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September 15, 2017

Steven V. King
Executive Director and Secretary
Utilities and Transportation Commission
Richard Hemstad Building
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attn: Commissioners

Re: ***Washington Utilities and Transportation Commission v. Puget Sound Energy***
Dockets UE-170033 and UG-170034 (Consolidated)

Dear Commissioners,

On February 15, 2017, the Commission granted the State of Montana intervenor status in this consolidated general rate case for Puget Sound Energy ("PSE"), because the Commission concluded that "Montana's participation is in the public interest."[1] Representing the State of Montana, I write to inform you that Montana supports the multiparty settlement agreement ("MSA") that has been filed with you. Montana believes the MSA's terms are lawful, supported by the record, and consistent with the public interest.[2] Montana respectfully suggests that the Commission accept the proposed MSA unconditionally.[3]

In representing Montana's interests in this rate case, my office has been clear that it expects PSE to fulfill its obligations under Montana law as well as Washington law. This proposed MSA is a good start in that direction, and addresses several of Montana's specific concerns that are within the Commission's power to address. Montana also believes that this MSA serves the public interest under Washington law, as it addresses ratepayer financial concerns in a fiscally responsible way and will prevent or reduce rate shock to PSE ratepayers.

First, for accounting purposes only, the MSA establishes an accelerated depreciation schedule for Colstrip Units 3 & 4. The resulting stipulated depreciation life for those Units will not force Washington ratepayers to bear an inordinate rate increase but provides assurance that

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[1] Order 03 ¶ 8.

[2] *See* WAC 480-07-750(1).

[3] *See* WAC 480-07-750(2).

the depreciation expense for those Units will be fully and predictably funded.[4] Further, by clarifying that the stipulated depreciation schedule for Colstrip Units 3 & 4 is for accounting purposes only and does not set a retirement date for those Units, the MSA and its supporting *Joint Memorandum*[5] preserves operational flexibility for an important source of reliable, low-cost baseload power for PSE customers while implicitly acknowledging that any decision regarding the Units' eventual retirement must be jointly made by all six of the Units' owners. This operational flexibility mitigates cost uncertainty that PSE would otherwise face – e.g., the cost of replacement baseload power – if the MSA equated the Units' depreciation life with their operational life. Working to ameliorate cost uncertainty is in the public interest generally and the interest of Washington rate payers specifically.

Second, the MSA establishes fiscally responsible strategies for PSE to fund projected decommissioning and remediation costs associated with closing Colstrip Units 1 &2. Specifically, the contribution of hydro-related Treasury Grants and Production Tax Credits ("PTCs") to decommissioning and remediation costs for those Units will further reduce or prevent any rate shock for PSE ratepayers while also providing some measure of certainty to Montana regarding PSE's commitment to meet its decommissioning and remediation responsibilities in Montana.[6]

Third, the MSA similarly establishes a balanced approach to PSE's contribution of funds to a Community Transition Plan for the residents of Colstrip, Montana, and the surrounding county. These residents will be directly affected by any change to Colstrip facility operations, and PSE's decision to contribute $10 million of combined shareholder money and monetized PTCs is encouraging.[7] PSE's contribution should encourage other Colstrip owners to contribute similar amounts – or more – to help fund community transition in southeastern Montana. This good faith effort recognizes that the public interest here involves the intertwined concerns of Washington ratepayers and Montana residents who benefit from affordable, reliable Colstrip power and livable Colstrip wages, respectively; PSE's contribution should also, as noted above, spur a shared effort among all stakeholders for Colstrip community transition. And, the existing workforce in Colstrip and Rosebud County, and the many trades and specialties that it represents, is available to PSE during the planning process and throughout decommissioning and remediation.

Finally, the proposed MSA serves the public interest because it does not purport to release or waive any of PSE's liabilities for decommissioning and remediation in the State of

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[4] *See* MSA ¶¶ 24-27; *see also* MSA Ex. B, Note 2; and *Joint Memorandum In Support Of Multiparty Partial Settlement* ¶ 13.

[5] *Id.*

[6] *See* MSA ¶¶ 116-117.

[7] *Id.* ¶ 118.

Montana, whether under Montana or federal law, for Colstrip Units 1 through 4.[8] This is critical, because not all decommissioning and remediation costs are known or knowable at this time. The MSA explicitly recognizes that decommissioning and remediation costs may exceed the PSE contributions it identifies,[9] providing fair notice to Washington ratepayers that PSE's decommissioning and remediation responsibilities may increase in the future, and providing some measure of assurance to Montana that PSE will not leave Montanans to clean up after the utility company and its fellow Colstrip owners.

The Commission should unconditionally approve the proposed MSA.

Sincerely,

Tim Fox
Attorney General, Montana

cc: Parties and Intervenors

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[8] *Id.* ¶ 122.

[9] *See id.*