, based on guidance from PSE's auditors. Events that precede the requirement of these activities have not yet occurred, leading to the auditor's recommendation to remove the activities from the recorded ARO at this time. ARO accounting requires only the legal obligations associated with current (not future) conditions be recorded on the books as a liability. The legal obligations associated with events that have not yet developed are not recognized as an ARO until the events that give rise to the legal obligation occur. An example of such an activity is the design and closure costs of the Step D Cell. This pond does not yet contain Coal Combustion Residuals, but the closure plan provides that it eventually will; therefore, although the legal obligation will likely eventually exist, accounting guidance would not recognize an ARO at this time for the costs associated with remediating this pond that in its current state does not require remediation.



Estimated Activities Removed From Colstrip Units 1 and 2 ARO to be recognized at a future time

- 1.) Design STEP D Cell closure.
- 2.) Close STEP D Cell.
- 3.) Prepare step B cell for use as post-closure storm water management pond.
- 4.) Operations and maintenance monitoring.
- 5.) 5% of wastewater treatment (difference between the estimated future and current water levels).

Accordingly, PSE's estimate of its total legal obligation related to Colstrip Units 1 and 2 is \$74.9 million (per Exhibit No. \_\_\_\_ (RJR-23)) while its current ARO recognizes \$65.0 million of this total legal obligation.

For accounting purposes, if changes warrant, PSE will adjust the underlying cost estimates that are used to estimate its AROs on a quarterly basis. Otherwise, AROs are evaluated annually. Therefore, based on the timing it uses to evaluate its AROs, PSE will have one more opportunity to update this Response during the course of this proceeding. Accordingly, after PSE's June 2017 accounting close, PSE will provide the updated legal obligation as of June 30, 2017 if there is a change to the underlying study or the components of the study used to record the booked ARO differ from what is recorded as of March 31, 2017. In other words, if there is only accretion expense recognized in the ARO account, no update will be needed.

**Puget Sound Energy**  
**Colstrip 1&2 Remediation Costs - Total Legal Obligation**  
**2017**

<b>Description</b>	<b>Amount</b>
Beginning Balance <b>(Note 1)</b>	\$ (65,188,549)
January Accretion Adjustment	(170,785)
February Accretion Adjustment	(171,233)
February ARO Adjustment <b>(Note 2)</b>	5,759,180
February 2017 balance per WUTC Staff 143	(59,771,387)
March ARO Correction <b>(Note 2)</b>	1,000,000
March Accretion Adjustment	(136,740)
<b>Balance 3/31/2017</b>	<b><u><u>\$ (58,908,127)</u></u></b>

**(Note 1)** - the December 31, 2016 Asset Retirement Obligation ("ARO") balance was booked using a total cost estimate based on the Master Plan Summary Report Update from Geosyntec Consultants dated September 23, 2016 included in Exhibit No. \_\_\_(RJR-24) and summarized in Exhibit No. \_\_\_(RJR-23). The total cost estimate from Exhibit No. \_\_\_(RJR-23) that was used to establish the underlying cost estimate for use in recording the ARO for GAAP accounting purposes was determined as follows:

Estimate of PSE's Total Legal Obligations per Exhibit No. ___(RJR-23)	\$ 74,993,954
Remove 2016 amounts	(2,430,000)
Difference between Exhibit Nos. ___(RJR-23) and ___(RJR-24) for 2019	(50,000)
Total Cost Estimate used for ARO at 12/31/2016	<b><u><u>\$ 72,513,954</u></u></b>

**(Note 2)** - After December 31, 2016, certain activities included in Exhibit No. \_\_\_(RJR-23) were excluded from the determination of the current recorded ARO balance because the events that must precede the requirement of these activities have not yet occurred.

