

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UE-200115
Puget Sound Energy
Application Authorizing Sale of PSE Interest in Colstrip Unit 4**

PUBLIC COUNSEL DATA REQUEST NO. 014:

Please refer to PSE’s response to Public Counsel Data Request No. 4.

- a. Assuming that PSE and Talen were to enter into a vote sharing agreement identical to the proposed Vote Sharing Agreement between PSE and NorthWestern Energy, and given the existing vote sharing agreement between NorthWestern Energy and Talen, please fill in the following table with the percentage voting shares for PSE and NorthWestern Energy / Talen for each type of proposal defined in the proposed Vote Sharing Agreement between PSE and NorthWestern Energy:

	PSE Voting Share (%)	NEW / Talen Voting Share (%)
Colstrip 3 Proposal		
Colstrip 4 Proposal		
Unit 3 Decommissioning Proposal		
Unit 4 Decommissioning Proposal		
Unit 3 Budget Proposal		
Unit 4 Budget Proposal		
Remediation Proposal		
Mixed Proposal		

First Revised Response:

Puget Sound Energy (“PSE”) currently contemplates that the proposed Vote Sharing Agreement between PSE and NorthWestern Energy provided as Roberts, Exh. RJR-6, at pages 61-75, will be replaced by a three-party Vote Sharing Agreement among PSE, NorthWestern Energy, and Talen Montana, LLC (“Talen Montana”). PSE anticipates that the obligations of the Project Committee member representing PSE will remain the same under the three-party Vote Sharing Agreement as they are under the proposed Vote Sharing Agreement between PSE and NorthWestern Energy provided as Roberts, Exh. RJR-6, at pages 61-75. Please see PSE’s First Revised Response to WUTC Staff Data Request No. 024 for a discussion of the operation of the proposed Vote Sharing Agreement between PSE and NorthWestern Energy provided as Roberts, Exh. RJR-6, at pages 61-75.

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PSE’s First Supplemental First Revised Response to Public Counsel Data Request No. 014

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Date of Response: June 30, 2020

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Witness Knowledgeable About the Response: Ronald J. Roberts

PSE further anticipates that the obligations of the Project Committee member representing NorthWestern Energy under the proposed Vote Sharing Agreement between PSE and NorthWestern Energy provided as Roberts, Exh. RJR-6, at pages 61-75, would be split between NorthWestern Energy and Talen Montana in a manner yet to be determined.

Under the Amended and Restated Project Committee Vote Sharing Agreement, dated as of October 16, 2009, between NorthWestern Corporation and PPL Montana, LLC, the party entitled to vote on a matter before the Project Committee (either NorthWestern Energy or Talen Montana) would be entitled to cast the shared vote on such matter.

Under the anticipated three-party Vote Sharing Agreement, among PSE, NorthWestern Corporation, or Talen Montana, the party entitled to vote on a matter before the Project Committee (PSE, NorthWestern Energy, or Talen Montana) would be entitled to cast the shared vote on such matter.

Accordingly, the shared vote would likely be determined as follows:

Colstrip 3 Proposal	PSE Appointee casts Shared Vote	
Colstrip 4 Proposal		NorthWestern Energy or Talen Montana Appointee casts Shared Vote
Unit 3 Decommissioning Proposal	PSE Appointee casts Shared Vote	
Unit 4 Decommissioning Proposal		NorthWestern Energy or Talen Montana Appointee casts Shared Vote
Unit 3 Budget Proposal	PSE Appointee casts Shared Vote	
Unit 4 Budget Proposal		NorthWestern Energy or Talen Montana Appointee casts Shared Vote
Remediation Proposal	PSE Appointee casts Shared Vote	
Mixed Proposal		NorthWestern Energy or Talen Montana Appointee casts Shared Vote

The Project Committee member representing PSE would cast the shared vote on Colstrip 3 Proposals, Unit 3 Decommissioning Proposals, Unit 3 Budget Proposals, and Remediation Proposals. As discussed above, the terms and conditions of the likely three-party Vote Sharing Agreement among PSE, NorthWestern Energy, and Talen

Montana have not yet been finalized. Either the Project Committee member representing NorthWestern Energy or the Project Committee member representing Talen Montana would cast the shared vote on Colstrip 4 Proposals, Unit 4 Decommissioning Proposals, Unit 4 Budget Proposals, and Mixed Proposals.

