

**Exh. DCG-6
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

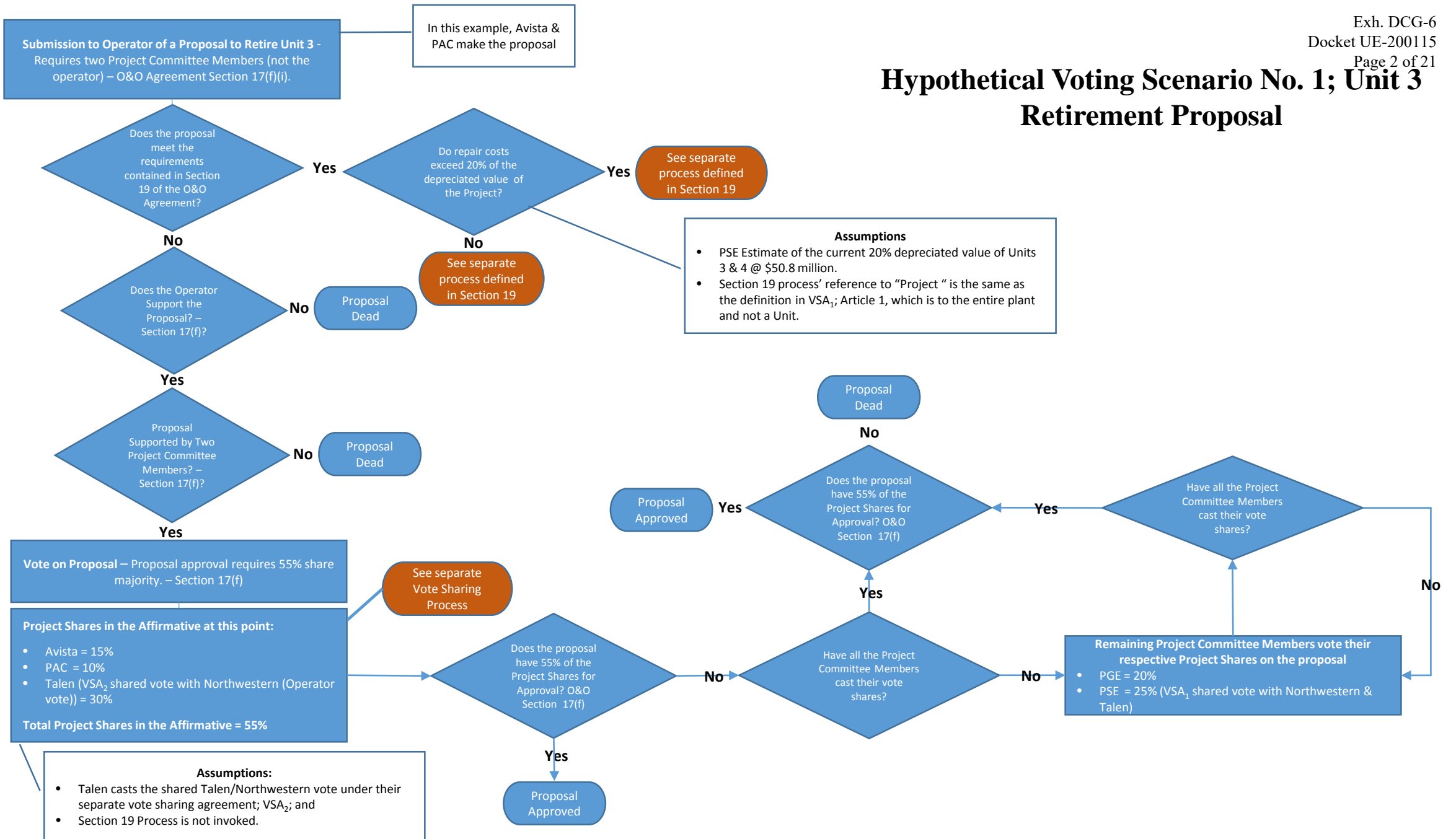
**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Voting Process Flow Chart

October 2, 2020

Section 17 Examples; Unit 3 Retirement Proposals & Unit 4 Budget Proposal

Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal



Submission to Operator of a Proposal to Retire Unit 3 - Requires two Project Committee Members (not the operator) – O&O Agreement Section 17(f)(i).

In this example, Avista & PAC make the proposal

See separate process defined in Section 19

See separate process defined in Section 19

Assumptions

- PSE Estimate of the current 20% depreciated value of Units 3 & 4 @ \$50.8 million.
- Section 19 process' reference to "Project " is the same as the definition in VSA₁; Article 1, which is to the entire plant and not a Unit.

Vote on Proposal – Proposal approval requires 55% share majority. – Section 17(f)

Project Shares in the Affirmative at this point:

- Avista = 15%
- PAC = 10%
- Talen (VSA₂, shared vote with Northwestern (Operator vote)) = 30%

Total Project Shares in the Affirmative = 55%

See separate Vote Sharing Process

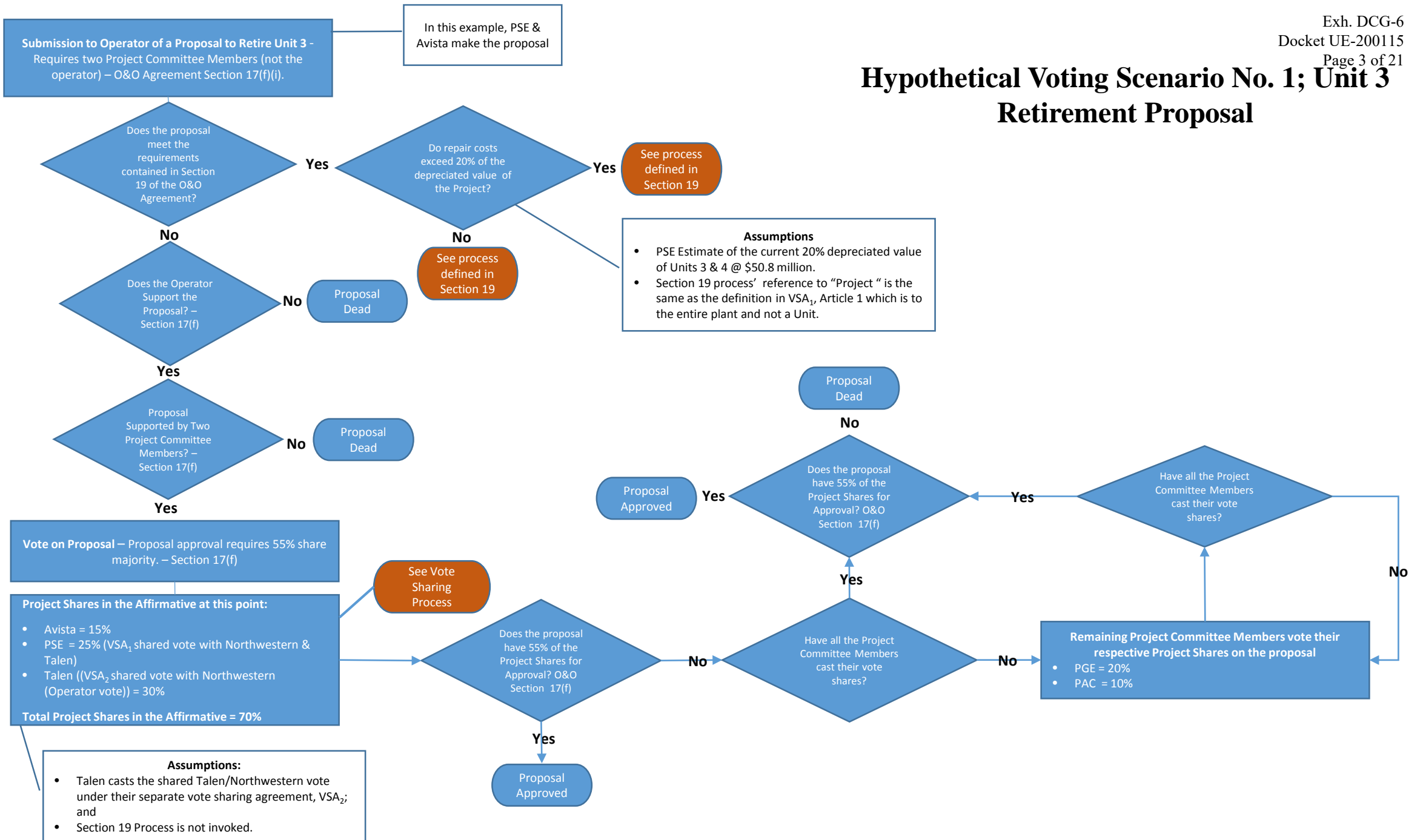
Assumptions:

- Talen casts the shared Talen/Northwestern vote under their separate vote sharing agreement; VSA₂; and
- Section 19 Process is not invoked.

