

**EXHIBIT NO. ____ (RJR-8)
DOCKETS UE-17 ____ /UG-17 ____
2017 PSE GENERAL RATE CASE
WITNESS: RONALD J. ROBERTS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UE-17 ____

Docket UG-17 ____

**SEVENTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

RONALD J. ROBERTS

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

THE MONTANA POWER COMPANY
AND
PUGET SOUND POWER & LIGHT COMPANY

TRANSMISSION AGREEMENT

COLSTRIP UNITS #1 AND #2

TRANSMISSION AGREEMENT

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TRANSMISSION AGREEMENT

Colstrip 1 and 2

THIS AGREEMENT, made as of this 30th day of July, 1971, by and between THE MONTANA POWER COMPANY, a Montana corporation ("Montana"), and PUGET SOUND POWER & LIGHT COMPANY, a Washington corporation ("Puget").

R E C I T A L S:

1. The parties have executed appropriate agreements for the construction, ownership and operation of two 350 MW coal-fired steam-electric generating units to be located near Colstrip, Montana (hereinafter referred to as "Colstrip Units #1 and #2").

2. Montana's transmission system is interconnected with the transmission systems of other utilities at Montana's Mill Creek Substation near Anaconda, Montana ("Mill Creek Substation"), and at Bonneville Power Administration's Hot Springs, Montana, Substation.

3. The parties hereto, together with Washington Water Power ("Water Power"), Portland General Electric ("Portland") and Pacific Power and Light ("Pacific"), are presently undertaking the design and eventual construction of two additional 750 MW coal-fired steam-electric generating plants (hereinafter referred to as "Colstrip Units #3 and #4") to be located upon an adjacent site but for which the

parties have not as yet obtained necessary authorization from governmental bodies exercising jurisdiction over siting and similar considerations.

4. The proposed construction of Colstrip Units #3 and #4 will include as a part thereof the construction of two 500 kV transmission lines and associated facilities from said Project to the BPA Substation near Hot Springs, Montana (hereinafter "the 500 kV system"), which system, when completed, will also be used to transmit Puget's share of Colstrip Units #1 and #2 generation. Pursuant to agreement between the participants in Colstrip Units #3 and #4, a portion of the 500 kV system between the Project and Broadview, Montana, is being constructed by Montana as a double-circuit 230 kV transmission line, which line will be upgraded to a single-circuit 500 kV line subsequent to such time as necessary... permits are obtained for construction of Colstrip Units #3 and #4 and associated facilities. Until the effective date for calculating the amount of reimbursement as described in subsection 4.2, such transmission line and associated facilities are hereinafter referred to as the "Project-Broadview 230 kV transmission line."

5. The parties hereto recognize that until the above-mentioned 500 kV system is available, an agreement is required to provide a means for wheeling Puget's share of Colstrip Units #1 and #2 generation across Montana's transmission system to points of interconnection described herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein stated and the performance thereof, the parties agree as follows:

1. TERM.

This Agreement shall run concurrently with the "Ownership Agreement" unless terminated as described herein.

2. DEFINITIONS.

Wherever used in this Agreement:

"Ownership Agreement," "Ownership Percentage," "Project" and "Project Agreement" shall be as defined in Section 1 of the Construction and Ownership Agreement executed between the parties hereto as of July 30, 1971.

"Operator" shall be as defined in Section III(a) of the Operation and Maintenance Agreement executed between the parties hereto as of July 30, 1971.

3. OBLIGATION TO WHEEL.

3.1 Montana agrees to wheel an amount of power equal to Puget's Ownership Percentage of the Project capability (herein called "Puget's Output") from the Project to the 230 kV bus at Montana's Mill Creek Substation (Point of Delivery). Montana shall make Puget's Output available at said 230 kV bus so that Puget may schedule to the transmission facilities of any other utility that is interconnected to said 230 kV bus. For the purposes of this Section, the "230 kV bus" shall include the 230 kV line connecting said bus with Bonneville Power Administration's Anaconda Substation, and,

to the extent Montana has transformation capacity available, shall include the 161 kV bus at the Mill Creek Substation.