Total Cost Estimate used for ARO at 12/31/2016	\$ 72,513,954
Remove:	
Design STEP D Cell closure	(150,000)
Close STEP D Cell	(2,650,000)
Prepare STEP B Cell as post-closure stormwater management pond	(250,000)
O&M monitoring costs	(2,800,000)
5% of wastewater treatment	(1,650,318)
Total Cost Estimate used for ARO at 2/28/2017 per Staff DR 143	<b><u><u>\$ 65,013,636</u></u></b>

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 359**

**WUTC STAFF DATA REQUEST NO. 359:**

**RE: PSE response to UTC Staff Data Request No. 163, Attachment A**

Regarding E3171 STM ARO Steam Production, please show the composition of the annual plant transfers of \$27,088,215 in 2012, \$34,533,829 in 2015, and \$82,733,947 in 2016. Please list each individual ARO, a brief description of each ARO and its legal basis, and the specific facility (and unit, where applicable) with which each ARO is associated.

**Response:**

Attached as Attachment A to Puget Sound Energy's ("PSE") Response to WUTC Staff Data Request No. 359, please find the amount and a description for each of the requested items.

The additions to Utility Plant in Service referenced in this data request represent adjustments to PSE's Asset Retirement Costs ("ARC") for Colstrip Units 1 through 4. There are corresponding Asset Retirement Obligations ("ARO"), which are credit balances recognized in FERC Account 230 that are related to these ARCs.

As is stated in the below-listed data request responses, in addition to the 2015 and 2016 adjustments included in Attachment A to PSE's Response to WUTC Staff Data Request No. 359, adjustments were made in 2017 in order to recognize only the portion of the anticipated legal obligations<sup>1</sup> that relate to circumstances that exist today. Attached as Attachment B to PSE's Response to WUTC Staff Data Request No. 359 is an MS Excel file that provides an overview of the ARCs and AROs for Colstrip from May 2015 (the initial recognition of the ARO related to the Coal Combustion Residuals legislation) through March 2017.

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<sup>1</sup> As measured in the Master Plan Summary Report Update from Geosyntec Consultants dated September 23, 2016 which was filed as Exhibit No. \_\_\_\_ (RJR-24) to the Prefiled Direct Testimony of Ronald J. Roberts.

There is additional information contained in PSE's Responses to the following data requests that are relevant to the ARCs included in Attachment A to PSE's Response to WUTC Staff Data Request No. 359.

- WUTC Staff Data Request No. 143 – Colstrip 1&2 ARO as of February 28, 2017
- WUTC Staff Data Request No. 144 – Colstrip 1&2 ARO as of September 30, 2016
- WUTC Staff Data Request No. 296 – Colstrip 1&2 ARO and Legal Obligations as of March 31, 2017
- WUTC Staff Data Request No. 299 – Colstrip 3&4 ARO and Legal Obligations as of March 31, 2017

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 359**

**WUTC STAFF DATA REQUEST NO. 359:**

**RE: PSE response to UTC Staff Data Request No. 163, Attachment A**

Regarding E3171 STM ARO Steam Production, please show the composition of the annual plant transfers of \$27,088,215 in 2012, \$34,533,829 in 2015, and \$82,733,947 in 2016. Please list each individual ARO, a brief description of each ARO and its legal basis, and the specific facility (and unit, where applicable) with which each ARO is associated.

**First Revised Response:**

Attached please find Attachment B to Puget Sound Energy's ("PSE") First Revised Response to WUTC Staff Data Request No. 359, which is an MS Excel file that provides a revised version of Attachment B to PSE's original Response to WUTC Staff Data Request No. 359. Attachment B to PSE's original Response to WUTC Staff Data Request No. 359 contained compilation errors that PSE has corrected with this First Revised Response. Please replace the previous version of Attachment B with this revised attachment.

