

**Exh. DCG-2
Docket UE-200115
Witness: David C. Gomez**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

DOCKET UE-200115

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**

**EXHIBIT TO
TESTIMONY OF**

David C. Gomez

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

*NorthWestern's response to Natural Resources Defense Council's (NRDC) discovery
request NRDC-001 in Docket No. 2019.12.101-CU4 Capacity Acquisition*

October 2, 2020



June 9, 2020

Mr. Will Rosquist
Administrator, Regulatory Division
Montana Public Service Commission
1701 Prospect Ave.
P. O. Box 202601
Helena MT 59620-2601

RE: Docket No. 2019.12.101 – CU4 Capacity Acquisition
NRDC Set 1 (001-019)

Dear Mr. Rosquist:

Enclosed for filing are NorthWestern Energy's responses to NRDC Set 1 Data Requests (001-019) in Docket No. 2019.12.101.

These data responses have been e-filed on the PSC website and emailed to the email list.

If you have any questions, please call Joe Schwartzenberger at (406) 497-3362.

Sincerely,

Tracy Lowney Killoy
Administrative Assistant
Regulatory Affairs

enclosure

CERTIFICATE OF SERVICE

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I hereby certify that NorthWestern Energy's responses to NRDC Set 1 Data Requests (001-019) in Docket No. 2019.12.101, the Colstrip Acquisition filing, have been e-filed with the Montana Public Service Commission ("Commission") and emailed to the email list below. Attachments have been efiled in a compressed zip folder and provided to the email list via Electronic File Transfer. Due to the workplace disruptions caused by the COVID-19 pandemic, the Commission has waived its requirement under ARM 38.2.1209 to provide it with paper copies and has also approved electronic service only to the Service List.

Date: June 9, 2020

/s/ Tracy Lowney Killoy
Administrative Assistant

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All references to “attached” documents refer to documents that are being sent via electronic file transfer.

NRDC-001 Re: Vote Sharing Agreement
Witness: Hines

In testimony before the Washington Utilities and Transportation Commission seeking approval from that Commission for the same transaction proposed in this docket, Ronald J. Roberts, a witness for Puget Sound Energy, states:

The Vote Sharing Agreement is important to PSE because it provides certainty with respect to ambiguities within the Colstrip Units 3 & 4 Ownership and Operation Agreement that could have created difficulties for the owners of Colstrip Unit 3 to decommission and remediate that unit at the appropriate time. The Colstrip Units 3 & 4 Ownership and Operation Agreement contains provisions that determine the percentage vote required by the Colstrip Units 3 & 4 Project Committee on various matters, none of which address closure or decommissioning of a unit. Arguments could be made that any decision regarding the closure or decommissioning of one or both units must be unanimous. NorthWestern Energy would likely be the owner with the most difficulty approving the closure or decommissioning of Colstrip Unit 3 due to political and economic pressures in the State of Montana. At best, the owners of Colstrip Unit 3 & 4 would have been subject to potentially lengthy and costly litigation to determine the question whether unanimous consent were required under the Colstrip Units 3 & 4 Ownership and Operation Agreement to close or decommission Colstrip Unit 3. At worst, NorthWestern Energy could have had a *de facto* veto for any decision to close or decommission Colstrip Unit 3, even if all of the entities with an ownership interest in the unit thought that closure and decommissioning were appropriate.

The Vote Sharing Agreement resolves this ambiguity by providing PSE the sole right to vote the Shared Vote on any issue with respect to a Unit 3 Decommissioning Proposal. This provision effectively removes any “veto right” of NorthWestern Energy under the Colstrip Units 3 & 4 Ownership and Operation Agreement with respect to any vote regarding the closure and decommissioning of Colstrip Unit 3, when the time is appropriate.

Does NorthWestern Energy agree with the last paragraph of this excerpt from Mr. Roberts’s testimony? If not, why not?

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NRDC-001 cont'd

RESPONSE:

Not exactly. The Vote Sharing Agreement governs matters presented to the Project Committee. It is NorthWestern's position that the Ownership and Operation Agreement requires unanimous vote of the owners to decommission a unit. NorthWestern has no ownership interest in Unit 3 and no "veto right" on decommissioning that unit.

