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June 5, 2020

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
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. Paragraph 119 of the Settlement Stipulation specified annual reporting requirements relating to decommissioning and remediation activities and costs for the Colstrip Generation Facility (Colstrip). Puget Sound Energy (PSE) is required to file the report by December 1 of each year.

On November 27, 2019, PSE filed its Annual Colstrip Report on Decommissioning and Remediation as specified by Paragraph 119 of the Settlement Stipulation. On January 7, 2020, PSE filed a revised report to correct amounts that were reported in the company's response to question iii. The contents of this compliance letter reflect the contents of the revised January 7 filing.

Summary of Annual Colstrip Report on Decommissioning and Remediation

Paragraph 119 of the Settlement Stipulation specified the contents of this report which are discussed individually in (i) through (vi), below.

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

In last year's report, PSE estimated a closure date of Colstrip Units 1 and 2 of July 1, 2022. However, PSE and Talen subsequently agreed to retire Units 1 and 2 beginning on December 31, 2019, with final generation targeted for January 4, 2020. Units 1 and 2 were officially retired on January 5, 2020.

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

Colstrip Units 1 and 2 were officially retired on January 5, 2020. In PSE's current general rate case (Dockets UE-190529 and UG-190530), costs associated with the operation of Units 1 and 2 were removed from the revenue requirement calculation. Pursuant to the settlement in PSE's 2017 general rate case (Dockets UE-170033 and UG-170034), the unrecovered plant balance at retirement will be offset with monetized production tax credits. Accordingly, PSE does not expect the earlier retirement date to impact customers.

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

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

Actual Expenditures, to Date

Units 1 and 2
Decommissioning = $0.2 million (as of September 30, 2019)
Remediation = $5.2 million (offset by treasury grants per RCW 80.84)

Units 3 and 4
Decommissioning = $0 (as of September 30, 2019)
Remediation = $5.9 million (covered by current depreciation rates)

Estimates of Future Costs

Units 1 and 2

All four alternatives of the Remedy Evaluation Report for Units 1 and 2 were rejected by DEQ in October 2018. In 2019 DEQ required that the revised report split Units 1 and 2 into two parts.[1] Part 1 of the Revised Remedy Evaluation Report was submitted to DEQ in October 2019 for review. Part 2 of the Report is expected to be submitted to DEQ in April 2020.

Part 1 of the Revised Remedy Evaluation Report provides five alternatives for DEQ to consider. Table 1, below, provides estimated amounts for the lowest and highest cost scenarios.

Table 1. Colstrip Units 1 and 2 – Decommissioning and Remediation Estimates ($ million)

	Scenario 1 (Low)	**Scenario 2 (High)**
Decommissioning	$4.4	$4.4
Plant Site Remedy Eval	$27.0	$27.0
Units 1 and 2 (Part 1)	$5.8	$37.5
Units 1 and 2 (Part 2)	Not yet estimated	Not yet estimated
TOTAL	**$37.2**	**$68.9**

The high cost scenario of $68.9 million compares to the previous year's estimate of $74.6 million. However, the $68.9 million estimate does not yet include the estimated cost of Part 2 and the Unit 1 and 2 Remedy Evaluation Report.

Units 3 and 4

The Remedy Evaluation Report for Units 3 and 4 was submitted to DEQ on August 30, 2019. This report provides five alternatives for DEQ to consider. Table 2, below, provides estimated amounts for the lowest and highest cost scenarios.

[1] Part 1 of the Revised Remedy Evaluation Report focuses on (i) existing source control components at the STEP ponds, (ii) proposed STEP cell closures, and (iii) additional proposed source control measures in groundwater for both SOEP and STEP. Part 2 of the Revised Remedy Evaluation Report will evaluate additional source control measures for the SOEP source area.

Table 2. Units 3 and 4 – Decommissioning and Remediation Estimates ($ million)

	Scenario 1 (Low)	Scenario 2 (High)
Decommissioning	$23.7	$23.7
Plant Site Remedy Eval	$17.2	$17.2
Units 3 and 4	$3.7	$145.8
TOTAL	**$44.5**	**$186.6**

The high cost scenario of $186.6 million compares to the previous year's estimate of $36.8 million.

(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

The retirement account contains $95.9 million which is sufficient to cover all decommissioning and remediation costs for Units 1 and 2.

(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

The depreciation rates proposed for Colstrip Units 3 and 4 in PSE's current general rate case (Dockets UE-190529 and UG-190530) are calculated to recover $71.5 million in estimated decommissioning and remediation costs by the end of 2025. If Units 3 and 4 retire earlier than the end of 2025, or if decommissioning and remediation costs are higher than $71.5 million, existing depreciation rates may be insufficient to cover those costs. However, assuming a retirement date of December 31, 2025, and assuming the current estimate of $71.5 million is accurate, the proposed depreciation rates will be sufficient to cover decommissioning and remediation costs for Units 3 and 4.

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

Not applicable. With the passage of CETA, the Washington State Legislature created new statutory requirements for IRPs. As a result, in Dockets UE-180607 and UG-180608, Order 02, the Commission granted PSE an exemption from filing an IRP in 2019

Staff Conclusion

Staff reviewed the compliance filing provided by PSE on November 27, 2019, and as revised on January 7, 2020, 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 of those dockets, entered on December 5, 2017.

Sincerely,

Chris McGuire
Assistant Directory, Energy Regulation