

**EXH. PKW-11
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 ___**

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

PAUL K. WETHERBEE

ON BEHALF OF PUGET SOUND ENERGY

JUNE 20, 2019

Informational:
**Proposed 3 year Term Extension of
Upstream Firm Pipeline Capacity
on Westcoast Energy (Spectra)**



Bill Donahue
Manager, Natural Gas Resources
September 15, 2016

Proposed Request for Approval (to be requested by e-mail vote prior to Sept.30, 2016)

- Authorize term extension of 70 MDth/d of firm pipeline capacity on Westcoast for 3 years as follows:
 - Approximately 37 MDth/day of Station 2 to Sumas, from Nov.1, 2017 through Oct.31, 2020 for the Gas Book.
 - Approximately 33 MDth/day of Station 2 to Sumas, from Dec.1, 2017 through Nov.30, 2020 for the Power Book.
- Notice is required for the subject Gas Book capacity by Sept.30, 2016 and subject Power Book capacity by Oct.31, 2016.



Westcoast Capacity Contracting

Proposed renewals:

- maintain the availability of upstream capacity at approximately 50% of need at Sumas for both Gas and Power Books.
 - maintains current level of access gas supply at the source in NE BC.
 - continues to provide pricing diversity (Station 2 vs Sumas).
 - maintains the status-quo for regulatory cost recovery for Gas Book (PGA) and Power Book (PCA).
- 3 year term:
- preserves renewal rights on WEI, to manage supply access risk.
 - enhances flexibility in managing total Westcoast capacity volume, (comparable quantities up for renewal each year).

Westcoast Tariff :

- requires 13 month notice to extend or terminate contracts.
- requires term extension of 2 year minimum to retain future renewal rights.
- provides a rate discount of 3%, 4% and 5% for a 3 year, 4 year and 5 year term extension, respectively.



Status of Westcoast capacity

	<u>Gas Book</u>	<u>Power Book</u>	<u>Total</u>
	<u>Dth/d</u>	<u>Dth/d</u>	<u>Dth/d</u>
<u>Supply Need at Sumas</u>			
Sumas Take-away on NWP*	269,181	108,957	378,138
Sumas CCCT on PSE pipeline	-	26,000	26,000
Ferndale CCCT on Cascade line	-	58,600	58,600
estimated fuel on downstream pipe	3,822	1,547	5,369
100% Supply Need at Sumas	<u>273,003</u>	<u>195,104</u>	<u>468,107</u>
<u>without proposed renewal</u>			
Westcoast capacity held	92,934	51,354	144,288
percent of Need achieved ("goal" = 50%)	34%	26%	31%
resulting reliance on Sumas market supply	66%	74%	69%
<u>with proposed renewal</u>			
Westcoast capacity held	129,855	84,487	214,342
percent of Need achieved ("goal" = 50%)	48%	43%	46%
resulting reliance on Sumas market supply	52%	57%	54%

* excludes 8,056 flex from JP and 10,000 to be dedicated to TOTE



Analysis of cost to renew Westcoast capacity

- Primary objectives are to mitigate physical access risk and achieve pricing diversity.
- Under some scenarios, the capacity can more than pay for itself and thus provide reduced costs to customers.

	<u>Net (Cost) or Benefit (US \$ M)</u>		
	<u>Gas Book</u>	<u>Power Book</u>	<u>Total</u>
<u>Scenario (3 yr term starting Nov. 2017)</u>			
NPV Net (Cost)/Benefit- Demand Charges without optimization -using WEI forecast of rates/ NO optimization	\$ (11.8)	\$ (10.6)	\$ (22.3)
NPV Net (Cost)/Benefit- Dmd Chgs after optimizing: Stn.2 v.Sumas -using Aug.2016 Wood-Mac forecast**	\$ (5.1)	\$ (4.9)	\$ (10.1)
NPV Net (Cost)/Benefit- Dmd Chgs after optimizing: Stn.2 v.Sumas -using 3 year historic differential**	\$ 5.4	\$ 4.6	\$ 10.0
NPV Net (Cost)/Benefit- Dmd Chgs after optimizing: Stn.2 v.Sumas -using 1 year historic differential**	\$ 9.8	\$ 8.6	\$ 18.4

** net of variable charges and 25% deduct for achievability



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