

Exh. JL-13C
Dockets UE-190529/UG-190530 and
UE-190274/UG-190275 (*consolidated*)
Witness: Jing Liu
REDACTED VERSION

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-190529
and UG-190530 (*consolidated*)

In the Matter of the Petition of
PUGET SOUND ENERGY

For an Order Authorizing Deferral
Accounting and Ratemaking Treatment
for Short-life UT/Technology Investment

DOCKETS UE-190274 and
UG-190275 (*consolidated*)

EXHIBIT TO TESTIMONY OF

Jing Liu

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

PSE Response to WUTC Data Request No. 75 (Ronald Roberts' Response)

November 22, 2019

CONFIDENTIAL PER PROTECTIVE ORDER – REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-190529 & UG-190530
Puget Sound Energy
2019 General Rate Case**

WUTC STAFF DATA REQUEST NO. 075

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
075	Shaded information designated as CONFIDENTIAL per Protective Order in Dockets UE-190529 and UG-190530 as marked in the Original Question in Puget Sound Energy’s Response to WUTC Staff Data Request No. 075.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-190529 & UG-190530
Puget Sound Energy
2019 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 075:
REQUESTED BY: Jing Liu/Dave Gomez**

RE: Net Power Cost; WECO/Colstrip

Background Section SUBPARTS A through J

Staff's data request references the following workpapers of Mr. Paul Wetherbee:

- UE-190529 - Mr. Paul Wetherbee's highly confidential workpaper titled NEW-PSE-WP-PKW-Colstrip cost detail (C).xlsx;
- UE-170033, Mr. Paul Wetherbee's confidential workpaper titled PKW-WP(C) Colstrip 3 4 Cost 17GRC As Filed.xlsx.

Additionally, in response to Staff discovery, Avista provided Talen's reported NERC GADS Equivalent Availability Factors (EAF) for Colstrip Units 3 and 4. They are provided in the table below.

Talen GADS Equivalent Availability Factor (EAF)					
Unit	2014	2015	2016	2017	2018
Colstrip 3	76.84	94.46	90.18	79.26	84.72
Colstrip 4	87.72	92.53	81.41	93.56	79.45

Table 1: Colstrip Units 3 & 4 EAF (2014-2018)

On September 10, 2019, Staff participated in an informational meeting with PSE to go over power cost testimony and workpapers presented by Mr. Paul Wetherbee in UE-190529. In that meeting, PSE Staff indicated that a new coal contract with Westmoreland Rosebud Mining LLC (WECO) for Units 3 and 4 had been signed and executed by PSE.

UTC STAFF DATA REQUEST NO. 75:

SUBPART A: When and how does PSE plan to update its power costs in this proceeding given Talen and the other Colstrip owners have signed and executed a new coal contract with WECO and/or some other coal supplier? Does the Company's plan include any of the following actions?

1. File supplementary testimony and exhibits on updated power costs as a result of the new coal supply contract before Staff's and other parties' deadline for responsive testimony?
2. Include the new coal contract costs as part of its rebuttal testimony in this GRC?
3. Pass through the new coal contract costs as part of its final power cost update on compliance after the Commission has issued its final order in this case and just prior to rates going into effect?

If PSE plans to file supplemental testimony, please provide the date PSE proposes to make this filing.

Will PSE be seeking a prudence determination from the Commission of the new coal contract for Colstrip Units 3 and 4 in this proceeding? If not this proceeding, when?

Background Section for SUBPART B

In UTC Staff Informal Data Request No. 8 in UE-190324, PSE was asked to provide the contractually required minutes for each and every meeting of the Executive Committee and the Mine Operating Committee (from October of 2017 through present) as specified in Section 5.1 and 6.6 in the Amended Restated Coal Supply Agreement ("ARCSA") dated August 24, 1998.

