

Exh. JDW-20
UE-240004/UG-240005/UE-230810
Witness: John D. Wilson

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-240004, UG-240005,
UE-230810 (*Consolidated*)**

EXHIBIT TO TESTIMONY OF

JOHN D. WILSON

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE's Response to Staff DR No. 29, UE-230313

August 6, 2024

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UE-230313
Puget Sound Energy
2022 Power Cost Adjustment Mechanism Report**

WUTC STAFF INFORMAL DATA REQUEST NO. 029:

REQUESTED BY: John Wilson

RE: Power Costs

Please explain the consequences if the capital required by Chelan PUD to comply with relicensing requirements (for example, as described in Exh. ZCY-3 at 9 and 33) is much larger than projected, or Chelan PUD determines that either project requires unanticipated civil or mechanical capital investments.

- a. Is PSE's potential cost responsibility unlimited? In other words, could the cost of the Chelan PSA substantially exceed the PSA estimate provided in Exh. ZCY-1CT at 5?
- b. In such circumstances, could PSE exit the contract? If PSE exits the contract, will it continue to be liable for the Fixed Annual Charge even if it does not take power from the project?

Response:

Any capital requirements associated with the Rock Island relicensing, or any unanticipated civil or mechanical capital investments will be considered in the Net Cost calculation as described in Appendix A to the Chelan Power Sales Agreement ("Chelan PSA"). See Exh. ZCY-4 at 79 to 85. It is important to note that the relicensing schedule identified on page 29 of Exh ZCY-3 is planned to begin in 2023 and end in 2028. This timeline places the Rock Island relicensing, and any associated costs incurred in this window, under the scope of the existing Chelan Power Sales Agreement scheduled to expire in October 2031 ("2006 Chelan PSA"). The Chelan PSA is functionally a renewal or extension of the 2006 Chelan PSA, and the terms for Net Costs are materially the same for both contracts. PSE would have an obligation to pay the Purchaser's Share, 25%, of any Net Costs incurred prior to the start of the Chelan PSA under the terms of the 2006 Chelan PSA. Any financing costs that extend beyond the term of the 2006 Chelan PSA will be reflected in the Net Costs of the new Chelan PSA.

- a. Puget Sound Energy ("PSE") would be responsible for a 25% share of any Net Costs with no cap on the costs. However, as described in Exh. ZCY-3 at 25 and 26, Chelan PUD will retain up to 65% of the Rocky Reach and Rock Island projects (collectively, "Projects"). Chelan PUD's and PSE's interests in making

economic investments are aligned as Chelan PUD's retail customers will face a larger share of the Net Costs.

- b. Except as explained in PSE's Response to WUTC Staff Informal Data Request No. 30, PSE must pay the Fixed Annual Charge even if PSE does not take power from the project. PSE does not have rights to terminate the contract, and failure to pay or take power could result in an event of default. Per the terms of the Chelan PSA an event of default could trigger Chelan PUD's right to terminate the contract and seek calculated damages, see Exh. ZCY-4 at 57 to 63.