

**EXHIBIT NO. __ (EDH-7)
DOCKET UE-200115
COLSTRIP UNIT 4 SALE
WITNESS: EZRA D. HAUSMAN, PH.D.**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

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**

Docket UE-200115

**EXHIBIT EDH-7 TO THE
PREFILED DIRECT TESTIMONY OF
EZRA D. HAUSMAN, PH.D.
ON BEHALF OF THE SIERRA CLUB**

October 2, 2020

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

SIERRA CLUB DATA REQUEST NO. 014:

Does PSE believe it is reasonable and consistent to use (a) a projected market price of electricity at Mid-C “in a range of between \$23/MWh and \$25.40/MWh over the term of the NorthWestern Energy PPA” as described in exhibit CLS-1CT, page 12, footnote 5, and similar prices in Ms. Song’s exhibits and workpapers, and (b) in the same analyses to assume a fixed hedge price for the same location and time period of either \$37.52 per MWh or \$36.60 per MWh? If yes, please explain.

Response:

- a. Yes. The projected market price of electricity at Mid-C “in a range of between \$23/MWh and \$25.40/MWh over the term of the NorthWestern Energy PPA” is in a reasonable range given market economic factors at the time of the analysis in the late summer and early fall of 2019. For purposes of the analysis of the projected market price of electricity at Mid-C, PSE used the pricing model that is vetted in PSE’s Integrated Resource Plan process and used to make long-term resource acquisition decisions.
- b. PSE based the hedged scenario on an offer-side market quote at the time of the inquiry. Obtaining a fixed hedge price requires the payment of a premium to mitigate the volatility, and the fixed hedge price can differ significantly from projected Mid-C pricing. The proxy for the fixed hedged price was not done at the same time of the development of Mid-C pricing. The fixed hedged price scenario provided additional insight to the impact of higher prices for market replacement costs.