First Supplemental Response

As a supplement to Puget Sound Energy’s (“PSE”) First Revised Response to Public Counsel Data Request No. 014, PSE responds as follows.

Under Section 17(f) of 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 (the “Colstrip Units 3 & 4 Ownership and Operation Agreement”), the current Project Shares that accompany each of the existing five votes for the Project Committee are as follows:

Vote	Project Share
1. Shared Vote under Vote Sharing Agreement between NorthWestern Energy and Talen Montana (i.e., the "Operator Vote")	30%
2. Vote of the Project Committee member representing Puget Sound Energy	25%
3. Vote of the Project Committee member representing Avista Corporation	15%
4. Vote of the Project Committee member representing PacifiCorp	10%
5. Vote of the Project Committee member representing Portland General Electric Company	20%

If the transactions were to be approved, then the Project Shares that accompany each of the five votes would be as follows:

Vote	Project Share
1. Shared Vote under Vote Sharing Agreement between NorthWestern Energy and Talen Montana (i.e., the "Operator Vote")	30%
2. Shared Vote under Vote Sharing Agreement among PSE, NorthWestern Energy, and Talen Montana	25%
3. Vote of the Project Committee member representing Avista Corporation	15%
4. Vote of the Project Committee member representing PacifiCorp	10%

Vote	Project Share
5. Vote of the Project Committee member representing Portland General Electric Company	20%

The difference in the two tables above is that the vote of the Project Committee member representing PSE would be replaced by the Shared Vote under the Vote Sharing Agreement among PSE, NorthWestern Energy, and Talen Montana in accordance with the terms and conditions of the Vote Sharing Agreement.

As shown in Attachment A to PSE's First Supplemental First Revised Response to Public Counsel Data Request No. 014, the process for approving a matter proposed under Section 17(f) of the Colstrip Units 3 & 4 Ownership and Operation Agreement is a two-part test:

1. The first test is whether there is an affirmative vote of the Operator and two other Owners.
2. The second test is whether the sum of the Project Shares of the three votes is at least 55 percent.

As shown in the tables above, the Operator Vote is the existing Shared Vote (i.e., the original vote of Montana Power Company) and carries with it a 30 percent Project Share. If that existing Shared Vote is cast in the affirmative, then any combination of two of the four other votes would carry the motion. For example, if the existing Shared Vote is cast in the affirmative along with the votes of Avista and PacifiCorp, then the measure would pass. It has the vote of the Operator (i.e., the existing Shared Vote) and two other Owners, and the sum of the Project Shares of the three votes is 55 percent. If the existing Shared Vote is cast in the affirmative along with the vote of PSE (or the proposed Shared Vote of PSE/Talen Montana/NorthWestern Energy), then the measure would not pass because it only has the vote of the Operator (i.e., the existing Shared Vote) and the vote of only one other member (i.e., the proposed Shared Vote of PSE/Talen Montana/NorthWestern Energy), notwithstanding the fact that the sum of the Project Shares represented by the two votes is 55 percent.

In short, matter approval under Section 17(f) of the Colstrip Units 3 & 4 Ownership and Operation Agreement requires the vote of the Operator (i.e., the existing Shared Vote) and any two of the votes of the members of the Project Committee representing

- (i) Avista Corporation,
- (ii) PacifiCorp,
- (iii) Portland General Electric Company, and
- (iv) PSE.

Based on the Project Shares, the Project Shares test is less relevant because the combination of the vote of the Operator (30 percent) with any combination of two other votes would equal (at a minimum if Avista Corporation and PacifiCorp are the only two Owners voting in the affirmative with the Shared Vote) or exceed (any other combination of Owners voting in the affirmative with the Shared Vote) 55 percent. See, e.g., Attachment A to PSE's First Supplemental First Revised Response to Public Counsel Data Request No. 014 at page 1.

If the proposed transactions were to close, Section 17(f) of the Colstrip Units 3 & 4 Ownership and Operation Agreement would continue to require the vote of the Operator (i.e., the existing Shared Vote) and any two of the votes representing

- (i) Avista Corporation,
- (ii) PacifiCorp,
- (iii) Portland General Electric Company, and
- (iv) the proposed Shared Vote of PSE, Talen Montana, LLC, and NorthWestern Energy.

See, e.g., Attachment A to PSE's First Supplemental First Revised Response to Public Counsel Data Request No. 014 at page 2.

**ATTACHMENT A to PSE's First
Supplemental First Revised Response to
Public Counsel Data Request No. 014**