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NRDC-002 Re: Colstrip Agreements and Legal Documents
Witness: Barnes

The Amended and Restated NorthWestern/PP&L Colstrip Units 3 & 4 Generating Project Reciprocal Sharing Agreement, entered into between NorthWestern Corporation and PPL, Montana, LLC on October 16, 2009 (the Agreement) refers to several other agreements and documents. Please provide the following:

- The Amended and Restated Project Committee Vote Sharing Agreement referred to in the Recitals section of the Agreement at Paragraph C.
- Any and all predecessor Vote Sharing Agreements that the Amended and Restated Project Committee Vote Sharing Agreement succeeded to.
- The Assignment and Assumption Agreement referred to in the Recitals section of the Agreement at Paragraph D.
- The Original Reciprocal Sharing Agreement referred to in the Recitals section of the Agreement at Paragraph E.
- The Colstrip 4 Leveraged Lease Documents and the Colstrip 3 Leveraged Lease Documents referred to in the Recitals section of the Agreement at Paragraph G.

RESPONSE:

The 1999 Project Committee Vote Sharing Agreement is attached as document NRDC-002 1.

The 2009 Project Committee Amended and Restated Vote Sharing Agreement is attached as document NRDC-002 2.

The 1999 Assignment and Assumption Agreement is attached as NRDC-002 3.

The 1985 Participation Agreements (Colstrip 4 Leveraged Lease Document) are attached as NRDC-002 4a and 4b.

NorthWestern does not have any Colstrip Unit 3 leveraged lease documents.

The 1999 Reciprocal Sharing Agreement is included in Michael J. Barnes' direct testimony as Exhibit MJB-4.

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NRDC-003 Re: Project Committee Decisionmaking
Witness: Barnes

Please provide all documents in the possession of NorthWestern Energy relating to specific decisions made by the Project Committee on matters coming before that Committee pursuant to Section 17 of the Ownership and Operation Agreement (O&O Agreement) (referenced at JDH-14) for the last 5 years. Such documents should pertain to, but may not be limited to, the matter up for approval (see Section 17, Paragraph (f) of the O&O Agreement), the entity bringing the matter to the Project Committee for approval, and how each Committee member voted.

RESPONSE:

See the document attached as NRDC-003. Consistent with Section 17 (f) of the O&O Agreement, the Operator generally submits matters to the Committee for approval. NorthWestern does not maintain additional detail regarding how each Committee member voted.

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NRDC-004 Re: Implementation of the Ownership and Operation Agreement
Witness: Barnes

Has Section 18 of the Ownership and Operation Agreement on arbitration ever been invoked? If so, please describe the circumstances and outcome.

RESPONSE:

No.

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NRDC-005 Re: Implementation of the Ownership and Operation Agreement
Witness: Barnes

Has Section 19 of the Owner and Operation Agreement (referenced at JDH-14) concerning Project Damage ever been invoked? If so, please explain the circumstances and outcome.

RESPONSE:

No.

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NRDC-006 Re: Carbon Reduction Plan
Witness: Supply

In a press release, dated December 10, 2019, wherein NorthWestern Energy announced its intention to seek to procure an additional 185 MW of Colstrip Unit 4 from Puget Sound Energy, NorthWestern Energy also “commit[ed] to reduce the carbon intensity of our electric energy portfolio for Montana 90% by 2045 (compared to 2010).”

- a. Please provide all documentation regarding this commitment, including any plans or analysis performed by NorthWestern Energy or any of its consultants directed at achieving this goal.
- b. Please identify the carbon intensity of NorthWestern Energy’s Montana electric portfolio in 2010.
- c. Please identify the carbon intensity of NorthWestern Energy’s Montana electric portfolio in 2019.
- d. Please identify the projected carbon intensity of NorthWestern Energy’s Montana electric portfolio if it receives approval to acquire the full acquisition of 185 MW of Colstrip Unit 4 initially proposed.
- e. Please identify the projected carbon intensity of NorthWestern Energy’s Montana electric portfolio if it receives approval to acquire 92.5 MW of Colstrip Unit 4.
- f. Please provide the underlying basis and documentation for the calculations made in response to b., c., d. and e. above.

RESPONSE:

- a. See the two attached documents NRDC-006, which include NorthWestern’s historical carbon emissions and the future projections of carbon emissions including the 185-MW acquisition.
- b. 2,237 pounds per megawatt-hour.
- c. Carbon emission numbers for 2019 are not yet available. The carbon intensity of NorthWestern’s Montana electric portfolio in 2018 was 1,021 pounds per megawatt-hour.
- d. See the response to part a, above.

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NRCD-006 cont'd

- e. NorthWestern's carbon commitment was developed based on projections including the 185-MW addition. NorthWestern has not assembled projections for the 92.5-MW addition.
- f. This request exceeds the number of subparts allowed in the Procedural Order. Please see the response to part a, above.

