

Charles E. Hansberry
Jenny M. Jourdonnais
HANSBERRY & JOURDONNAIS, PLLC
2315 McDonald Avenue
Suite 210
Missoula, MT 59801
chuck@hjbusinesslaw.com
jenny@hjbusinesslaw.com
Phone: 406-203-1730
Fax: 406-205-3170

Attorneys for Plaintiffs
[additional counsel on signature page]

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
BILLINGS DIVISION**

**PORTLAND GENERAL ELECTRIC
COMPANY, AVISTA
CORPORATION, PACIFICORP, and
PUGET SOUND ENERGY, INC.,**

Plaintiffs,

v.

**NORTHWESTERN CORPORATION;
TALEN MONTANA, LLC; AUSTIN
KNUDSEN, in his official capacity as
Attorney General for the State of Montana,**

Defendants.

Case No. 1:21-cv-00047-SPW-KLD

**PLAINTIFFS' STATEMENT OF
UNDISPUTED FACTS AND
INDEX OF EXHIBITS IN
SUPPORT OF MOTION FOR
PARTIAL SUMMARY
JUDGMENT REGARDING
THEIR FOURTH AND FIFTH
CLAIMS FOR RELIEF**

Plaintiffs, by and through their attorneys of record, respectfully submit its
Statement of Undisputed Facts.

**Page 1 - PLAINTIFFS' STATEMENT OF UNDISPUTED FACTS AND
INDEX OF EXHIBITS IN SUPPORT OF MOTION FOR
PARTIAL SUMMARY JUDGMENT REGARDING THEIR
FOURTH AND FIFTH CLAIMS FOR RELIEF**

1. Portland General Electric Company, Avista Corporation, PacifiCorp, Puget Sound Energy, Inc., Talen Montana LLC, and NorthWestern Corporation jointly own two coal-fired steam electric generation units in Colstrip, Montana. (Decl. of Ronald J. Roberts (“Roberts Decl.”) ¶¶ 6, 9, Doc. 39-2; Decl. of Brett Greene in Support of Pls.’ Mot. for Prelim. Injunction (“First Greene Decl.”) ¶¶ 6, 8, Doc. 39-4; Decl. of Mike Johanson (Doc. 39-5) (“Johanson Decl.”) ¶ 2; Decl. of Jason R. Thackston (“Thackston Decl.”) ¶ 7, Doc. 39-3.) Portland General Electric Company, Avista Corporation, PacifiCorp, and Puget Sound Energy, Inc. are referred to collectively herein as the “PNW Owners.”

2. The PNW Owners, Talen Montana LLC, and NorthWestern Corporation are parties to an Ownership and Operation Agreement (“Agreement”), signed in 1981, which governs the operation of Colstrip. (Roberts Decl. ¶ 6.) (A true and correct copy of the Agreement is attached as Exhibit A to the Roberts Declaration, Doc. 39-2.) The parties have the following ownership interests:

Owner	Unit 3	Unit 4
PSE	25%	25%
PGE	20%	20%
Avista	15%	15%
PacifiCorp	10%	10%
Talen	30%	—
NorthWestern	—	30%

(Roberts Decl. ¶ 9.)

3. The Agreement has been amended four times. (*Id.* ¶ 6; First Greene Decl. ¶ 6.) Despite those amendments, Section 18 has never been altered or amended. (Decl. of Brett Greene in Support of Motion for Partial Summ. J. Regarding Their First, Second, and Third Claims for Relief (“Second Greene Decl.”) ¶ 2, Doc. 88-1.) The Agreement establishes a five-member Project Committee “to facilitate effective cooperation, interchange of information and efficient management of the Project.” (Doc. 39-2 at 38.) The Agreement provides that an “Operator” manages Colstrip on a day-to-day basis (*id.* at 26), and Talen is the current Operator. (Roberts Decl. ¶ 9.) The Operator prepares the annual operating budget each September 1 and the Committee votes to approve that budget. (Doc. 39-2 at 9-10.)

