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Attorneys for Defendant NorthWestern Corporation

**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; and AUSTIN
KNUDSEN, in his official capacity as
Attorney General for the State of
Montana,**

Defendants.

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

**DECLARATION OF JOHN K.
TABARACCI IN SUPPORT OF
DEFENDANT
NORTHWESTERN
CORPORATION'S MOTION TO
COMPEL ARBITRATION AND
APPOINT A MAGISTRATE
JUDGE TO OVERSEE
ARBITRATION PROCEDURE
NEGOTIATIONS**

JOHN K. TABARACCI states and declares:

1. I am NorthWestern Energy's ("NorthWestern") Corporate Counsel. I have served in this role since November 2014, before which I served as outside counsel for NorthWestern for over ten years.

2. As Corporate Counsel, I am personally familiar with NorthWestern's efforts to ensure it has the power generation resources required to meet the electrical power needs of its customers reliably, affordably, and safely. As part of my responsibilities, I am personally familiar with NorthWestern's resource planning function.

3. As Corporate Counsel, I am personally familiar with Colstrip Units 3 and 4 Steam Electric Generating Project and related facilities, located in Colstrip, Montana (the "Project"), the terms of the Colstrip Units 3 and 4 Ownership and Operation Agreement, dated May 6, 1981 (along with each of its four Amendments, the "O&O Agreement").

4. I make this declaration on personal knowledge.

The Project

5. Units 3 and 4 are active coal-fired generating units capable of producing up to 1,480 Megawatts of electricity.

NorthWestern's Resource Needs and Planning

6. NorthWestern would need to plan for and locate new sources of electrical generation. Some alternatives may require several years of development, possibly including facility and transmission construction. NorthWestern would need to obtain regulatory approval for new sources of electrical generation, and it would need time to address each issue long before the Project is to close. Otherwise, NorthWestern could suffer significant damages and the citizens of Montana—NorthWestern's primary customers—could suffer electricity shortfalls.

2021 Budgeting Process

7. On September 1, 2020, Talen provided the Owners with the proposed 2021 Colstrip Units 3 & 4 Operating Budget and the corresponding documents. Talen requested approval of the proposed budget by November 1, 2020. A true and correct copy of the September 1, 2020 cover letter regarding the 2021 proposed budget is attached to this Declaration as Exhibit 1.

8. Between September 1, 2020, and November 19, 2020, the parties exchanged multiple correspondence—Talen sought guidance from the PNW Owners on how the budget could be revised to meet the \$13 million capital cost reduction the PNW Owners requested. The PNW Owners provided guidelines for Talen to revise the budget. NorthWestern stressed its reliance on the Project to meet its supply obligations and explained that while NorthWestern supports

prudent reductions to the 2021 budget for Colstrip Units 3 and 4, it cannot and does not support cuts that put safety, environmental compliance, or reliability at risk.

9. By letter dated November 19, 2020, the PNW Owners, in connection with the budgeting process, demanded that Talen, as both Operator and Owner, and NorthWestern “plan and successfully execute a strategy that provides a framework for our individual exits from the Colstrip Project within the next 60 months.” A true and correct copy of the November 19, 2020 letter is attached to this Declaration as Exhibit 2.

10. In the same November 19, 2020 letter, the PNW Owners insisted the budget reflect “a change in operations [that] . . . provide[s] for a transition of the project in the long term,” adding, “Ultimately, the 2021 Budget must realize savings and reflect a cost structure that is consistent with the orderly transition of the project as well as the exit of the majority of individual owners over the next 60 months.” The PNW Owners identified “[c]losure of one or both units within the next 60 months” as a key objective supported by key project and operational assumptions (or alternatively closure of Unit 3 by 2025 and Unit 4 by 2027).

11. The PNW Owners reiterated their focus on closing the Project by 2025 in their letters of November 25, 2020, December 9, 2020, and January 7,

2021. A true and correct copy of the January 7, 2021 letter is attached to this Declaration as Exhibit 3.

12. Talen provided a revised budget on January 18, 2021. A true and correct copy of the January 18, 2021 cover letter regarding the revised 2021 budget is attached to this Declaration as Exhibit 4.

13. Ultimately, the parties arrived at a 2021 budget with the consent, and over the protests, of the PNW Owners.

The 2022 Budget Status

14. On September 1, 2021, Talen provided the Owners with the proposed 2021 Colstrip Units 3 & 4 Operating Budget largely based on the costs incurred during 2021 budget year and the corresponding documents.