In response, PSE provided the Mine Operating Committee notes for only two meetings (August 14 and November 13, 2018). PSE also indicated that the Executive Committee: "...elected not to maintain and distribute notes of their meetings since discussion centered around on-going coal contract negotiations."

SUBPART B: In light of a new coal contract signed and executed by PSE and the other Colstrip owners, how does PSE plan to meet the Commission's prudence standard for these new coal contract costs given PSE's response to Staff's informal discovery in the background section above? For example, what did PSE's board of directors and company management know or what should they reasonably should have known at the time they made a decision to sign a new coal contract with WECO and/or some other coal supplier? Did the Company adequately study the question of whether to enter or not enter into a new coal contract and make a reasonable decision to do so, using the data and methods that a reasonable management would have used at the time the decisions were made?

SUBPART C: On what date did PSE sign and execute a new contract with WECO and/or some other coal supplier for Colstrip Units 3 and 4 fuel? What is the effective date of the contract? Provide a copy of the new contract, term sheet and any attachments and/or amendments in force as of the date the new coal contract becomes effective.

SUBPART D: Provide an updated version of Mr. Paul Wetherbee's highly confidential workpaper referred to in the background section titled NEW-PSE-WP-PKW-Colstrip cost details.

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SUBPART E: In both of Mr. Paul Wetherbee's Excel workbooks, referenced in the background section above, there is a worksheet tab titled [REDACTED]. Given the EAF NERC GADS statistics in Table 1 above, explain the basis for the [REDACTED] [REDACTED] projections for the rate year of [REDACTED] percent. Explain how not meeting the EUF goal in the Business Plan affects PSE's contractual payments to Talen. Does not meeting the EUF goal lower incentive payments? Provide the years since 2011 which Talen met its EUF goal contained in its annual business plans.

SUBPART F: In PSE's 2017 GRC, [REDACTED] [REDACTED] In its current GRC, PSE includes [REDACTED] amounts of over \$ [REDACTED] million for the rate year. Explain, itemize and provide justification for the amounts included in [REDACTED] for [REDACTED].

SUBPART G: In PSE's 2017 GRC, [REDACTED] million. In its current GRC, PSE includes [REDACTED] amounts of over \$ [REDACTED] million for the rate year. Explain, itemize and provide justification for the amounts included in [REDACTED] for [REDACTED].

Background Section SUBPART H through J

The website of the office of Surface Mining Reclamation and Enforcement, United States Department of the Interior, contains documents relating to Western Energy Company's Rosebud Coal Mine Area F Environmental Impact Statement. The Office of Surface Mining Reclamation and Enforcement has issued a Record of Decision (ROD) concerning Rosebud Mine Area F Federal Mining Plan dated June of 2019. (https://www.wrcc.osmre.gov/initiatives/westernEnergy/documents/WesternEnergy_Area_F_EIS_ROD.pdf)

Chapter 1, page 1 of the ROD states:

"Western Energy submitted a mine permit application package (PAP) on November 2, 2011, to the Montana Department of Environmental Quality (DEQ) for a new permit area (C2011003F), known as Area F (project or project area), at the Rosebud Mine, an existing surface coal mine in Colstrip, Montana (MT). Western Energy Company (Western Energy), a subsidiary of Westmoreland Coal

Company (Westmoreland), is the operator of the Rosebud Mine and the project proponent. As proposed by Western Energy, the new permit area would add 6,746 acres and approximately 70.8 million tons of recoverable coal reserves to the Rosebud Mine, extending the operational life of the mine by 8 years (at the current rate of production). Operations in the project area would last 19 years and would disturb 4,260 acres. Of these, 2,159 acres would be disturbed by mining; the remainder would be disturbed by highwall reduction, soil storage, scoria pits, haul road construction, and other mine-related activities. The surface of the project area is entirely privately owned, but the subsurface is both privately (3,479 acres) and Federally (3,267 acres) owned. Western Energy holds leases for the Federal (M82186) and private coal (G-002 and G-002-A). Current surface land uses in the project area include grazing land, pastureland, cropland, and wildlife habitat. A county road, a gas transmission pipeline, and high-voltage electric transmission lines cross the project area.”