3.2 Notwithstanding Montana's contractual obligation to wheel for Puget to the Point of Delivery described in Subsection 3.1, Montana and Puget agree that during such periods as requested by Puget they will use their best efforts to develop operating procedures whereby Puget's Output will be delivered by Montana at its point of interconnection with the Bonneville Power Administration at Hot Springs, Montana (Optional Point of Delivery), which procedures will, to the extent possible, make use of exchanges between Montana and Puget and load diversities on both the Montana transmission system and systems to which it is connected; provided, however, that such procedures may be revised from time to time by Montana after advance notice to Puget as such revisions are necessary in Montana's opinion in order to avoid increasing the cost of operation on Montana's system, including loss of revenues, unless Puget agrees to hold harmless Montana from any such increase in cost of operation.

3.3 The Parties agree that in the event the completion date of the 500 kV system is delayed to the extent that either party determines the resulting reliability of Montana's system is unacceptable, then Montana shall do one or more of the following:

3.3.1 If the length of the delay described above is expected to be of a temporary nature, but would require interim arrangements to be made in order to satisfy Montana's wheeling obligation herein, the Parties shall mutually determine the increased costs to Montana due to wheeling Puget's Output during the interim period and during the period that any facilities installed on an interim basis may be surplus to Montana's transmission system requirements after completion of the 500 kV system or after completion of the facilities described in subsection 3.3.2 below. Such costs shall be paid to Montana by Puget and shall include, with respect to any interim facilities, the fixed and variable costs specified in Exhibit 1 attached hereto and shall be calculated in the manner shown by the sample calculation contained in Exhibit 2 attached hereto and shall be based upon the portion of the cost of such facilities attributable to the effect upon Montana's system of wheeling Puget's Output hereunder.

3.3.2 If the length of the delay is for a longer period which would require more permanent arrangements to be made in order to satisfy Montana's wheeling obligation herein, the Parties shall promptly meet and negotiate a revised transmission agreement, which agreement shall include provisions for determining the increased annual costs to Montana in order to fulfill

Montana's wheeling obligation hereunder, for equitably allocating the annual costs of additional facilities during the period that such facilities may be surplus to Montana's transmission system requirements after completion of the 500 kV system, for payments for interim facilities, if any, constructed pursuant to subsection 3.3.1, for determining annual charges for the Project-Broadview 230 kV transmission line, and for establishing wheeling charges for transmission of Puget's Output from Broadview to Mill Creek until the permanent facilities are completed.

3.4 The transmission facilities constructed pursuant to subsections 3.3.1 and 3.3.2 above shall be owned, operated and maintained by Montana as an integral part of and compatible with its interconnected electric transmission system. Montana agrees it will in good faith and due diligence timely construct and make available for operation and operate said facilities. Montana will provide to Puget cost estimates prior to installation of such transmission facilities, constructed cost detail, any additional related information requested by Puget and notice of and opportunity to participate in any regulatory agency proceedings necessitated by such construction.

4. WHEELING CHARGES.

4.1 During the period from the start of generation of the first unit until the completion of construction of

the Project-Broadview 230 kV transmission line, Puget shall pay Montana a wheeling charge in the amount of .45 mill per kWh of energy scheduled to Puget at the Points of Delivery described in Subsections 3.1 and 3.2.

4.2 For the purposes of determining wheeling charges under this Agreement subsequent to the date that the Project-Broadview 230 kV transmission line is completed (Completion Date), the Parties agree that the Project-Broadview 230 kV transmission line shall be considered to be owned and operated by Montana during the period between such Completion Date and the date established by the participants in Colstrip Units #3 and #4 as the effective date for calculating the amount of reimbursement to Montana for its investment in the Project-Broadview 230 kV transmission line (Reimbursement Date). From and after the Completion Date, Puget agrees to pay Montana a wheeling charge for power scheduled hereunder equal to .15 mill per kWh plus an additional charge during the period between the Completion Date and the Reimbursement Date which shall reimburse Montana for one-half of Montana's annual cost of the Project-Broadview 230 kV transmission line. Such annual costs shall include fixed and variable costs specified in Exhibit 1 and shall be calculated in the same manner shown by the sample calculation contained in Exhibit 2 and shall be based upon the portion of the cost of such line attributable to Colstrip Units #1 and #2.