15. The owners have not yet approved the 2022 budget.

16. The PNW Owners maintain the proposed budget needs to be reduced by \$25 million.

17. Discussions between the parties are ongoing.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: December 3, 2021

/s/ John K. Tabaracci
John K. Tabaracci

EXHIBIT 1



Neil J Dennehy • Plant Manager • Colstrip Power Plant
 PO Box 38 • 580 Willow Avenue • Colstrip, MT 59323
 (406) 748-5066 • neil.dennehy@talenenergy.com

September 1, 2020

Ladies and Gentlemen,

Enclosed for your review and approval is the proposed 2021 Colstrip Units 3&4 Operating Budget and its associated supporting documents. As the Operator, we have heard the Owners desire to provide a reduced budget that is at 2020 budget levels. To that end, we are providing a budget with status quo assumptions below, but we are also providing a Talen Montana preferred budget (the "Alternative Budget") which assumes that Unit 3 is in planned outage in Q2 of each year.

The status quo budget was developed based on 3 key assumptions. First, the generation profile requested by the owners (72% capacity factor yields a service factor of 87% based on historical 2016 to present data). Second, a Unit 3 overhaul is scheduled for spring 2021. Third, we have budgeted for the staff we feel is required to safely and reliably operate Colstrip in compliance at the levels discussed above and complete the required remediation activities for the site. Considering those factors, the overall O&M budget is \$131.5M, an \$8.6M (7%) increase compared to the approved 2020 budget. After removing the increases associated with labor and the shift in common cost, the overall increase is \$1.2M or 2%.

	2020	2021		%
(000s)	Budget	Budget	Inc/(Dec)	Change
O&M	\$122.9	\$131.5	\$8.6	7%
Labor	(\$43.0)	(\$48.5)	(\$5.5)	
Common	(\$12.5)	(\$14.4)	(\$1.9)	
O&M, net	\$67.4	\$68.6	\$1.2	2%

Regarding labor, the 2020 budget assumed a site wide, Full Time Equivalent (FTE) of 237 by end-of-year. The Colstrip 2021 Staffing Plan reflects 256 FTEs. Approximately 242 FTEs support Units 3&4, of which 13 FTEs are focused on remediation efforts. This is consistent with the current staffing levels supporting a capacity factor that is similar to the one requested by the Owners for 2021.

The common cost increase is associated with the lost economies of scale that benefited the owners prior to Units 1&2 shutting down. It includes areas such as Corporate A&G, IT support and maintenance of structures and grounds.

Other noteworthy items include the following:


- Pension costs increased approximately \$1M compared to 2020 based on actuarial estimates which are subject to change based on market conditions and associated changes in assumptions.
- Insurance costs increased by approximately \$1.5M.
- Previously, the Colstrip units were moved to a 4-year overhaul cycle. We recently had several discussions regarding the scheduled Unit 4 2020 overhaul, the condition of the unit, and the risks associated with further deferral. Given the current capacity and service factors, it's anticipated Unit 3 will be in a similar condition as Unit 4, thus requiring an overhaul to maintain safety and compliance standards at the desired capacity factor.

In the August Owners meeting, the Owners again expressed their desire to cut the operational costs at Colstrip and hold the 2020 budget levels. Given the request, we have provided an Alternative Budget for consideration, which Talen Montana prefers, that assumes Unit 3 will be in a planned outage and not operate during Q2 of each year. For this scenario to work, it requires two things. First, the units need to be in good condition initially and not at the end of a 4-year run cycle. Second, the strategy needs to be maintained for the long term. It's not just a 1-year option. This option shows the impact of removing Unit 3 from service during Q2 going forward.

Capital projects, including the hurdle rate worksheets and supporting documentation, are available on the ftp site (<https://talenenergy.ftptoday.com/>) similar to last year. A meeting has been scheduled on 9/17 to address Owner questions specific to the proposed capital projects.

We look forward to reviewing this budget with you at our upcoming Owner's Meeting scheduled for September 16, 2020. We request approval of the proposed budget by November 1, 2020.