Chapter 1, Section 1.1 Rosebud Mine Background and Overview, page 2 states:

“Although Western Energy has shipped coal from the Rosebud Mine by rail as recently as 2010, all coal currently produced by the mine is consumed locally at the Colstrip Power Plant and the Rosebud Power Plant (Figure 2). Coal mined in the project area would be burned in Units 3 and 4 of the Colstrip Power Plant and in the Rosebud Power Plant.”

The Commission’s Acknowledgment Letter in PSE’s 2017 IRP dated July 8, 2019, page 2 states: “In the 2019 IRP, the Commission expects PSE to answer the following questions pertaining to the Colstrip facilities:

1. Regarding fuel source cost and risk:
 - a. What is the cost and physical supply risk of coal from the Rosebud mine due to Westmoreland bankruptcy?
 - b. As the need for fuel for Colstrip declines, how does the increased cost per unit of coal affect the economic dispatch of Colstrip? This should be modeled in PSE’s IRP portfolio dispatch model.
 - c. How does fuel supply risk for Colstrip compare to that of natural gas?
 - d. How are the economics of Colstrip Units 3 & 4 affected if natural gas prices continue to remain relatively flat?
2. Has PSE quantified capacity replacement costs for Colstrip 3 & 4 that it could use as a basis of seeking replacement capacity as an alternative to any large capital investments it faces at Colstrip? This question should be answered in the context of the provisions of E2SSB 5116.

SUBPART H: According to PSE staff, the Company and the other Colstrip owners signed and executed a new coal supply contract with WECO for Units 3 and 4. Specify

the Rosebud Mine Areas (currently the ARCSA specifies AREA C coal only for Units 3 and 4) from which WECO will supply coal to Units 3 and 4 under the new contract.

SUBPART I: Provide PSE's share (by year, starting in 2011 through present) of permitting, bonding and any other costs (capital and expense) it has incurred as a result of the Area F expansion of the Rosebud mine. Identify the general rate case in which PSE recovered these costs. In PSE's current GRC, identify the PSE exhibits and workpapers which contain these costs.

SUBPART J: Given that PSE and the other Colstrip owners have already signed and executed a coal supply agreement for Colstrip Units 3 and 4 with WECO and/or with some other coal supplier, how and when does PSE plan to answer the Commission's questions about Colstrip in its 2019 IRP?

Response of Ronald J. Roberts:

WUTC Staff Data Request No. 075 pertains to multiple Puget Sound Energy ("PSE") witnesses. The responses in this document represent responses to those subparts of WUTC Staff Data Request No. 075 that are applicable to PSE witness Ronald J. Roberts. Responses for the subparts of this data request that are applicable to PSE witness Paul K. Wetherbee are contained in a separate document.

SUBPART A:

Please see the response of Paul K. Wetherbee to WUTC Staff Data Request No. 075, contained in a separate document, specifically the portion related to the incorrect understanding regarding the coal contract for Colstrip Units 3&4 that occurred during the September 10 meeting. PSE has not yet signed a coal contract with any party to provide coal to Colstrip Units 3&4 post December 31, 2019. Negotiations are still underway for a new coal contract.

SUBPART B:

PSE has not yet signed a coal contract with any party to provide coal to Colstrip Units 3&4 post December 31, 2019. Negotiations are still underway for a new coal contract.

SUBPART C:

PSE has not yet signed a coal contract with any party to provide coal to Colstrip Units 3&4 post December 31, 2019. Negotiations are still underway for a new coal contract.

SUBPART D:

The response to subpart D is provided by Paul K. Wetherbee in a separate document.

