

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 IP-2
RESPONSES TO DATA REQUESTS

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

MICROSOFT DATA REQUEST NO. 002:

Referring to the Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CT(r), please provide the amount of decommissioning and remediation costs for Colstrip Unit 4 PSE assumed for each quantitative analysis described and the basis for these assumed costs.

Response:

Please refer to the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1CTr, at page 21, for the description of assets and liabilities retained by Puget Sound Energy ("PSE"). Please also see 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, a copy of which is provided as the Second Exhibit to the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-3.

The sale of Colstrip Unit 4 pursuant to the terms and conditions of the Colstrip Unit 4 Purchase And Sale Agreement, dated as of December 9, 2019, between Northwestern Corporation and PSE, does not relieve PSE of its obligation for decommissioning and remediation costs that arose as a result of Colstrip operations under PSE ownership prior to the sale. Assuming no substantive changes are made to Colstrip Unit 4 after the sale, PSE's obligations for decommissioning and remediation costs for Colstrip Unit 4 will be the same, with or without the sale. Therefore, because its obligations do not change whether or not the proposed deal is accepted, PSE did not model decommissioning and remediation costs.

Please see PSE's Response to Public Counsel Data Request No. 008.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

MICROSOFT DATA REQUEST NO. 003:

Referring to the Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CT(r), please confirm that, under its Special Contract with PSE, Microsoft will have no claim to any of the net benefits modeled in the quantitative analyses described in this testimony. If not confirmed, please explain how Microsoft could realize a portion of these modeled net benefits.

Response:

As discussed in the Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CTr, the net benefits projected by Puget Sound Energy (“PSE”) represent a financial analysis that compares the following two scenarios:

- (i) a “Business as Usual” scenario, which represents the projected total costs to PSE (on a net present value basis) of continuing operations of Colstrip Unit 4 over the term of the proposed power purchase agreement with NorthWestern Energy (the “NorthWestern Energy PPA”); and
- (ii) a “Proposed Colstrip Unit 4 Sale” scenario, which represents the projected total costs to PSE (on a net present value basis) of replacing the capacity and energy reductions associated with the proposed sale of all of PSE’s interests in Colstrip Unit 4 with the NorthWestern Energy PPA and market power purchases over the term of the NorthWestern Energy PPA.

See, e.g., Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CTr, at 8:4-15. In short, the net benefits projected by PSE represent a reduction in capacity and energy costs to PSE’s retail customers over the term of the NorthWestern Energy PPA.

In Docket UE-161123, the Washington Utilities and Transportation Commission approved and adopted a Settlement Stipulation and Agreement between PSE, Commission Staff, the Public Counsel Unit of the Attorney General’s Office, Microsoft Corporation, the Industrial Customers of Northwest Utilities, Walmart Stores, Inc. and Sam’s West, The Kroger Company, The Energy Project, Northwest Energy Coalition, and the Northwest & Intermountain Power Producers Coalition (the “Settlement and

Stipulation Agreement”). The Settlement and Stipulation Agreement adopted a Special Contract between Microsoft and PSE that permitted Microsoft to cease to be a “core customer” and acquire its power supply through direct purchases of electricity from providers other than PSE for about 80 percent (80%) of Microsoft’s load in the PSE service area. The Special Contract went into effect as of April 1, 2019, and Microsoft began purchasing capacity and energy from power suppliers other than PSE for the majority (approximately 80 percent) of the Microsoft load in the PSE service area as of that date.

As previously discussed, the net benefits projected by PSE in this proceeding represent a reduction in capacity and energy costs to PSE’s retail customers over the term of the NorthWestern Energy PPA. Microsoft elected to choose a power supplier other than PSE to provide capacity and energy to approximately 80 percent of its load, as of April 1, 2019. Accordingly, Microsoft will not realize the net benefits projected by PSE in this proceeding for about 80 percent of its load in the PSE service area because Microsoft will be taking capacity and energy service for that load from providers other than PSE during the term of the NorthWestern Energy PPA. The approximate 20 percent of Microsoft’s load in the PSE service area that remains a core customer taking capacity and energy service from PSE will benefit from the net benefits identified in the Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CTr, in the same manner as any other bundled electric customer of PSE.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

MICROSOFT DATA REQUEST NO. 004:

Referring to Paragraph 26 of PSE's Application in this docket:

- a. Please identify which of the listed benefits PSE believes will accrue to Microsoft under its Special Contract with PSE.
- b. Does the list in this paragraph represent all benefits PSE ascribes to the proposed sale of Colstrip Unit 4? If not, please identify any other benefits PSE believes will accrue to its customers or will otherwise support the public interest.

Response:

- a. Please see Puget Sound Energy's ("PSE") Response to Microsoft Data Request No. 003 for background information related to how Microsoft acquires its power supply for capacity and energy. The approximate 20 percent of Microsoft's load in the PSE service area that remains a core customer taking capacity and energy service from PSE will benefit from the net benefits identified in the Prefiled Direct Testimony of Cindy L. Song, Exh. CLS-1CTr, in the same manner as any other bundled electric customer of PSE.
- b. Paragraph 26 of PSE's application in this docket lists the benefits of the proposed transactions identified by PSE. These benefits are consistent with the public interest.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

MICROSOFT DATA REQUEST NO. 006:

Please refer to PSE's responses to Microsoft data requests 1 through 5. Please confirm that PSE's responses to each data request would be substantively identical under the Supplemental Application. If PSE does not confirm, please identify the data responses that have changed and why.

Response:

Puget Sound Energy can confirm that the responses to each of Microsoft's Data Requests Nos. 001 through 005 in this proceeding are substantively identical under the Supplemental Application.

NorthWestern Energy
Docket No. 2019.12.101
CU4 Capacity Acquisition

Natural Resources Defense Council (NRDC)
Set 1 (001-019)

Data Requests received May 19, 2020

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?

NorthWestern Energy
Docket No. 2019.12.101
CU4 Capacity Acquisition

Natural Resources Defense Council (NRDC)
Set 1 (001-019)

Data Requests received May 19, 2020

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.

NorthWestern Energy
Docket No. 2019.12.101
CU4 Capacity Acquisition

Natural Resources Defense Council (NRDC)
Set 1 (001-019)

Data Requests received May 19, 2020

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.

NorthWestern Energy
Docket No. 2019.12.101
CU4 Capacity Acquisition

NW Energy Coalition and Renewable Northwest (NWEK/RNW)
Set 1 (001-022)

Data Requests received May 8, 2020

NWEC/RNW-004

Subject: Plant ownership and retirement date assumptions.

Witness: LaFave

- a. Please document the ownership assumptions and plant shut-down date assumptions for Colstrip Units 3 and 4 underlying NWE's economic analysis as explained in the testimony of John D. Hines.
- b. Please provide workpapers, spreadsheets, modeling results or any other information documenting any alternative economic scenario or other analysis that relies on different ownership assumptions and/or shut-down dates.

RESPONSE:

- a. NorthWestern assumed that CU3 would retire at the end of 2025 and CU4 would not retire over the 20-year evaluation time frame. The CU3 retirement assumption was used as a conservative estimate for comparison based on restrictions in Washington and other states.
- b. See Exhibit BJL-10aj, which assumes a 2025 shut-down date for CU3.