# **ATTACHMENT A to PSE's Response to WUTC Staff Data Request No. 359**

**Attachment A to PSE's Response to WUTC Staff Data Request No. 359  
E-3171 STM ARO Steam Production - Asset Retirement Costs ("ARC") Related to PSE's Colstrip Asset Retirement Obligations ("ARO")**

Specific Facility	Composition in 2012	Composition in 2015	Composition in 2016	Brief Description and Legal basis
Colstrip units 1 and 2 - WECO	\$11,929,768			Subsequently reversed because PSE determined that the obligation is not PSE's ARO.
Colstrip units 3 and 4 - WECO	\$15,158,447			Subsequently reversed because PSE determined that the obligation is not PSE's ARO.
Colstrip ARC units 1 and 2		\$16,575,588	\$45,693,519	PSE has a contractual obligation in the Joint Ownership Agreement with Talen Montana, LLC to share in the cost of the site restoration work for ash ponds (remediation cost) when the facilities' life is over. PSE has a 50% ownership interest for Colstrip ARO units 1 and 2. There are two relevant legal obligations in 2015 and 2016. On April 17, 2015, the United States Environmental Protection Agency (EPA) published a final rule, effective October 14, 2015, that regulates Coal Combustion Residuals (CCRs) under the Resource Conservation and Recovery Act, Subtitle D. The CCR ruling requires the company to perform an extensive study on the effects of coal ash on the environment and public health. On September 6, 2016, a Consent Decree was entered by the federal district court. According to the section III of the Consent Decree, "PSE shall cease combustion of fuel at and permanently cease operation of the Boilers for Colstrip Power Plant Units 1 and 2" on or before July 1, 2022.
Colstrip ARC units 3 and 4		\$17,958,241	\$37,040,428	PSE has a contractual obligation in the Joint Ownership Agreement with Talen Montana, LLC to share in the cost of the site restoration work for ash ponds (remediation cost) when the facilities' life is over. PSE has a 25% ownership interest for Colstrip ARO units 3 and 4. There are two relevant legal obligations including CCRs and the Administrative Order on Consent Settlement with Montana Environmental Information Center and others. Please see PSE's Response to WUTC Staff Data Request No. 363 for Colstrip ARO units 3 and 4 for more information on the legal basis.
<b>Total Amounts</b>	<b>\$27,088,215</b>	<b>\$34,533,829</b>	<b>\$82,733,947</b>	

There are corresponding ARO's (credits) recognized in FERC Account 230 that are related to the above ARCs.

There is additional information contained in PSE's Responses to the following data requests that are relevant to the above ARCs.

- WUTC Staff Data Request No. 143 – Colstrip 1&2 ARO as of February 28, 2017
- WUTC Staff Data Request No. 144 – Colstrip 1&2 ARO as of September 30, 2016
- WUTC Staff Data Request No. 296 – Colstrip 1&2 ARO and Legal Obligations as of March 31, 2017
- WUTC Staff Data Request No. 299 – Colstrip 3&4 ARO and Legal Obligations as of March 31, 2017

