

**EXH. PKW-5
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 ___**

**FOURTH 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
August 21, 2018

Brian Tyson
Senior Engineer, Energy Delivery

Recommendation

- **Renew 474 MW BPA Mid-C transmission contracts for 5 year term**
- **Overview:**
 - Current contracts end 10/31/2019 and 11/30/19
 - Renewal rate starts at \$21.52/KW – Yr, PSE assumes a 3% annual escalation rate
 - Contracts are renewed indefinitely
 - Provides a \$200 million* present value benefit to the portfolio
 - Alternative resource is natural gas peaker



*Based on contracts ending 10/31/2019. Updated numbers to be provided at Decisional EMC

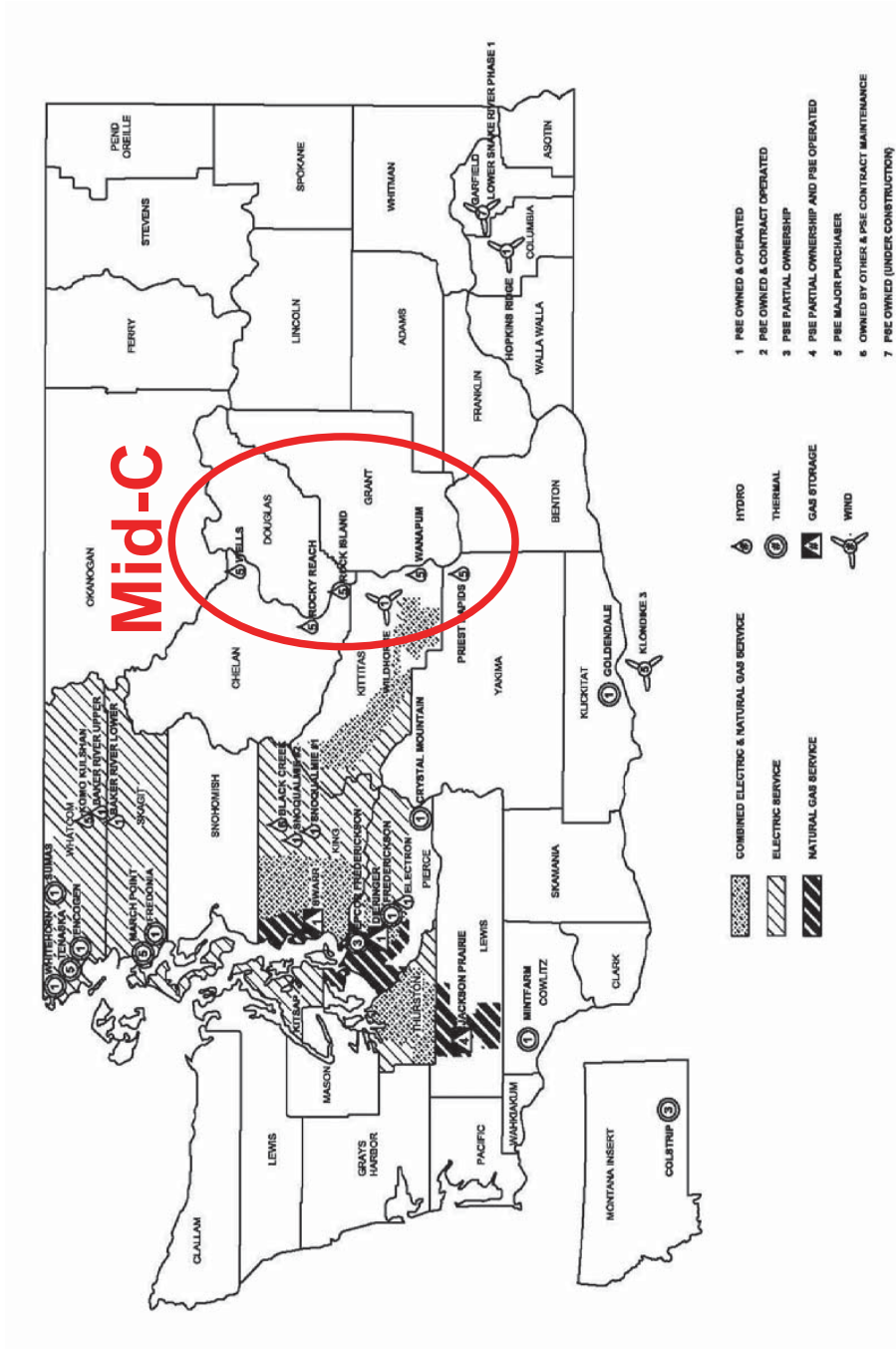
Background

- 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 FOR RENEWAL: | | | |
|-------------------------------|--------------|-------------|------------|
| Project | Start | Term | MW |
| Rocky Reach | 11/1/2014 | 10/31/2019 | 180 |
| Vantage | 11/1/2014 | 10/31/2019 | 125 |
| Vantage | 12/1/2014 | 11/31/2019 | 169 |
| TOTAL | | | 474 |