4. The PNW Owners face legislative mandates to eliminate coal-fired resources like Colstrip from their allocation of electricity for their customers in Washington and Oregon. (Roberts Decl. ¶¶ 16-17; First Greene Decl. ¶¶ 11-13; Second Greene Decl. ¶ 4; Thackston Decl. ¶¶ 10-12; Johanson Decl. ¶¶ 5-6.) Talen and NorthWestern want to keep Colstrip open for the indefinite future. (Roberts Decl. ¶ 22.) NorthWestern estimates that Colstrip’s useful life runs through 2042 (Doc. 39-6 at 17, Tr. 12:3-4), and Talen testified that as long as Colstrip is economically viable (for itself) it will support the 2042 date. (*Id.* at 50,

Tr. 45:20-22.) Talen testified that the basis for its continuing economic investment in Colstrip is its belief that “Colstrip has a long life cycle.” (*Id.* at 129, Tr. 59:2-7.) NorthWestern contends that the Agreement requires unanimous consent to close Colstrip. (Roberts Decl. ¶ 36; Thackston ¶ 15.) The PNW Owners disagree. (First Greene Decl. ¶ 17.)

5. On February 9, 2021, NorthWestern noticed its intent to initiate an arbitration to “obtain a definitive answer to the questions of what vote is required to close Units 3 and 4 and what is the obligation of each co-owner to fund operations of the plant.” (Roberts Decl. ¶ 36.) NorthWestern served an arbitration demand on March 12, 2021, and an amended arbitration demand on April 2, 2021. (*Id.* ¶¶ 36-37; Thackston Decl. ¶¶ 15-16; First Greene Decl. ¶ 16.)

6. The PNW Owners served responses and their own arbitration demands in April 2021. (Roberts Decl. ¶ 38; Thackston Decl. ¶ 17.) The arbitration has not begun because the parties have been unable to agree on the arbitrator selection process. (Roberts Decl. ¶ 38.)

7. During Montana’s 2021 legislative session, Montana State Senator Steve Fitzpatrick sponsored Senate Bill 266. (A copy of SB 266 is attached as Exhibit A to the First Amended Complaint (Doc. 32-1) and is available at the Montana Legislature website: <https://legiscan.com/MT/text/SB266/2021>.) The Bill

provides that “The failure or refusal of an owner of a jointly owned electrical generation facility in the state to fund its share of operating costs associated with a jointly owned electrical generation facility is an unfair or deceptive act or practice in the conduct of trade or commerce in accordance with 30-14-103.” (*Id.* at 2.) Senate Bill 266 also provides that “Conduct by one or more owners of a jointly owned electrical generation facility in the state to bring about permanent closure of a generating unit of a facility without seeking and obtaining the consent of all co-owners of a generating unit is an unfair or deceptive act or practice in the conduct of trade or commerce in accordance with 30-14-103.” (*Id.* at 2-3.) It also provides that the Montana Department of Justice can petition a court to impose “\$100,000 for each violation,” with “[e]ach day of a continuing violation” counting as “a separate offense.” (*Id.* at 3.)

8. In testimony before the Montana Senate Committee on Business, Labor and Economic Affairs, on February 23, 2021, Senate Bill 266’s sponsor, Senator Fitzpatrick, introduced the bill as “an important piece of legislation because it allows us to have greater control over the Colstrip facility.” (Doc. 39-6 at 7, Tr. 2:20-22.) Senator Fitzpatrick complained about the “West Coast owners of the facility” (*id.* at 7, Tr. 2:25), and that “[Montana] ha[s] out-of-state

corporations who are acting in a way . . . that could destroy a valuable asset

[Colstrip] for the State of Montana.” (*Id.* at 56, Tr. 51:4-6.) He also stated:

What we’re doing is we’re pushing back against really regulators in other states who are trying to impose kind of their new green deal type of public policy in the state of Montana, and it’s hurting Montana. And so I think we have every right to stand up and say no, and use any means necessary here at the legislature to make sure that our interests aren’t trampled by the environmental views in the states of Washington and Oregon.

(*Id.* at 54, Tr. 49:15-22.). He claimed that keeping Colstrip open was important to keep “jobs” in Montana and to protect “tax revenue.” (*Id.* at 8, Tr. 3:18-25.) In his comments discussing Senate Bill 266, Senator Fitzpatrick did not make more than a passing reference to any other electric generation facility in Montana. (*Id.* at 6-60, *see id.* at 59, Tr. 54:2-9.)

9. In testimony before the Montana House of Representatives Committee on Energy, Technology, and Federal Relations, Senator Fitzpatrick made clear that Senate Bill 266 applied to a single plant: Colstrip. He described Senate Bill 266 as providing that “unless there’s unanimous consent to close an electrical generation facility or unanimous consent to not perform maintenance, those can be subject to this law, this unfair trade practices act, and then there’s a penalty in it. And I think everybody knows what’s going on here. We know that out in Colstrip there’s been a really big push by the West Coast utilities to get out of Colstrip.” (*Id.* at 72, Tr.

