

**Exh. JDW-21C  
UE-240004/UG-240005/UE-230810  
Witness: John D. Wilson  
REDACTED VERSION**

**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. 128*

**August 6, 2024**

**CONFIDENTIAL PER PROTECTIVE ORDER – REDACTED VERSION**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-240004 & UG-240005  
Puget Sound Energy  
2024 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 128**

**“CONFIDENTIAL” Table of Contents**

	<b>“CONFIDENTIAL” Material</b>
<b>Data Request No. 128</b>	Shaded information is designated as CONFIDENTIAL per Protective Order in Dockets UE-240004 and UG-240005 as marked in Puget Sound Energy’s Response and Attachment A to WUTC Staff Data Request No. 128.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-240004 & UG-240005  
Puget Sound Energy  
2024 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 128:**

RE: Resource Acquisition – Chelan PPA

Please refer to Exh. ZCY-1CT and PSE responses to WUTC Staff Informal Data Requests No. 028 and 029, Docket No. UE-230313.

- a. Please confirm that PSE has no right to exit the Chelan PSA contract. If not confirmed, please identify the relevant contract terms.
- b. Please confirm that if Chelan PUD retires a project, then the Fixed Annual Charge is reduced. If not confirmed, please identify the relevant contract terms.
- c. Please confirm that the contract terms do not include any cap or limitation on Chelan Power System Net Costs, other than that they must be cost-based. If not confirmed, please identify the relevant contract terms.
- d. Please confirm that Chelan PUD's only restraint against making uneconomic investments that would be passed along in Net Costs is exposure of its own retail customers to a portion of those costs. If not confirmed, please identify any other restraints.
- e. Please consider the hypothetical in which the continued operation of one or more projects requires unanticipated capital investments in order to continue operating, and that Chelan PUD's analysis shows that (i) the investment is uneconomic compared to alternative power resources and (ii) that the portion of the incremental cost (above the cost of alternative power resources) that would be assigned its own retail customers is less than the loss of the Fixed Annual Charge that would result from retirement of the project. Under such a hypothetical, does PSE agree that a reasonable person could conclude that Chelan PUD would proceed with the otherwise-uneconomic project because it is in the financial interest of its own retail customers, even if it was not in the economic interest of PSE's customers to pay the higher Net Costs?
- f. Please indicate what percentage increase, relative to the most recent year for which PSE has actual costs (such as an update to the data provided in Exh. ZCY-3HC at 56), in PSE's share of the Chelan Power System's Net Costs would need to occur to be equivalent to the Chelan PSA's Fixed Annual Charge in 2032 (Exh. ZCY-4C at 97). The response should take the form:

In 20XX, PSE's share of Chelan Power System's Net Costs was \$nnn. The Chelan PSA Fixed Annual Charge in 2032 will be \$nnn. For equivalency to occur, PSE's share of Chelan Power System's Net Costs would need to increase by nn%.

- g. Please indicate what percentage increase, relative to the most recent year for which PSE has actual costs, in Chelan PUD's retail customer share of the Chelan Power System's Net Costs would need to occur to be equivalent to the Chelan PSA's Fixed Annual Charge in 2032. The response should take the same form as the previous part of this question, substituting Chelan PUD for PSE.
- h. Please provide any forecast that PSE has or may have prepared for the Chelan PSA's Net Costs. If no such forecast exists, please provide any incidental forecast that may exist in its Integrated Resource Planning or other similar long-term cost forecast, even if the forecast is simply the application of a forecast inflation rate to historical actual Net Costs.

**Response:**

Puget Sound Energy ("PSE") objects to WUTC Staff Data Request No. 128 to the extent it requests information that is publicly available or obtainable from some other source that is more convenient, less burdensome, or less expensive. PSE also objects to this request as overbroad, unduly burdensome, and not reasonably calculated to lead to admissible evidence. Notwithstanding these objections, and subject thereto, PSE responds as follows:

- a. As described in the Third Exhibit to the Prefiled Direct Testimony of Zacarias C. Yanez, Exh. ZCY-4C, at 21, under section 3.03(i) of the Chelan Power Sales Agreement ("PSA"), the parties may mutually agree to terminate the agreement. In effect, neither party can unilaterally terminate the agreement.
- b. As described in Exh. ZCY-4C at 34, under section 6.03 of the Chelan PSA, please see an explanation of the material conditions that would trigger a "Fixed Annual Charge Reduction," to be calculated, if Chelan PUD Permanently Retires a project or component(s) of a project.
- c. As described in Puget Sound Energy's ("PSE") Response to WUTC Staff Informal Data Request No. 029 in PSE's 2022 Power Cost Adjustment Mechanism compliance filing, Docket UE-230313, the Chelan PSA is functionally a renewal or extension of the 2006 Chelan PSA. The terms regarding caps or limitations on "Net Costs" are materially identical and are not specified in any iteration of the Chelan PSA contract.