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NRDC-007 Re: Coal generation
Witness: Hines, parts a & b / LaFave, part c

On page JDH-9 witness Hines states that “there are different and sometimes acrimonious disagreements on the role coal should play in electric portfolios, even within NorthWestern’s Montana service territory.”

- a. Please describe the “disagreements.”
- b. What role does NorthWestern Energy believe coal should play in the mix of resources it uses to serve its customers, now, 10 years from now, 20 years from now, and 30 years from now?
- c. Is the answer to subpart c. dependent, in whole or part, on the need for reductions in carbon emissions by a certain date or within a specific time frame in order to avoid or reduce climate related impacts? If so, please explain.

RESPONSE:

- a. Some stakeholders have a “zero tolerance” position on coal generation while many other stakeholders appreciate the reliability and diversity that coal generation brings to a cost-effective supply portfolio.
- b. See NorthWestern’s 2019 Electricity Supply Resource Procurement Plan for the 20-year planning horizon. NorthWestern does not plan for a 30-year horizon.
- c. No. Currently, NorthWestern is required by law to provide reliable, least cost supply. The only carbon requirement for NorthWestern is the 15% renewable portfolio. NorthWestern will plan to continue to meet that requirement.

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NRDC-008 Re: Interaction between the Ownership and Operation Agreement and the Vote Sharing Agreement.
Witness: Hines

The Ownership and Operation Agreement (the O&O Agreement), at Section 1(n) defines the “Project” to be, in pertinent part, Colstrip Units 3 and 4, collectively. Section 17 of the Ownership and Operation Agreement establishes a Project Committee and a system for the Project Committee to make decisions related to the Project. The Vote Sharing Agreement (Exhibit F of the Colstrip Unit 4 Purchase and Sale Agreement between NorthWestern Corporation and Puget Sound Energy) purports to differentiate decisionmaking as between Unit 3 and Unit 4 such that decisions are made on a unit by unit basis. Please explain this seeming discrepancy between the voting system established in the O&O Agreement and the voting system established in the Vote Sharing Agreement.

RESPONSE:

There is no discrepancy, as the proposed Vote Sharing Agreement simply identifies which party casts the vote that would be shared by Puget and NorthWestern, if the 185-MW acquisition is approved.

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NRDC-009 Re: Ownership and Operation Agreement provisions
Witness: Barnes

If the transaction, as originally filed, is approved by the Commission, NorthWestern Energy would own 55 percent of Colstrip Unit 4. Would this mean that NorthWestern Energy would hold 55 percent of “total Project Shares,” as that term is used in Section 13(f) of the Ownership and Operation Agreement? Please explain.

RESPONSE:

Not all the time. The Ownership and Operation Agreement restricts the number of votes to five on any given issue. NorthWestern currently shares a 30% vote with Talen. If the 185-MW transaction is approved, then NorthWestern would share an additional 25% vote with Puget. It is conceivable, at times, that NorthWestern could exercise both shared votes for a total of 55% (30% + 25%) depending on the particular proposal considered. These shared votes would not satisfy the Operator and two Owner provision of 13(f).

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NRDC-010 Re: Remediation and Decommissioning Costs
Witness: Barnes

Please provide the estimated remediation and decommissioning costs, separately, by year for Colstrip Unit 4 for at least 30 years after the plant is assumed to retire but in any case at least until 2070 in both nominal dollars and future dollars. If an assumed retirement date is necessary to make the estimates called for above, please assume that the plant retires in the following years, 2025, 2030, 2035, and 2040, and provide estimates for each such scenario. Please state the assumed discount rate.

RESPONSE:

NorthWestern has not conducted a decommissioning study. Exhibits MJB-6, MJB-7, and MJB-8 are publicly available decommissioning studies that include decommissioning estimates for plants like Colstrip Units 3 & 4. Exhibit MJB-9 pulls the information from MJB-6, MJB-7, and MJB-8 together to make an estimate about potential costs of decommissioning when the time comes.

Exhibit MJB-5 (updated in response to Data Request MCC-046b) provides costs associated with remediation and monitoring relative to the ash ponds as required by both the 2012 Administrative Order on Consent and the CCR rules. This document shows the costs related to remediation and assumes the units shut down in 2040. NorthWestern has not conducted the requested analyses assuming that the plant retires in 2025, 2030, or 2035.

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NRDC-011 Re: Remediation Costs
Witness: Barnes

Witness Hines states that “Puget remains responsible for its presale 25% ownership share of remediation costs ... include[ing] remediation of coal ash and coal combustion residuals, and related hazardous wastes generated from the operation of CU4 even after NorthWestern acquires Puget’s interest.” JDH-11, lines 4-9.