5. CONTINUITY OF SERVICE.

In the case of a system emergency, Montana may temporarily interrupt or reduce deliveries of electric energy to Puget if Montana determines that such interruption or reduction is necessary. Non-emergency work on Montana's transmission system required to install equipment in, make repairs to, replacements, investigations, and inspections of, or perform other maintenance work on its system will be done upon mutually agreeable schedules when necessary to avoid unreasonable interference with Puget's and Montana's operations..

6. SCHEDULING.

6.1 Puget's scheduling of power and energy to Montana at the Project for redelivery to Puget under Section 3 will be coincidental with its generation schedule furnished to the Operator of the Project.

The amount so scheduled will be Puget's Output as determined in Section 7 of the "Operating Agreement".

6.2 During periods of time that the Project is operating at its maximum capability, the amount scheduled will be Puget's Output as determined in Section 7 of the Operating Agreement. During such periods of time that the Project is not operating or is operating at less than maximum capability, Puget may schedule from Colstrip or Broadview to Mill Creek additional power from other sources, subject to additional transmission capacity being available from such

other sources to Colstrip or Broadview in an amount equivalent to such additional power to be scheduled; provided, however, that the total amount scheduled shall not exceed Puget's Ownership Share of the maximum capability of the Project, and provided further that use of other Montana facilities from such other third party sources to Colstrip or Broadview will be paid for by Puget at mutually agreeable rates at the time of such scheduling in addition to the payments set forth in subsection 4.2.

7. LOSSES.

Simultaneously with Puget's scheduling of power and energy under paragraph 6 above, Puget shall schedule to Montana the estimated actual line losses associated with Montana's delivery of such power and energy. Such estimated actual line losses will be determined from time to time at the request of either party through appropriate engineering studies. Such studies may be made as often as either party desires and shall be conducted under mutually agreeable procedures and conditions.

8. TERMINATION.

Puget or Montana shall have the right to terminate this Agreement at any time after the 500 kV system is placed in operation and the said 500 kV system has sufficient capacity to wheel Puget's Output from Colstrip Units #1, #2, #3 and #4; provided, however, that such termination shall not relieve Puget of its obligations hereunder for liabilities

accrued to the termination date hereunder and those annual costs specified in Section 3.3 hereof which shall continue to be paid pursuant to Section 9 hereof.

9. PAYMENTS.

9.1 Charges set forth in Section 4 herein expressed in mills per kWh shall be paid monthly to Montana upon receipt of an appropriate invoice for such charges.

9.2 Charges set forth in Sections 3 and 4 relating to annual fixed and variable costs shall be paid monthly based upon one-twelfth (1/12) of an estimated annual charge determined in the manner set forth in Exhibits 1 and 2.

9.3 The first determination of annual charges shall cover the period from the date of completion of the appropriate Transmission Facilities to the following December 31, and shall be computed on a pro rata basis for the portion of the year involved. Subsequent determinations shall cover a calendar year period and shall be made not later than April 1 of each year.

9.4 The annual April 1 determination of charges shall include a restatement of annual costs in the manner set forth in Exhibit 1 and Exhibit 2 using actual experienced factors and costs, where applicable, during the preceding calendar year. Any adjustment necessary to correct differences will be made on the first monthly billing following the April 1 determination. A new estimate of expected annual costs for the current calendar year will be prepared as a basis for current year payments.

10. ACCOUNTING.

Montana shall at all times maintain and appropriately preserve books of account containing detailed entries of all items of costs and receipts applicable to the construction, operation and maintenance of all facilities subject to this Agreement. Such accounts, unless the parties agree otherwise, shall be classified in accordance with the Uniform System of Accounts prescribed for electric utilities by the Federal Power Commission and shall be open to inspection by Puget or any independent auditors nominated by it.

11. FORCE MAJEURE.

If, because of force majeure, any party hereto shall be unable to carry out any of its obligations under this Agreement, then the obligations of such party shall be suspended to the extent made necessary by such force majeure. The party affected by force majeure shall give notice to the other party as promptly as practicable of the nature and probable duration of such force majeure. The term "force majeure" shall mean acts of God, legislation or lawful regulations of any governmental body, failure of any governmental body or agency to timely act, court orders, acts of the public enemy, riots, strikes, labor disputes, labor or material shortages, fires, explosions, floods, breakdown of or damage to plants, equipment or facilities, interruption in transportation, embargoes or other causes of similar nature which wholly or partially prevent performance hereunder.