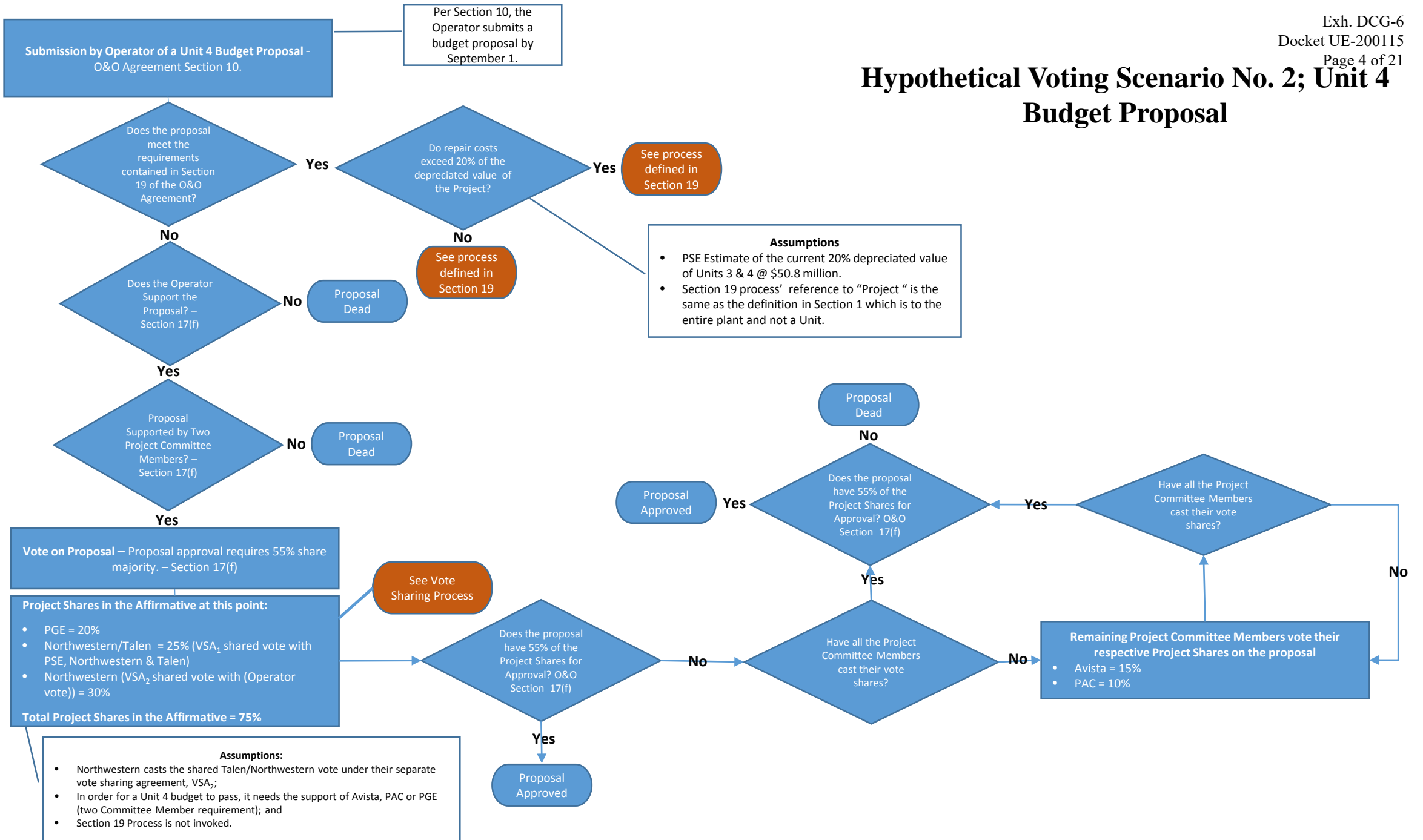
Remaining Project Committee Members vote their respective Project Shares on the proposal

- PGE = 20%
- PSE = 25% (VSA₁ shared vote with Northwestern & Talen)

Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal



Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal



Vote on Proposal – Proposal approval requires 55% share majority. – Section 17(f)

Project Shares in the Affirmative at this point:

- PGE = 20%
- Northwestern/Talen = 25% (VSA₁ shared vote with PSE, Northwestern & Talen)
- Northwestern (VSA₂ shared vote with (Operator vote)) = 30%

Total Project Shares in the Affirmative = 75%

Assumptions:

- Northwestern casts the shared Talen/Northwestern vote under their separate vote sharing agreement, VSA₂;
- In order for a Unit 4 budget to pass, it needs the support of Avista, PAC or PGE (two Committee Member requirement); and
- Section 19 Process is not invoked.

Assumptions

- PSE Estimate of the current 20% depreciated value of Units 3 & 4 @ \$50.8 million.
- Section 19 process' reference to "Project " is the same as the definition in Section 1 which is to the entire plant and not a Unit.