Sincerely yours,


Neil Dennehy

Enclosures:

- a. Colstrip Steam Electric Station – Operating Budget 2021
- b. 5-year Business Plan
- c. 2021-2022 Alternative Budget
- d. Capital Adjustments – Proposed vs Alternative
- e. 2020v2021 Change Summary
- f. 2021 Capital Budget w/monthly forecast
- g. 2021 ARO Budget w/monthly forecast
- h. 2021 Common Costs
- i. 2021 Staffing Plan
- j. Available Generation
- k. 10 Year Capital Plan (2021-2030)

EXHIBIT 2



Portland General Electric Company
121 SW Salmon Street, 1WTC 1301
Portland, Oregon 97204



Avista Corporation
Post Office Box 3727
Spokane, Washington 99220



PacifiCorp
825 NE Multnomah Street
Portland, Oregon 97232



Puget Sound Energy
355 110th Avenue Northeast
Bellevue, Washington 98004

November 19, 2020

[Via Email]

Attention: Dale Lesbeck
Talen Montana

Re: Colstrip Units 3 and 4, 2021 Budget – Talen Energy’s November 10, 2020 Letter and November 13, 2020 Revised 2021 Budget

Dear Mr. Lesbeck:

Portland General Electric Company, PacifiCorp, Avista Corporation and Puget Sound Energy, Inc. (collectively referred to herein as “we” “us” or “our”) are writing in response to your letter of November 10, 2020 (“November 10 Letter”).

As you acknowledged in your November 10 Letter, we remain concerned about continued increased costs of the Units and must expeditiously mitigate the impacts of rising costs on our customers. As we have discussed many times with Talen our customers, regulators, and policy makers¹ demand that we plan and successfully execute a strategy that provides a framework for our individual exits from the Colstrip Project within the next 60 months.

¹ Examples include Washington’s Clean Energy Transformation Act, Oregon’s Executive Order 20-04, PGE’s Colstrip Enabling Study demonstrating customer benefits, and owner investor preferences an example of which are described here: https://billingsgazette.com/business/major-northwestern-shareholder-puts-companies-on-notice-regarding-climate-risk/article_8e3fd391-4cd2-5988-871e-54ece0fde6b2.html

Attention: Dale Lesbeck
Talen Montana
Page 2

We requested a 2021 Budget that reflects an overall reduction of \$14.8 million in O&M costs and \$13.2 million in capital reductions. Additionally, we have requested a \$10 million sustainable reduction in base O&M over the next three years. Talen has asserted that these reductions cannot be realized in the current operating paradigm and instead proposed a \$2.5 million dollar increase from its original 2021 proposal. Overall, Talen has suggested that the current operational paradigm and cost structure of the plants requires a budget, specifically O&M, that is a nearly 40% higher increase over the average approved budgets for the period between 2015 and 2019.

The guidance provided in our October 23, 2020 letter, as well as the supplemental benchmarking material provided via email on October 29, 2020, are material and consistent with our duties under the O&M. It is also consistent with prudent actions we have each taken with regard to other generation assets in our respective fleets. It is disappointing to us that Talen, in its role as operator, failed to effectively leverage our guidance to identify savings and quantify the specific operational, reliability, or other risks associated with each level of our requested reductions. This would have positioned us better to have an informed risk discussion and to explore operational alternatives.

That said, we appreciate Talen's effort to suggest a change in operational practices to realize savings. Specifically, transitioning operations from an annual to a seasonal basis by shifting planned outages into Q2 of each year. However, we find this option benefits Talen as a plant owner and is not a true cost saving proposal because it only defers expenses into future years, which does not result in sustainable year over year budget reductions. Shifting outages to Q2 of each year would mostly reduce variable costs associated with not running the plants (mostly chemical costs), which does not address the base cost increases that drive the overall increasing costs of operations. This approach also may raise the risk of incurring liquidated damages under the coal contract. A budget that reflects a change in operations must be comprehensive, balanced, and reflect savings in the short term, and provide for a transition of the project in the long term.

After reviewing the November 10th Letter and the Revised Budget dated November 13th carefully, with the foregoing considerations in mind, our conclusion is that we cannot support the Revised Budget and will instruct our committee members to vote accordingly. Ultimately, the 2021 Budget must realize savings and reflect a cost structure that is consistent with the orderly transition of the project as well as the exit of the majority of individual owners over the next 60 months. There is a path to a 2021 Budget that realizes these objectives and we are committed to working collaboratively with Talen on these budget and transition issues consistent with our respective roles and responsibilities under the O&O Agreement.

