

**Exh. DCG-9
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**

PSE's 2017 IRP, Appendix K, Pages K1 to K3

October 2, 2020



K

2017 PSE Integrated Resource Plan

Colstrip

This appendix describes the Colstrip generating plant ownership structure, governance agreements and history. It explains plant operations, the technology employed to minimize environmental impacts, and summarizes the rules and regulations that may impact the plant's future operation.¹²

Contents

1. THE CHANGING LANDSCAPE K-3

2. FACILITY DESCRIPTION K-4

- Governance
- History of Colstrip
- Plant Operations
- Coal Supply Agreements (CSAs)
- Requirements after Operations Cease

3. RECENT CONSENT DECREES K-12

- Administrative Order on Consent for Wastewater Ponds
- Consent Decree Related to AOC Litigation
- Consent Decree Related to New Source Review/Prevention of Significant Deterioration Litigation

(continued next page)

*1 / Potential future CO₂ regulation is incorporated in the overall scenarios for the IRP since it impacts all thermal resources. Since Colstrip is included among these, CO₂ is not treated separately here.
2 / For discussion of the Colstrip sensitivities modeled in the 2017 IRP, see Chapter 6, Electric Analysis and Appendix N.*

Appendix K: Colstrip



4. RECENT RULES & PROPOSED RULES K-14

- *Mercury and Air Toxics (MATS) Rule*
- *Regional Haze Rule*
- *Coal Combustion Residuals Rule*
- *Clean Air Act National Ambient Air Quality Standards (NAAQS)*



1. THE CHANGING LANDSCAPE

With six joint owners, Colstrip faces a changing landscape of evolving energy markets, new environmental regulation, potential carbon pricing, aging infrastructure, periodic litigation and potential owner valuation differences. As these factors influence Colstrip operations, PSE continually evaluates the asset, as we do all the assets within our portfolio.

As explained below, six partner companies own various shares of the Colstrip Plant. Talen Energy is one of PSE's partners in this ownership. Talen Energy and PSE each own 50 percent of Colstrip Units 1 & 2; Talen Energy also owns a 30 percent share of Unit 3. Talen Energy has experienced two significant corporate structure changes in recent years. In June 2015, Talen Energy was created from a restructuring of PPL Montana assets. Then in December 2016, Talen Energy was acquired by Riverstone Holdings, LLC, and Talen's Montana assets were moved to Talen Energy-MT as a subsidiary of Riverstone. For PSE, the recent change has created uncertainty concerning the future partnership viability for continued operations of Colstrip Units 1 & 2 and long-term planning for Colstrip Units 3 & 4.

Over the past few years, Colstrip has been the subject of litigation brought by the Sierra Club and Montana Environmental Information Center (MEIC) related to the Clean Air Act and by Earthjustice³ and MEIC related to the plant wastewater ponds. As the Clean Air Act litigation trial date approached, the owners were also considering economic factors related to market conditions, such as low natural gas prices, compliance with recent environmental regulation related to carbon emissions (the Clean Power Plan) and environmental regulations that could necessitate further environmental equipment installation on Colstrip Units (Regional Haze Rule). Based on this analysis, the owners determined to set a retirement date for Colstrip 1 & 2.

Upon further discussion with Sierra Club and MEIC, the Clean Air Act litigation was settled by an agreement to shut down Colstrip 1 & 2 no later than July 1, 2022. Additionally, the legal action brought by Earthjustice and MEIC related to the plant's wastewater ponds was also settled by an agreement based on the retirement of Colstrip 1 & 2 and the commitment to transition to a dry disposal system for coal combustion residuals from Colstrip 3 & 4 no later than July 1, 2022.

³ / Earthjustice is a nonprofit that represents Sierra Club and other nonprofit environmental organizations on legal issues. It was formerly the Sierra Club Legal Defense Fund.