BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PUBLIC COUNSEL DATA REQUEST NO. 282

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RE: PSE's Response to Public Counsel Data Request No. 38 and Exhibit No. ___ (RG-3), p. 237.

In determining the timing of renewable resource additions to satisfy with RPS requirements, did the Company consider REC banking provisions under RCW 19.285.040(2)(e). If so, please provide documentation to demonstrate how such banking provisions were included in PSE's analyses of each scenario evaluated. If not, please explain why not.

Response:

The following analyses presented in Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 38 and the Prefiled Direct Testimony of Aliza Seelig, Exhibit No. ___(AS-1HCT), at pages 19 through 28, did not consider the renewable energy credit ("REC") banking provision for the reasons discussed below:

1) the 2009 Integrated Resource Plan (the "2009 IRP")
2) Discounted Cash Flow Analysis
3) Re-run of the 2009 IRP models
4) Comparative Analysis of Renewable Resources as part of its 2010 Request for Proposals (the "2010 RFP").

In sequence, the intent of these analyses was as follows:

The 2009 IRP – The 2009 IRP did not examine REC banking when evaluating the timing and cost effectiveness of renewable additions in the Resource Plan to meet the minimum requirements from RCW 19.285 ("RPS"). PSE views the RPS's short-term banking provisions as a hedge against wind generation uncertainty and wind curtailment policies. Additionally, PSE has monetized surplus RECs to offset resource costs before the compliance need and provide benefits to customers in the near-term. The 2009 IRP analysis demonstrates the benefit of early acquisition of wind to take advantage of tax incentives, such as the Production Tax Credit, as described on page 237 of the Second Exhibit to the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-3).

Each of the additional analyses presented in PSE's Response to Public Counsel Data Request No. 38 were conducted to determine whether an earlier build strategy was the least cost acquisition strategy to meet PSE's need for renewable resources.

Re-run of the 2009 IRP models – The second analysis modified the timing of the 2009 IRP builds to examine whether a more optimum renewable build plan could be identified based on changes in law after the analysis performed in the 2009 IRP. As identified on page 20 of the Prefiled Direct Testimony of Aliza Seelig, Exhibit No. ___(AS-1HCT), the material changes affecting the cost and timing of renewable resources are the Treasury Grant, the Washington State Sales Tax benefit reflected in capital cost, and declining capital cost.

Discounted Cash Flow Analysis – The third analysis evaluated the impact on total incremental portfolio cost while analyzing different build plans for renewable resources additions. This evaluation considered the same changes in law analyzed in the second study. Additionally, this third study included a scenario of "just-in-time" wind in 2016 and 2020. The "just-in-time" scenario with later renewable additions than all other build plans was the most costly out of 8 scenarios.

2010 RFP – The fourth study evaluated the benefits of adding specific renewable resources offered in PSE's 2010 RFP to meet the RPS compliance need considering different levels of load, natural gas price, technology cost, power price, and carbon cost futures.