

**EXH. PKW-4
DOCKETS UE-19 ___/UG-19 ___
2019 PSE GENERAL RATE CASE
WITNESS: PAUL K. WETHERBEE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-19 ___
Docket UG-19 ___**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

PAUL K. WETHERBEE

ON BEHALF OF PUGET SOUND ENERGY

JUNE 20, 2019

Mid-C Transmission Contract Renewals



EMC Informational

Tom Flynn
Manager, Energy Delivery

Bob Williams
Senior Energy Resource Planning Acquisition Analyst

June 15, 2017

Recommendation

- **Renew 416 MW BPA Mid-C transmission contract for 5 year term provides \$110 - 140 million benefit to the portfolio cost depending on pricing scenario**
- Assumptions:
 - Current contracts ends 9/30/2018, 2/28/2019 and 8/31/2018
 - Renewal rate starts at \$22.98/KW – Yr*
 - Escalated at approximately 3% annually
 - Contract is renewed indefinitely
 - Alternative resource is natural gas peaker
 - Mid-C transmission in excess of PSE’s Mid-C generation capacity relies on the market to supply the energy

** Renewal rate is obtained from the current BP18 Rate Case and is subject to change. Final BPA transmission rate will be released by July 2017*



Background

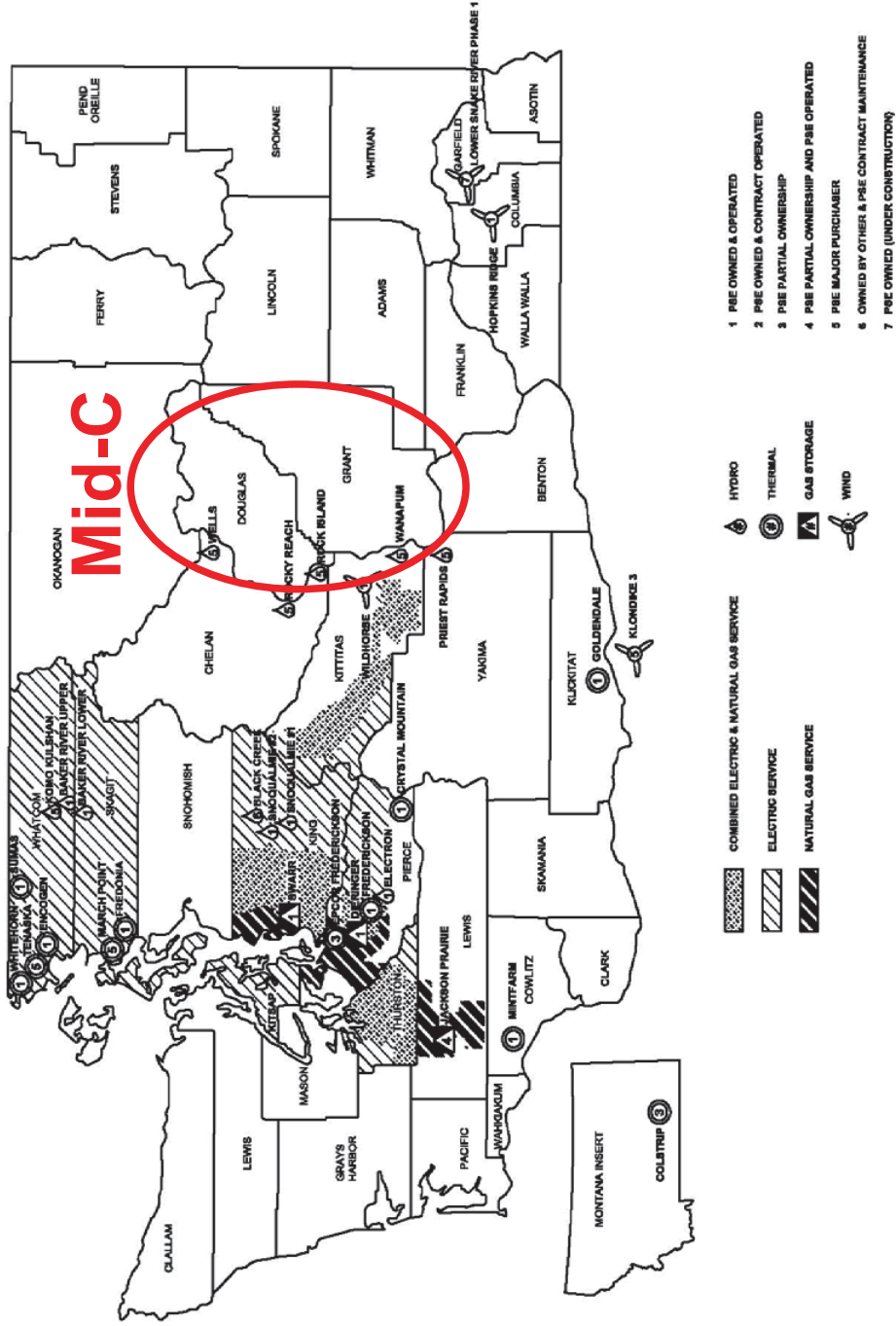
- 2011 WUTC GRC Final Order: PSE is expected to provide for any renewal or acquisition of firm transmission “a full and detailed justification showing the prudence of this expense if the Company expects to continue to recover it in rates.”
- BPA transmission contracts are renewed at least one year prior to termination date to exercise the reservation priority rights thereby avoiding competition with other parties in the queue
- BPA transmission contracts are generally renewed for the minimum term of 5 years to retain renewal rights and allow flexibility to reevaluate transmission need

CONTRACTS SET TO EXPIRE:

Project	Start	Term	MW
Midway	10/1/2013	9/30/2018	115
Midway	2/28/2014	2/28/2019	35
Wells	1/24/1966	8/31/2018	266
Total			416



Remote Resource Map - Mid-C Resources



Key Considerations

- Current information from BPA suggests PSE's ability to obtain Mid-C transmission in the future is very limited and uncertain
 - If we forego the opportunity now; it might be difficult to get back the transmission capacity in the future
 - Analysis of BPA Long-Term Pending Queue indicates lack of future capacity on Cross Cascades North Flowgate
 - PSE can mitigate near-term Mid-C transmission surpluses by remarketing/reselling transmission
 - The reselling of transmission is not taken into account in the analysis
- Losing 150 MW Midway Contracts in peak capacity from transmission capacity would leave PSE short
- 266 MW for the Wells project provides the delivery path for the Douglas Wells PPA until the contract ends in September 2018
 - The analysis assumes this transmission could be redirected for other uses as the contract ramps down over the term of the contract
- Renewing the transmission is the cheaper option to building an equivalent natural gas peaker plant under two different pricing scenarios:
 1. CO2 Tax pricing scenario: \$110million Portfolio Benefit
 2. No CO2Tax pricing scenario: \$140 million Portfolio Benefit



Next Steps

- Pending EMC approval, the Energy Delivery department will renew the 416MW of Mid-C Transmission



Appendix



BPA Long-Term Pending Queue Analysis

- Pending queue data was pulled on April 28, 2017 and is publically available on bpa.gov/transmission
- Queue analysis indicates that if PSE does not renew, next requesters in the queue could reserve capacity into perpetuity
- Should PSE place new request in queue, it would enter the bottom of the queue, behind all other requests

Future Outlook of North Cascades North Flowgate

	2018	2019	2020	2021	2022	2023	2024	2025
Remaining ATC (MW)	552	383	222	52	0	0	0	0
Less Pending Queued Requests (MW)	(104)	(280)	(523)	(756)	(803)	(686)	(896)	(896)