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
- Losing 474 MW of Mid-C Transmission would leave PSE short for Winter Peaking
- Renewing the transmission is an appreciably cheaper option to building an equivalent natural gas peaker plant
 - The portfolio benefit is approximately \$200 million* as compared to the alternative of building an equivalent peaker plant

*Based on 305 MW contracts ending 10/31/2019. Updated numbers to be provided at Decisional EMC



Next Steps

EMC approves the renewal of 474 MW of BPA Mid-C Transmission



Appendix



August 21st, 2018

BPA Long Term Queue Analysis

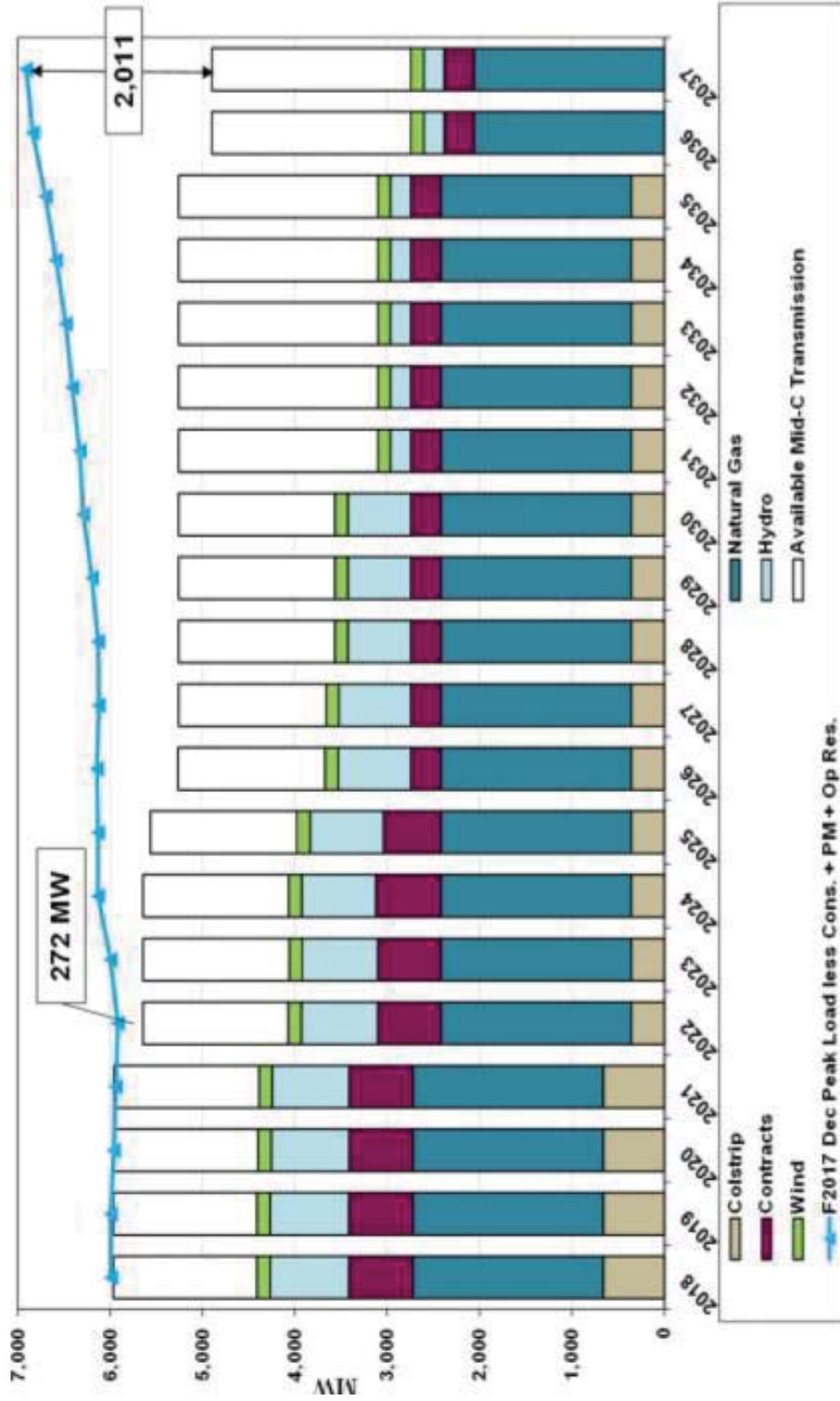
- Pending queue data was pulled on June 13, 2018 and is publically available on bpa.gov/transmission
- Queue analysis indicates that if PSE does not purchase, next requesters in the queue could reserve capacity into perpetuity
- Should PSE place new request in queue, it would enter the bottom of the queue, behind all other requests
- Upcoming BPA transmission model changes and no-build policy could affect PSE’s ability to purchase long-term transmission in future