Section 19 Example Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal

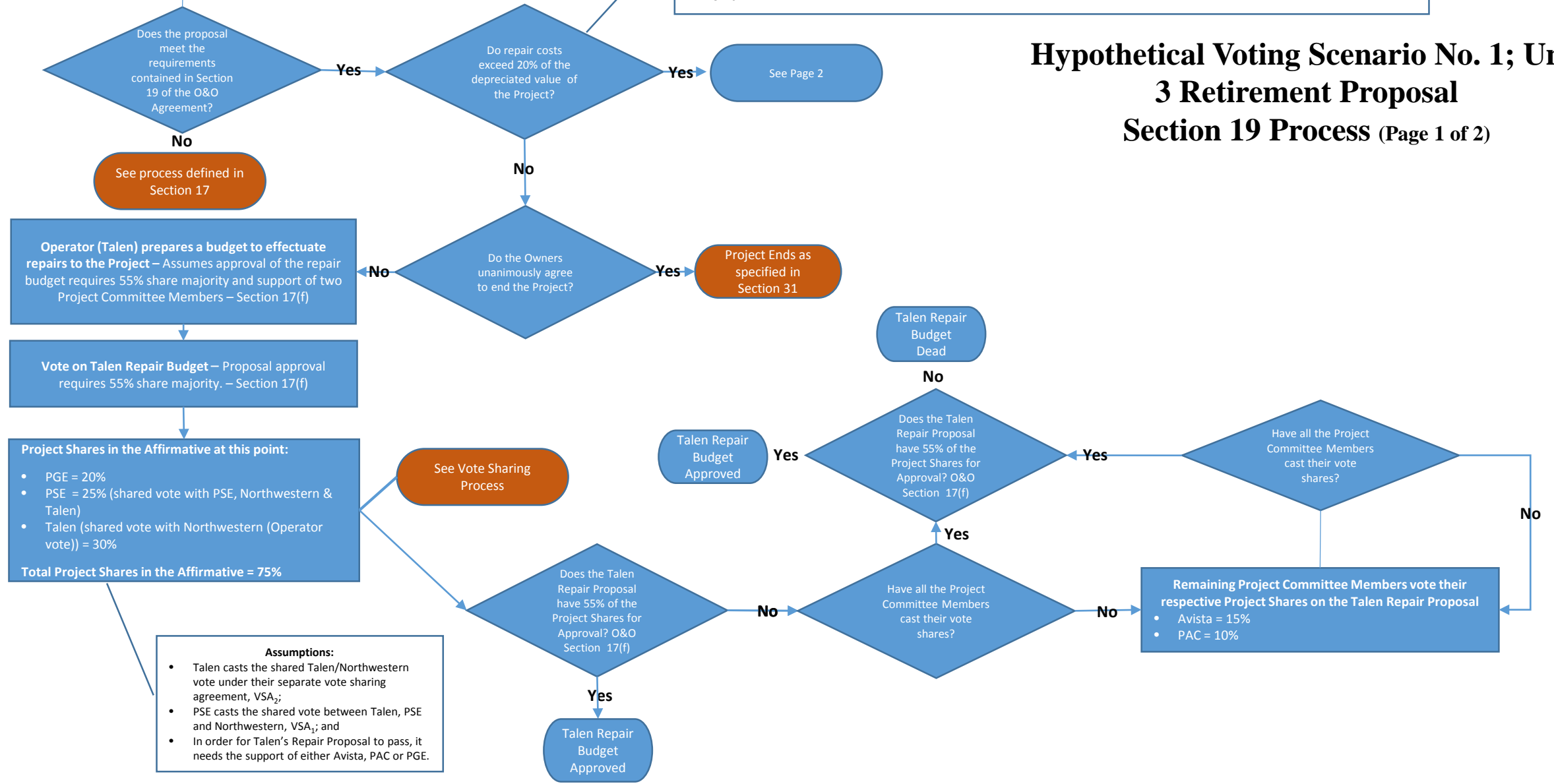
Submission to Operator of a Proposal to Retire Unit 3 - Requires two Project Committee Members (not the operator) – O&O Agreement Section 17(f)(i).

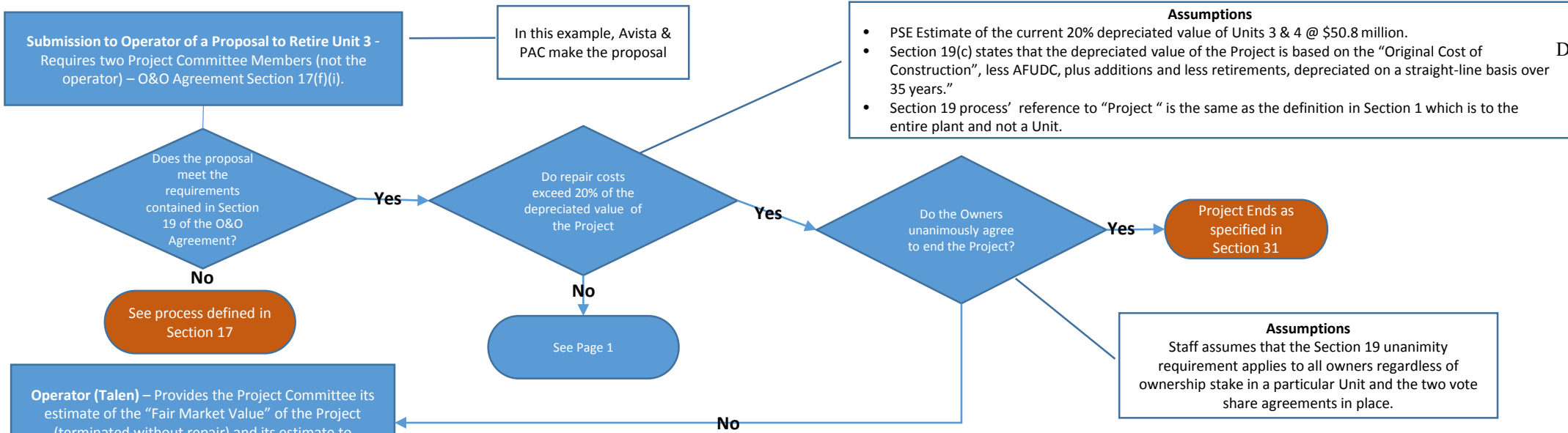
In this example, Avista & PAC make the proposal

Assumptions

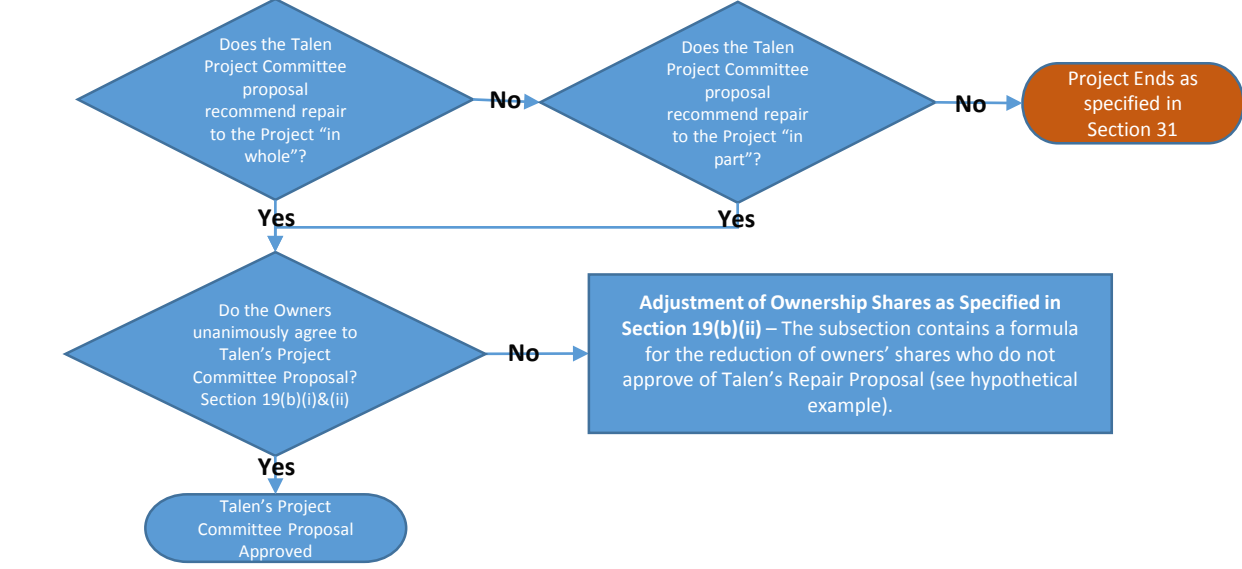
- PSE Estimate of the current 20% depreciated value of Units 3 & 4 @ \$50.8 million.
- Section 19(c) states that the depreciated value of the Project is based on the “Original Cost of Construction”, less AFUDC, plus additions and less retirements, depreciated on a straight-line basis over 35 years.”
- Section 19 process’ reference to “Project “ is the same as the definition in Section 1 which is to the entire plant and not a Unit.

Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal Section 19 Process (Page 1 of 2)





Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal Section 19 Process (Page 2 of 2)



Ownership Share Adjustment Hypothetical Example

Formula = $V/V+C$, where:

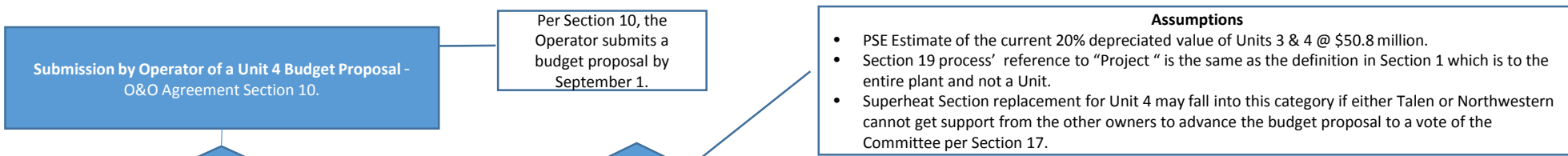
V = Fair Market Value of the Project if it were terminated without repair as unanimously agreed to by the Project Committee or through Arbitration; and

C = Estimated cost of repair. Shares are further adjusted once costs are known.

