

**EXHIBIT NO. \_\_\_(RG-55CT)  
DOCKET NO. UE-072300/UG-072301  
2007 PSE GENERAL RATE CASE  
WITNESS: ROGER GARRATT**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-072300  
Docket No. UG-072301**

**PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF  
ROGER GARRATT  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED**

**JULY 3, 2008**

**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF  
ROGER GARRATT**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF**  
3 **ROGER GARRATT**

4 **I. INTRODUCTION**

5 **Q. Are you the same Roger Garratt who provided prefiled direct testimony in**  
6 **this proceeding on December 3, 2007, on behalf of Puget Sound Energy, Inc.**  
7 **(“PSE” or “the Company”)?**

8 A. Yes. On December 3, 2007, I filed direct testimony, Exhibit No. \_\_\_(RG-1CT),  
9 and fifty-one exhibits supporting such direct testimony, Exhibit No. \_\_\_(RG-2)  
10 through Exhibit No. \_\_\_(RG-52HC).

11 On December 21, 2007, I filed supplemental direct testimony, Exhibit  
12 No. \_\_\_(RG-53T), and one exhibit supporting such supplemental direct  
13 testimony, Exhibit No. \_\_\_(RG-54C).

14 **Q. Please summarize the purpose of your prefiled rebuttal testimony.**

15 A. This testimony provides rebuttal to Public Counsel’s disallowance of the  
16 Whitehorn Generating Station Units 2 and 3 presented in the Testimony of  
17 Michael J. Majoros, Jr., Exhibit No. \_\_\_(MJM-1TC), at page 12, lines 15-16.

1                   **II. NO PARTY CHALLENGES THE PRUDENCE OF ANY**  
2                   **POWER PURCHASE AGREEMENT OR GENERATION**  
3                   **RESOURCE FOR WHICH PSE SEEKS A PRUDENCE**  
4                   **DETERMINATION IN THIS PROCEEDING**

5           **Q. What are the power purchase agreements and generation resources for**  
6           **which PSE seeks a prudence determination in this proceeding?**

7           A. PSE’s direct testimony and exhibits in this proceeding seek a prudence  
8           determination and inclusion in rates of the following power purchase agreements  
9           (“PPA”) and generation resources:

- 10                   (i) the acquisition of the Whitehorn Generating Station Units 2 and 3,  
11                   a pair of simple cycle combustion turbines with a total capacity of  
12                   150 MW;
- 13                   (ii) the acquisition of the Sumas natural gas fired combined cycle  
14                   combustion turbine with a total capacity of approximately 125  
15                   MW and an interest in the natural gas pipeline that serves the  
16                   facility;
- 17                   (iii) the addition of 7.2 MW of wind capacity at the PSE-owned  
18                   Hopkins Ridge Wind Facility;
- 19                   (iv) a two-year extension to the full requirements power purchase  
20                   agreement (“PPA”) with Powerex to PSE’s Point Roberts load;
- 21                   (v) a 20-year PPA with PPM Energy for 50 MW of the 221-MW  
22                   Klondike III wind project;
- 23                   (vi) an approximate four-year PPA with Lehman Commodity Services  
24                   Group for 50 MW of replacement energy due to the Sumas PPA  
25                   default;
- 26                   (vii) an approximate four-year PPA with Sempra Energy Trading  
27                   Company for the balance of the energy replacement necessitated  
28                   by the Sumas PPA default; and
- 29                   (viii) a four-year winter on-peak power purchase with [REDACTED] for  
30                   150 MW.

[REDACTED]

1 **Q. Has Commission Staff challenged the prudence of the acquisition of the**  
2 **above-listed PPAs and generation resources?**

3 A. No. In the Testimony of Douglas E. Kilpatrick, Exhibit No. \_\_ TC (DEK-1TC),  
4 Commission Staff states the following with regard to the prudence of each of the  
5 above PPAs and generating resources:

6 I conclude that the acquisition of these generating resources and  
7 PPAs were prudent and reasonably priced, according to the  
8 standards applied by the UTC in prior cases.

9 Exhibit No. \_\_ TC (DEK-1TC), at page 4, lines 11-12. The Commission Staff  
10 summarizes the basis for its conclusion that PSE acted prudently in acquiring the  
11 above-listed generating resources and PPAs as follows:

12 The Company had a clear, documented need for power as detailed  
13 in both the 2003 and 2005 LCPs. For offers received that were  
14 part of the 2005 RFP, PSE also had a methodical, organized  
15 process for soliciting and evaluating bids. The Company  
16 examined self-build options, and it evaluated power purchase  
17 contracts and ownership of new resources. For offers received that  
18 were not part of the 2005 RFP, the Company compared each to its  
19 other options, including market purchases and other recent  
20 acquisitions. PSE kept detailed and contemporaneous records of  
21 the evaluation methods used, including data acquisition and  
22 modeling results using simulation software that can be replicated.  
23 Finally, PSE's Board of Directors was informed and involved in  
24 the decision-making process to acquire all of these resources and  
25 PPAs.

