

**BEFORE THE WASHINGTON
UTILITIES & 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 Colstrip Transmission System

DOCKET UE-200115

**PAUL L. CHERNICK
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT PLC-16C

Puget Sound Energy Response to Commission Staff Data Request No. 21

October 2, 2020

Shaded Information is Designated Confidential per Protective Order
in Docket UE-200115

PUBLIC VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

WUTC STAFF DATA REQUEST NO. 021

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
021	Shaded information in Puget Sound Energy’s Second Revised Response to WUTC Staff Data Request No. 021 is designated as CONFIDENTIAL per Protective Order in Docket UE-200115.
021	Shaded information in each of Attachment A to Puget Sound Energy’s Second Revised Response to WUTC Staff Data Request No. 021 is designated as CONFIDENTIAL per Protective Order in Docket UE-200115.
021	Shaded information in each of Attachment B to Puget Sound Energy’s Second Revised Response to WUTC Staff Data Request No. 021 is designated as HIGHLY CONFIDENTIAL per Protective Order in Docket UE-200115.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

WUTC STAFF DATA REQUEST NO. 021:

Re: Cost Benefit Analysis – Uncertainty of Inputs

- a. Has PSE performed a risk analysis (such as Monte Carlo simulation) to evaluate the uncertainty (or probability distribution) of net benefits of the transaction? If yes, please provide the analysis for both the “Business as Usual” scenario and the “Proposed Sale” scenario.
- b. Other than the analysis PSE describes in its response to (a), above, has PSE in any way assessed how the uncertainty of its inputs or variables affects the results of its cost-benefit analysis? If yes, please provide the analysis for both the “Business as Usual” scenario and the “Proposed Sale” scenario.

Second Revised Response:

Puget Sound Energy (“PSE”) has updated the analysis to include the following changes:

- (i) PSE updated the timing of the power purchase agreements to reflect the projected closing date. The timing changed from PSE’s First Revised Response to WUTC Staff Data Request No. 021 (a term beginning January 1, 2021, and ending December 31, 2025) to PSE’s Second Revised Response to WUTC Staff Data Request No. 021 (a term beginning December 17, 2020, and ending December 2, 2025).
- (ii) PSE updated the cost of capital from 6.97 percent to 6.80 percent to reflect the approved costs of capital from the final order in PSE’s recently concluded general rate case in Docket UE-190529. This update had minimal impact on the results.
- (iii) The updated analysis assumes the replacement cost for the lost energy and peak capacity with the expiration of the power purchase agreements on December 2, 2025, for the remainder of that month.

The updates did not change the results from the PSE’s First Revised Response to WUTC Staff Data Request No. 021. The benefits remain in a range between \$(3) million and \$23 million for the higher price scenario. As described in the Prefiled Supplemental

Testimony of Cindy L. Song, Exh. CLS-8CT, the benefits remain in a range from \$6 million to \$33 million for the base scenario.

- a. Yes. PSE has performed an additional stress testing analysis on how the PPA performs in a higher price scenario, see response to part b. below.
- b. PSE has performed an additional analysis with a higher price scenario. The high pricing scenario was derived from work from the 2019 Integrated Resource Plan, which did not include the recently passed legislation in Washington and California for renewable targets mandates and higher gas prices. Please see the table below for the price comparison between the base forecast used in PSE's First Revised Response to WUTC Staff Data Request No. 020 and the higher price scenario used in PSE's First Revised Response to WUTC Staff Data Request No. 021.

	Mid-C Price \$/MWh				
	2021	2022	2023	2024	2024
High	\$XX.X	\$XX.X	\$XX.X	\$XX.X	\$XX.X
Base	\$XX.X	\$XX.X	\$XX.X	\$XX.X	\$XX.X
% Difference	XX.X%	XX.X%	XX.X%	XX.X%	XX.X%

Attached as Attachment A to PSE's Second Revised Response to WUTC Staff Data Request No. 021 for an MS Excel worksheet that provides details of the results of higher market prices.

Attached as Attachment B to PSE's Second Revised Response to WUTC Staff Data Request No. 021 is an underlying work paper that supports the analysis in Attachment A to PSE's Second Revised Response to WUTC Staff Data Request No. 021. Cell H6-H11 in tab "PPA Calculation (HC)" provides the summary of the hourly calculation by year, which is the source for line 6 in the "Hedging" and "No Hedging" tabs in Attachment A to PSE's Second Revised Response to WUTC Staff Data Request No. 021.

Shaded information in each of PSE's Second Revised Response to WUTC Staff Data Request No. 021 and Attachment A is designated as CONFIDENTIAL per Protective Order in Docket UE-200115.

Shaded information in Attachment B to PSE's Second Revised Response to WUTC Staff Data Request No. 021 is designated as HIGHLY CONFIDENTIAL per Protective Order in Docket UE-200115.

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