

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
Complainant,)
v.) Docket Nos. UE-111048/UG-111049
PUGET SOUND ENERGY, INC.,) (*Consolidated*)
Respondent.)
_____)

EXHIBIT NO. ____ (MCD-4)

PSE RESPONSES TO ICNU DRS 2.49, 2.57, 2.67, 2.80, and 2.83

December 7, 2011

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-111048 and UG-111049
Puget Sound Energy, Inc.'s
2011 General Rate Case**

ICNU DATA REQUEST NO. 02.49

ICNU DATA REQUEST NO. 02.49:

With regard to the prefiled testimony of Mr. David Mills (Exhibit DEM-1CT), page 30, lines 11-15, please provide the associated FERC docket number and an estimate of the expected cost recovery from the third party project.

Response:

Please see the OASIS site via the link http://www.oatioasis.com/PSEI/PSEIdocs/01_-_Transmittal_Letter.pdf for a transmittal letter submitted by Puget Sound Energy, Inc. ("PSE") to the Federal Energy Regulatory Commission ("FERC") outlining proposed revisions to PSE's Open Access Transmission Tariff Ancillary Service Schedule 13 for Regulation and Frequency Response Service provided to generators exporting power from PSE's Balancing Authority Area ("BAA"). The associated FERC docket number is ER11-3735-000. The proposed charge is \$2.08/kW-month for variable generators exporting from PSE's BAA, as shown on page 8 of the letter. Vantage Wind, the third-party generator referenced in the Prefiled Direct Testimony of David E. Mills, Exhibit No. ____ (DEM-1CT), would be billed based upon its transmission reservation of 96-MW, resulting in a monthly charge of \$199,680.

On August 5, 2011, PSE received a Deficiency Notice from FERC in Docket ER11-3735-000, requesting additional information before processing the filing. PSE must respond within thirty days. The information requested of PSE will constitute an amendment to PSE's filing and a new filing date will be established by FERC. A notice of amendment will be issued by FERC upon receipt of PSE's response. The Deficiency Notice may be accessed via the following link:
http://www.oatioasis.com/PSEI/PSEIdocs/20110805-FERC_Deficiency_Notice.pdf

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ICNU DATA REQUEST NO. 02.57

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
02.57	Attachment A to PSE's Response to ICNU Data Request No. 02.57 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 / UG-111049.

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ICNU DATA REQUEST NO. 02.57

ICNU DATA REQUEST NO. 02.57:

With regard to Exhibit DEM-7C, page 1, lines 13-21, please provide the historical hourly generation level for each of these gas-fired units for 2007, 2008, 2009, 2010, and for January through July 2011 in an electronic EXCEL file.

Response:

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to ICNU Data Request No. 02.57, please find a table containing hourly generation for each of the gas-fired units shown on page 1 of the Sixth Exhibit to the Prefiled Direct Testimony of David E. Mils, Exhibit No. ____ (DEM-7C), for calendar years 2007, 2008, 2009, 2010, and January through July 2011. Due to its volume, this information is being provided in electronic format only.

Attachment A to PSE's Response to ICNU Data Request No. 02.57 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 and UG-111049.

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ICNU DATA REQUEST NO. 02.67

ICNU DATA REQUEST NO. 02.67:

With regard to DEM workpapers 179 and 181, please provide an explanation on how the Westcoast and NWPL charges can be changed and provide all supporting workpapers for the rate increase percentages applied to the NWPL and Westcoast charges in January 2012 and 2013.

Response:

Westcoast Energy, Inc.'s ("WEI") rates and services are subject to regulation by the National Energy Board of Canada ("NEB"). Under NEB requirements, WEI is required to file a rate case annually, unless a longer term settlement is reached with customers and approved by the NEB. Under the NEB rate model, the majority of costs, risks and return on investment are a pass-through to customer rates. WEI rates are currently under a 3-year settlement, covering the calendar years 2011 through 2013. The settlement stipulates a formulaic approach to establishing rates for each calendar year, with only the rate of return and non-integrity operations and maintenance costs pre-determined. All risks and rewards of under or over-recovery due to declines or increases in billing determinants flow-through the rate calculation for the subsequent year. While the total WEI cost of service was forecast during settlement discussions to increase by 11.5 percent in 2012 and less than 1 percent in 2013, PSE has estimated a 5 percent increase in each year to reflect the uncertain timing of WEI cost incurrence, investments and customer contracting. Customers and the NEB must approve the recalculation of the rates each year.

Northwest Pipeline GP's ("NWPL") rates and services are subject to regulation by the Federal Energy Regulatory Commission ("FERC"). Under the currently effective settlement of NWPL rates (FERC Docket NO RP06-416), NWPL is required to file a FERC Section 4 Rate Case for new rates to become effective not later than January 1, 2013. NWPL has already indicated in private conversations that it anticipates an increase in rates, driven in part by higher operating costs, continued investments in integrity management, and some reduction in billing determinants. NWPL has also indicated that it may propose certain changes to its rate making methodology that would result in a higher relative cost responsibility to its vintage facilities and contracts and

lower relative cost responsibility to its more recent expansion projects. PSE has estimated an approximate 12 percent increase in the rates to be effective January 1, 2013, based on the estimated impacts of inflation and continued investments in pipeline system integrity in the six years since rates were last established. In addition, because NWPL's rates are stated on a daily basis, NWPL will make a filing in late 2011 to reduce the currently effective rates for the 2012 leap year.

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ICNU DATA REQUEST NO. 02.80

ICNU DATA REQUEST NO. 02.80:

With regard to PSE's day ahead wind integration opportunity cost approach of deriving day-ahead costs on DEM workpapers 267 and 268, please provide all documents, studies or analysis showing any actual costs PSE incurred in integrating the wind projects during 2009 and 2010.

Response:

Due to the expense of tracking, Puget Sound Energy, Inc. ("PSE") does not have the systems and mechanisms in place to capture actual day-ahead wind integration cost.

The costs associated with providing the capacity to cover any deviations between hour-ahead and day-ahead scheduled/forecasted generation are considered the day-ahead wind integration cost. The real-time markets allow PSE to rebalance hourly positions for the forecast error that occurs between day-ahead scheduling and hour-ahead forecasts. The methodology used to estimate power costs in a rate year captures the day-ahead market value of having to either sell or buy energy from the hourly market and the historical relationship between the day-ahead and hourly prices applied to the rate year prices.

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ICNU DATA REQUEST NO. 02.83

ICNU DATA REQUEST NO. 02.83:

With regard to the PSE's day ahead wind integration costs shown on DEM workpapers 267 for Hopkins Ridge, did PSE pay these costs to BPA or any other balancing authority?

Response:

Puget Sound Energy, Inc. ("PSE") must balance the difference between the day ahead and hour ahead wind production forecast. Therefore, PSE commits its units to ensure that there is enough system flexibility to balance any differences in wind generation forecasts between the day ahead and hour ahead time horizons. For example, if the day ahead wind generation forecast is greater than the hour ahead forecast, PSE must ensure that the PSE system can produce additional power to make up for the lower hour ahead forecast. As a result of this balancing, PSE loses some of its day ahead opportunity and cannot fully optimize the system. The lost opportunity is captured in the day ahead wind integration cost.