The party shall use all reasonable means of preventing the occurrence of any of the foregoing. Nothing contained herein shall be construed so as to require a party to settle any strike or labor dispute in which it may be involved. Any party rendered unable to fulfill any obligation by reason of force majeure shall exercise due diligence to remove such disability with all reasonable dispatch. In the event of any such force majeure, neither party shall be liable for any damages sustained by the other as a result of the failure to perform as provided herein.

-12. ASSIGNMENT.

This Agreement may not be assigned without consent except as provided in paragraph 16 of the Ownership Agreement, and may be assigned or transferred under the terms of said paragraph 16 only to the extent Puget transfers or assigns in whole or in part its ownership in said Project.

13. PERSONAL OBLIGATIONS.

All duties, rights, privileges, liabilities and obligations imposed hereunder shall be deemed to be personal to the parties and not covenants running with the land.

14. ARBITRATION.

Any dispute arising under this Agreement shall be subject to arbitration under the terms and conditions of the Ownership Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in several counterparts by

their respective corporate officers thereunto duly authorized
as of the day and year first above written.

PUGET SOUND POWER & LIGHT COMPANY

By D. H. Knight
Its Vice President

ATTEST:

W. [Signature]

THE MONTANA POWER COMPANY

By J. C. McElvan
Its President & Chief Executive

ATTEST:

Bernie H. Wilson

Annual Cost Determinations

Fixed and variable annual costs under Sections 3.3, 4.2 and 9 of this agreement will be determined each year in accordance with Section 9 and will be based on the following general parameters and assumptions as illustrated in Exhibit 2.

Fixed Costs

1. Actual bond interest incurred in financing the appropriate facilities will be used; or in the absence of bond financing by Montana in that year, the average cost to issuers of bonds of comparable rating that Montana has in such year will be used. Such costs will also reflect any changes thereafter occasioned by refinancing such debt from time-to-time.
2. Actual current embedded preferred equity costs at the time of execution of this contract or the actual current embedded preferred equity costs existing at the time of future investments will be used.
3. Capital structure used will be that structure existing on Montana Power Company electric system on December 31 of the year of the investment in the appropriate facilities.
4. Return on common equity will be used each year which is the higher of 13-1/2% or that percentage return most recently allowed by the Public Service Commission of Montana on common equity in the over-all electric properties of Montana Power Company.
5. Billing determination of fixed costs each year will be based on Items 1 through 3 and the average of Item 4 for the three immediately preceding years.
6. Depreciation on all transmission facilities under this agreement will be assumed to be on a 50-year straight line basis without salvage for book purposes and a 30-year straight line basis without salvage for tax purposes.
7. Composite federal income tax rates and Montana State corporate license tax rates existing in the year for which the annual payment determination is being made will be used.

9. Any investment tax credits applicable to the facilities in question will be credited on a pro forma basis at 1/30 of the credit each year.
9. Working capital of 12-1/2% of operation, maintenance, administrative and general expenses will be assumed.
10. Actual investment in materials and supplies for the appropriate facilities will be used.
11. A fixed charge rate determined in 5 above will be applied to the depreciated investment in the appropriate facilities plus working capital and materials and supplies to determine the "fixed" annual return costs.

Variable Costs

1. Actual operation and maintenance expenses, including associated payroll taxes, for the appropriate facilities will be used each year.
2. Administrative and general expenses will be assumed to be 30% of actual operation and maintenance expenses.
3. Actual Montana and local ad valorem taxes and other applicable taxes on the appropriate facilities will be used.
4. Actual insurance costs on the appropriate facilities will be used.

Sample Calculations of Annual Costs
For Determination of Payments Pursuant To
Sections 3.3, 4.2 and 9

The following examples are intended to illustrate the principles and procedures for determining a cost each year. For simplicity, the examples use investments which are assumed to be Puget's share of total investments required. The determination of Puget's share of each facility will be mutually agreed upon pursuant to Sections 3 and 4. The actual format of each year's billing will not necessarily be the format used here, but the principles illustrated here will be used.