To that end, we request that Talen prepare a 2021 Budget Alternative based on the following assumptions and objectives ("2021 Budget Alternatives"):

- Key Objectives:
 - \$14.8 Million in O&M base reductions from the original budget, including \$1.6 million in common facilities costs for 2021
 - \$13.2 million of capital project reductions in 2021
 - \$10 million in annual O&M base reductions over the next three years
 - Closure of one or both units within the next 60 months

Attention: Dale Lesbeck
Talen Montana
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- All reductions and the transition of the project are done in a manner consistent with good utility practice, safety, and reliability
- Key Project Assumptions:
 - Alternative A: Closure of Units 3 and 4 by 2025
 - Alternative B: Closure of Unit 3 by 2025 and Unit 4 by 2027
- Key Operational Assumptions
 - Alternative A: Identify operational scenarios that reduce capital and labor costs over the period between now and a 2025 closure date
 - Alternative B: Identify operational scenarios that reduce capital and labor costs over the period between now and a 2025 closure date for Unit 3 and 2027 for Unit 4

A 2021 Budget Alternative that addresses these objectives will create a baseline for the owners to have an informed and constructive discussion to shape an acceptable budget for 2021. We look forward to further discussing the 2021 Budget Alternative and to work collaboratively to move it forward expeditiously.

Sincerely,

**PORTLAND GENERAL ELECTRIC
COMPANY**

By: Brett Greene
Brett Greene (Nov 19, 2020 17:18 PST)

Name: Brett Greene

AVISTA CORPORATION

By: Jason Thackston
Jason Thackston (Nov 19, 2020 18:04 PST)

Name: Jason Thackston

PACIFICORP

By: Chuck Tack
Charles L Tack (Nov 19, 2020 18:33 MST)

Name: Chuck Tack

PUGET SOUND ENERGY

By: Ron Roberts
Ron Roberts (Nov 19, 2020 19:01 PST)

Name: Ron Roberts

cc Northwestern Energy
Attention: John Hines

EXHIBIT 3



Portland General Electric Company
121 SW Salmon Street, 1WTC 1301
Portland, Oregon 97204



PacifiCorp
825 NE Multnomah Street
Portland, Oregon 97232



Avista Corporation
Post Office Box 3727
Spokane, Washington 99220



Puget Sound Energy
355 110th Avenue Northeast
Bellevue, Washington 98004

January 7, 2021

Via Certified Mail and Email

Neil J. Dennehy, Plant Manager, Colstrip Power Plant
Talen Montana, LLC
580 Willow Avenue
P.O. Box 38
Colstrip, MT 59323

Re: Response to Proposal Regarding 2021 Colstrip Unit 3 Overhaul and Request for
Additional Information

Dear Mr. Dennehy:

The undersigned are the Committee members for Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (the “Pacific Northwest Owners”) under the 1981 Ownership & Operation Agreement for Colstrip Units #3 & #4 (“the Project”), and amendments thereto (“O&O Agreement”). The Pacific Northwest Owners are writing to you in response to Talen’s proposal regarding the overhaul of Colstrip Unit 3 that is planned for spring 2021 (“Unit 3 Overhaul”) and in response to Talen’s Proposal #3 contained in its December 9, 2020 letter.

The Pacific Northwest Owners have reviewed the work that Talen proposes to be performed during the Unit 3 Overhaul. The Pacific Northwest Owners cannot support any work that is to be performed to extend the life of Colstrip Unit 3 beyond the end of 2025, however, do

Neil J. Dennehy, Plant Manager, Colstrip Power Plant
Talen Montana, LLC
January 7, 2021
Page 2

support the work necessary for reliability, safety, or compliance (including environmental compliance).

Based on the foregoing, the Pacific Northwest Owners have compiled Attachment A which provides a detailed breakdown of Talen's proposed projects into three groups to right-size the scope of the Unit 3 Overhaul. These groups are described as follows:

1. Approved – Projects that the Pacific Northwest Owners are supportive of moving forward with as scoped.
2. Reduce Scope or Further Justification Required – Projects for which we request a scope reduction and inclusive of our comments intended to provide insight into what level of scope reduction could be acceptable.
3. Not Approved – Projects we do not approve.