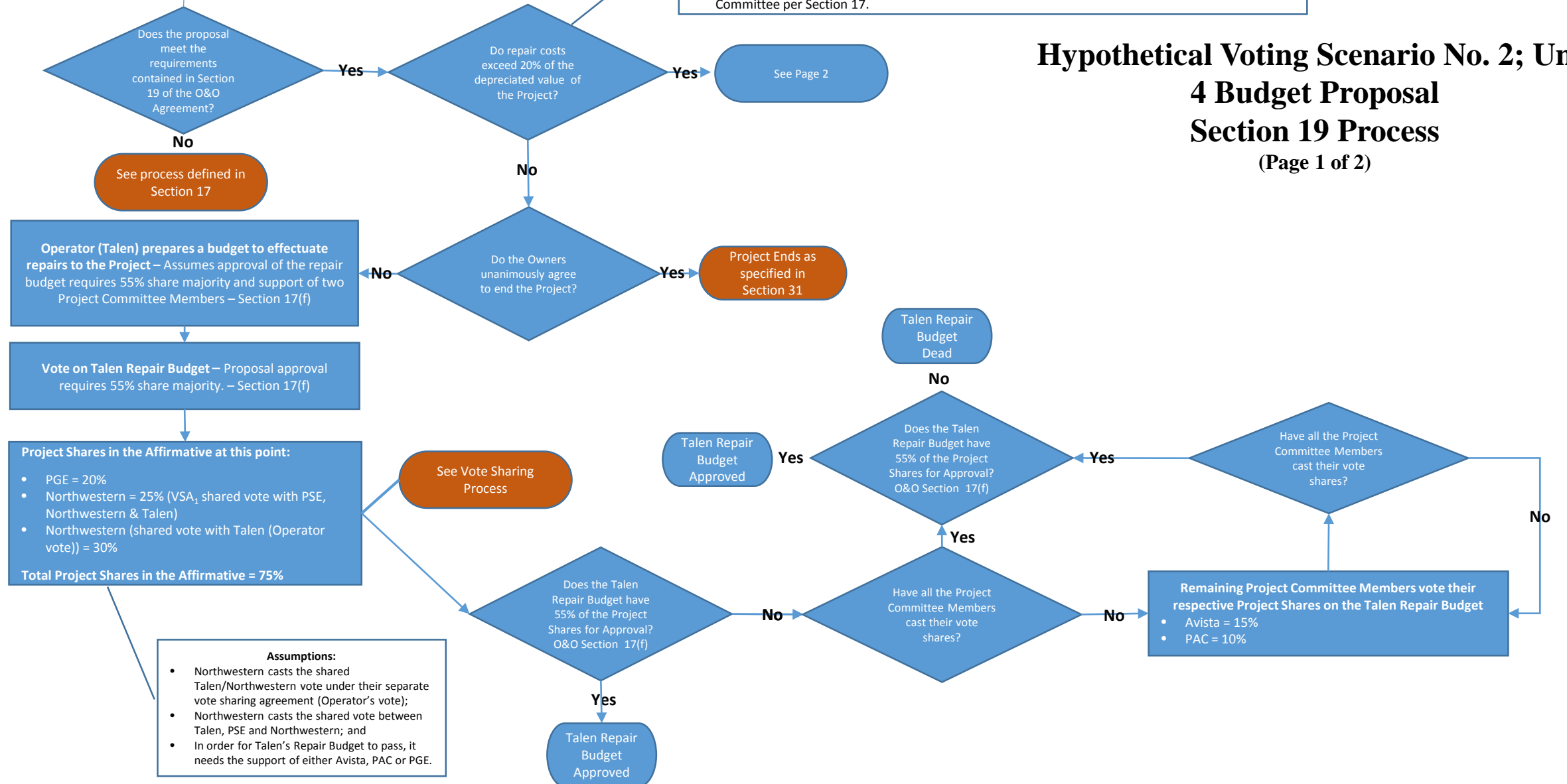
Assuming, for this example, a Fair Market Value of \$50 million and cost of repair of \$20 million, then those owners who do not approve of Talen's Repair Proposal will have their Project Shares reduced to 71% of their original share percentage (share percentages after the sale).

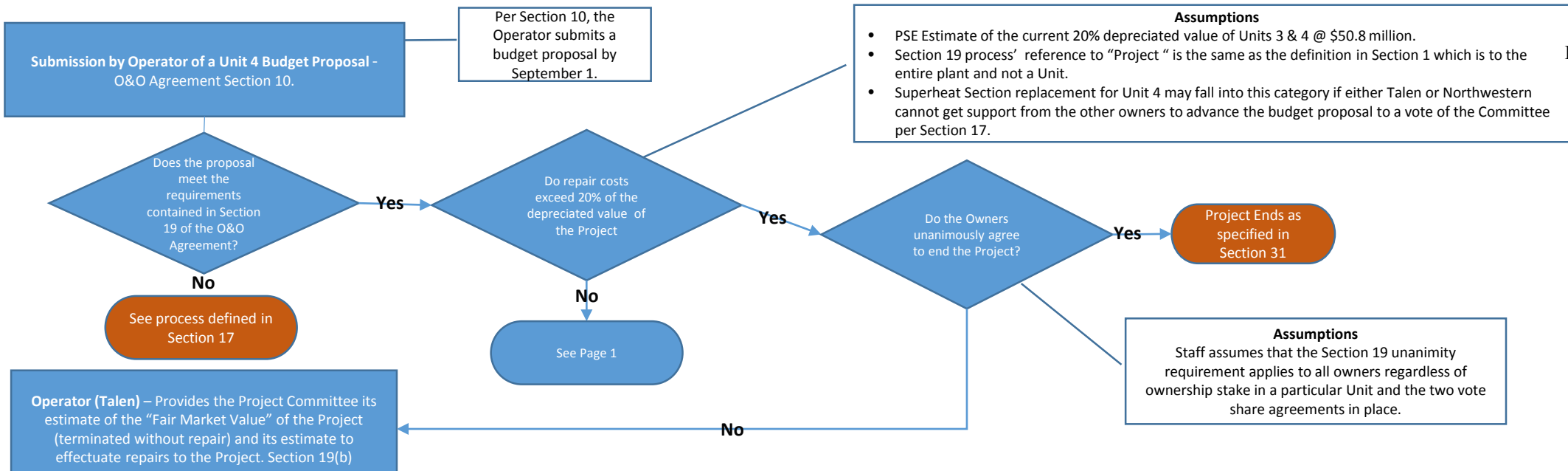
Owner	Project Share after Sale	Vote on Talen's Repair Proposal	Project Shares After Adjustment Under Section 19(b)(ii)
Avista	15%	No	11%
NorthWestern	21.25%	Yes	24.75%
PacifiCorp	10%	No	7%
Portland General	20%	Yes	23.5%
PSE	12.5%	No	9%
Talen Montana	21.25%	Yes	24.75%