**ATTACHMENT B to PSE's First Revised  
Response to WUTC Staff Data Request  
No. 359**



Page 1 of 2 to Attachment B to PSE's Response to WTUC Staff Data Request No. 359

Colstrip Units 1 & 2

Month	Descrip	101E Subaccount 317.1 Asset Retirement Cost ("ARC")		108E Subaccount 317.1 Asset Retirement Cost ("ARC")		Net ARC		A portion of 40310001 Electric ARC Depreciation Expense		23001021 Colstrip 1/2 Asset Retirement Obligation ("ARO")		A portion of 41113001 Electric ARO Accretion Expense	
		Activity	Balance	Activity	Balance	Activity	Balance	Activity	YTD Exp	Activity	Balance	Activity	YTD Exp
Beginning Balance	1		\$ 832,637		\$ (832,637)	\$ -	-	(0)		\$ (2,194,523)		9,600	9,600
6/30/2015	2	16,575,588	17,408,225	0	(832,637)	16,575,588	16,575,588	27,084	27,084	(18,779,710)	(18,779,710)	9,644	19,244
7/31/2015	3	-	17,408,225	(27,084)	(859,721)	(27,084)	16,548,504	54,257	81,342	(18,789,354)	(18,789,354)	92,262	111,506
8/31/2015	3	17,408,225	17,408,225	(54,257)	(913,979)	(54,257)	16,494,246	54,257	135,599	(18,881,616)	(18,881,616)	49,294	160,800
9/30/2015	3	17,408,225	17,408,225	(54,257)	(968,236)	(54,257)	16,439,989	54,257	189,856	(18,930,910)	(18,930,910)	49,536	210,336
10/31/2015	3	17,408,225	17,408,225	(54,257)	(1,022,493)	(54,257)	16,385,732	54,257	244,114	(18,980,446)	(18,980,446)	49,666	260,001
11/30/2015	3	17,408,225	17,408,225	(54,257)	(1,076,751)	(54,257)	16,331,474	54,257	298,371	(19,030,112)	(19,030,112)	49,795	309,797
12/31/2015	3	17,408,225	17,408,225	(54,257)	(1,131,008)	(54,257)	16,277,217	49,943	49,943	(19,079,907)	(19,079,907)	53,683	53,683
1/31/2016	3,4	(203,101)	17,205,124	(49,943)	(1,180,951)	(253,044)	16,024,173	53,593	103,536	(18,930,489)	(18,930,489)	50,639	104,322
2/29/2016	3	17,205,124	17,205,124	(53,593)	(1,234,544)	(53,593)	15,970,580	53,593	157,128	(18,981,128)	(18,981,128)	50,775	155,096
3/31/2016	3	17,205,124	17,205,124	(53,592)	(1,288,136)	(53,592)	15,916,988	53,593	210,721	(19,031,903)	(19,031,903)	50,910	206,007
4/30/2016	3	17,205,124	17,205,124	(53,593)	(1,341,729)	(53,593)	15,863,395	53,593	264,313	(19,082,813)	(19,082,813)	51,047	257,053
5/31/2016	3	17,205,124	17,205,124	(53,593)	(1,395,321)	(53,593)	15,809,803	53,593	317,906	(19,133,860)	(19,133,860)	51,183	308,236
6/30/2016	3	17,205,124	17,205,124	(53,593)	(1,448,914)	(53,593)	15,756,210	53,593	371,498	(19,185,043)	(19,185,043)	51,320	359,556
7/31/2016	3	17,205,124	17,205,124	(53,593)	(1,502,506)	(53,593)	15,702,618	53,593	425,091	(19,236,363)	(19,236,363)	51,457	411,014
8/31/2016	3	17,205,124	17,205,124	(53,593)	(1,556,099)	(53,593)	15,649,025	53,593	478,683	(19,287,820)	(19,287,820)	51,595	462,608
9/30/2016	3	17,205,124	17,205,124	(53,593)	(1,609,691)	(53,593)	15,595,433	53,593	532,276	(19,339,415)	(19,339,415)	51,733	514,341
10/31/2016	3	17,205,124	17,205,124	(53,593)	(1,663,284)	(53,593)	15,541,840	53,593	585,869	(19,391,148)	(19,391,148)	51,871	566,213
11/30/2016	3	17,205,124	17,205,124	(53,593)	(1,716,877)	(53,593)	15,488,247	132,647	718,516	(19,443,019)	(19,443,019)	52,010	618,223
12/31/2016	3,5	45,693,519	62,898,643	(132,647)	(1,849,524)	45,560,872	61,049,119	211,976	211,976	(65,188,548)	(65,188,548)	170,785	170,785
1/31/2017	3	62,898,643	62,898,643	(211,976)	(2,061,500)	(211,976)	60,837,143	201,943	413,919	(65,359,334)	(65,359,334)	171,233	342,018
2/28/2017	3,5	(5,759,179)	57,139,464	(201,943)	(2,263,443)	(5,961,122)	54,876,021	139,715	553,633	(59,771,388)	(59,771,388)	136,740	478,758
3/31/2017	3,5	(1,000,000)	56,139,464	(139,715)	(2,403,157)	(1,139,715)	53,736,307	641,456		(58,908,127)	(58,908,127)	611,605	
Test Period AMA/Exp			17,264,362		(1,288,951)		15,975,410			(19,091,254)			