26 Exhibit No. \_\_ TC (DEK-1TC), at page 14, lines 13-23.

1 **Q. Has any other party presented evidence that would contradict Commission**  
2 **Staff's conclusion?**

3 A. No.

4 **III. THE COSTS ASSOCIATED WITH THE**  
5 **ACQUISITION OF WHITEHORN GENERATING STATION**  
6 **UNITS 2 AND 3 ARE KNOWN AND MEASURABLE**

7 **Q. Does any party propose to disallow any PPA or generation resource for**  
8 **which PSE seeks a prudence determination and inclusion in rates?**

9 A. Yes. Public Counsel witness Michael J. Majoros, Jr. proposes to disallow the  
10 Whitehorn Generating Station Units 2 and 3 because such units are “not  
11 scheduled to be in service until February 2009.” Exhibit No. \_\_\_(MJM-1TC), at  
12 page 12, lines 15-16. Public Counsel’s disallowance of Units 2 and 3 rests on  
13 Mr. Majoros’s unique theory regarding the relationship between the “known and  
14 measurable” standard and WAC 480-07-510. Please see the Rebuttal Testimony  
15 of John H. Story, Exhibit No. \_\_\_(JHS-14T), for a discussion of Mr. Majoros’s  
16 adjustment and why it is inappropriate.

17 **Q. Is Public Counsel’s assertion that the Whitehorn Generating Station Units 2**  
18 **and 3 are “not scheduled to be in service until February 2009” correct?**

19 A. No. As stated in my direct testimony, PSE entered into an agreement in 1981 to  
20 sell to, and lease back from, Public Service Resources Corporation (“PSRC”) two

1 GE MS7001E combustion turbines and other facilities at the Whitehorn  
2 Generating Station Units 2 and 3. Please see Exhibit No. \_\_\_(RG-26) for the  
3 original lease for the Whitehorn Generating Station Units 2 and 3. The original  
4 lease term extended through July 2004.

5 PSE and PSRC entered into a Second Lease Supplement, dated January 31, 2003,  
6 that provided for a First Renewal Term of the lease from August 2, 2004, through  
7 February 2, 2009. Please see Exhibit No. \_\_\_(RG-27) for the Second Lease  
8 Supplement for the Whitehorn Generating Station Units 2 and 3.

9 **Q. What will happen in February 2009?**

10 A. Upon the expiration of the term of the lease on February 2, 2009, ownership of  
11 Whitehorn Generating Station Units 2 and 3 will transfer from PSRC to PSE  
12 pursuant to the terms of the Asset Purchase Agreement, dated October 16, 2006,  
13 between PSE and PSRC. Please see Exhibit No. \_\_\_(RG-30C) for the Asset  
14 Purchase Agreement for Whitehorn Generating Station Units 2 and 3.

15 **Q. Is the transfer of ownership of Whitehorn Generating Station Units 2 and 3**  
16 **from PSRC to PSE in February 2009 uncertain?**

17 A. No. The parties are simply waiting for the expiration of the term of the lease for  
18 ownership of the Whitehorn Generating Station Units 2 and 3 to transfer from  
19 PSRC to PSE.

1 **Q. Have the parties obtained approval from the Federal Energy Regulatory**  
2 **Commission for the transfer of ownership of Whitehorn Generating Station**  
3 **Units 2 and 3?**

4 A. Yes. As discussed in my direct testimony, the Federal Energy Regulatory  
5 Commission approved the Asset Purchase Agreement under section 203 of the  
6 Federal Power Act on December 22, 2006. Please see Exhibit No. \_\_\_(RG-31)  
7 for the FERC order approving the Asset Purchase Agreement.

8 **Q. Is the price to be paid by PSE for Whitehorn Generating Station Units 2**  
9 **and 3 known and measurable?**

10 A. Yes. As stated in my direct testimony, PSE and PSRC settled on an asset  
11 purchase price of \$█ million. See Exhibit No. \_\_\_(RG-30C) at 6.

12 **IV. CONCLUSION**

13 **Q. Does that conclude your prefiled rebuttal testimony?**

14 A. Yes, it does.

REDACTED