- a. Assuming Colstrip Unit 4 operates beyond 2025, will there be additional coal combustion residuals, and related hazardous wastes, remediation expenses associated with the continued operation of Colstrip Unit 4 as a result? Please explain.
- b. If the answer to (a) is in the affirmative, please confirm that Puget Sound Energy would be responsible or liable for these additional costs according to its pre-Closing Date Project Shares. Please explain.
- c. If the answer to (b) is that Puget Sound Energy would not be partly or entirely responsible or liable for these additional costs, who would be? Please explain.

RESPONSE:

- a. Yes. See Exhibit MJB-5 (updated in response to Data Request MCC-046b). This exhibit shows both NorthWestern’s share of the costs and the total costs. The table assumes both Units 3 & 4 run until 2040.
- b. Confirmed. Continued operations beyond 2025 does not change Puget’s responsibility for its pre-Closing Date Project Share.
- c. Not applicable.

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NRDC-012 Re: Coal Ash Quantities
Witness: Barnes

- a. Please provide the total tonnage of coal combustion residuals, and related hazardous wastes, produced by Colstrip Unit 4 every year over the last five years.
- b. Please estimate the likely tonnage of coal combustion residuals, and related hazardous wastes, produced by Colstrip Unit 4 annually if it continues to operate beyond 2025.

RESPONSE:

- a. - b. NorthWestern objected to this request.

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NRDC-013 Re: Ownership and Operation Agreement provisions
Witness: Barnes

Section 13(e) of the Ownership and Operation Agreement requires the Project Committee to establish “guidelines for determination of minimum operating capability for each unit of the Project, normal rate of change of generation, and Net Generating Capability.”

- a. Please provide the “guidelines” referred to in Section 13(e).
- b. Please provide the values for each of the operational parameters for each of the units.

RESPONSE:

- a. Written guidelines are not available; however, Units 3&4 have operated under the same minimum operating capability, normal rate of change of generation, and Net Generating Capability since at least 1999 and probably since they began commercial operation.
- b. Minimum operating capability – 200 MW each; normal rate of change – 8 MW/min each; Net Generating Capability – 740 MW each.

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NRDC-014 Re: Ownership and Operation Agreement provisions
Witness: Barnes

Section 13(d) of the Ownership and Operation Agreement requires that each Project User's generation schedule "shall not be less at any time than such Project User's Project Share of the minimum operating capability of the Project."

- a. What is NorthWestern Energy's "Project Share of the minimum operating capability of the Project?"
- b. If the transaction with Puget Sound Energy is approved, as originally filed, what will be NorthWestern Energy's "Project Share of the minimum operating capability of the Project?"

RESPONSE:

- a. The minimum operating capability of each unit is 200 MW, so NorthWestern's share of the minimum operating capability is 30 MW for each unit for a total of 60 MW when both units are operating.
- b. When combined with the numbers provided in response to part a, above, NorthWestern's share of the minimum operating capability will be 30 MW for Unit 3 when it is operating and 80 MW (the original 30 MW plus 25% of 200 MW or 50 MW) of Unit 4 when it is operating.

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NRDC-015 Re: Vote Sharing Agreement provisions
Witness: Barnes

Article 1, Section 1.1 of the Vote Sharing Agreement between NorthWestern Energy and Puget Sound Energy defines various terms, including a “Colstrip Unit 3 Proposal” and a “Colstrip Unit 4 Proposal.” Please provide at least two examples of proposals that would “relate primarily” to one or the other of the units so as to make such a proposal either a Unit 3 Proposal or a Unit 4 proposal.

RESPONSE:

Anything that would be unit specific would be a proposal that relates primarily to one or the other unit. For example, if a unit was to incur a failure of some sort and capital dollars would be needed to repair it, the proposal for recovery would be unit specific. If a proposal was made to take a specific unit off-line for some reason, the proposal would be unit specific.

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NRDC-016 Re: Remediation Cost
Witness: Legal

Please explain the consequences, if any, on NorthWestern Energy's remediation cost responsibility and liability associated with the operation of Colstrip Units 1-4, resulting from the Montana Power Company's sale of Colstrip generation to Pennsylvania Power and Light (PPL) in 1999. In so explaining, please specifically address remediation cost responsibility and liability as it relates to the sale to PPL of Montana Power Company's 30 percent share of Colstrip Unit 3.

RESPONSE:

The cost responsibility for expenses and capital expenditures associated with the Project (CU3 and CU4) is governed by the Ownership and Operation Agreement, as amended, and the Reciprocal Sharing Agreement, as amended.

