



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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April 26, 2021

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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 Final Order 08 in PSE's 2017 general rate case, Dockets UE-170033/UG-170034 (2017 GRC). Among other things, Order 08 in PSE's 2017 GRC approved and adopted the Settlement Stipulation resolving most of the initially contested issues. Paragraph 119 of the Settlement Stipulation specified annual reporting requirements related to decommissioning and remediation (D&R) activities and costs for the Colstrip Generation Facility (Colstrip). PSE is required to file the report by December 1 of each year.

On July 8, 2020, the Commission entered Final Order 08 in PSE's 2019 general rate case, Dockets UE-190529/UG-190530 (2019 GRC) which, among other things, required PSE to include actual D&R expenditures in its Annual Colstrip Report. On December 1, 2020, PSE filed its Annual Colstrip Report.

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.**

Colstrip Units 1 and 2

Units 1 and 2 were officially retired on January 5, 2020.

Colstrip Units 3 and 4

Units 3 and 4 do not yet have an identified retirement date. However, per CETA, PSE must eliminate Colstrip Units 3 and 4 from its allocation of electricity by December 31, 2025.

- 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

Units 1 and 2 were officially retired on January 5, 2020, and depreciation expense for those units was removed from rates through PSE’s 2019 GRC. The undepreciated plant balance for Units 1 and 2 will be offset by production tax credits (PTCs) consistent with the Settlement Stipulation from PSE’s 2017 GRC. Therefore, ratepayers are not directly impacted by the early closure of Units 1 and 2.

Colstrip Units 3 and 4

Units 3 and 4 do not yet have an identified retirement date.

- 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

Table 1. Colstrip Units 1-4 – Decommissioning and Remediation – Actual Expenditures, to date

	<u>Units 1&2</u>	<u>Units 3&4</u>
Decommissioning	\$12.7 million	\$0
Remediation	\$11.7 million	\$16.4 million

Total Projected Costs

Table 2. Colstrip Units 1 and 2 – Decommissioning and Remediation Estimates (\$ million, in current dollars)

	2020 Report	2019 Report
Decommissioning	\$12.7	\$4.4
Plant Site Remediation	\$23.2	\$27.0
Units 1&2 Remediation	\$95.5*	\$37.5**
TOTAL	\$131.4	\$68.9

*The \$95.5 million reflects Talen’s estimate of the cost of remediation work. DEQ estimates the cost of remediation work to be \$142.7 million.

**The 2019 Report did not include costs associated with Part 2 of DEQ’s Remedy Evaluation Report as DEQ had not yet issued its conditional approval.

Table 3. Units 3 and 4 – Decommissioning and Remediation Estimates (\$ million, in current dollars)

	2020 Report	2019 Report
Decommissioning	\$14.8	\$23.7
Plant Site Remedy Eval	\$11.5	\$17.2
Units 3 and 4	\$33.5	\$3.7 to \$145.8*
TOTAL	\$59.8	\$44.6 to \$186.6

The 2019 Colstrip Report included costs under a range of scenarios, as DEQ had not yet issued its Units 3&4 Remedy Evaluation Report.

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

Retirement account for Units 1 and 2 is now insufficient. The retirement account established pursuant to RCW 80.84 was funded using \$95.9 million of Treasury Grants. D&R costs for Units 1&2 now are estimated at \$131.4 million (in current dollars) using Talen’s cost estimates, or \$178.6 million using DEQ’s cost estimates. Therefore, the retirement account is estimated to be deficient by between \$35.5 million and \$82.7 million.

In the Colstrip Report PSE filed last year (2019), PSE had indicated that the \$95.9 million in the retirement account was 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.

PSE now reports depreciation rates for Units 3 and 4 are insufficient. Adjusted for inflation, PSE estimates \$83.7 million in D&R costs for Units 3 and 4. The depreciation rates approved in PSE’s 2019 GRC (Docket UE-190529) for Colstrip Units 3 and 4 are calculated to recover approximately \$42.2 million in D&R costs by the end of 2025. Therefore, PSE estimate that approximately \$41.5 million in projected D&R will not be covered if current rates continue through 2025.

In the Colstrip Report PSE filed last year (2019), PSE estimated the depreciation rates for Colstrip Units 3 and 4 in PSE’s 2019 general rate case were calculated to recover \$71.5 million in estimated decommissioning and remediation costs by the end of 2025.

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 and 2020. PSE expects to file its next IRP on April 1, 2021.

Staff Conclusion

Staff reviewed the compliance filing provided by PSE on December 1, 2020, and finds that it complies with the Colstrip reporting 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