

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-111048 and UG-111049
Puget Sound Energy, Inc.'s
2011 General Rate Case**

BENCH REQUEST NO. 024

“CONFIDENTIAL” Table of Contents

| DR NO. | “CONFIDENTIAL” Material |
|---------------|---|
| 024 | The Attachment A to PSE's Response to Bench Request No. 024 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 / UG-111049. |

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TO PSE:

The Commission will order PSE to update its power costs (Adjustment 20.01) for purposes of its compliance filing in this proceeding. Although the Commission's Final Order is not complete for purposes of entry and service, the Commission has determined the outcome of the contested issues affecting power costs, as follows:

- Revise the AURORA model by decreasing the "minimum up time" operating assumptions to 10 hours for PSE's generation resources at Goldendale, Mint Farm, and Sumas. (Deen, Exh. No. MCD-1CT at 13:11-20)
- Remove the projected gas pipeline escalation costs associated with Cascade, Northwest Pipeline, and Westcoast Energy. (Deen, Exh. No. MCD-1CT at 11:21-26)
- Include wind integration revenue from Open Access Transmission Tariff (OATT). (Deen, Exh. No. MCD-1CT at 8:17-9:2)
- Treat amortization of contract major production plant maintenance per Staff's proposed adjustment. (Martin, Exh. No. 19:1-11)
- Treat the amortization of the Colstrip 1 and 2 dedication fee per Staff's proposed adjustment. (Martin, Exh. No. 16:1-12)
- Remove the Company's reclassification of the Jackson Prairie storage rent as a variable cost under the PCA. (Martin, Exh. No. RCM-1T at 11:18-12:4)

The remaining contested issues are resolved in PSE's favor. We require the Company to perform now, and provide to the Commission, a power cost update following the method set out in the Company's response to Bench Request 21, using the most recent 3-month forward natural gas prices, stating the date of the price forecast and assuming outcomes to the disputed issues as indicated above. If the Company requires any additional information to perform a complete update, the results of which can be

included in the Commission's Final Order as the Company's power costs authorized for recovery in rates, it should inform the Commission within two business days after the date of this bench request.

We further require the Company to provide to the Commission revisions of Company exhibits JHS-20.01, 20.01(A), and 20.04 (Exh. No. JHS-20 at 5) in accordance with the power cost update.

Response:

Puget Sound Energy, Inc. ("PSE") updated rate year power costs for the most recent 3-month forward natural gas price date (April 25, 2012) in accordance with PSE's Response to Bench Request No. 21. The current 3-month average rate is \$2.90 per MWH versus \$4.07 per MWH. In addition, PSE adjusted rate year costs and rate base as required in Bench Request No. 24. The following table depicts the impact of these changes to costs, rate base, return on rate base, net operating income and the revenue deficiency.

| Bench Request 24 Updates | Note | Cost (excludes production factor) | Rate Base | Return on Ratebase @ 8.26% | NOI | Operating Income Deficiency | Revenue Requirement Deficiency (Conv Fctr = .620749) |
|--|------------|--|---------------------|----------------------------------|--------------------|-----------------------------------|--|
| | | (000's) | (000's) | (000's) | (000's) | (000's) | (000's) |
| 1. Update AURORA "Min Up Time" | (A) | \$ (45.4) | | | \$ 28.9 | \$ (28.9) | \$ (46.6) |
| 2. Remove Pipeline Escalation | (A) | \$ (665.8) | | | \$ 423.7 | \$ (423.7) | \$ (682.6) |
| 3. Include OATT Vantage Wind Trans Revenue | (B) | \$ (2,396.2) | | | \$ 1,465.8 | \$ (1,465.8) | \$ (2,361.3) |
| 4. Major Maint Amort Proformed to Rate Year | (C) | \$ (1,062.5) | \$ (1,561.9) | \$ (129.0) | \$ 659.2 | \$ (788.2) | \$ (1,269.8) |
| 5. Colstrip Dedication Fee Amort from 9 to 10 Yr | (A) | \$ (55.6) | \$ (389.8) | \$ (32.2) | \$ 31.1 | \$ (63.3) | \$ (102.0) |
| 6. Jackson Prairie Rent from Variable to Fixed | (D) | | | | | \$ - | \$ - |
| 7. Gas Price Update to 3mo. Ave at 4.25.12 | (A) | \$ (14,882.4) | | | \$ 9,470.5 | \$ (9,470.5) | \$ (15,256.6) |
| Total impact of changes required in BR 24 | (E) | \$ (19,108.0) | \$ (1,951.7) | \$ (161.2) | \$ 12,079.2 | \$ (12,240.4) | \$ (19,718.8) |

Note:

(A) Adjustments included in "20.01 Power Costs"

(B) OATT Vantage Wind Revenues are included in Variable Transmission Revenue in "20.01 Power Costs"

(C) Contract Major Maintenance Amortization included in Production O&M in "20.01 Power Costs"

(D) Jackson Prairie Storage Rent is a PCA adjustment only (costs reclassified to fixed from variable); no impact to Revenue Deficiency

(E) All adjustments above are included in Schedule A-1 and impact the PCA Baseline Rate

Attached as Attachment A to PSE's Response to Bench Request No. 024, please find the power cost overviews in MS Excel spreadsheets, including a reconciliation from power costs included in PSE's Response to Bench Request No. 24 to those included in the rebuttal filing using 3-month forward gas prices at December 8, 2011, summarized power costs, power costs by resource, the Not In Models summary, the Production O&M summary and price assumptions.

Attached as Attachment B to PSE's Response to Bench Request No. 024, please find PDF copies of the following revised pages from Exhibit No. JHS-20. The pages listed represent the pages within the exhibits of Mr. John H. Story, which are originally impacted by the changes required in this bench request. Additionally, the pages listed are provided in an MS Excel format in Attachment C to PSE's Response to Bench Request No. 025.

- JHS-20 page 1 of 14 – “20.01 Power Costs”
- JHS-20 page 2 of 14 – “20.01(A) Determination of Net Power Costs for GRC Adjustment 20.01”
- JHS-20 page 5 of 14 – “20.04 Montana Electric Energy Tax”; and
- JHS-20 page 11 of 14 – “20.10 Regulatory Assets and Liabilities”

Finally, four additional JHS Exhibit pages change as a result of the changes required in this bench request. They are:

- JHS-20 page 3 of 14 “JHS-20.02 Lower Snake River”, for variable transmission costs that change as a result of updated prices used to calculate imbalance charges,
- JHS-20 pages 12 and 13 of 14 “JHS-20.11 – Production Adjustment”; and
- JHS-21 page 5 of 22 “JHS-21.05 – Tax Benefit of Proforma Interest”.

Because the changes required by Bench Request No. 025 also impact these pages, they will be presented in PSE's Response to Bench Request No. 025 incorporating all changes required by both Bench Requests.

Attachment A to PSE's Response to Bench Request No. 024 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-111048 / UG-111049.