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May 28, 2020

**VIA WEB PORTAL**

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

**Re: *In the Matter of the Application of Puget Sound Energy for an Order Authorizing the Sale of All of Puget Sound Energy's Interests in Colstrip Unit 4 and Certain of Puget Sound Energy's Interests in the Colstrip Transmission System***  
**Docket UE-200115**  
**Notice of Puget Sound Energy Intent to Supplement Application**

Dear Mr. Johnson:

Puget Sound Energy ("PSE") hereby provides notice to the Washington Utilities and Transportation Commission ("Commission") that PSE intends to file a supplemental application and supporting testimony as a result of an anticipated change in the terms of the proposed transactions set forth in PSE's Application filed in the above docket.

On February 19, 2020, PSE filed an Application in the above docket that sought approval of (i) the sale of all of PSE's interests in Colstrip Unit 4, (ii) certain of PSE's interests in the Colstrip Transmission System to NorthWestern Energy ("NorthWestern"), and a power purchase agreement ("PPA") between PSE and NorthWestern (the "Proposed Transactions"). The Proposed Transactions are pursuant to certain purchase and sale agreements executed by and between PSE and NorthWestern on December 9, 2019.

Under the terms of the Proposed Transactions, PSE would sell the following:

- All of PSE's 25 percent undivided interest in the 740 MW Colstrip Unit 4 (amounting to 185 MW), including the portion of PSE's real property rights associated with PSE's Colstrip Unit 4 interests, and PSE's interest in the common facilities and associated assets related to PSE's Colstrip Unit 4 interests, for one dollar (\$1.00).

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- An undivided interest in PSE's interest in the Colstrip Transmission System (representing not less than 95 MW) and an option for NorthWestern to acquire an additional interest in PSE's interest in the Colstrip Transmission System (representing not less than 90 MW), plus PSE's real property and other ancillary rights associated with PSE's transmission assets, at the book value of those assets.

In addition to the above, PSE and NorthWestern agreed to a PPA whereby PSE would purchase from NorthWestern 90 MW of capacity from Colstrip Unit 4. The Proposed Transactions are more fully described in PSE's Application.

On April 8, 2020, Talen Montana, LLC ("Talen") provided notice that it was exercising its right of first refusal under Section 24 of Colstrip Units 3 & 4 Ownership and Operation Agreement.<sup>1</sup> As a result of Talen's exercise of this right, Talen is entitled to purchase a share of PSE's interest in Colstrip Unit 4 not less than what NorthWestern is able to acquire. Accordingly, instead of NorthWestern acquiring PSE's entire 25 percent interest in Colstrip Unit 4 (i.e., 185 MW) for one dollar, NorthWestern and Talen will each acquire 12.5 percent of PSE's interest in Colstrip Unit 4 (i.e., 92.5 MW) for fifty cents. In addition, instead of NorthWestern and PSE entering into a PPA, whereby PSE would acquire 90 MW of capacity from NorthWestern, PSE will enter into separate PPAs with each of NorthWestern and Talen for 45 MW each at the same price.

Aside from PSE selling its interest in Colstrip Unit 4 and entering into a corresponding PPA with two parties (NorthWestern and Talen) instead of one (NorthWestern), PSE does not anticipate any other changes to the sale of Colstrip Unit 4 or the PPA. Indeed, the property that PSE seeks to transfer—and the value that PSE will receive—has not changed as a result of Talen's exercise of the right of first refusal. PSE is currently in negotiations to finalize the terms of these separate transactions and will file the supplemental application, testimony, and underlying purchase and sale documents, when they are executed. Given that the underlying Proposed Transactions will remain almost entirely unchanged even after the addition of a second buyer, the current procedural schedule should remain unchanged.

Please contact me if you have any questions.

Very truly yours,



David S. Steele

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<sup>1</sup> The Colstrip Units #3 & #4 Ownership and Operation Agreement, dated as of May 6, 1981, by and between The Montana Power Company, Puget Sound Power & Light Company, The Washington Water Power Company, Portland General Electric Company, Pacific Power & Light Company, and Basin Electric Power Cooperative.