2:17-23.) He contended that what the so-called West Coast utilities were “fundamentally doing is coming into the state of Montana and destroying an asset that is a value to the people of Montana, an asset that employs people, pays a tremendous amount of taxes, is important for our economy. It’s important for users of energy facilities in the state of Montana.” (*Id.* at 73, Tr. 3:1-6.) Senator Fitzpatrick also stated that Colstrip is “an important facility . . . for the people of Montana.” (*Id.* at 73, Tr. 3:9-10.) He also stated that Senate Bill 266 and Senate Bill 265 (which purports to void the arbitration venue clause in the Agreement) “were the product of some discussions that we started to have with Senator Ankey, Senator Small. They were very concerned at the time of the refusal of the West Coast operators to participate in the budget making process was ultimately going to lead to the closure of the plant.” (*Id.* at 123, Tr. 53:15-19.)

10. During both hearings, the proponents of SB 266 were specific that they supported the bill because of its application to Colstrip. (*Id.* at 10-23, Tr. 5:21-18:21; *id.* at 74-81, Tr. 4:20-11:2.) Every speaker in favor of the bill referenced Colstrip or adopted prior statements about SB 266’s impact on Colstrip. (*Id.* at 7-59, Tr. 2:4-54:13; *id.* at 72-143 Tr. 2:4-73:2.)

11. Representatives of Talen and NorthWestern spoke in support of Senate Bill 266 in committee hearings in the Montana legislature. (*Id.* at 17,

Tr. 12:11-14 (NorthWestern “thanks Senator Fitzpatrick for bringing this measure”); *id.* at 19, Tr. 14:6-8 (Talen “believe[s] that this bill is important”); *id.* at 147 (minutes listing Talen and NorthWestern as proponents of Senate Bill 266 at the hearing before the House committee.) Representatives of the PNW Owners spoke in opposition. (*Id.* at 64, 148 (minutes listing those who spoke in opposition to Senate Bill at the two hearings).)

12. The Montana Legislature passed Senate Bill 266 and it became law on May 3, 2021. (See <https://legiscan.com/MT/bill/SB266/2021>.)

13. Starting in 2026, if Avista, PacifiCorp and PSE provide electricity to customers in Washington from electricity generated from coal, Avista, PacifiCorp and PSE must pay the State of Washington a \$150 penalty for each such megawatt hour. Wash. Rev. Code §§ 19.405.030(4), 19.405.090(1)(a)(i). That fine would be in addition to the cost to produce that megawatt hour. Current revenue per megawatt hour is lower than the fine per megawatt hour. Currently, Avista can charge only \$80.01 for the first megawatt hour it provides per month to residential customers under Washington-approved tariffs, \$98.73 for the second megawatt hour, and \$106.86 for subsequent megawatt hours. (Avista “Shortcut Sheet” Sch. 1 residential service rates, Eff. Oct. 1, 2021, *available at* <https://www.myavista.com/about-us/our-rates-and-tariffs/washington-electric>.)

PacifiCorp can charge \$85.18 for the first megawatt hour it provides per month to residential customers under Washington-approved tariffs (Schedule 16 – residential service), and \$102.71 for subsequent megawatt hours. (PacifiCorp Wash. Price Summary Eff. Oct. 1, 2021, *available at* https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/washington/WA_Price_Summary.pdf.) PSE can charge \$103.96 for the first megawatt hour it provides per month to residential customers under Washington-approved tariffs (Sch. 7 – residential service), and \$115.87 for subsequent megawatt hours. (PSE Electric Price Summary Eff. Oct. 1, 2021, *available at* https://www.pse.com/-/media/Project/PSE/Portal/Rate-documents/summ_elec_prices_2021_10_01.pdf?sc_lang=en.) (Decl. of Ronald J. Roberts in Support of Plaintiffs’ Motion for Partial Summary Judgment Regarding Their Fourth and Fifth Claims for Relief (“Second Roberts Decl.”) ¶ 9.)