- 1 Beginning Balance
- 2 Adjust Colstrip 1/2 ARO to include \$21.00M of the \$38.65M of remediation costs (PSE's share) from the original GeoSyntech study - Staff DR 144
- 3 Monthly ARC Depreciation and ARO Accretion entries
- 4 Entry to adjust the inflation and discount rate used to calculate the ARO.
- 5 Adjust Colstrip 1/2 ARO to include \$65.01M of the \$74.99M of remediation costs (PSE's share) from the updated GeoSyntech study (as summarized in RJR-23) - Staff DRs 143 and 296

Page 2 of 2 to Attachment B to PSE's Response to WTUC Staff Data Request No. 359

Colstrip Units 3 & 4

Month	Description	101E Subaccount 317.1 Asset Retirement Cost ("ARC")		108E Subaccount 317.1 Asset Retirement Cost ("ARC")		Net ARC		A portion of 40310001 Electric ARC Depreciation Expense		23001031 Colstrip 3/4 Asset Retirement Obligation ("ARO")		A portion of 41113001 Electric ARO Accretion Expense	
		Activity	Balance	Activity	Balance	Activity	Balance	Activity	YTD Exp	Activity	Balance	Activity	YTD Exp
5/31/2015	1		\$ 333,978		\$ (268,826)	\$ -	\$ 65,152	633	633	\$ (1,200,018)		6,189	6,189
6/30/2015	2	17,958,241	18,292,219	(633)	(269,458)	(29,554)	18,022,761	29,554	30,187	(19,164,448)		6,221	12,409
7/31/2015	3	-	18,292,219	(29,554)	(299,013)	(58,994)	17,993,206	58,994	89,181	(19,170,668)		96,855	109,264
8/31/2015	3		18,292,219	(58,994)	(358,007)	(58,994)	17,934,212	58,994	89,181	(19,267,523)		50,295	159,558
9/30/2015	3		18,292,219	(58,994)	(417,001)	(58,994)	17,875,218	58,994	148,175	(19,317,818)		50,548	210,107
10/31/2015	3		18,292,219	(58,994)	(475,995)	(58,994)	17,816,224	58,994	207,169	(19,368,366)		50,681	260,787
11/30/2015	3		18,292,219	(58,994)	(534,989)	(58,994)	17,757,230	58,994	266,163	(19,419,046)		50,813	311,600
12/31/2015	3		18,292,219	(58,994)	(593,983)	(58,994)	17,698,236	58,994	325,157	(19,469,860)		54,748	54,748
1/31/2016	3, 4	(215,017)	18,077,202	(54,427)	(648,410)	(269,444)	17,428,792	54,427	54,427	(19,309,591)		51,653	106,401
2/29/2016	3		18,077,202	(58,290)	(706,700)	(58,290)	17,370,502	58,290	112,717	(19,361,244)		51,791	158,193
3/31/2016	3		18,077,202	(58,290)	(764,990)	(58,290)	17,312,211	58,290	171,007	(19,413,035)		51,930	210,123
4/30/2016	3		18,077,202	(58,290)	(823,281)	(58,290)	17,253,921	58,290	229,297	(19,464,965)		52,069	262,191
5/31/2016	3		18,077,202	(58,290)	(881,571)	(58,290)	17,195,631	58,290	287,588	(19,517,034)		52,208	314,399
6/30/2016	3		18,077,202	(58,290)	(939,861)	(58,290)	17,137,341	58,290	345,878	(19,569,242)		52,348	366,747
7/31/2016	3		18,077,202	(58,290)	(998,152)	(58,290)	17,079,050	58,290	404,168	(19,621,590)		52,488	419,235
8/31/2016	3		18,077,202	(58,290)	(1,056,442)	(58,290)	17,020,760	58,290	462,458	(19,674,077)		52,628	471,863
9/30/2016	3		18,077,202	(58,290)	(1,114,732)	(58,290)	16,962,470	58,290	520,749	(19,726,706)		52,769	524,632
10/31/2016	3		18,077,202	(58,290)	(1,173,022)	(58,290)	16,904,179	58,290	579,039	(19,779,475)		52,910	577,542
11/30/2016	3		18,077,202	(58,290)	(1,231,313)	(58,290)	16,845,889	58,290	637,329	(19,832,385)		53,052	630,594
12/31/2016	3,5	37,040,427	55,117,629	(122,374)	(1,353,687)	36,918,053	53,763,942	122,374	759,704	(56,925,864)		152,288	152,288
1/31/2017	3		55,117,629	(186,680)	(1,540,367)	(186,680)	53,577,262	186,680	186,680	(57,078,151)		152,695	304,983
2/28/2017	3, 5	(14,158,527)	40,959,102	(162,014)	(1,702,381)	(14,320,541)	39,256,721	162,014	348,694	(43,072,319)		78,050	383,033
3/31/2017	3, 5	-	40,959,102	(110,666)	(1,813,047)	(110,666)	39,146,056	110,666	459,360	(43,150,369)		623,905	
Test Period AMA			18,139,915		(765,853)		17,374,062	697,731		(19,475,859)			