Section 19 Example Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal

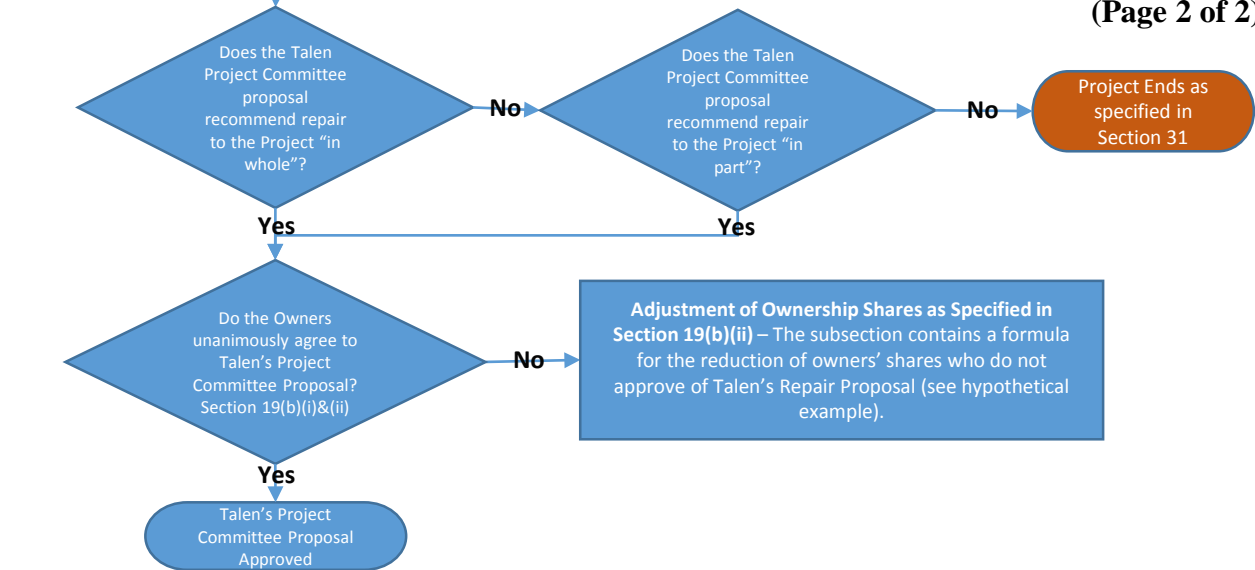


Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal Section 19 Process (Page 1 of 2)





Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal Section 19 Process (Page 2 of 2)



Ownership Share Adjustment Hypothetical Example

Formula = $V/V+C$, where:

V = Fair Market Value of the Project if it were terminated without repair as unanimously agreed to by the Project Committee or through Arbitration; and

C = Estimated cost of repair. Shares are further adjusted once costs are known.

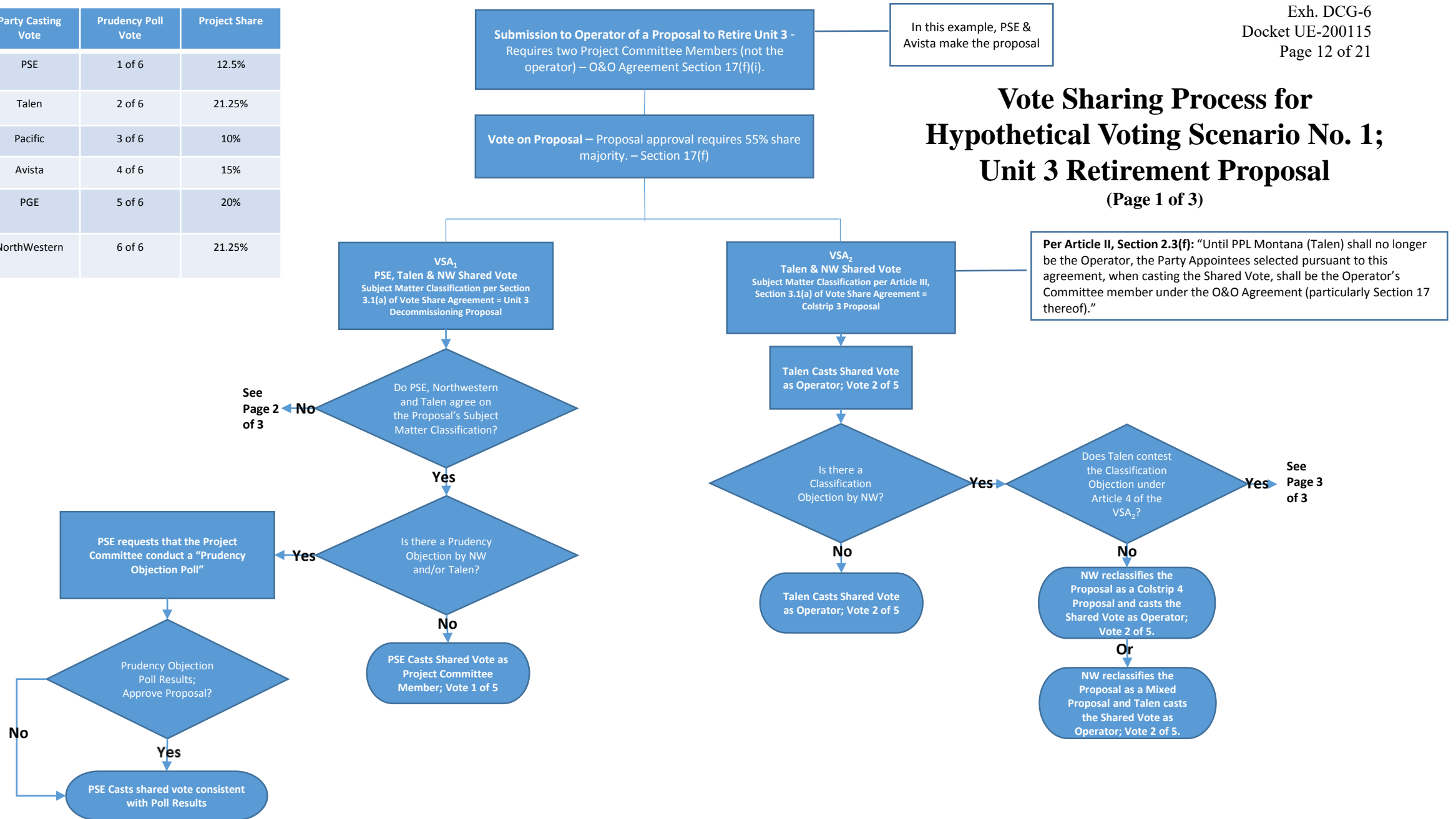
Assuming, for this example, a Fair Market Value of \$50 million and cost of repair of \$20 million, then those owners who do not approve of Talen's Repair Proposal will have their Project Shares reduced to 71% of their original share percentage (share percentages after the sale).

Owner	Project Share after Sale	Vote on Talen's Repair Proposal	Project Shares After Adjustment Under Section 19(b)(ii)
Avista	15%	No	11%
NorthWestern	21.25%	Yes	24.75%
PacifiCorp	10%	No	7%
Portland General	20%	Yes	23.5%
PSE	12.5%	No	9%
Talen Montana	21.25%	Yes	24.75%

Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal Vote Sharing Agreement Process