14. The PNW Owners had planned to call a vote to close Colstrip Unit 3 at the Committee meeting on May 19, 2021, under the terms of the O&O Agreement. (Decl. of Brett Greene in Support of Pls.’ Mot. For Partial Summ. J. Regarding Their Fourth and Fifth Claims for Relief (“Third Greene Decl.”) ¶ 4.) The PNW Owners chose not to call for that vote now due to the risk of aggressive

enforcement of Senate Bill 266. (Roberts Decl. ¶ 42; Third Greene Decl. ¶ 4.) The vagueness of the statute and the risk of a potential \$100,000 per day fine dissuaded the PNW Owners from holding the vote. (Roberts Decl. ¶ 42; Third Greene Decl. ¶ 4.) Senate Bill 266 also harms the Pacific Northwest Owners because the State of Montana might try to rely on the same vague language (or other language in the law) to bring an enforcement action relating to the Colstrip budget process. (Roberts Decl. ¶ 43; Third Greene Decl. ¶ 5.)

15. To protect their rights under the Agreement, the PNW Owners filed a motion for preliminary injunction. (Docs. 37 & 38.) On October 13, 2021, the Court granted the PNW Owners' motion and issued an injunction that enjoins Attorney General Knudsen from enforcing SB 266 against the PNW Owners during the pendency of this lawsuit. (Doc. 100.)

16. The PNW Owners did not vote to approve the 2021 capital budget and operations budget until January and March 2021, respectively. They did not vote to approve those budgets until Talen provided more information that the PNW Owners had requested and until Talen made changes to the budgets. (Third Greene Decl. ¶ 3.) Although they did not vote to approve the budgets for 2021 until after 2021 began, they continued to pay their share of each monthly bill; at no point did they fail or refuse to pay any bill that Talen as operator presented. (*Id.*)

17. Attorney General Knudsen took no position in response to the motion for a preliminary injunction to enjoin enforcement of SB 266. He stated, “Plaintiffs have represented that there is an operations and maintenance budget in place for Colstrip for the 2021 operating year, and that there is no risk they will close Colstrip in the immediate future. In the same vein, the State does not anticipate enforcing SB 266 in the immediate future.” (Doc. 57 at 2.) At oral argument on the motion for a preliminary injunction to enjoin Attorney General Knudsen from enforcing SB 266, the Attorney General stated, “The AG has no intent to enforce the statute anytime soon, and indeed there is an O&M budget in place currently.” (Third Greene Decl. Ex. 1, Hearing Aug. 6, 2021, Tr. 21:12-14.)

18. The statements of the Attorney General and of Senator Fitzpatrick create a significant and chilling concern that a “no” vote to a Talen-proposed budget will lead the Attorney General to file an action under SB 266 asking a court to impose \$100,000 per day fines after the preliminary injunction expires. (Third Greene Decl. ¶ 5).

19. The threat of enforcement of SB 266 further harms the PNW Owners by creating uncertainty about whether advocating their position in arbitration—i.e., pursuant to the terms of the Agreement, all or part of Colstrip can be shut down by

a less than unanimous vote of the Committee—could be a violation of SB 266.
(Third Greene Decl. ¶ 6).

20. Removing Colstrip Units 3 and 4 from PSE’s electricity supply portfolio by the end of 2025 means PSE must turn to other sources to replace the significant amount of electricity currently supplied to PSE from Colstrip Units 3 and 4. Doing so will necessarily require PSE to make significant expenditures in generation assets other than Colstrip and/or in acquiring electricity from third parties, including options in states other than Montana.
(Second Roberts Decl. ¶ 11.)

INDEX OF EXHIBITS

Document Name	Doc. No.
Am. Compl. Ex. 1, text of SB 266	32-1
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Roberts Decl. Ex. 1, O&O Agreement	39-2
Decl. of Jason R. Thackston in Support of Pls.' Mot. for Prelim. Injunction ("Thackston Decl.")	39-3
Decl. of Brett Greene in Support of Pls.' Mot. for Prelim. Injunction ("First Greene Decl.")	39-4
Decl. of Mike Johanson in Support of Pls.' Mot. for Prelim. Injunction ("Johanson Decl.")	39-5
Decl. of Jeffrey M. Hanson ("Hanson Decl.") in Support of Pls.' Mot. for Prelim. Injunction, Ex. A, 2/23/2021 Transcript of Montana Senate Comm. Hearing on SB 266	39-6
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Decl. of Ronald Roberts in Support of Pls.' Mot. For Summ. J. Regarding Their Fourth and Fifth Claims for Relief ("Second Roberts Decl.")	105, filed concurrently with this motion
Third Greene Decl. Ex. 1, Excerpt of 8/6/2021 Hearing on Mot. for Prelim. Injunction	105, filed concurrently with this motion

DATED this 29th day of October 2021.

