



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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January 8, 2019

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: Contribution to Colstrip Community Transition Planning & Annual Colstrip Report on
Decommissioning and Remediation
Docket UE-170033/UG-170034

Dear Mr. Johnson:

On December 5, 2018, the Washington Utilities and Transportation Commission (Commission) entered Order 08, *Final Order Rejecting Tariff Sheets; Approving and Adopting Settlement Stipulation; Resolving Contested Issues; and Authorizing and Requiring Compliance Filing* (Order 08), in the above-referenced docket. Order 08, among other things, approved and adopted the Settlement Stipulation resolving most of the many issues initially contested. Paragraphs 117, 118, and 119 of the Settlement Stipulation specified certain reporting and funding requirements relating to Colstrip Generation Facility (Colstrip).

- Paragraph 117 required Puget Sound Energy (PSE or company) to contribute \$5 million from the proceeds from monetized Production Tax Credits (PTCs) as they become available. The highest priority use of monetized PTCs is to fund community transition efforts.
- Paragraph 118 required PSE to deposit \$5 million of shareholder dollars in an escrow account to fund community transition efforts by the end of the 2018 calendar year.¹
- Paragraph 119 specified PSE's annual reporting requirements regarding Colstrip decommissioning and remediation activities and costs.

On December 31, 2018, the company filed a letter with the Commission confirming that \$5 million in shareholder funds had been deposited into an escrow account thereby fulfilling its obligations under Paragraph 118 of the Settlement Stipulation. As of the date of this report,

¹ The Settlement Stipulation allocated \$10 million towards community transition. Half of this amount would come from shareholders and the other half from monetized PTCs as they become available.

proceeds from monetized PTCs have yet to be deposited.

ANNUAL COLSTRIP REPORT ON DECOMMISSIONING AND REMEDIATION

On November 30, 2018, PSE filed its Annual Colstrip Report on Decommissioning and Remediation as specified by Paragraph 119 of the Settlement Stipulation. Paragraph 119 specified the contents of this report which are included below (in bold).

(i) The most recent estimate of the actual retirement date for Colstrip Units 1 and 2 and Colstrip Units 3 and/or 4;

PSE's report confirms that the planned retirement of Units 1 and 2 are still on track (on or before July 1, 2022). The company continues to evaluate the economics and operational condition of Units 1 and 2 but has not set an exact date for retirement of these units at this time.

Units 3 and 4 do not have an identified retirement date at this time.

(ii) In the event of an estimated retirement date earlier than July 1, 2022, for Colstrip Units 1 and 2, and upon the determination by PSE of an estimated retirement date for Colstrip Units 3 and/or 4, a discussion and evaluation of consequences to customers arising from those estimated retirement dates;

As mentioned previously, the company has not identified a specific retirement date for Units 1 and 2 earlier than July 1, 2022.

Units 3 and 4 do not have an identified retirement date at this time.

The company reports two legal actions relating to the Colstrip Generation

- Talen MT has filed litigation in the State of Montana seeking compensation from PPL Montana from whom they purchased their ownership interest in Colstrip. According to an article in the Billings Gazette, Talen is on the record stating that it has enough money to pay for its current obligations (regardless of the outcome of its case).² Talen, as a successor to PPL, is also legally obligated to cover commitments from the 16 years PPL operated the power plant.
- Westmoreland Coal Company (Westmoreland) has filed Chapter XI bankruptcy proceedings in the U.S. Bankruptcy Court for the Southern District of Texas.³ PSE has joined with other Colstrip owners (collectively known as Northwest Colstrip Owners (NWCO)) in filing objections to parts of

² Colstrip Operator Sues Former Owner PPL to Cover Worker Pensions, Cleanup Obligations, Billings Gazette, October 29, 2018:

"Although Talen initially said Monday that PPL had left "TM without adequate funds to pay its obligations on its own," it later clarified that it would cover its obligations to Colstrip workers and its environmental cleanup costs regardless of whether its lawsuit against PPL is successful."

