

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKETS UE-220066, UG-220067, and UG-210918 (*Consolidated*)

**ROBERT L. EARLE
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT RLE-21C

Puget Sound Energy Response to Public Counsel Data Request No. 196 with
Confidential Attachment A

September 9, 2022

**Shaded Information is Designated Confidential Per Protective Order
In Dockets UE-220066, UG-220067, and UG-210918 (*Consolidated*)**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-220066 & UG-220067
Puget Sound Energy
2022 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 196

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
196	Shaded information is designated as CONFIDENTIAL per Protective Order in Dockets UE-220066 and UG-220067 as marked in Attachment A to Puget Sound Energy’s Response to Public Counsel Data Request No. 196

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-220066 & UG-220067
Puget Sound Energy
2022 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 196:

Re: Power Costs – Intra-company Transactions. Paul K. Wetherbee, Exh. PKW-1CT at 8:6-8:18, PKW-3C.

- a. What is meant by “mutually beneficial” (Exh. PKW-3C at 17)?
- b. Does “mutually beneficial” mean that the price offered from the point of view of both buyer and seller is better than the price obtainable anywhere else in the market? If not, why not?
- c. For intra-company transactions, is the purchase price (price paid) always the same as the sales price (price received)?
- d. If the answer to subpart c. is no, please explain why the price would not be the same.
- e. Is there a transaction charge incurred for intracompany transactions?
- f. If the answer to subpart e. is yes, do the ratepayers pay this transaction charge?
- g. If the answer to subpart f. is yes, where do these transaction charges appear in this rate filing and how much are they?
- h. Are all of Puget Sound Energy’s intracompany transactions (PSEE and PSEG) fixed price physical transactions?
- i. For each of the years, 2019–2021, please provide a list of all the PSEE and PSEG intracompany transactions including but not limited to the date entered into, identity of the seller, identity of the buyer, date and time entered into, selling price, buying price, transaction fee paid by seller, transaction fee paid by buyer, volume, duration, commodity, and delivery point.
- j. Is it correct to understand that PSE optimizes and hedges its power operations and gas operations separately? Please explain why PSE’s approach is reasonable and beneficial to ratepayers.
- k. Please explain why Lacima is not used for power cost forecasting (Exh. PKW-3C at 13).

Response:

- a. “Mutually beneficial” means that both parties benefit from the transaction. Puget Sound Energy’s (“PSE”) intra-company transactions are not entered into for the benefit of the gas utility at the expense of the electric utility, or vice versa.

- b. No, mutually beneficial does not mean that the price offered from the point of view of the buyer or seller is better than the price obtainable anywhere else in the market. Mutually beneficial means that the seller in an intra-company transaction has surplus gas to sell, the buyer needs to purchase gas, and the price of the transaction is a fair market price. The wholesale markets for natural gas in which PSE transacts are competitive markets with a relatively large number of buyers and sellers and with transparent prices such that at any point in time there is effectively just one market price. The price of an intra-company transaction is the same price obtainable by the buyer and seller elsewhere in the market.
- c. Yes. The price paid by the buyer in an intra-company transaction is the price received by the seller.
- d. Not applicable.
- e. There are no transaction charges incurred on intra-company transactions.
- f. Not applicable.
- g. Not applicable.
- h. No. All of PSE's intra-company transactions are not fixed price physical transactions. Most PSE intra-company transactions are priced according to an index price.
- i. Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 196, please find a list of all intra-company transactions with delivery dates from January 1, 2019 through December 31, 2021 including the requested attributes for each deal.
- j. PSE optimizes and hedges its power and gas operations separately because each portfolio is a separate business unit with separate and identifiable loads and resources. Separate hedging and optimization activities ensure that the costs and benefits of operating the gas portfolio are appropriately allocated to customers of PSE's gas utility and the costs and benefits of operating the electric portfolio are appropriately allocated to customers of PSE's electric utility. The alternative—managing, optimizing, and hedging based on the aggregate needs and resources of the two portfolios—could lead to outcomes that benefit the electric book at the expense of the gas book or vice versa and inappropriately shift costs associated with managing one portfolio to the customers of the other.
- k. PSE uses the Aurora model as the primary tool for its power cost projections and has done so since at least its 2001 general rate case. Many different tools and methods could be employed to generate a forecast of PSE's power costs, but PSE has no reason to believe a different tool would lead to more accurate

results. Given the long history using the Aurora model, PSE and parties to PSE rate proceedings are familiar with the tool and how it is used in PSE's power cost calculations.

Shaded information is designated as CONFIDENTIAL per Protective Order in Dockets UE-220066 and UG-220067 as marked in Attachment A to PSE's Response to Public Counsel Data Request No. 196.

ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 196

This file contains confidential information

Shaded information is designated as confidential per Protective Order in Dockets UE-220066 and UG-220067

