

**Exh. DCG-14
Dockets UE-200900, UG-200901,
UE-200894
Witness: David C. Gomez**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-200900, UG-200901,
UE-200894 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

David C. Gomez

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

NorthWestern Energy's Letter to the Colstrip Owners and PSE's Response

April 21, 2021



February 9, 2021

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RE: Colstrip Units 3 and 4

Gentlemen:

I am writing concerning the ongoing budgeting process for Colstrip Units 3 and 4, and the unprecedented failure to approve a budget for 2021. Talen, as Operator, timely submitted its proposed 2021 Operating Budget for Units 3 and 4 on September 1, 2020. Over the months that have followed, Puget, Portland, Avista and PacifiCorp (collectively the "Pacific Northwest Owners") have collectively engaged in a letter-writing/email writing campaign, requesting Talen make significant cuts in the 2021 Operating Budget. Ultimately, on November 25, 2020, the Pacific Northwest Owners individually, but utilizing strikingly similar language, voted to not approve the revised 2021 Operating Budget.

Since then, Talen has sought to gain approval of individual projects from the 2021 Operating Budget, in particular the previously scheduled Unit 3 overhaul. The Pacific Northwest Owners collectively responded with line item responses to the activities included in the Unit 3 overhaul – approving, conditionally approving and rejecting certain of those activities. Despite requests at the January 20, 2021 Project Committee meeting, the Pacific Northwest Owners have provided NorthWestern no specific reasoning or basis for the various activities they conditionally approved or rejected. This leaves NorthWestern with no information to answer its regulator when asked for the basis for these actions other than the Pacific Northwest Owners controlled the majority of the votes, while NorthWestern's vote was controlled by Talen under the Talen/NorthWestern Vote Sharing Agreement.

Unfortunately, this is not the only or most significant issue the Pacific Northwest Owners' approach to the 2021 Operating Budgeting process has raised. In the Pacific Northwest Owners' letters of November 19, 2020, November 25, 2020 and January 7, 2021 the Pacific Northwest Owners requested



Talen to prepare budgets reflecting closing dates as early as 2025 and stated they would support no work that would extend the lives of Units 3 or 4 beyond 2025, all despite the fact there is no agreement among all the owners to close either of the Units. Efforts to starve the budgets for Units 3 and 4 such that they are not operational in 2025, is tantamount to a decision to close the plant. The co-owners cannot make that decision without NorthWestern. It further is inconsistent with the co-owners' obligations under Section 10(c) of the Ownership and Operation Agreement: "The Owners and Project Users recognize that it will be necessary for continued operation of the Project, or to maintain the Project in operable condition, that the Operator be in a position to meet commitments for payroll, repairs and replacements; materials and supplies, services and other expenses of a continuing nature in order that it may fulfill its obligations to the Owners and Project Users as Operator under this Agreement ..."

While we are aware of the Washington legislation affecting co-owners doing business in that state, that various utilities have unilaterally reduced their depreciable lives of their interest in Colstrip and in at least one instance a co-owner entering a settlement committing to not fund activities at Colstrip that extend its life beyond 2025, NorthWestern does not do business in the state of Washington, and has a considerably longer depreciable life for its interest in Colstrip. Most significantly, NorthWestern relies greatly on Units 3 and 4 operating in order to supply its customers in Montana and expects to require energy from Colstrip to meet its customers' requirements for a significant number of years. Because of these divergent interests, it is time NorthWestern and the other co-owners obtain a definitive answer to the questions of what vote is required to close Units 3 and 4 and what is the obligation of each co-owner to fund operations of the plant, so the Operator can operate it as required under the Ownership and Operation Agreement.

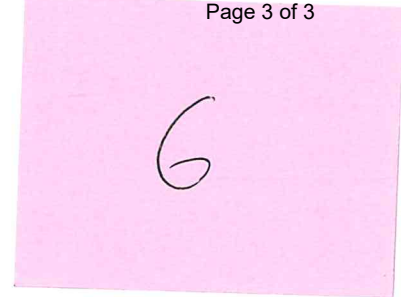
Pursuant to Section 18 of the Ownership and Operation Agreement, "Any controversies arising out of or relating to this Agreement which cannot be resolved through negotiations among the Project Users within thirty (30) days after inception of the matter in dispute shall, upon demand of any Project User involved in the controversy, be submitted to an Arbitrator..." Please consider this letter notice of the inception of this controversy. NorthWestern welcomes the opportunity to discuss these issues and negotiate their possible resolution over the next thirty days and will dedicate such resources as appropriate to meaningfully engage.

Sincerely,

A handwritten signature in black ink that reads "John Hines".

John Hines
VP, Supply and MT Governmental Affairs

cc: *via email only*
Steve Secrist - steve.secrist@pse.com
Lisa Kaner - Lisa.Kaner@pgn.com
Greg Hesler - Greg.Hesler@avistacorp.com
Richard Garlish - Richard.Garlish@PacifiCorp.com
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Neil Dennehy
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Colstrip, MT 59323

Via Email

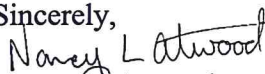
February 17, 2021

Dear Neil,

Puget Sound Energy is in receipt of invoice C1252 dated January 11, 2021 from Talen MT related to the operation of the Colstrip Power Plant ("Colstrip"), Units 3 and 4, as well as Units 1 and 2. As you know, Unit 3 and 4 Colstrip co-owners have not approved Units 3 and 4 operation, capital, or common cost budgets at this time. Additionally, Puget Sound Energy has not approved Units 1 and 2 budgets due to ongoing negotiations on future operator status. Accordingly, the amount owed is uncertain, and PSE objects to Talen MT's invoice requesting payment in full.

In order to avoid an interruption in the operations of Colstrip however, PSE is providing payment of \$4,272,675.38, which represents payment in full of C1252. This amount is being paid under protest and PSE reserves all rights to contest Talen MT's demand of the same. PSE further reserves the right to demand a refund or credit for overpayment upon the approval of a budget by Talen MT and all Colstrip owners.

Sincerely,


Nancy L. Atwood

Cc: Damon Obie, Talen
Stephen Bailey, Talen
Ron Roberts, PSE
Sam Osborne, PSE