

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: January 11, 2009  
DOCKET: UE-090704/UG-090705  
REQUESTER: Public Counsel

WITNESS: David Nightingale  
RESPONDER: David Nightingale  
TELEPHONE: 360-664-1154

**PC-10** Please discuss all factors, and provide supporting analysis, which serves as the basis for Mr. Nightingale's opinion that it is reasonable for PSE to acquire the Mint Farm facility when the Company's own economic analyses show that the cost of acquiring Mint Farm would be approximately \$50 million higher than the cost customers would have otherwise incurred if PSE had instead selected the PPA proposal referenced in Mr. Nightingale's testimony.

**RESPONSE:**

A higher acquisition cost is only one of many factors that the Company used to make a reasoned decision for resource acquisition. Mr. Nightingale's response and cross-answering testimonies discuss the comprehensive approach that the Company used instead of selectively focusing on one particular advantage or disadvantage, such as a difference in acquisition cost.

Furthermore, an asset purchase will always involve significant up front acquisition costs to pay for the entire capital investment at the time of the acquisition, whereas a PPA only involves the purchase of power and perhaps some fraction of the capital asset on an incremental basis. Therefore, it is to be expected that an asset purchase such as Mint Farm will include a higher short-term cost than a PPA. This is analogous to the choice between purchasing a car for cash or leasing the same or similar vehicle (although the characteristics of Mint Farm and the referenced PPA have significant differences). The cash flow requirements are very different over time, but either arrangement may be beneficial. Again, this is only one of many factors used by the Company to discern prudent resource acquisition.