

**EXHIBIT NO. \_\_ (TAD-4)**  
**DOCKET NO. UE-13 \_\_\_\_**  
**2013 PSE PCORC**  
**WITNESS: TOM A. DEBOER**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

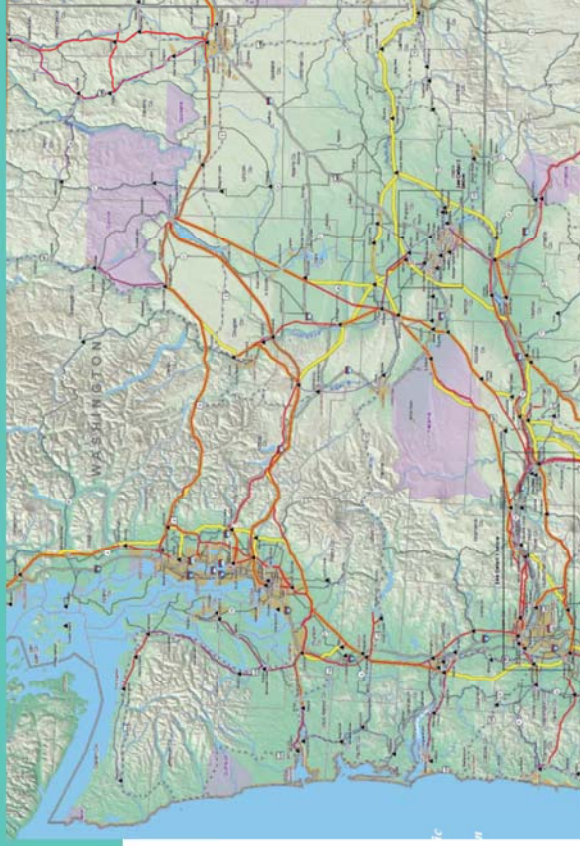
**Docket No. UE-13 \_\_\_\_**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF  
TOM A. DEBOER  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**APRIL 25, 2013**

# 2013 BPA Transmission Contract Renewals

EMC Informational Presentation



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January 17, 2013



# Overview

- Transmission Acquisition & Renewal Process
- 2013 BPA Transmission Renewals for PCORC
  - Mid-C Transmission
  - PG&E Exchange Additional Transmission
  - Existing Resource/Load Transmission
- Next Steps

# Transmission Acquisition & Renewal Process

- Transmission contract prudence is justified with financial analysis using PSM III model\*\* comparing alternatives:
  - Peaker
  - New BPA transmission requests starting no earlier than 2017\*
- All BPA transmission contracts are renewed for a minimum term of 5 years to retain renewal rights and allow flexibility to reevaluate transmission need, PSM III model assumes future renewals
- Mid-C transmission in excess of resource contract capacity is considered from a portfolio approach as it is not tied to specific projects
- Other resource transmission will be renewed to allow for continued delivery of the resource not to exceed the estimated resource life or term of purchase agreement

\*Due to current BPA transmission queue and project uncertainties  
\*\*IRP version with F2012 official load forecast



# 2013 BPA Transmission Renewals for PCORC

- This informational presentation covers only 2013 transmission renewals impacting the 2013 PCORC rate period (September 2013 – August 2014)
- Renewals outside of rate period will be analyzed summer 2013

Resource	Renewal Deadline	Start Date	Capacity	5 yr Renewal (\$M) ***
Mid-C	2/28/2013	3/1/2014	35	\$4
Mid-C*	7/31/2013	10/1/2013	115	\$13
PG&E Exchange**	7/31/2013	8/1/2014	300	\$35
PG&E Exchange**	7/31/2013	8/1/2014	300	\$35
Clymer	7/31/2013	8/1/2014	4	\$1
Goldendale	2/28/2013	3/1/2014	27	\$3
Colstrip	7/31/2013	8/1/2014	663	\$77
<b>Total:</b>			<b>1658</b>	<b>\$166</b>