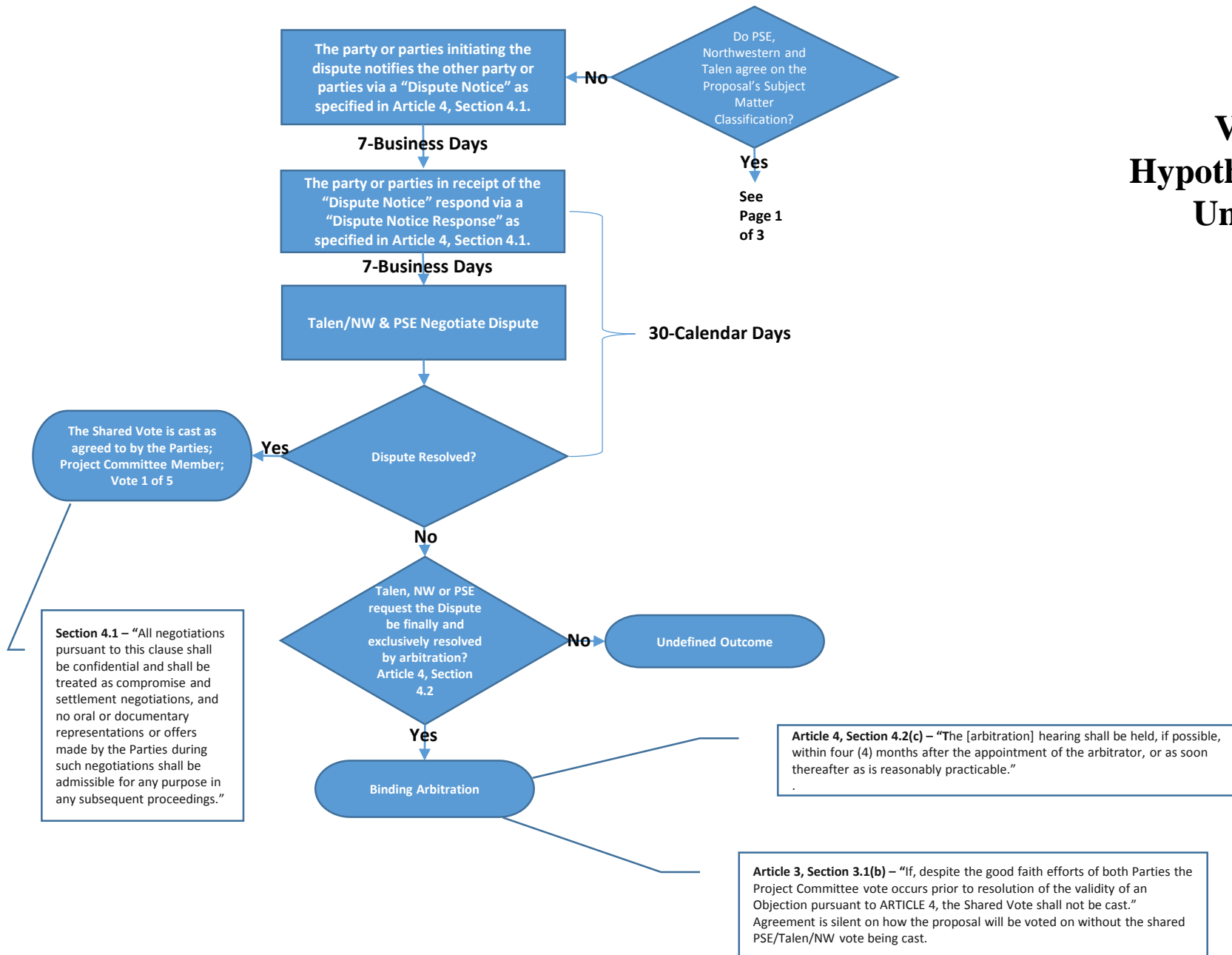
Party Casting Vote	Prudency Poll Vote	Project Share
PSE	1 of 6	12.5%
Talen	2 of 6	21.25%
Pacific	3 of 6	10%
Avista	4 of 6	15%
PGE	5 of 6	20%
NorthWestern	6 of 6	21.25%

Vote Sharing Process for Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal (Page 1 of 3)

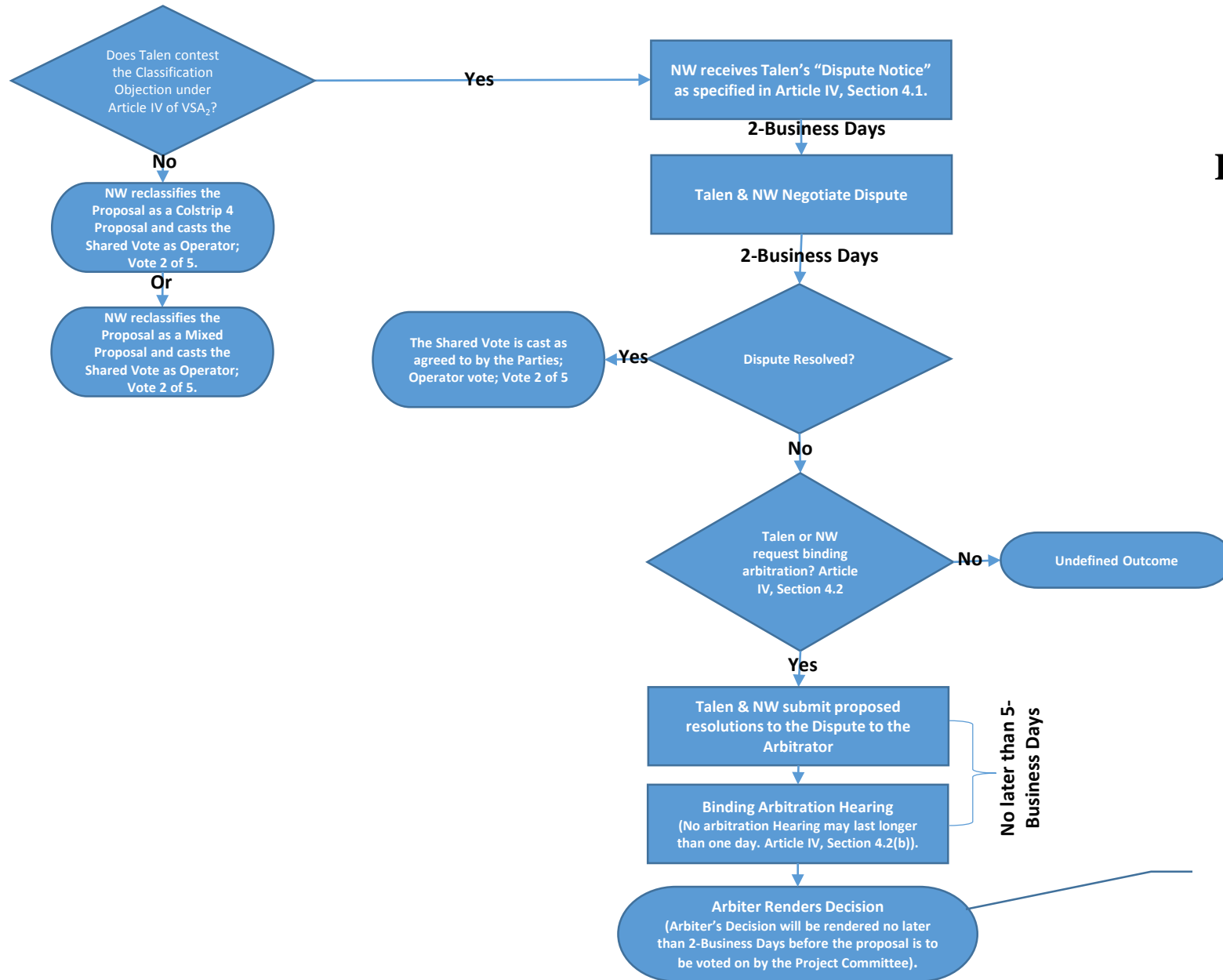


Vote Sharing Process for Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal

(Page 2 of 3)



