

Chair Danner, Commissioners Rendahl and Balasbas  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

February 3, 2021

Sent via email: Call for Colstrip investigation

Dear Chairman Danner and Commissioners Rendahl and Balasbas:

We are writing to express our concern about ongoing funding for the Colstrip coal plant co-owned by Puget Sound Energy (PSE), Avista Utilities and PacifiCorp, Washington utilities. We believe that the Commission should initiate a proceeding to investigate Colstrip's ongoing expenses since it is now clear that continuing to maintain and operate Colstrip is not economically justified, that continued investments are likely not prudent for ratepayers, and continued operations will lead to ongoing climate and environmental harm.

While the Clean Energy Transformation Act (CETA) mandates that coal-based resources are out of Washington rates by the end of 2025, Colstrip is no longer economical *right now*. Washington ratepayers should not have to pay for a resource that is no longer "least cost," nor should they endure another five years of climate emissions (nearly 11 million tons of CO<sub>2</sub>/year, equal to the CO<sub>2</sub> from 2 million cars/year).

During the Commission proceeding on PSE's proposed sale of Colstrip Unit 4 to NorthWestern Energy, it was demonstrated that Colstrip is no longer least cost. PSE was to sell its share of Colstrip to NorthWestern then buy back a portion of the power produced. Analysis showed that the buy-back provision from Colstrip was more expensive than alternative resources. There are additional financial risks unique to Colstrip including increasing coal supply costs, escalating capital investments needed to maintain the aging plant, and increasing risks of power outages.

Further, Avista's 2021 draft Integrated Resource Plan (IRP) states the "the [Colstrip] plant was determined by the model to be economic to exit in 2022" but is constrained by the ownership structure. The 2020 study from Oregon's Colstrip owner Portland General Electric found "Results from the portfolio analysis suggest the early removal of Colstrip reduces long term costs and economic risks." And PacifiCorp is planning a withdrawal of all coal-based resources for its Washington service territory by 2023.

While the Pacific Northwest utilities have recognized the dim economics of continuing to operate Colstrip, we are concerned that the Colstrip owner in Montana, NorthWestern Energy, will continue to deny this reality. NorthWestern purchased their 30 percent shares of Unit 4 in 2006 with shareholder money for \$187 million. In 2007, NorthWestern was able to convince the Montana Public Service Commission to allow them to sell their Colstrip shares from shareholders to ratepayers for \$407 million. As a result, NorthWestern collects from its customers extraordinary capital costs for Colstrip through its rate base, and intends to continue doing so until 2042, when the ratebased amount is fully depreciated.

NorthWestern has provided no indication that it will support closure at any time before 2042. Its recent attempts at both the Montana legislature and Montana Public Service Commission to acquire more of Colstrip Unit 4 further indicate that NorthWestern is attempting to continue operation of a plant that has reached the end of its economic life. Without action from other

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owners and/or utility commissions, NorthWestern's continued efforts could force Washington ratepayers to pay capital expenses that are no longer prudent.

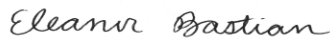
We know the Commission's workload between CETA rulemaking, general rate cases, and new obligations is considerable. However, continued investments in Colstrip are likely not prudent for ratepayers right now and are likely needlessly extending the life of the plant. And we recognize that additional resource planning will be necessary to address the change in resources to ensure reliability and resource adequacy. This planning needs to start now.

A clear order or determination from the Commission that continued funding to maintain and operate Colstrip is not consistent with prudent utility practice will enable Washington Colstrip owners to more directly address ongoing budget concerns with Colstrip. We call upon the Commission to investigate this problem and to take decisive action.

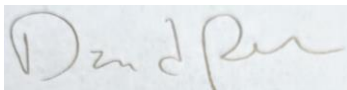
Sincerely,



Nancy Hirsh  
NW Energy Coalition



Eleanor Bastian  
Washington Environmental Council



David Perk  
350 Seattle



Rebecca MacMullan  
350 Spokane



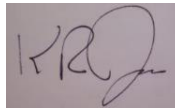
Doug Howell  
Sierra Club



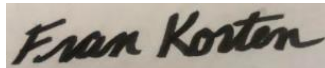
Kelly Hall  
Climate Solutions



Kate Maracas  
Western Grid Group



Kevin Jones  
Vashon Climate Action Group



Fran Korten  
Climate Action Bainbridge



Don Marsh  
Coalition of Eastside Neighborhoods  
for Sensible Energy

Cc: Lisa Gafken, Public Counsel Chief, Office of the Attorney General