

**EXHIBIT NO. ___(RG-27HC)
DOCKET NO. UE-11___/UG-11___
2011 PSE GENERAL RATE CASE
WITNESS: ROGER GARRATT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

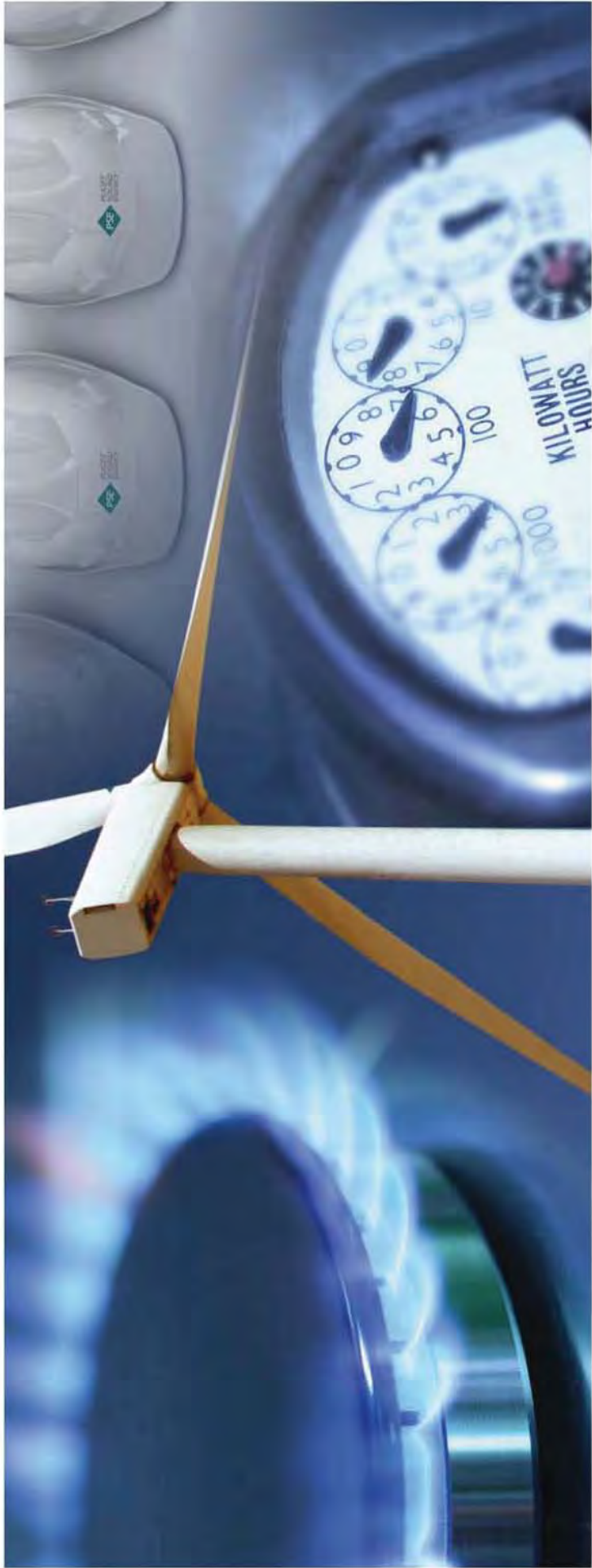
Respondent.

**Docket No. UE-11___
Docket No. UG-11___**

**TWENTY-SIXTH EXHIBIT (HIGHLY CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

JUNE 13, 2011



Klamath PPA Approval

2010 RFP Shortlist

Aliza Seelig
Consulting Financial Analyst, Resource Acquisitions

February 17, 2011



Recommendation to the EMC

- Approve PSE entering into a four-year and two-month contract with Iberdrola Renewables, Inc. (“IBR”) for 100 MW of winter capacity associated with the Klamath peakers, subject to parties securing transmission rights and with the potential for PSE to negotiate a longer term contract before final contract signing.