SUMMARY OF INVESTMENT IN APPROPRIATE FACILITIES

	Facility "A" - In Service On July 1, 1975	Facility "B" - In Service On Oct 1, 1976	Facility "C" - In Service On Feb 1,
Transmission Line Plant	\$1,000,000	\$1,500,000	\$ 150,000
Substation Plant	400,000	650,000	
Communications & General Plant	100,000	125,000	
Total Plant - Puget Share	\$1,500,000	\$2,275,000	\$ 150,000
Land and Easements	200,000	100,000	
Total Investment - Puget Share	\$1,700,000	\$2,375,000	\$ 150,000

<u>FIXED CHARGE RATES</u>	1973	1974	1975	1976	1977
Bond Interest	N/A	N/A	9.75%	9.00% (Assumed Avg of AA Bonds)	8.75% (Assumed Avg of A Bonds)
Preferred Equity Return (1977 Embedded)	N/A	N/A	7.50%	7.50%	7.50%
Common Equity Return Rolling 3 yr Average	13.50%	13.50%	13.50%	13.50%	14.00%
	-	-	13.50%	13.50%	13.67%

<u>CAPITALIZATION</u>	12/31/75	12/31/76	12/31/77
Debt Ratio	52.1%	51.7%	51.7%
Preferred Ratio	3.8%	7.9%	7.6%
Common Ratio	44.1%	40.4%	40.6%

<u>DEPRECIATION - 50 yr Life - 2% Rate</u>	Facility "A"	Facility "B"	Facility "C"
1975 Appropriation	\$ 15,000 (6 months)	\$ -	\$ -
Reserve - 12/31/75	15,000	-	-
1976 Appropriation	30,000	11,375 (3 months)	-
Reserve - 12/31/76	45,000	11,375	-
-Retirement (Assumed on 1/1/77)	-100,000	-	-
+Salvage & Claims Recovery	+12,000	-	-
-Removal Costs	-2,000	-	-
+1977 Approp on Remaining Plant	+28,000	45,500	2,750 (11 mo)
+Adjustment for Unrecovered Inv	+87,000*	-	-
Reserve - 12/31/77	70,000	56,875	2,750

*Retirement	\$100,000
-Reserve on Retired Portion (1-1/2 yrs)	- 3,000
-Salvage & Claims Recovery	-12,000
+Removal Costs	+ 2,000
Adjustment for Unrecovered Inv	\$ 87,000

**Replacement for retired portion of "A".

BILLING DETERMINATION FOR THE YEAR 1975

	Facility "A"
Total Investment - Puget Share	\$1,700,000
Less Depreciation Reserve - 12/31/75	-15,000
Net Investment	\$1,685,000
Factor for Part Year Service	0.5
Adjusted Net Investment	\$ 842,500
Plus Materials and Supplies - 12/31/75	5,000
Plus Working Capital	1,000
Total Capital	\$ 848,500

FIXED COSTS

Interest (0.5210 X 9.75%)	\$ 43,101.68
Preferred Return (0.0380 X 7.50%)	2,418.23
Common Return (0.4410 X 13.50%)	50,515.45
Depreciation Appropriation (2.00%)	15,000.00
*Income Taxes (See Below)	45,607.59
Investment Tax Credit (10.00% X 1/30)	-2,833.33
	\$ 153,809.62

VARIABLE COSTS

Operation and Maintenance	
Lines	\$ 3,500
Substations	2,500
Communications and General	154
Subtotal - O&M	\$ 6,154
Administrative and General (30%)	1,846
Ad Valorem Taxes	9,850
Insurance	2,250
	\$ 20,100
 Total Variable Costs	 \$ 20,100
 TOTAL COSTS - 1/2 Year	 \$ 173,909.62
 MONTHLY COSTS - July-Dec	 \$ 28,984.94

*Income Tax Composite Rate: $0.48 + 0.0675 (1 - 0.48) = 0.5151$

Income Tax = $0.5151 (\text{Taxable Return} + \text{Book Depreciation} - \text{Tax Depreciation} - \text{Income Tax}) = 1.06228 (\text{Taxable Return} + \text{Book Depreciation} - \text{Tax Depreciation})$.