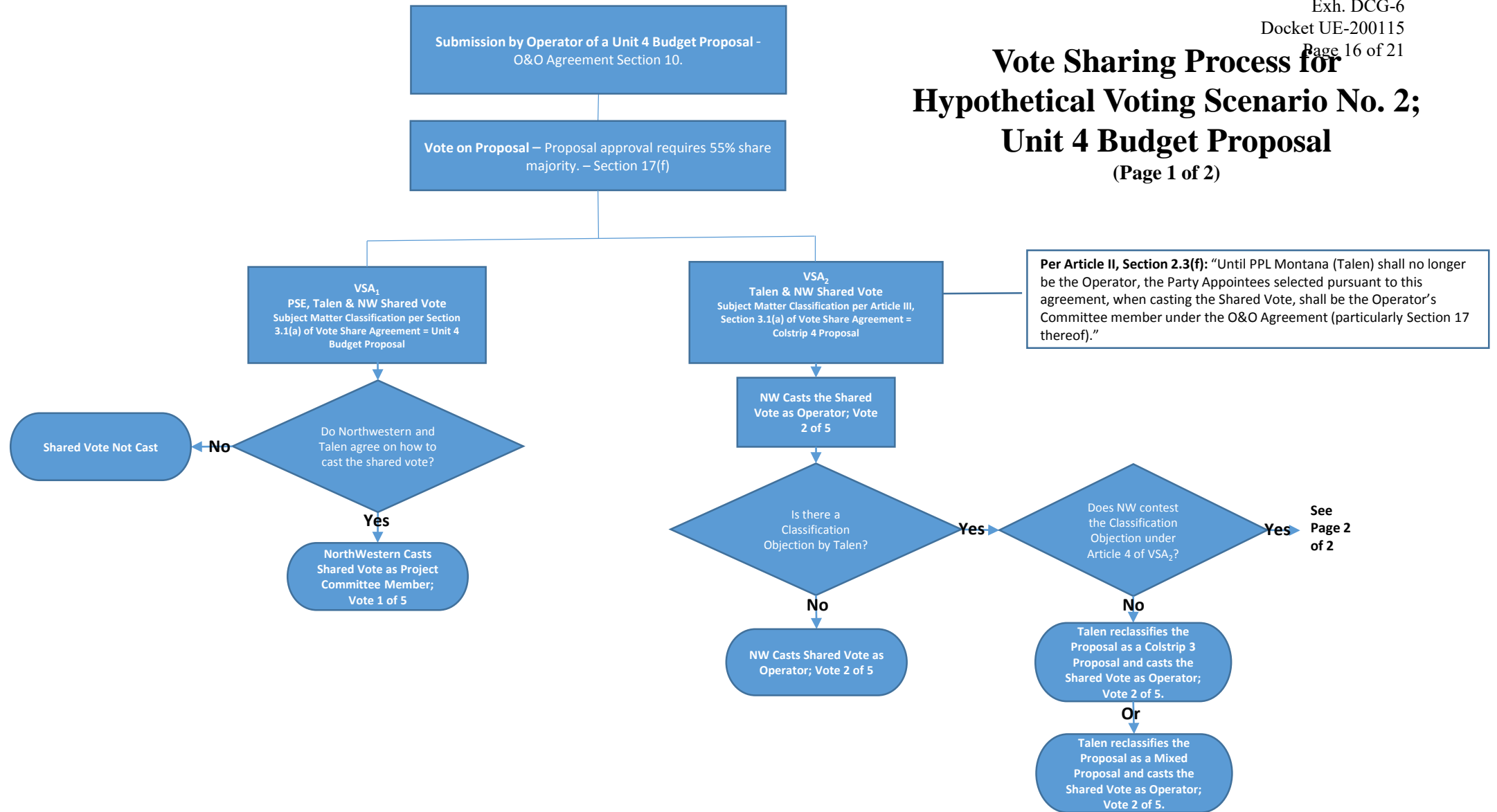
Vote Sharing Process for Hypothetical Voting Scenario No. 1; Unit 3 Retirement Proposal (Page 3 of 3)



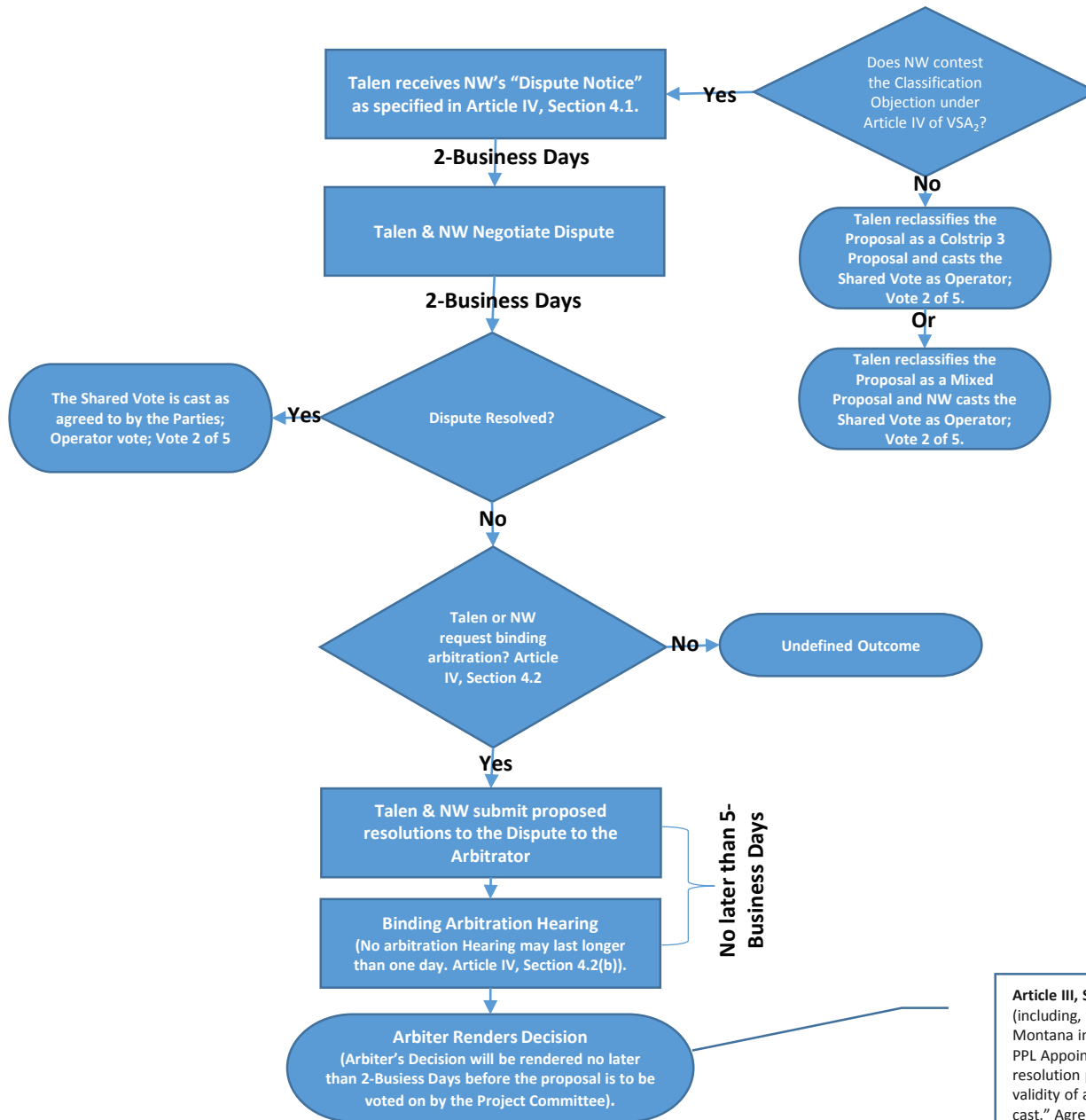
Article III, Section 3.1(b) – “If, despite the good faith efforts of both Parties (including, without limitation, attempts by the Chairman Appointee, PPL Montana in its capacity as the Operator, the Northwestern Appointee and the PPL Appointee to delay the Project Committee vote and to hasten the dispute resolution process) the Project vote occurs prior to the resolution of the validity of an Objection pursuant to Article IV, the Shared Vote shall not be cast.” Agreement is silent on how the proposal will be voted on without the shared Talen/NW (Operator) vote being cast.

Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal Vote Sharing Agreement Process;

Vote Sharing Process for Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal (Page 1 of 2)



Vote Sharing Process for Hypothetical Voting Scenario No. 2; Unit 4 Budget Proposal (Page 2 of 2)



Article III, Section 3.1(b) – “If, despite the good faith efforts of both Parties (including, without limitation, attempts by the Chairman Appointee, PPL Montana in its capacity as the Operator, the Northwestern Appointee and the PPL Appointee to delay the Project Committee vote and to hasten the dispute resolution process) the Project vote occurs prior to the resolution of the validity of an Objection pursuant to Article IV, the Shared Vote shall not be cast.” Agreement is silent on how the proposal will be voted on without the shared Talen/NW (Operator) vote being cast.