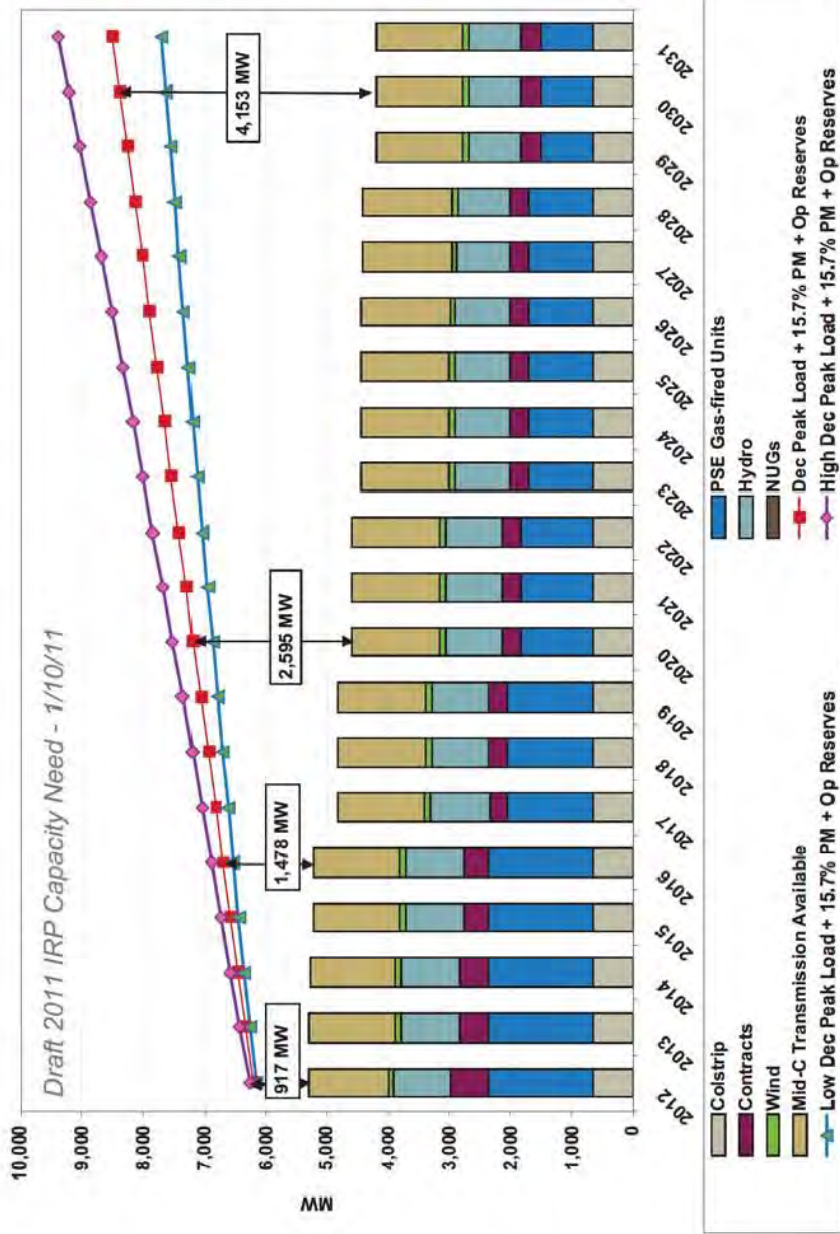
REDACTED
VERSION

- Total cost ≈ \$ [REDACTED] million (nominal)*
- Portfolio benefit = \$ [REDACTED] million (2010 \$)

*over the term of the contract; assumes PGE transmission tariff for Southern Intertie



2011 IRP continues to show a capacity need



Note: PSE needs 834 MW of capacity in 2012 when the impact of demand-side resources are considered. (Dec peak load and DSR are consistent with Draft 2011 IRP.) See also the presentation from today titled "C. (HC) Resource Acquisition Update EMC_02 17 2011.ppt" for additional explanation of the strategy to fill the resource need.

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Klamath PPA description

Counterparty: Iberdrola Renewables, Inc.