Future Outlook of North Cascades North Flowgate

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|---------|---------|---------|
| Remaining ATC (MW) | 481 | 389 | 310 | 216 | 121 | 0 | 0 | 0 | 0 |
| Less Pending Queued Requests (MW) | (726) | (689) | (278) | (656) | (749) | (798) | (1,075) | (1,169) | (1,179) |



Electric Peak Capacity Need (2017)

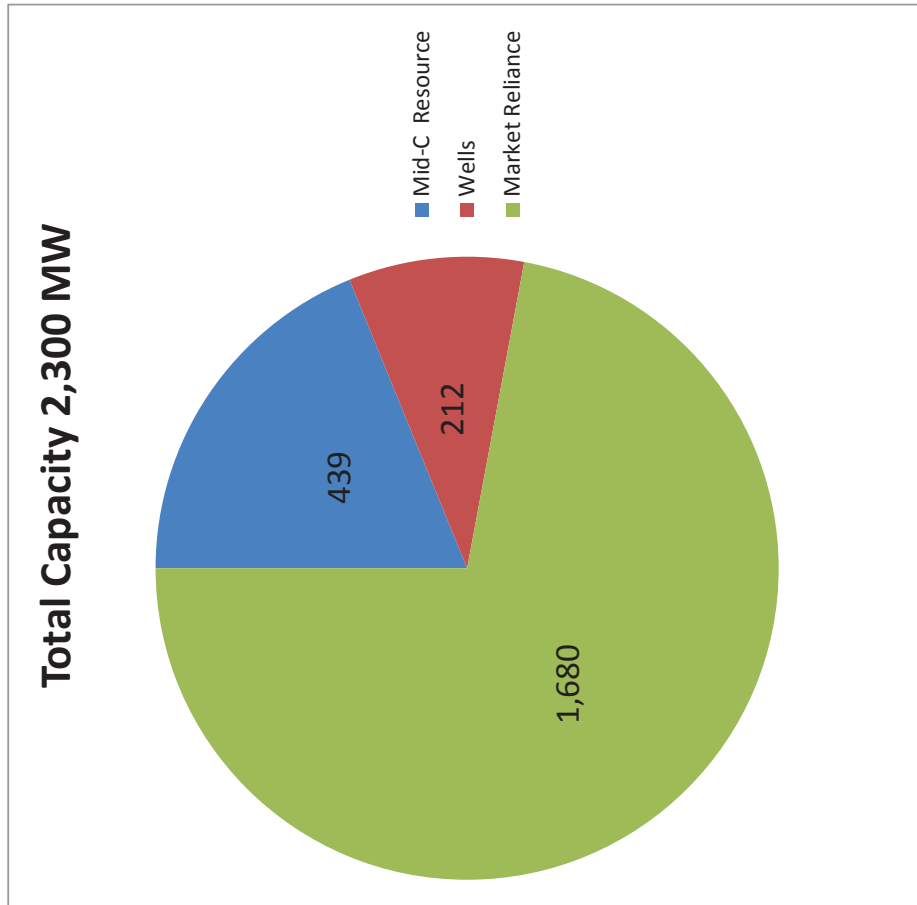


Breakdown Mid-C Transmission Contracts

| Project | AREF | Start | End | MW |
|--------------|----------|-----------|------------|------------|
| Vantage | 78903869 | 12/1/2014 | 11/30/2019 | 169 |
| TOTAL | | | | 169 |
| Vantage | 78859285 | 11/1/2014 | 10/31/2019 | 27 |
| | 78859287 | 11/1/2014 | 10/31/2019 | 27 |
| | 84926348 | 11/1/2014 | 10/31/2019 | 27 |
| | 78859294 | 11/1/2014 | 10/31/2019 | 3 |
| | 78859296 | 11/1/2014 | 10/31/2019 | 36 |
| | 78859299 | 11/1/2014 | 10/31/2019 | 5 |
| TOTAL | | | | 125 |
| Rocky Reach | 78859254 | 11/1/2014 | 10/31/2019 | 40 |
| | 78859265 | 11/1/2014 | 10/31/2019 | 40 |
| | 84926327 | 11/1/2014 | 10/31/2019 | 40 |
| | 78859275 | 11/1/2014 | 10/31/2019 | 5 |
| | 78859281 | 11/1/2014 | 10/31/2019 | 55 |
| TOTAL | | | | 180 |



Breakdown Mid-C Transmission



Portfolio Benefit

| \$ In Millions | Portfolio Cost |
|-------------------------------------|----------------|
| Expiration of Transmission Contract | \$7,946 |
| Renewal of Transmission Contract | \$7,751 |
| | <hr/> |
| | \$195 |