VSA₁ PSE, Talen and Northwestern Vote Sharing Agreement Matrix

PSE, Talen & Northwestern Vote Share Agreement; Article 3, Section 3.1(a)				
Proposal Classification	Classification Definition; Article 1, Section 1.1	Party Casting Shared Vote if No Objection Raised	Permitted Objections	Party Entitled to Reclassify the Proposal if an objection is raised & not contested in accordance with Article 4
Colstrip 3 Proposal	A proposal, other than a Unit 3 Decommissioning Proposal or Remediation Proposal, that relates primarily to Colstrip Unit 3, but not to proposals concerning the Common Facilities.	PSE	None	Not applicable
Colstrip 4 Proposal	A proposal, other than a Unit 3 Decommissioning Proposal or Remediation Proposal, that relates primarily to Colstrip Unit 4, but not to proposals concerning the Common Facilities.	Northwestern Energy and Talen Montana	None	If the Unit 4 Owners' Appointees are not in agreement regarding how to cast the Shared Vote, the Unit 4 Owners' Appointees shall abstain from voting on the Colstrip 4 Proposal, and no Shared Vote shall be cast with respect to such Proposal under this Agreement.
Unit 3 Decommissioning Proposal	A Proposal regarding the decommissioning, mothballing, closure, retirement, deactivation, shutdown, deconstruction, removal, or demolition of all or a portion of Colstrip Unit 3 alone.	PSE	Prudency	If either or both the NorthWestern Appointee and the Talen Appointee raise a Prudency Objection, the Puget Appointee shall cast the Shared Vote consistent with the results of a valid Poll conducted in accordance with Section 3.2. So long as such a Poll may be conducted, Article 4 does not apply to Prudency Objections.
Unit 4 Decommissioning Proposal	A Proposal regarding the decommissioning, mothballing, closure, retirement, deactivation, shutdown, deconstruction, removal, or demolition of all or a portion of Colstrip Unit 4 alone.	Northwestern Energy and Talen Montana	Prudency	If the Puget Appointee raises a Prudency Objection, the Unit 4 Owners' Appointees shall collectively cast the Shared Vote consistent with the results of a valid Poll conducted in accordance with Section 3.2. So long as such a Poll may be conducted, Article 4 does not apply to Prudency Objections. If the Puget Appointee does not raise a Prudency Objection, but the Unit 4 Owners' Appointees are not in agreement regarding how to cast the Shared Vote, the Unit 4 Owners' Appointees shall abstain from voting on the Unit 4 Decommissioning Proposal, and no Shared Vote shall be cast with respect to such Proposal under this Agreement.

VSA₁ PSE, Talen and Northwestern Vote Sharing Agreement Matrix

PSE, Talen & Northwestern Vote Share Agreement; Article 3, Section 3.1(a)				
Proposal Classification	Classification Definition; Article 1, Section 1.1	Party Casting Shared Vote if No Objection Raised	Permitted Objections	Party Entitled to Reclassify the Proposal if an objection is raised & not contested in accordance with Article 4
Unit 3 Budget Proposal	A Proposal regarding the Project's budget for a year during which (i) Unit 3 is the only unit at the Project for which there is a planned maintenance outage, or (ii) both Unit 3 and Unit 4 have planned maintenance outages, but the scheduled duration of the planned maintenance outage for Unit 3 is longer than the scheduled duration of the planned maintenance outage for Unit 4.	PSE	None	Not applicable
Unit 4 Budget Proposal	A Proposal regarding the Project's budget for a year during which (i) Unit 4 is the only unit at the Project for which there is a planned maintenance outage, or (ii) both Unit 3 and Unit 4 have planned maintenance outages, but the scheduled duration of the planned maintenance outage for Unit 4 is longer than the scheduled duration of the planned maintenance outage for Unit 3.	Northwestern Energy and Talen Montana	None	If the Unit 4 Owners' Appointees are not in agreement regarding how to cast the Shared Vote, the Unit 4 Owners' Appointees shall abstain from voting on the Unit 4 Budget Proposal, and no Shared Vote shall be cast with respect to such Proposal under this Agreement.
Remediation Proposal	A Proposal primarily concerning the remediation of ground water or soil contamination located at Colstrip Unit 3 or Colstrip Unit 4 as required under applicable Laws.	PSE	Prudency	If either or both the NorthWestern Appointee and the Talen Appointee raise a Prudency Objection, the Puget Appointee shall cast the Shared Vote consistent with the results of a valid Poll conducted in accordance with Section 3.2. So long as such a Poll may be conducted, Article 4 does not apply to Prudency Objections.

VSA₁ PSE, Talen and Northwestern Vote Sharing Agreement Matrix

PSE, Talen & Northwestern Vote Share Agreement; Article 3, Section 3.1(a)				
Proposal Classification	Classification Definition; Article 1, Section 1.1	Party Casting Shared Vote if No Objection Raised	Permitted Objections	Party Entitled to Reclassify the Proposal if an objection is raised & not contested in accordance with Article 4
Mixed Proposal; Other than for Replacement of Talen as Operator	A Mixed Proposal Other than for Replacement of Talen as Operator shall include, but is not limited to, budget proposals for years for which there are no planned maintenance outages and budget proposals for years for which there are planned maintenance outages for both Unit 3 and Unit 4 which are of the exact same scheduled duration.	Northwestern Energy and Talen Montana	Prudency	<p>If the Puget Appointee raises a Prudency Objection, the Unit 4 Owners' Appointees shall collectively cast the Shared Vote consistent with the results of a valid Poll conducted in accordance with Section 3.2. So long as such a Poll may be conducted, Article 4 does not apply to Prudency Objections.</p> <p>If the Puget Appointee does not raise a Prudency Objection, but the Unit 4 Owners' Appointees are not in agreement regarding how to cast the Shared Vote, the Unit 4 Owners' Appointees shall abstain from voting on the Mixed Proposal, and no Shared Vote shall be cast with respect to such Proposal under this Agreement.</p>
Mixed Proposal for Replacement of Talen as Operator	A proposal to replace Talen as operator .	Northwestern Energy	Prudency	<p>If either the Puget Appointee or the Talen Appointee raises a Prudency Objection, the NorthWestern Appointee shall cast the Shared Vote consistent with the results of a valid Poll conducted in accordance with Section 3.2. So long as such a Poll may be conducted, Article 4 does not apply to Prudency Objections.</p>

VSA₂ Talen and Northwestern Vote Sharing Agreement Matrix

Talen & Northwestern Vote Share Agreement; Article 3, Section 3.1(a)				
Proposal Classification	Classification Definition; Article 1, Section 1.1	Party Casting Shared Vote if No Objection Raised	Permitted Objections	Party Entitled to Reclassify the Proposal if an objection is raised & not contested in accordance with Article 4
Colstrip 3 Proposal	A proposal that relates solely to Unit 3. Colstrip Unit 3 means such portion of the Project commonly known as “Colstrip Unit 3” and the corresponding interest in the facilities the use of which is common to Units 3 and 4 (only), the Common Facilities and related facilities, real property and property rights.	Talen	Classification	Northwestern
Colstrip 4 Proposal	A proposal that relates solely to Unit 4. Colstrip Unit 4 means such portion of the Project commonly known as “Colstrip Unit 4” and the corresponding interest in the facilities the use of which is common to Units 3 and 4 (only), the Common Facilities and related facilities, real property and property rights.	Northwestern	Classification and Lease Default	Talen
Mixed Proposal	A proposal that is not a Unit 3 Proposal or a Unit 4 Proposal	Northwestern	Classification, Lease Default and Prudency	Classification and Prudency; Northwestern Lease Default; Talen