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NRDC-017 Re: Ownership and Operation Agreement provisions
Witness: Barnes

Section 2 of the Ownership and Operation Agreement sets forth the initial ownership of the Project, in percentage terms, and, in paragraph (b), defines the term "Project Share." Please identify the Project Share of each Project User for the following situations:

- a. At present;
- b. If Puget Sound Energy transfers 185 MW of Colstrip Unit 4 to NorthWestern Energy;
- c. If Puget Sound Energy transfers 92.5 MW of Colstrip Unit 4 to NorthWestern Energy and 92.5 MW of Colstrip Unit 4 to Talen Montana.

RESPONSE:

- a. Project Share as it relates to Section 2 of the Ownership and Operation Agreement at present is as follows:

Talen Montana, LLC / NorthWestern Corporation share – 30%*
Puget Sound Energy - 25%
Portland General Electric – 20%
Avista Corporation – 15%
PacifiCorp – 10%

*Talen Montana, LLC as a 30% owner of Unit 3 and NorthWestern as a 30% owner of Unit 4 act as a single 30% Project Share owner as it relates to Section 2 of the Ownership and Operation Agreement.

- b. Project Share as it relates to Section 2 of the Ownership and Operation Agreement if Puget Sound Energy transfers 185 MW of Colstrip Unit 4 to NorthWestern Energy would be as follows:

Talen Montana, LLC / NorthWestern share – 30%*
Puget Sound Energy / NorthWestern share - 25%**
Portland General Electric – 20%
Avista Corporation – 15%
PacifiCorp – 10%

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NRDC-017 cont'd

* Talen Montana, LLC as a 30% owner of Unit 3 and NorthWestern as a 30% owner of Unit 4 act as a single 30% Project Share owner as it relates to Section 2 of the Ownership and Operation Agreement.

** Puget Sound Energy as a 25% owner of Unit 3 and NorthWestern as a 25% owner of Unit 4 would act as a single 25% Project Share owner as it relates to Section 2 of the Ownership and Operation Agreement.

- c. Project Share as it relates to Section 2 of the Ownership and Operation Agreement if Puget Sound Energy transfers 92.5 MW of Colstrip Unit 4 to NorthWestern Energy and 92.5 MW to Talen Montana, LLC would be as follows:

Talen Montana, LLC / NorthWestern share – 30%*

Puget Sound Energy / NorthWestern / Talen Montana, LLC share - 25%**

Portland General Electric – 20%

Avista Corporation– 15%

PacifiCorp – 10%

* Talen Montana, LLC as a 30% owner of Unit 3 and NorthWestern as a 30% owner of Unit 4 act as a single 30% Project Share owner as it relates to Section 2 of the Ownership and Operation Agreement.

** Puget Sound Energy as a 25% owner of Unit 3, NorthWestern as a 12.5% owner of Unit 4, and Talen Montana, LLC as a 12.5% owner of Unit 4 would all act as a single 25% Project Share owner as it relates to Section 2 of the Ownership and Operation Agreement.

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NRDC-018 Re: Recovery of remediation costs
Witness: Legal

NorthWestern Energy's request for reconsideration in D2018.02.012 (at p. 7) states that "NorthWestern does reflect environmental remediation costs associated with CU4's operations in operations and maintenance expense and capital expenditures." Please provide, for the past 5 years, the annual amount of remediation cost recovered by NorthWestern Energy associated with the Colstrip complex, specific to the units, if that is appropriate. Please identify the specific remediation activities and associated costs. Please also indicate, on a going forward basis and after the resetting of rates in D2018.02.012, the amount of remediation costs that are being recovered in rates.

RESPONSE:

NorthWestern has not conducted this analysis in the format requested. The Motion for Reconsideration was intended to clarify that "remediation" costs are incurred prior to closure. For example, in its recent rate case, NorthWestern requested approval of capital expenditure projects associated with the 2012 Administrative Order on Consent. The list of projects is attached as NRDC-018.

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NRDC-019 Re; Colstrip Transition Funding
Witness: Lail

- a. Does NorthWestern Energy acknowledge that at some point in the future the existing Colstrip Units will retire?
- b. Does NorthWestern Energy believe that it has a responsibility to provide community transition funding to address the impacts that will occur as a result of the retirement of the Colstrip units?
- c. What steps has NorthWestern Energy taken to provide transition funding?
- d. Assuming NorthWestern Energy believes it has a responsibility for community transition funding, please discuss the factors that NorthWestern Energy will consider in thinking about the appropriate amount of funds to be devoted to Colstrip community transition.

RESPONSE:

- a. Yes.
- b. - d. NorthWestern objected to this request.