BILLING DETERMINATION FOR THE YEAR 1976

	Facility "A"	Facility "B"
Total Investment - Puget Share	\$1,700,000	\$2,375,000
Less Depreciation Reserve - 12/31/76	-45,000	-11,375
Net Investment	\$1,655,000	\$2,363,625
Factor for Part Year Service	N/A	0.25
Adjusted Net Investment	\$1,655,000	\$ 590,906
Plus Materials and Supplies - 12/31/76	6,000	7,500
Plus Working Capital	2,000	750
Total Capital	\$1,663,000	\$ 599,156

FIXED COSTS

Interest	(0.5210 X 9.75%)\$ 84,476.24	(0.5170 X 9.00%)\$ 27,878.73
Preferred Return	(0.0380 X 7.50%) 4,739.55	(0.0790 X 7.50%) 3,550.00
Common Return	(0.4410 X 13.50%) 99,006.71	(0.4040 X 13.50%) 32,677.97
Depreciation Appropriation	30,000.00	11,375.00
*Income Taxes	88,961.97	30,428.62
Investment Tax Credit	(10.00% X 1/30) -5,666.67	-1,979.17
Total Fixed Costs	\$ 301,517.80	\$ 103,931.15

VARIABLE COSTS

Operation and Maintenance		
Lines	\$ 7,000	\$ 2,625
Substations	5,000	1,875
Communications and General	308	115
Subtotal - O&M	\$ 12,308	\$ 4,615
Administrative and General (30%)	3,692	1,385
Ad Valorem Taxes	19,700	7,575
Insurance	4,500	1,625
Total Variable Costs	\$ 40,200	\$ 15,200
TOTAL COSTS - ANNUAL	\$ 341,717.80	\$ 119,131.15

MONTHLY COSTS Jan - Sept: \$28,476.46 Oct - Dec: \$68,186.86

BILLING DETERMINATION FOR THE YEAR 1977

	Facility "A"	Facility "B"	Facility "C"
Total Investment - Puget Share	\$1,700,000	\$2,375,000	\$ 150,000
Less Depreciation Reserve - 12/31/77	-70,000	-56,875	-2,750
Net Investment	\$1,630,000	\$2,318,125	\$ 147,250
**Retirements (assumed on 1/1/77) - OC	-100,000	0	0.9167
Adjusted Net Investment	\$1,530,000	\$2,318,125	\$ 134,984
Plus Materials and Supplies - 12/31/77	6,000	7,500	0
Plus Working Capital	2,000	3,000	0
Total Capital	\$1,538,000	\$2,328,625	\$ 134,984

FIXED COSTS

Interest	(0.5210 X 9.75%)\$ 78,126.56	(0.5170 X 9.00%)\$ 108,350.92	(0.5170 X 8.75%)\$ 6,106.34
Preferred Return	(0.0380 X 7.50%) 4,383.30	(0.0790 X 7.50%) 13,797.10	(0.0760 X 7.50%) 769.41
Common Return	(0.4410 X 13.67%) 92,717.87	(0.4040 X 13.67%) 128,602.51	(0.4060 X 13.67%) 7,491.64
Depreciation Appropriation	115,000.00***	45,500.00	2,750.10
*Income Taxes	85,443.96****	119,045.76	6,827.96
Investment Tax Credit	-5,333.33	-7,916.67	-458.35
Total Fixed Costs	\$ 370,338.36	\$ 407,379.62	\$ 23,487.10

VARIABLE COSTS

Operation and Maintenance Lines	\$ 7,000	\$ 10,500	Variable costs for Facility "C" are included in variable costs for Facility "A".
Substations	5,000	7,500	
Communications and General	308	462	
Subtotal - O&M	\$ 12,308	\$ 18,462	
Administrative and General (30%)	3,692	5,538	
Ad Valorem Taxes	20,000	30,000	
Insurance	4,600	6,500	
Total Variable Costs	\$ 40,600	\$ 60,500	

TOTAL COSTS - ANNUAL

	\$ 410,938.36	\$ 467,879.62	(11/12 year) \$ 23,487.10
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MONTHLY COSTS

Jan: \$73,234.83 Feb - Dec: \$75,370.02

*See Sheet 2 for Income Tax Calculations.
**Replacements of any portions of a facility which are retired pre-maturely will be treated as a new investment in the year such replacement is made (e.g. Facility "C").
***1977 Appropriation on Remaining Plant 28,000
Adjustment for Unrecovered Investment 87,000
115,000

****Tax Depreciation: Retirement	\$100,000.00
-Tax Reserve on Retired Portion	- 5,000.00
-Salvage & Claims Recovery	-12,000.00
+Removal Costs	+ 2,000.00
Adjustment for Unrecovered Investment	\$ 85,000.00
+1977 Tax Appropriation on Remaining Plant	+46,666.67
	<u>\$131,666.67</u>

Amendment No. 1
to
Transmission Agreement for
Colstrip Units #1 and #2

This Amendment, dated as of January 10, 1984, is made and entered into by and between The Montana Power Company ("Montana") and Puget Sound Power & Light Company ("Puget").