Colstrip Gets New Operator as PPL Spins Off Montana Assets, Billings Gazette, June 1, 2015:

"Talen spokesman David Hoffman said the new corporation has the financial resources to deal with the issues it's inherited at Colstrip and Corette." [Quoting Hoffman] "I can assure you that whatever obligations PPL Montana has, are now transferred to Talen. Talen is a pretty healthy and large company that's going to be able to handle those kind of obligations."

³ Colstrip Owners Worry Westmoreland Bankruptcy May Disrupt Power Plant Operations, S&P Global Market Intelligence, October 25, 2018.

Westmoreland's initial Chapter 11 bankruptcy reorganization plan. NWCO's primary concern is a potential sale and closure of Westmoreland's Rosebud mine which supplies all of Colstrip's fuel. According to PSE, the auction of the Rosebud mine is scheduled to occur on January 25, 2019.

(iii) **Decommissioning and remediation expenditures associated with Colstrip units since the time of the last report and updated estimates of future costs;**

According to the company, "As of September 30, 2018, remediation expenditures recorded against the Units 1 and 2 retirement account were \$16,186. Remediation expenditures recorded for Colstrip 3 and 4 for the same time period are \$4,544,055. The expenditures for units 3 and 4 are primarily related to design and construction work related to water management systems to address environmental impacts and eventual Unit retirement."

Summary of Units 1&2 Decommissioning & Remediation Estimate		
PSE's Share		
	Current Dollars (note 1)	Inflation Adj @ 2.5%
Decommissioning	\$ 4,226,072	\$ 6,695,878
Plant Site Remediation	20,850,492	27,001,429
Units 1 and 2 Remediation	30,947,800	40,936,539
Total	\$ 56,024,363	\$ 74,633,846

Note 1: Current Dollars for Decommissioning amounts are in 2016 Dollars; Current Dollars for Remediation costs are in 2018 Dollars

Summary of Units 3 & 4 Decommissioning & Remediation Estimate		
PSE's Share		
	Current Dollars (note 1)	Inflation Adj @ 2.5%
Decommissioning	N/A	N/A
Plant Site Remediation	\$ 12,858,046	\$ 17,165,881
Units 3 and 4 Remediation	14,582,266	19,593,818
Total	\$ 27,440,312	\$ 36,759,698

Note 1: Current Dollars for Remediation costs are in 2018 Dollars

N/A-- Not available

(iv) **An evaluation of the sufficiency of the retirement account established pursuant to Chapter 80.84 RCW to fund and recover decommissioning and remediation activities for Colstrip Units 1 and 2;**

Unit 1 and 2 retirement account contains \$95.9 million which is sufficient based on the decommissioning and remediation cost estimates in (iii) above.

(v) **An evaluation of the sufficiency of existing depreciation rates for Colstrip Units 3 and 4 to cover decommissioning and remediation costs for those units;**

Assuming a retirement of these units by 2027, PSE estimates \$19.2 million in excess depreciation. When this amount is applied to the estimated decommissioning and remediation costs in (iii) above, it leaves \$17.6 million that would need to be funded through PTCs.

(vi) **For years in which PSE issues an Integrated Resource Plan, updated replacement power costs.**

Not applicable.

In discussions with the Company, Commission Staff (Staff) understands that PSE has kept the Commissioners apprised of Colstrip's status to include the issues surrounding Westmoreland's bankruptcy and the potential risk associated with any plan to close the Rosebud mine.

Staff reviewed the compliance filings provided by PSE on November 30 and December 31, 2018, and finds that it complies fully with the requirements specified in the Settlement Stipulation in UE-170033/UG-170034. Therefore, Staff believes that the filing complies with the Commission's Order 08, entered on December 5, 2017.

Sincerely,

David Carlos Gomez
Assistant Power Supply Manager, Energy Regulation