

**EXH. RJR-8
DOCKET UE-200115
COLSTRIP UNIT 4 SALE
WITNESS: RONALD J. ROBERTS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**SEVENTH EXHIBIT TO THE PREFILED
DIRECT TESTIMONY OF**

RONALD J. ROBERTS

ON BEHALF OF PUGET SOUND ENERGY

FEBRUARY 19, 2020

**EXHIBIT A TO TERM SHEET
WITH RESPECT TO THE
COLSTRIP UNIT 4 TRANSACTION**

CONFIRMATION FOR UNIT COMMITMENT SERVICE – COLSTRIP UNIT 4

This Confirmation (this “Confirmation”) shall confirm the terms agreed to between NorthWestern Corporation, d/b/a NorthWestern Energy (“Seller”) and Puget Sound Energy, Inc. (“Buyer”) regarding the purchase of Unit Commitment Service subject to the terms and conditions of the Western Systems Power Pool Agreement, dated effective as of [July 22, 2010], as amended from time to time prior to the date hereof (the “WSPP Agreement”). The undersigned Parties agree to sell and purchase electric energy pursuant to the WSPP Agreement as it is supplemented and modified below:

Seller	NorthWestern Corporation, d/b/a NorthWestern Energy
Purchaser	Puget Sound Energy, Inc.
Period of Delivery	[Commencing on hour ending (“HE”) 0100 June 1, 2020 through HE 2400 May 15, 2025] ¹
Schedule (Days and Hours)	7 x 24 (including NERC holidays)
Delivery Rate	N/A
Delivery Point	The high side of the 500 kV bus for Unit 4 in the Colstrip Switchyard, or, at Seller’s option and with prior notice to Purchaser, at Mid-C.
Type of Service	Unit Commitment Service from Colstrip Unit 4, Service Schedule B
Contract Quantity	90 MW at any time that Colstrip Unit 4 is operating at or greater than minimum load; 0 MW when Colstrip Unit 4 is off-line.
Contract Price	For each hour of the term of the contract, regardless of the Delivery Point, the higher of (i) the Mid C Day-Ahead Index Price for on-peak and off-peak periods, as applicable, minus O&M Costs (Base) Equilivant and (ii) the Floor Price applicable to such hour. In addition Purchaser shall pay a monthly payment of 1/12 th of the annual O&M Costs (Base).

As used herein:

¹ Note to Draft: Delivery term to be confirmed.

“Floor Price” means, for any hour during the Period of Delivery, a per MWh price calculated in accordance with Exhibit A to this Confirmation.

“O&M Costs (Base)” means, the 90 MW share of the O&M Cost (Base) fixed costs as identified and approved annually for Costrip Units 3 and 4 Budget. .

“O&M Costs (Base) Equilivant” means, O&M Cost (Base) divided by the annual net generation, as identified and approved annually for Colstrip Units 3 and 4 Budget.

“Mid C Day-Ahead Index Price” means, as applicable, the “ELECTRICITY-MID C PEAK-ICE” price or the “ELECTRICITY-MID C OFF-PEAK-ICE” price, as published by the Intercontinental Exchange for the applicable day of delivery, or if at any time such index is no longer available, such other index as the parties agree provides an economically comparable price.²

Transmission Path for the Transaction

N/A

Date of Agreement

[], 2019

Special Terms and Exceptions

Notwithstanding anything to the contrary in the WSPP Agreement, the Parties hereby agree to the following modifications thereto:

1. Section 22 of the WSPP Agreement is hereby revised as follows:
 - a. The reference to two (2) Business Days in Section 22.1(a) is amended to be a reference to ten (10) Business Days;
 - b. Section 22.1(c) is hereby revised to add the following to the end there of:

“*provided, that, in the case of the institution of any such proceeding by another person or entity, such proceeding is consented or acquiesced to by the Defaulting Party or is not withdrawn or dismissed within sixty (60) days;*”

² Note to Draft: Parties to confirm index.

- c. The first and second sentences of Section 22.2(a) are deleted in their entirety and the following is substituted therefor:

“If an Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right to suspend, reinstate and resuspend performance of transactions under this Agreement. Suspension periods shall not affect in any way the thirty (30) day period for exercising a right of termination under Section 22.2(b).”
 - d. The last sentence of Section 22.2(a) is deleted in its entirety and the following is substituted therefor:

“The Non-Defaulting Party shall provide at least twenty-four (24) hours written notice to the Defaulting Party before any suspension may be terminated.”
 - e. The last sentence of Section 22.3(c) is hereby deleted in its entirety and the following is substituted therefor: “If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, the Termination Payment shall be deemed to equal \$0 and in no event shall the Defaulting Party be entitled to be paid a Termination Payment”; and
 - f. Section 22.3(e) shall be deleted in its entirety.
2. Sections B-3.8 and B-5 of Service Schedule B are hereby deleted in their entirety.
 3. Revision of B-3.9(b) in Schedule B to read, “By the Seller when all of the output of the unit is unavailable” and deleting the remainder of that subsection.
 4. THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS CONFIRMATION OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS

(WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE PARTIES HERETO.

5. This Agreement is made under and shall be governed by and construed in accordance with the substantive laws of the State of New York, without giving effect to any choice of law rule (except Section 5-1401 of the New York General Obligations Law) that would cause the application of the laws of any jurisdiction other than the internal laws of the State of New York³.

Miscellaneous

This Confirmation may be executed in multiple counterparts, each of which when so executed and delivered shall constitute a duplicate original and all counterparts together shall constitute one and the same instrument. The Parties acknowledge and agree that any document or signature delivered by facsimile, PDF or other electronic transmission shall be deemed to be an original executed document for the purposes hereof and such execution and delivery shall be considered valid, binding and effective for all purposes.

IN WITNESS WHEREOF the Parties have executed this Confirmation in the manner appropriate to each on the date set forth above.

NORTHWESTERN CORPORATION, d/b/a NORTHWESTERN ENERGY

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

³ NTD: New York law is acceptable, but NorthWestern would prefer to stick with WSPP mediation and arbitration.

Exhibit A to
Colstrip Unit 4 Unit Contingent Confirmation

Methodology for calculating the minimum electric cost

Combination of Two parts

- Fuel related variable cost in \$/MW
- Non-Fuel variable cost in \$/MW

Fuel related Variable costs

- Base price is the equivalent cost of fuel expressed in \$/MW at minimum load heat rate
 - Heat rate is approximately 13,500Btu/KWhr
 - Coal consumption at that rate is 0.8 tons /MW
- Base price on the contract starts at \$27/ton
 - \$27/ton is equivalent to \$21.60/MW (\$27.00/ton times 0.8tons/MW)
- Base price under the fuel contract adjusts quarterly under the fuel contract – the base price of this contract would be adjusted accordingly (the quarterly base price would be multiplied by 0.8)

Non Fuel variable costs

- The plant produces an incremental cost worksheet every year which includes a place for non-fuel variable cost
- For 2019, it is \$3.81/MW at minimum load
- A new sheet will be developed for the 2020 budget – a new number would be used annually under the contract for non-fuel variable O&M
- If the operator no longer produces an incremental cost worksheet, then mutually agreeable alternative will be calculated or used

Minimum charge for electricity under the PPA then is the combination of Fuel and non-Fuel variable costs as described and adjusted above.

- Minimum charge = Fuel related variable cost + non-Fuel variable cost
 - the example above would produce a minimum charge of $\$21.60 + 3.81 = \$25.41/\text{MW}$