\*60 day renewal provision

\*\*Renewal of IR transmission into two PTP contracts

\*\*\*Nominal BPA fixed cost estimate based on FY 14-15 rate case initial proposal and 6.18% historical average rate increase for subsequent rate periods

## Mid-C Renewal – 35 MW

- 35 MW Mid-C transmission contract expires March 1, 2014
- Alternatives:
  - (1) Renew 35 MW transmission in 2014
  - (2) New BPA 35 MW transmission request starting in 2019
  - (3) Build Peaker(s) starting in 2017
- **RECOMMENDATION: (1) Renew 35 MW transmission**
- Benefits:
  - Security- transmission available when needed
  - Avoid BPA queue and transmission project uncertainties
  - Low cost and risk to meet future Winter Peak Planning needs
- Costs/Risks:
  - \$3.6 million portfolio cost above Alternative 2- carrying cost of surplus transmission
  - Load forecast and/or DSR reductions

## Mid-C Renewal – 115 MW

- 115 MW Mid-C transmission contract expires October 1, 2013
- Alternatives:
  - (1) Renew 115 MW transmission in 2013
  - (2) New BPA 115 MW transmission request starting in 2017
  - (3) Build Peaker(s) starting in 2014
- **RECOMMENDATION: (1) Renew 115 MW transmission**
- Benefits:
  - Lowest cost alternative- portfolio benefit of \$13 million compared to Alternative 2
  - Low cost and risk to meet current Winter Peak Planning needs
- Costs/Risks:
  - Partially contributes to resource surplus through 2016
  - Load forecast and/or DSR reductions

## PG&E Exchange Additional Transmission

- 300 MW bidirectional IR transmission contract for PG&E Exchange expires August 1, 2014
- BPA will not allow renewal of grandfathered IR transmission, must be replaced with OATT based PTP equivalent (unidirectional)
- Renewal results in an additional 300 MW transmission contract, doubling the cost
- PG&E Exchange Agreement requires firm transmission service
  - Rolling 5 yr contract termination provision
  - May have option to terminate with 1 yr notice due to increased transmission costs
- **RECOMMENDATION: Renew PG&E Exchange transmission with additional costs**



# PG&E Exchange Additional Transmission

- **Benefits:**
  - \$321 million (20 yr NPV) portfolio benefit compared to next lowest cost 2013 IRP alternatives
  - Selected in 4 of 4 2013 IRP scenarios – lowest cost alternative
  - Low cost and reliable capacity to meet current Winter Peak Planning needs
- **Costs/Risks:**
  - Estimated nominal cost of 5 yr transmission renewal: \$69 million
  - Estimated opportunity cost of PSE Southern Intertie transmission sales: \$3.4 million

## Existing Resource/Load Renewals

- Goldendale 27 MW is for an existing thermal resource and will be renewed through 3/1/2019 (5 yrs) to allow for continued delivery of 277 MW Goldendale Generating Station not exceeding the estimated resource life ending in 2035
- Colstrip 663 MW is for an existing thermal resource and will be renewed through 8/1/2019 (5 yrs) to allow for continued delivery of 663 MW Colstrip not exceeding the estimated resource life ending in 2035 (Units 1 & 2)
- Clymer 4 MW is necessary for transmission service to a remote PSE load and will be renewed for 5 years. There are currently no near term (5 years or less) alternatives to BPA transmission service.

## Next Steps

- Current recommendation is to renew all seven transmission contracts
- Address any issues raised today and update analysis
- Decision item at February EMC meeting
- Additional Questions?

