

**Exh. DCG-17
Dockets UE-190529/UG-190530 and
UE-190274/UG-190275 (*consolidated*)
Witness: David C. Gomez**

**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

David C. Gomez

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE Ron Roberts Response to Staff DR No. 75

November 22, 2019

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 to Puget Sound Energy’s First Supplemental 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 detail (C).xlsx, updated to reflect new coal contract costs.

REDACTED VERSION

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]. 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?

First Supplemental Response of Paul K. Wetherbee:

WUTC Staff Data Request No. 075 pertains to multiple Puget Sound Energy ("PSE") witnesses. This response relates only to the Prefiled Direct Testimony of Paul K. Wetherbee, Exh. PKW-1T. Please see the response of Ronald J. Roberts to WUTC Staff Data Request No. 075, contained in a separate document, which responds to the portions of WUTC Staff Data Request No. 075 that relate specifically to the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1T.

Supplement to SUBPART A

Commission Staff has requested a supplement to Subpart A. Accordingly, PSE provides the following supplemented response to Subpart A only.

Discussions at the September 10 meeting between Commission Staff and PSE staff resulted in an incorrect understanding of the status of a new coal contract for Colstrip Units 3&4. 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. In light of this fact, PSE does not have a specific plan to update power costs in this proceeding to address the new coal contract, when it is finalized. PSE is willing to update power costs to include this new contract and to seek a prudence determination of this new contract, if Commission Staff will agree to such an update. However, based on Commission Staff's position at the prehearing conference, strictly limiting PSE's supplemental testimony and power cost update, PSE does not currently have a plan to update power costs to include the new coal contract.

1. PSE filed supplemental testimony on September 17, 2019, on the topics set forth in the prehearing conference order. The coal contract was not finalized at that time and was not included in the supplemental testimony. PSE does not have plans to file further supplemental testimony and exhibits before Staff's and other parties' deadline for responsive testimony addressing power costs or any other issue.
2. The procedural schedule in Appendix B to Order 3 in this docket lists specific items to be included in a power cost update at the time of PSE's rebuttal testimony. The expected coal contract for Colstrip Units 3&4 was not included in this list of updates to include in the power cost update to be provided at the time of PSE's rebuttal testimony. Therefore, PSE does not plan to include the costs of the new coal contract in its power cost update provided at rebuttal. PSE may inform the Commission of the final execution of the coal contract and its cost, in

its rebuttal testimony, but PSE does not intend to include the new cost of the new contract in its power cost update at rebuttal.

3. PSE intends to follow the Commission's direction in the final order in this proceeding when preparing its compliance filing, including with respect to the scope of any power cost update, if one is ordered by the Commission. See WAC 480-07-880 (requiring a party to "strictly limit the scope of its compliance filing to the requirements of the final order to which it relates").

In summary, PSE intends to comply with the Prehearing Conference Order and the Final Order in this case with respect to supplemental testimony, power cost updates in rebuttal testimony and its compliance filing. Please see PSE's Response to WUTC Staff Data Request No. 057 for a discussion of items that would normally be included in a power cost update, consistent with Washington Utilities and Transportation Commission policy that power costs be set as closely as possible to costs that are reasonably expected to be incurred following the conclusion of a proceeding. Typically, a new fuel contract would be included in a power cost update if it were finalized.

SUBPARTS B AND C

Please see the response of Ronald J. Roberts contained in a separate document.

SUBPART D

Because the new coal contract is still being finalized, PSE has not updated its workpaper that contains coal costs.

SUBPART E

The equivalent unavailability factors ("EUF") shown on the tab titled "Talen Business Plan," are not utilized in PSE's calculation of rate year power costs. Other information in the Talen Business Plan are used in PSE's calculation of AURORA model inputs and fixed fuel costs for Colstrip Units 3&4. The Talen Business Plan is included in the workpaper *NEW-PSE-WP-PKW-Colstrip cost detail (C)* only to support those calculations. Please see Ronald J. Robert's response to subpart E contained in a separate document.

SUBPART F

The values shown for "O&M Management Reserve" on the tab titled "Talen Business Plan," are not utilized in PSE's calculation of rate year power costs. Other information in the Talen Business Plan are used in PSE's calculation of AURORA model inputs and fixed fuel costs for Colstrip Units 3&4. The Talen Business Plan is included in the workpaper *NEW-PSE-WP-PKW-Colstrip cost detail (C)* only to support those calculations. Please see additional information regarding Production O&M for Colstrip

Units 3&4 included in this proceeding in Ronald J. Robert's response to subpart E contained in a separate document.

SUBPART G

The values shown for "Capital Cost – Sustenance/Discretionary" on the tab titled "Talen Business Plan," are not utilized in PSE's calculation of rate year power costs. Other information in the Talen Business Plan are used in PSE's calculation of AURORA model inputs and fixed fuel costs for Colstrip Units 3&4. The Talen Business Plan is included in the workpaper *NEW-PSE-WP-PKW-Colstrip cost detail (C)* only to support those calculations. Please see additional information regarding the level of capital for Colstrip Units 3&4 included in this proceeding in Ronald J. Robert's response to subpart E contained in a separate document.

SUBPARTS H THROUGH J

Please see the response of Ronald J. Roberts contained in a separate document.