To the extent that any item is approved, but with a reduced scope, the Pacific Northwest Owners request that, if Talen objects to the reduced scope, that Talen provide information supporting its objection. As you are aware, under Section 17(e) of the O&O Agreement, upon request of any Committee member, Operator is required to “furnish or make available, with reasonable promptness and at reasonable times, any and all other information relating to Construction, operation and maintenance of the Project.” Similarly, under Section 17(g) of the O&O Agreement, the Operator is required to furnish or make available, upon request, all supporting reports, analyses, recommendations or other documents pertaining to its proposal. Accordingly, pursuant to Sections 17(e) and 17(g) of the O&O Agreement, the Pacific Northwest Owners request that Talen furnish or make available the following information regarding each item proposed for the Unit 3 Overhaul that falls under 2 or 3 above:

- The purpose of each item and whether the purpose of any item is to extend the life of Unit 3;
- Whether any item is required primarily for reliability, safety, or compliance and, if so, an explanation of why such item is so required; and
- A specific list and summary of risks, as well as any proposed risk mitigation alternatives, associated with a decision to not perform any item during the Unit 3 Overhaul.

The Pacific Northwest Owners request that Talen provide the information requested above no later than January 22, 2021. We are willing to discuss further at the next Owner's Rep meeting or at an alternatively scheduled time.

Except as expressly approved herein, the Pacific Northwest Owners are not prepared at this time to approve any of the other work that Talen proposes to be performed during the Unit 3 Overhaul. The Pacific Northwest Owners look forward to receiving the requested information so that each such owner can make an informed decision regarding work to be performed during the Unit 3 Overhaul. In the absence of the requested information, unless Talen's proposal is revised

Neil J. Dennehy, Plant Manager, Colstrip Power Plant
Talen Montana, LLC
January 7, 2021
Page 3

to include only the items expressly approved above, each of Pacific Northwest Owners object to any work proposed for the Unit 3 Overhaul not otherwise approved above and will vote “no” at this time for such work.

Pursuant to Section 2(f) of the O&O Agreement, each of the Pacific Northwest Owners reserves the right to have a representative on site during any work performed during the Unit 3 Overhaul to observe and ensure that work performed prioritizes safety, reliability and compliance. Please notify each of the representatives of the Pacific Northwest Owners prior to commencing any work associated with the Unit 3 Overhaul.

Separately from the Unit 3 Overhaul, in response to Talen’s Proposal #3, the Pacific Northwest Owners do not at this time have sufficient clarity with regard to the cost estimates, scope or schedule and remain concerned given the significant increase in project costs from the original budget. It is our understanding that the Owner’s Rep members are collaborating on these issues and once the Pacific Northwest Owners have sufficient clarity on the cost estimates, scope, and schedule, the Pacific Northwest Owners will be able to move quickly in providing a response to such proposal and meet the requirements of the settlement terms.



SHawn P davis (Jan 7, 2021 14:20 PST)

Portland General Electric Company
Shawn Davis

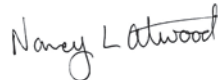


Avista Corporation
Steve Wenke



Mike Johanson (Jan 7, 2021 15:15 MST)

PacifiCorp
Mike Johanson



Puget Sound Energy
Nancy Atwood

cc: NorthWestern Energy, Attention: Mike Barnes/John Hines
Talen Montana, Attention: Dale Lebsack
General Counsels for Avista, PacifiCorp, PGE, PSE, Talen, and NorthWestern Energy

EXHIBIT 4



Neil J Dennehy • Plant Manager • Colstrip Power Plant
PO Box 38 • 580 Willow Avenue • Colstrip, MT 59323
(406) 748-5066 • neil.dennehy@talenenergy.com

Via Email and USPS to recipients

January 18, 2021

Ms. Nancy Atwood
Manager, Energy Resources Assets
Puget Sound Energy, Inc.
P.O. Box 97034, EST-IIW
Bellevue, WA 98004

Mr. Mike Barnes
Superintendent, Joint Owned Thermal Ops
NorthWestern Energy
P.O. Box 80330
1944 Monad Road |
Billings, MT 53102

Mr. Steve Wenke
Senior Manager Generation
Strategy and Planning
AVISTA
Avista Utilities, MSC-51
1411 E. Mission Avenue
Spokane, WA 99220

Mr. Mike Johanson
Non-Operational Plant and
Support Director
PacifiCorp
1407 West North Temple, Suite 210
Salt Lake City, UT 84116

Mr. Josh Hagel
Manager, Compliance
and Cyber Security
Portland General Electric
73334 Tower Road
Boardman, OR 97818

Mr. Shawn Davis
Portland General Electric
73334 Tower Road
Boardman, OR 97818

Mr. Shannon Brown
Senior Director, Asset Management
Talen Energy
1780 Hughes Landing
The Woodlands, TX 77380