# Appendix



# Load Resource Balance F2012

Load Resource Balance F2012 official Load Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Surplus/(Need)</b>	<b>92</b>	<b>114</b>	<b>60</b>	<b>(66)</b>	<b>(105)</b>	<b>(127)</b>	<b>(120)</b>	<b>(138)</b>	<b>(210)</b>
w/o 35 MW Renewal	57	79	25	(101)	(140)	(162)	(155)	(173)	(245)
w/o 115 MW Renewal	(23)	(1)	(55)	(181)	(220)	(242)	(235)	(253)	(325)
w/o 300 MW PG&E Exchange	(208)	(186)	(240)	(366)	(405)	(427)	(420)	(438)	(510)

Note:

- (1) Need is shown without Operating Reserves, but based on new Planning Margins. With operating reserves, the need would be increased by 7% for operating reserves on generic thermal plants in PSE' Balancing Authority.
- (2) Assumes Coal Transition PPA

# 2013 IRP Base Case Run – 35 MW Mid-C

Resource Options	2013 IRP Base		
	Optimized- Just in time New Tx	35 MW New Transmission in 2017	35 MW Renewed in 2014
2013 115 MW Tx Renewal	X	X	X
2017 115 MW New Tx Available	-	-	-
2018 115 MW New Tx Available	-	-	-
2014 35 MW Tx Renewal	-	-	X
2017 35 MW New Tx Available	-	X	-
2018 35 MW New Tx Available	-	-	-
2019 35 MW New Tx Available	X	-	-
Peaker Capacity (years built to meet need before 2020)	206 MW (2017)	206 MW (2017)	206 MW (2017)
PG&E Exchange Contract	X	X	X
Portfolio Cost (\$000)	\$ 12,750,948	\$ 12,752,153	\$ 12,754,540
Cost / (Benefit) compared to Renewal	\$ (3,592)	\$ (2,387)	\$ -

Does not include potential acquisition opportunities; Peakers are only new resources available

# 2013 IRP Base Case Run – 115 MW Mid-C

Resource Options	2013 IRP Base		
	Optimized- Just in time Transmission	115 MW New Transmission in 2017	115 MW New Transmission Delayed to 2018
2013 115 MW Tx Renewal	X	-	-
2017 115 MW New Tx Available	-	X	-
2018 115 MW New Tx Available	-	-	X
2013 35 MW Tx Renewal	-	-	-
2017 35 MW New Tx Available	-	-	X
2018 35 MW New Tx Available	-	-	-
2019 35 MW New Tx Available	X	X	-
Peaker Capacity (years built to meet need before 2020)	206 MW (2017)	206 MW (2016)	206 MW (2016)
PG&E Exchange Contract	X	X	X
Portfolio Cost (\$000)	\$ 12,750,948	\$ 12,763,926	\$ 12,763,119
Cost / (Benefit) compared to Renewal	\$ -	\$ 12,978	\$ 12,172

Does not include potential acquisition opportunities; Peakers are only new resources available

# 2013 IRP Base Case Run – PG&E Exchange

Resource Options	2013 IRP Base	
	Optimized- Just in time Tx	PG&E Excluded
2013 115 MW Tx Renewal	X	-
2017 115 MW New Tx Available	-	-
2018 115 MW New Tx Available	-	-
2014 35 MW Tx Renewal	-	-
2017 35 MW New Tx Available	-	-
2018 35 MW New Tx Available	-	-
2019 35 MW New Tx Available	X	X
Peaker Capacity (years built to meet need before 2020)	206 MW (2017)	411 MW (2016) & 206 MW (2017)
PG&E Exchange Contract	X	-
Portfolio Cost (\$000)	\$ 12,750,948	\$ 13,071,795
Cost / (Benefit) compared to PG&E cont.	\$ -	\$ 320,847

Does not include potential acquisition opportunities; Peakers are only new resources available



# PG&E Exchange Background

- PG&E Seasonal Energy Exchange (“The Exchange”)
  - 300 MW peak capacity up to 413,000 MWh
  - PG&E (N – S): Jun. – Sept.
  - PSE (S – N): Nov. – Feb.
- BPA Integration of Resources (“IR”) bidirectional transmission agreement for the Exchange terminates July 31, 2014
- PSE will need to convert the transmission service to an OATT based service (PTP) eliminating bidirectional rights

## PG&E Exchange Background

- 300 MW BPA IR Network yearly transmission grandfathered as bidirectional through July 31, 2014
- 300 MW PSE Southern Intertie monthly transmission grandfathered as bidirectional until the Exchange terminated or modified to OATT based service