Although caps and limitations on "Net Costs" are not specified in the Chelan PSA, parties to the agreement are obligated to follow Prudent Utility Practices as it is defined in Exh. ZCY-4C at 14 which states that:

...any of the practices, methods and acts engaged in, or approved by, a significant portion of the electric utility industry in the Western Interconnection for operating facilities of a size and technology similar to the Project during the relevant time period or any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts known, at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with applicable Laws, longevity, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of commonly used practices, methods and acts.

Furthermore, in Exh. ZCY-4C at 51, under section 10.1 of the Chelan PSA, Chelan PUD is obligated to follow Prudent Utility Practices in the control, operations and maintenance of the Chelan Power System, which encompasses Net Costs, and specifically requires that Chelan PUD “...operate and maintain the Chelan Power System in accordance with Prudent Utility Practices and shall use Commercially Reasonable Efforts consistent with Prudent Utility Practice to keep the Chelan Power System in good operating condition at all times.”

- d. PSE cannot confirm “that Chelan PUD’s only restraint against making uneconomic investments that would be passed along in Net Costs is exposure of its own retail customers to a portion of those costs”. In addition to passing uneconomic costs to its customers, Chelan may be limited in securing financing or material for uneconomic investments. Prudent utility practice may also limit the types of investments and maintenance that Chelan PUD may perform on the Chelan Power System.
- e. PSE objects to WUTC Staff Data Request No. 128(e) as neither relevant to the issues in this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. PSE further objects to WUTC Staff Data Request No. 128(e) as seeking to alter or expand upon the obligations imposed by the Commission’s discovery rules (WAC 480-07-400 through 480-07-425), particularly regarding the scope and definition of “data request” in WAC 480-07-400(1)(c)(iii).
- f. PSE understands this question to be asking PSE to compare the most recent Chelan PSA Net Costs to Fixed Annual costs in 2032. PSE will point out that the prudence standard<sup>1</sup> relies on “using the data and methods that a reasonable management would have used at the time the decisions were made.” This Data Request is requesting data for the most recent year, 2023, which would not have

<sup>1</sup> *WUTC v. Puget Sound Energy*, Docket UE-031725, Order 12 at ¶ 19 (Apr. 7, 2004).

been available at the time of the decision. The work sheet labeled “2023 Net Power Costs” in Attachment A to Data Request 128 shows that in 2023, PSE’s share of Chelan Power System’s Net Costs was [REDACTED]. The Chelan PSA Fixed Annual Charge in 2032 will be [REDACTED]. For equivalency to occur, PSE’s share of Chelan Power System’s Net Costs would need to decrease by [REDACTED]. These costs do not include any amortized payments, including the amortized Reservation Charged paid under the term of the current Chelan agreement.

- g. PSE has interpreted WUTC Staff Data Request No. 128(g) as asking PSE to provide data that would not have been available at the time PSE decided to enter the Chelan PSA, as well as for PSE’s share of Net Power costs and Chelan PSA Fixed Annual Charge for which PSE is not contractually responsible. To be responsive to this data request, PSE assumed that Chelan PUD would be responsible for a 75% share of Net Power Costs and Fixed Annual Payment. PSE further assumed that all of the 2023 Net Costs would be represented by a proportional share of PSE’s 25% share. Attached as Attachment A to PSE’s Response to WUTC Staff Data Request No. 128 is a Microsoft Excel spreadsheet. Please find the workbook tab labeled “2023 Net Power Costs,” which demonstrates that Chelan Power System’s Net Costs not charged to PSE in 2023 amounted to [REDACTED]. The Chelan PSA Fixed Annual Charge in 2032 will be [REDACTED]. For equivalency to occur, PSE’s share of Chelan Power System’s Net Costs would need to decrease by [REDACTED]
- h. The tab labeled “Cost estimates” in Attachment A to WUTC Staff Data Request No.128 includes the final Net Power Cost forecast used in the Chelan PSA analysis. Additional cost forecasts can be found in workpaper *240004-05-PSE-PCA-WP-ZCY-05-Revised Chelan-Full-Cost-ProForma-4-28-23 (C)* in the tab labeled “Cost Estimates 25%” and “Cost Estimates 100%”.

Shaded information is designated as CONFIDENTIAL per Protective Order in Dockets UE-240004 and UG-240005 as marked in Puget Sound Energy’s Response to WUTC Staff Data Request No. 128 Attachment A.

**SHADED INFORMATION IS DESIGNATED AS  
CONFIDENTIAL PER PROTECTIVE ORDER IN  
DOCKETS UE-240004 AND UG-240005**

**REDACTED  
VERSION**

# **ATTACHMENT A to PSE's Response to WUTC Staff Data Request No. 128**