MARKOWITZ HERBOLD PC

s/ Dallas DeLuca

David B. Markowitz (admitted *pro hac vice*)

Dallas DeLuca (admitted *pro hac vice*)

Harry B. Wilson (admitted *pro hac vice*)

Attorneys for Plaintiff Portland General

Electric Company

HANSBERRY & JOURDONNAIS, PLLC

Charles E. Hansberry

Jenny M. Jourdonnais

chuck@hjbusinesslaw.com

jenny@hjbusinesslaw.com

Attorneys for Plaintiffs

Gary M. Zadick

gmz@uazh.com

UGRIN ALEXANDER ZADICK, P.C.

#2 Railroad Square, Suite B

PO Box 1746

Great Falls, MT 59403

Ph: (406) 771-0007

Fax: (406) 452-9360

Attorneys for Plaintiff Portland General

Electric Company

PERKINS COIE LLP
Harry H. Schneider, Jr.
(Admitted Pro Hac Vice)
Jeffrey M. Hanson
(Admitted Pro Hac Vice)
Gregory F. Miller
(Admitted Pro Hac Vice)
*Attorneys for Plaintiff Puget Sound Energy,
Inc.*

KSB LITIGATION P.S.
William J. Schroeder
(Admitted Pro Hac Vice)
William.schroeder@Ksblit.legal
Attorneys for Plaintiff Avista Corporation

AVISTA CORPORATION
Michael G. Andrea
(Admitted Pro Hac Vice)
Michael.Andrea@avistacorp.com
Attorney for Plaintiff Avista Corporation

SCHWABE WILLIAMSON & WYATT
Troy Greenfield
Connie Sue Martin
(Admitted Pro Hac Vice)
TGreenfield@Schwabe.com
CSMartin@Schwabe.com
Attorneys for Plaintiff PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that on October 29, 2021, a copy of the foregoing document was served on the following persons, via ECF. Also, pursuant to L.R. 56.1(a)(4), a Word version of the foregoing document was emailed to the following persons:

Charles E. Hansberry
Jenny M. Jourdonnais
HANSBERRY & JOURDONNAIS, PLLC
2315 McDonald Avenue, Suite 210
Missoula, MT 59801

Attorneys for Plaintiffs

Gary M. Zadick
UGRIN ALEXANDER ZADICK & HIGGINS
PO Box 1746
Great Falls, MT 59403-1746

Attorneys for Plaintiff Portland General Electric Company

Michael G. Andrea
AVISTA CORPORATION
1411 W. Mission Ave., MSC-17
Spokane, WA 99202

William J. Schroeder
KSB LITIGATION, P.S.
510 W. Riverside Ave., #300
Spokane, WA 99201

Attorneys for Avista Corporation

Connie Sue Martin
Troy D. Greenfield
SCHWABE WILLIAMSON & WYATT
1420 5th Ave., Suite 3400
Seattle, WA 98101

Attorneys for PacifiCorp

Jeffrey M. Hanson
Gregory F. Miller
Harry H. Schneider
PERKINS COIE
1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099

Attorneys for Puget Sound Energy, Inc.

J. David Jackson
DORSEY & WHITNEY
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498

Stephen D. Bell
DORSEY & WHITNEY LLP
125 Bank Street, Millennium Building, Suite 600
Missoula, MT 59802-4407

Attorneys for NorthWestern Corporation

Adam Carlis
Barry Barnett
SUSMAN GODFREY LLP
1000 Louisiana Street
Suite 5100
Houston, TX 77002-5096

Alexander P. Frawley
SUSMAN GODFREY LLP
1301 Avenue of the Americas
32nd Floor
New York, NY 10019

Robert L Sterup
BROWN LAW FIRM, P.C.
315 North 24th Street
Billings, Montana 59101

Attorneys for Defendant Talen Montana, LLC

Aislinn W. Brown
MONTANA DEPARTMENT OF JUSTICE
PO Box 201440
Helena, MT 59620-1440

Derek J. Oestreicher
MONTANA ATTORNEY GENERAL
215 N Sanders
PO Box 201401
Helena, MT 59620-1401

Jeremiah R. Langston
MONTANA ATTORNEY GENERAL
PO Box 201401
215 North Sanders
Helena, MT 59620-1401

*Attorneys for Defendant Austin Knudsen, in his official capacity as Attorney
General for the State of Montana*

Dated this 29th day of October, 2021.

MARKOWITZ HERBOLD PC

By: *s/ Dallas DeLuca*

Dallas DeLuca (admitted *pro hac vice*)

*Attorneys for Plaintiff Portland General
Electric Company*