RE: Response to January 7, 2021 Letter and 2021 U3 overhaul forecast

Project Committee:

Thank you for reviewing the Colstrip Unit 3 ("U3") Overhaul capital projects outlined in Talen Montana's ("Talen's") December 9, 2020 proposal (the "Dec. 9th Proposal") and providing feedback as well as guidance criteria in your January 7, 2021 letter (the "Jan. 7th Letter"). As you know, time is very short for the planning and preparation required to successfully execute the U3 planned overhaul scheduled from 4/24/21 through

6/25/21. The purpose of this letter is to 1) respond to the requests in your Jan. 7th Letter, and 2) provide a comprehensive forecast for the U3 overhaul capital projects and overhaul O&M that we are proceeding with as per your guidance and criteria.

As further detailed in Attachment A, Talen is willing to incorporate the substantive guidance and criteria you provided on Jan. 7 into the comprehensive U3 overhaul forecast summarized below. Because an agreement appears to be within reach, let's please put aside our disagreement about whether any of these capital projects would extend Unit 3's life beyond the scheduled 2025 overhaul and whether that is a reasonable basis to oppose a capital project.

2021 U3 Overhaul Capital Project Summary with Revised 2021 U3 Overhaul Capital Projects Forecast:

	2021 Capital Projects (\$000)
Talen's Dec. 9 th Proposal	\$38,064
Reductions	(\$9,555)
Revised 2021 U3 Overhaul Capital Project Forecast	\$28,509

Along with revising the U3 overhaul capital projects, Talen has also adjusted the O&M portion of the U3 overhaul forecast by, among other things, removing contingency and accounting for the various capital projects that were canceled at your request and will now be performed on a repair as needed basis. This, of course, increases the chance that our budget will underestimate the actual costs of this overhaul and we will need to adjust accordingly during the project. But we hope to avoid having to do so.

2021 U3 Overhaul O&M Summary with updated 2021 U3 Overhaul O&M Forecast:

U3 Overhaul O&M (\$00)	2021	U3 Overhaul Special O&M (\$000)	2021
2021 U3 OH O&M Budget (as of Sept. 1, 2020)	\$12,849	2021 U3 OH Special O&M Budget (as of Sept. 1, 2020)	\$5,707
U4 Experience Reductions	(\$1,359)	U4 Experience Reductions	(\$1,040)
Additional Reductions	(\$902)	Additional Reductions	(\$-)
<u>Forecast before scope additions</u>	<u>\$10,588</u>	2021 U3 OH Special O&M Forecast	\$4,667
New Repair scope in O&M	\$2,524		
2021 U3 OH O&M Forecast	\$13,112		

Proposed Comprehensive U3 Overhaul Forecast for 2021 U3 Overhaul scheduled from 4/24/21 through 6/25/21:

2021 U3 Overhaul Capex Forecast: \$28,509,000

2021 U3 Overhaul O&M Forecast: \$13,112,000

2021 U3 OH Special O&M Forecast: \$4,667,000

Total 2021 U3 OH Forecast (O&M and Capex): \$46,288,000

Total 2021 OH Forecast (O&M and Capex) Reductions: (\$10,322,000)

The above total 2021 U3 overhaul forecast of \$46.3MM represents total reductions of \$10.3MM compared to the 2021 U3 Overhaul Budget of \$56.6MM presented in Sept. 1, 2020.

To be clear below is Talen's response to each of the three categories of Capex projects from the Jan. 7th letter:

- 1) Approved – Projects that the Pacific Northwest Owners are supportive of moving forward with as scoped.
 - a. *Talen does not object. See details in Attachment 1, Table 1.*
- 2) Reduce Scope or Further Justification Required – Projects for which we request a scope reduction and inclusive of our comments intended to provide insight into what level of scope reduction could be acceptable.
 - a. *Talen does not object. See details in Attachment 1, Table 2.*
- 3) Not Approved – Projects we do not approve.
 - a. *Talen does not object. See details in Attachment 1, Table 3.*

As you know time is of the essence to plan and prepare for a successful U3 Overhaul and the above revisions have now added to that concern. Please let us know if you have any concern regarding the above U3 Overhaul forecast and approach at the upcoming Project Committee meeting on January 20, 2021, but in any case, no later than January 22nd, 2021.

Sincerely,


Neil Dennehy
Plant Manager