- 1 Beginning Balance
- 2 Adjust Colstrip 3/4 ARO to include \$21.60M of the \$42.42M of remediation costs (PSE's share) from the original GeoSyntech study
- 3 Monthly ARC Depreciation and ARO Accretion entries
- 4 Entry to adjust the inflation and discount rate used to calculate the ARO.
- 5 Adjust Colstrip 3/4 ARO to include \$49.73M of the \$86.62M of remediation costs (PSE's share) from the updated GeoSyntech study (RJR-24) - Staff DR 299

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 461**

**“CONFIDENTIAL” “HIGHLY CONFIDENTIAL” Table of Contents**

<b>DR NO.</b>	<b>“CONFIDENTIAL” Material</b>
<b>461</b>	Designated Information is CONFIDENTIAL per Protective Order in WUTC Dockets UE-170033 & UG-170034 as marked in the question and in PSE’s Response to WUTC Staff Data Request No. 461.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 461**

**WUTC STAFF DATA REQUEST NO. 461:**

On July 14, 2016, Talen Energy’s Chief Financial Officer, Jeremy McGuire, testified before the Montana Energy and Telecommunications Interim Committee. This testimony is included as Exhibit RJR-13 in PSE’s initial filing.

Mr. McGuire stated that “...our stated objective is to conclude our business in the state as quickly as reasonably possible.” He also stated that “economic challenges will very likely require the shutdown of Colstrip Station units 1 and 2 much sooner than the July 1, 2022 date...”

In the Confidential Supplemental Response to Staff Data Request 185, PSE said that

“  
[REDACTED]  
[REDACTED]  
[REDACTED]”

(Emphasis added)

Please provide [REDACTED]  
[REDACTED]  
[REDACTED]

REDACTED VERSION

**Response:**

As noted in the Prefiled Direct Testimony of Ronald J Roberts, Exhibit No. \_\_\_\_ (RJR-1CT), page 5, all of Talen Montana’s interests were acquired on December 6, 2016 by Riverstone Holdings LLC (“Riverstone”). However, at the time of the preparation of its Prefiled Direct Testimony, Puget Sound Energy and Riverstone had not yet had the opportunity to communicate on substantive Colstrip matters, and until the merger became final, Mr. Jeremy McGuire was still the Chief Financial Officer at Talen Energy (“Talen”). Subsequently, Riverstone has replaced the executive team and officers at Talen, including Mr. McGuire, and begun their due diligence on the assets they acquired in December from Talen. As the above paragraph notes, as Riverstone has learned

more about Colstrip operations and financials, they are reevaluating the statements made by the former management (Mr. McGuire) [REDACTED]