

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket No. UE-121373  
Puget Sound Energy, Inc.'s  
Petition for Approval of a Power Purchase Agreement for  
Acquisition of Coal Transition Power**

**WUTC STAFF DATA REQUEST NO. 002**

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<b>DR NO.</b>	<b>“CONFIDENTIAL” Material</b>
<b>002</b>	WUTC Staff Data Request No. 002 and PSE's response thereto are HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket No. UE-121373.

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In reference to the table in the pre-filed exhibit of Roger Garratt, Exhibit RG-7HC, page 17 of 17, shown below, please provide:

- a. A detailed breakdown of the Engineering, Procurement and Construction (EPC) costs used to arrive at a total capital cost requirement of \$ [REDACTED] /kw for a self-build peaking plant to evaluate against the Coal Transition PPA and other offers for the 2011 RFP. Itemize and organize the cost data in the same format, and alongside the cost data shown in the pre-filed exhibit of Chris Bevil, Exhibit CB-3HC, on page 118 of 315. For each itemized cost include (separately if necessary) assumptions, calculations, and quotes used to arrive at each amount. Please provide the EPC data in an Excel workbook and include all relevant linking workbooks, worksheets, data and formulas for Staff to follow your work. Also, include all calculations (and their source) used to escalate, to 2013 dollars; the *Capital cost Equivalent Plant* in the table below.

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**Assumptions Used to Find an Equity Return on an Equivalent Plant**

- 100 Capacity of an Equivalent Plant (MW)
- \$ [REDACTED] 2011 IRP Peaker Plant Cost \$/kw (2013 dollars)
- \$ [REDACTED] Capital Cost Equivalent Plant \$MM
- 11 PPA Term
- 7.80% WACC and Discount Rate
- 9.80% Equity Cost
- 48.0% Equity Ratio
- 7.24% Weighted Pre-tax Equity Return (Revenue Requirement Rate)

in \$MM per 100MW					
Year	Plant	Depr	Net Plant	Avg Net Plant	Equity Kicker Calculation
0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	7.24%
1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nominal Equity Return per 100 MW					
Net Present Value Equity Return per 100MW					
Levelized Equity Return per 100MW(Annual)					\$3.84
Levelized Equity Return \$/KW Annually					\$38.36
Levelized Return \$/MWH					\$4.39

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b. RCW 80.04.570(6)(b) provides: "For purposes of determining the equity value, the cost of an equivalent plant is the least cost purchased or self-built electric generation plant with equivalent capacity." In the pre-filed exhibit of Chris Bevil, Exhibit CB-4HC, pages 2 and 3 of 20, it states: "The purchase price of the [REDACTED] (#11103-r) offer was reduced from \$ [REDACTED] million to \$ [REDACTED] million (\$ [REDACTED] /kw). [REDACTED] (#11119-r) offer at a purchase price of \$ [REDACTED] million (\$ [REDACTED] /kw) . . . ." In the pre-filed direct testimony of Roger Garratt, Exhibit RG-1HCT, page 24 (at 30 through 33) and page 25 (at 1 through 18), it states that the equivalent plant used to calculate the equity return was the [REDACTED] MW, [REDACTED] (#11103) valued at \$ [REDACTED] MM [REDACTED] /kw).

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Please provide the calculations and data used to justify and select a \$ [REDACTED]/kW resource for calculation of the equity return versus all ownership and self-build resources considered including those offered at \$ [REDACTED]/kW and \$ [REDACTED]/kW at the end of 2011 RFP. Please provide the data in an Excel workbook and include all relevant linking workbooks, worksheets, data and formulas for staff to follow your work.

**Response:**

- a. Please see page 17 Exhibit No. \_\_\_(RG-7HC), and page 25 of Exhibit No. \_\_\_(RG-8HC) for the same cost estimate used to arrive at a total capital cost requirement of \$ [REDACTED]/kW for the self-build peaking plant and the capital cost equivalent plant for calculating the equity return on the Coal Transition Power PPA evaluated in the 2011 Request for Proposals process. Puget Sound Energy, Inc. ("PSE") derived the \$ [REDACTED]/kW amount (in 2013 dollars) by escalating the \$ [REDACTED]/kW amount (in 2010 dollars) by 2.5 percent per year for three years.
- b. PSE selected the \$ [REDACTED]/kW (based on the revised proposal for the [REDACTED] (#11103-r) for calculating the equity return on the Coal Transition Power PPA because such amount is the next lowest capital cost resource alternative after the revised proposal for [REDACTED] (#11119-r) at \$ [REDACTED]/kW. PSE did not select the \$ [REDACTED]/kW amount for the [REDACTED] (#11119-r) for calculating the equity return on the Coal Transition Power PPA because PSE currently intends to purchase the project, which would make the [REDACTED] (#11103-r) proposal the lowest capital cost resource available to PSE.

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Please see the table below for the costs of the resource alternatives shown on pages 2 and 3 of Exhibit No. \_\_\_\_ (CB-4HC) and pages 24 and 25 of Exhibit No. \_\_\_\_ (RG-1HCT).

			████ MW at 23 \$/kW	████ MW at ISO \$/kW
████████████████████ (#11103-r)	\$000s			
Purchase Price Offer	████		████	████
PSE costs*				
Total	████		████	████

			280 MW at 23 \$/kW	267 MW at ISO \$/kW
████████████████████ (#11119-r)	\$000s			
Purchase Price Offer	████		████	████
PSE costs*				
Total	████		████	████

\*PSE costs are an estimation of upgrades to the facility required to meet PSE's compliance and design standards in addition to an estimation of transaction costs, which include legal fees, sales and real estate taxes, due diligence costs, and PSE labor.

The \$████/kW for the ██████████ (#11103-r) proposal and the \$████/kW for the ██████████ (#11119-r) proposal reflect the purchase price offer at capacity based on ISO conditions. The \$████/kW for the ██████████ (#11103-r) proposal and the \$████/kW for the ██████████ (#11119-r) proposal reflect the "all-in" costs, which include PSE costs, at capacity based on 23°F. The \$215 million is the product of the average capacity of the Coal Transition Power PPA (346 MW) and a cost of an equivalent plant based on the ██████████ (#11103-r) proposal at \$████/kW.

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