

**EXHIBIT NO. \_\_ (EDH-8)**  
**DOCKET NO. UE-111048/UG-111049**  
**2011 PSE GENERAL RATE CASE**  
**WITNESS: EZRA D. HAUSMAN**

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-111048**  
**Docket No. UG-111049**  
*(Consolidated)*

**REDACTED PUBLIC VERSION**  
**ATTACHMENT NO. 3 TO THE CROSS-ANSWERING TESTIMONY OF**  
**EZRA D. HAUSMAN, PH.D.**  
**ON BEHALF OF THE SIERRA CLUB**

**JANUARY 17, 2012**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-111048 and UG-111049  
Puget Sound Energy, Inc.'s  
2011 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 345**

**PUBLIC COUNSEL DATA REQUEST NO. 345:**

**Re: Testimony of Aliza Seelig, Exhibit No. AS-1HCT, p. 25, Table 6.**

Please explain in detail why the "Incremental NPV Portfolio Cost from Lowest Cost Scenario" for the No Early Wind build schedule under the Business as Usual scenario is significantly higher than the Incremental NPV Portfolio Cost from Lowest Cost Scenario for the No Early Wind build schedule under the 2009 Trends Scenario. In particular, explain why these results indicate greater benefits for the "Phase 600 MW - then IRP" build schedule under the 2009 Business as Usual scenario when compared to the 2009 Trends Scenario, when the Business as Usual scenario is forecasted to have lower demand, lower gas prices, lower CO2 costs and lower market energy prices than the 2009 Trends Scenario, as reflected in Mr. Garratt's Exhibit No. \_\_\_\_ (RG-3), pp. 39-40 and pp. 454-455.

**Response:**

In Table 6 on page 25 of the Prefiled Direct Testimony of Aliza Seelig, Exhibit No. \_\_\_\_ (AS-1HCT), the "Incremental NPV Portfolio Cost from Lowest Cost Scenario" for the No Early Wind build schedule under the Business as Usual scenario is higher than the Incremental NPV Portfolio Cost from Lowest Cost Scenario for the No Early Wind build schedule under the 2009 Trends Scenario because the 2009 Business As Usual ("2009 BAU") market price scenario unintentionally reflects the costs of secondary market purchases under the assumptions used in the 2009 Trends market price scenario. The BAU market price scenario should have reflected the costs of secondary market purchases under the assumptions used in the 2009 BAU market price scenario.

As with Table 6 on page 25, Table 7 on page 27, and Table 13 on page 36 of Exhibit No. \_\_\_\_ (AS-1HCT), the Business As Usual ("BAU") market price scenario for the 2010 Request for Proposals ("2010 RFP") inadvertently reflects the costs of secondary market purchases and dispatch using the market prices in the 2010 Trends market price scenario.

[REDACTED PUBLIC VERSION]

Attached as Attachment A to Puget Sound Energy Inc.'s ("PSE") Response to Public Counsel Data Request No. 345, please find is a revised Table 6 that reflects the costs of secondary market purchases under the assumptions used in the 2009 BAU market price scenario. Table 6 is also presented on page 181 of the Twelfth Exhibit to the Prefiled Direct Testimony of Roger Garratt, Exhibit No. \_\_\_\_ (RG-13HC), and is similarly revised in Attachment A.

Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 345, please find a CD-ROM that contains a revised 2009 BAU model for each wind build schedule. These revised results include the lower cost of secondary market purchases reflecting the lower market prices, low gas prices, and lower carbon prices in the 2009 BAU market price scenario.

As a result of the revision to the 2009 BAU market price scenario, the net present value ("NPV") portfolio cost for each wind build schedule is lower in the revised 2009 BAU market price scenario, and the range of "Incremental NPV portfolio cost from the Lowest Cost Plan" has narrowed. The lower cost of secondary market purchases means that wind generation in the 2009 BAU market price scenario has a lower displacement value than wind generation in the 2009 Trends market price scenario. In other words, the secondary market purchases that wind generation displaces in the 2009 BAU market price scenario has a lower market value than the secondary market purchases that wind generation displaces in the 2009 Trends market scenario. Thus, the 2009 BAU market price scenario results in Table 6 of Exhibit No. \_\_\_\_ (AS-1HCT) overstate the costs of secondary market purchases.

Finally, the revised 2009 BAU market price scenario presented as Attachment A to PSE's Response to Public Counsel Data Request No. 345 continues to show that "Phase 600 MW – then IRP" is the highest ranked portfolio and lowest cost wind build schedule. The "No Early Wind" portfolio was the second most expensive portfolio of the eight alternatives evaluated, as compared to the most expensive portfolio as reflected in Table 6 on page 25 of Exhibit No. \_\_\_\_ (AS-1HCT).

Attached as Attachment C to PSE's Response to Public Counsel Data Request No. 345, please find a revised Table 7 and Table 13, which reflect the costs of secondary market purchases and dispatch under the market prices from the 2010 RFP BAU market price scenario. Table 13 is also presented as Figure 25 on page 42 of the Second Exhibit to the Prefiled Direct Testimony of Aliza Seelig, Exhibit No. \_\_\_\_ (AS-3HC), and in on page 203 of Exhibit No. \_\_\_\_ (RG-13HC). These tables are similarly revised in Attachment C.

Attached as Attachment D to PSE's Response to Public Counsel Data Request No. 345, please find an MS Excel model that shows the revised 2010 RFP BAU model. This revised result includes the lower cost of secondary market purchases and updated dispatch of resources reflecting the lower market prices and lower carbon prices in the 2010 BAU market price scenario.

[REDACTED PUBLIC VERSION]

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The updated 2010 RFP BAU model shows a higher overall portfolio cost reflecting changes in the optimized natural gas resource builds under the revised market prices. For the renewable resources, the updated 2010 RFP BAU model continues to show that it would be economically favorable for PSE to acquire LSR Phase I, [REDACTED] (Unsolicited) and [REDACTED] (#10075-a), selecting them in a minimum of four of the five scenarios, the same as in Table 7 on page 27 and Table 13 on page 36 of Exhibit No. \_\_\_\_ (AS-1HCT).

Attachment B to PSE's Response to Public Counsel Data Request No. 345 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 / UG-111049.

Attachments C and D to PSE's Response to Public Counsel Data Request No. 345 are HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 / UG-111049.