Recitals

A. Montana and Puget are parties to that certain Transmission Agreement for Colstrip Units #1 and #2 dated as of July 30, 1971 (the "Transmission Agreement").

B. Montana and Puget are also parties to that certain Colstrip Power Interim Period Transmission Allocations and Transmission Facilities Cost Sharing Agreement, dated January 10, 1984 (the "Interim Agreement"). Pacific Power & Light Company, Portland General Electric Company and The Washington Water Power Company ("Water Power") are also parties to the Interim Agreement.

Agreement

1. Subsection 3.1 of the Transmission Agreement is hereby amended to read in its entirety as follows, effective during the "Interim Period" (as that term is defined in paragraph 1.11 of the Interim Agreement):

"3.1 Montana agrees to wheel the power and energy scheduled to Montana pursuant to Section 6 up to an amount of power and energy equal to Puget's Ownership Percentage of the Project capability ("Puget Output") from Montana's point of interconnection with the Bonneville Power Administration ("BPA") at BPA's substation located at or near Garrison, Montana, ("Garrison") to Montana's point of interconnection with BPA and Water Power at BPA's substation located at or near Hot Springs, Montana ("Point of Delivery")."

2. Subsection 3.1 of the Transmission Agreement is hereby amended to read in its entirety as follows, effective after the end of the Interim Period:

"3.1 Montana agrees to wheel the power and energy scheduled to Montana pursuant to Section 6 up to an amount of power and energy equal to Puget's Ownership Percentage of the Project capability ("Puget's Output") from Montana's point of interconnection with the Bonneville Power Administration ("BPA") at BPA's substation located at or near Garrison, Montana ("Garrison") to the 230 kV bus at Montana's Mill Creek Substation ("Point of Delivery"). Montana shall make Puget's Output available at said 230 kV bus so that Puget may schedule to the transmission facilities of any other utility that is interconnected to said 230 kV bus. For the purposes of this Section, the "230 kV bus" shall include the 230 kV line connecting said bus with BPA's Anaconda Substation, and, to the extent Montana has transformation capacity available, shall include the 161 kV bus at the Mill Creek Substation."

3. Subsection 3.2 of the Transmission Agreement is hereby suspended for the duration of the Interim Period. Subsection 3.2 remains in effect for the period after the Interim Period.

4. Puget shall not be obligated, and is hereby released from the obligation, to pay Montana the .15 mill per kwh wheeling charge described in Subsection 4.2 of the Transmission Agreement for power and energy scheduled under the Transmission Agreement during the Interim Period.

5. Section 6 of the Transmission Agreement is hereby amended to read in its entirety as follows, effective as of January 10, 1984:

"6. SCHEDULING.

Puget shall schedule and deliver to Montana at Garrison all power and energy to be wheeled by Montana pursuant to Subsections 3.1 and 3.2 and Montana shall concurrently schedule and deliver an equal amount of power and energy to Puget at the Point of Delivery or Optional Point of Delivery, whichever is applicable."

6. Puget shall not be obligated, and is hereby released from the obligation (e.g., under Section 7 of the Transmission Agreement), to schedule or otherwise deliver to Montana losses associated with Montana's wheeling or delivery of power and energy under the Transmission Agreement during the Interim Period.

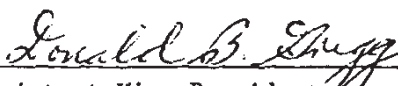
7. Puget's rights to schedule capacity under the Transmission Agreement constitute "contract rights to scheduling capacity in Garrison-West Transmission Facilities" under paragraph 8 of the Interim Agreement.

8. The Transmission Agreement, as amended by this Amendment No. 1, remains in full force and effect. This Amendment shall not be interpreted or construed as amending any of the provisions of the Interim Agreement.

Puget Sound Power & Light Company

By: 
R. G. Bailey, Vice President,
Power Systems

The Montana Power Company

By: 
Assistant Vice President
Power System Planning