SUBPART E:

The 4.11% value referenced in subpart E of this data request and shown on the worksheet titled Talen Business Plan is labeled “EUF Forced.” This is only one part of the total projected equivalent unavailability factor (“EUF”). The Talen Business Plan document also includes projected values for “EUF Maintenance” and “EUF Annual Outage.” The three EUF values must be added together in order to compare projected EUFs to actual equivalent availability factors (“EAF”). The projected EUFs are then 12.05% in 2020 and 12.07% in 2021. EAF is equal to one minus EUF, so the projected EAFs shown in the Talen Business Plan are 87.95% and 87.93% which are in line with the reported EAF’s in Table 1.

Neither PSE, nor any other Colstrip plant owner, pays an incentive or management fee to Talen MT to operate the Colstrip facility. Therefore, if EUF projections are not met there is no financial penalty to Talen MT as operator. Please see Paul K. Wetherbee’s response to subpart E contained in a separate document.

SUBPART F:

As noted on page 25 of the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1T, “...PSE has elected to use test year O&M as the basis for rate year production O&M associated with the units of the Colstrip Steam Electric Station in this proceeding.” The Talen Colstrip 3&4 budget included in the workpaper *RJR_WB_C_2019_GRC_Production_OM_WorkPaper_Rvn17Apr(C)*, on tab “Colstrip 3&4 Talen Budget (C),” was not used in establishing the level of O&M to include in the revenue requirement in this proceeding. Please see cells B4:D4 in the tab titled “Production O&M Summary” within the referenced workpaper which demonstrates that the \$18,662,726 utilized for the revenue requirement is comprised of:

1. the test year Production O&M for Colstrip 3&4 of \$18,521,035,
2. an addition of \$1,299,767 to add the portion of the test year Production O&M that is common to all four Colstrip Units that was charged to Colstrip 1&2, and
3. a reduction of \$1,158,076 to adjust the level of test year major maintenance amortization as discussed in Exh. RJR-1T.

There is no management reserve included in the revenue requirement calculation in this proceeding. Please see Paul K. Wetherbee’s response to subpart F contained in a separate document.

SUBPART G:

As noted on page 9 of the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR - 1T, "PSE has invested approximately \$44 million of capital expenditures associated with the Colstrip units since PSE's last general rate proceeding in Dockets UE- 170033 & UG-170034." Please see the Fifth Exhibit to the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-6, for a list of the capital expenditures associated with the Colstrip units over the period beginning October 1, 2016, and ending December 31, 2018, that PSE seeks to include in rate base in this proceeding.

The projected 2020-2021 Talen Colstrip 3&4 budget was included in the workpaper *NEW-PSE-WP-PKW-Colstrip cost detail (C)* and was not used in calculating rate base for this proceeding. Additionally, the 2020 budget for Colstrip is still under consideration by the co-owners and is not yet finalized. Please see Paul K. Wetherbee's response to subpart G contained in a separate document.

SUBPART H:

PSE has not yet signed a coal contract with any party to provide coal to Colstrip Units 3&4 post December 31, 2019. Negotiations are still underway for a new coal contract. Therefore, it is not possible to provide information on where coal will be provided from after December 31, 2019.

SUBPART I:

Information provided to the Colstrip co-owners by Westmoreland in August 2019 indicated Area F is still in the permitting process and is not yet approved. PSE has not borne any costs related to the potential of Westmoreland expanding mining operations into Area F.

SUBPART J:

PSE has not yet signed a coal contract with any party to provide coal to Colstrip Units 3&4 post December 31, 2019. Negotiations are still underway for a new coal contract.

PSE will answer questions related to the Colstrip facility in PSE's 2019 Integrated Resource Plan ("IRP") currently scheduled to be filed January 15, 2020. In its 2019 IRP, PSE will be addressing the questions outlined in this data request that were included in the Washington Utilities and Transportation Commission's July 8, 2019 Acknowledgement Letter that was filed in PSE's 2017 IRP.