Parent guarantor: Iberdrola Renewables Holdings, Inc. (A- rated)

Capacity: 100 MW (unit contingent)

Structure: Hourly physical toll (Nov through Feb)

Toll fuel: Gas transportation and supply provided by IBR

Term: Jan 1, 2012 through Feb 29, 2016

Transmission: 1) Klamath busbar to BPA John Day;
(PSE secures rights on BPA Southern Intertie)
2) BPA John Day to PSE Covington;
(IBR redirects existing rights)

Technology: 2 - Pratt & Whitney FT-8 CTs

COD: May 17, 2002

Winter reliability: [REDACTED] (historical)

REDACTED
VERSION





Key commercial terms (WSPP Service Schedule B)

Capacity charge	
Capacity charge adjustment	
FOM	
VOM	
Start charge	
Heat rate (100 MW)	
Gas daily index	
Variable fuel fee	
Transmission	
Minimum availability guarantee	

- IBR may supply with adjacent Klamath Cogeneration capacity to provide higher total availability
- Contract provides a mechanism for bonus payment to IBR and a credit payment to PSE based upon total availability
- IBR is responsible for fuel delivery and supply

REDACTED
VERSION

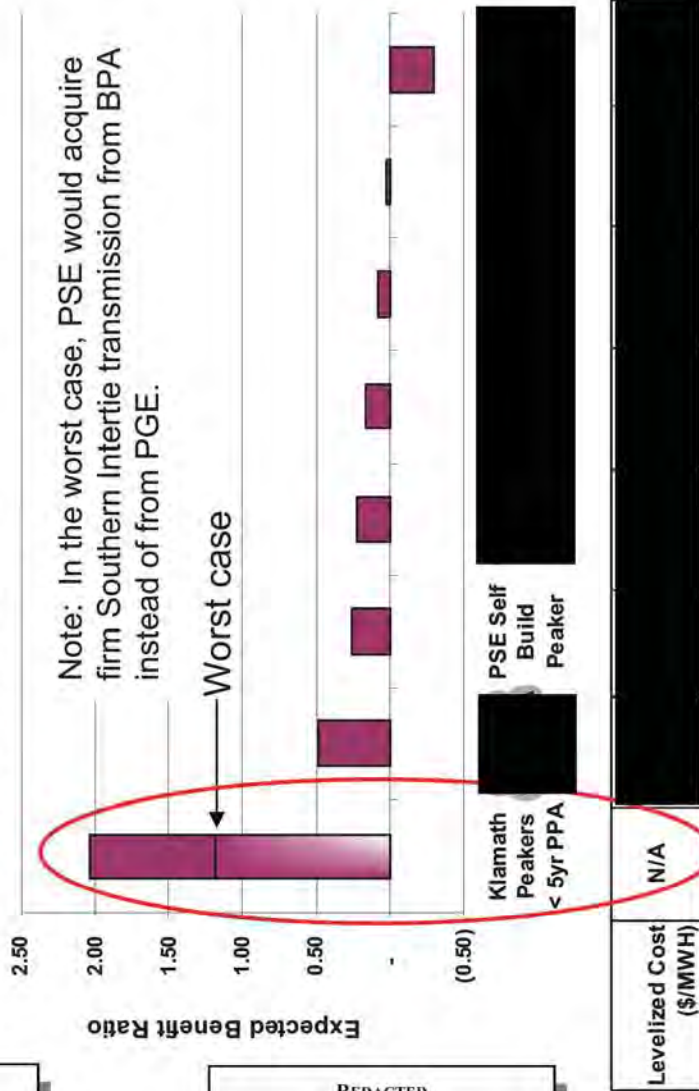
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Benefits of Klamath contract

- Lowest cost capacity resource
- Winter seasonality fits with PSE's peak need
- High availability with cogen and BPA operating reserves backstops

Portfolio Screening Model results based on DRAFT IRP 2011 base case prices with no CO₂ costs



ANALYSIS RESULTS

2010 RFP recap

- Economics and qualitative risks are more favorable than alternatives
- PSE will further evaluate transmission risk
- Seasonal product reduces costs

Reevaluation

- Highest benefit ratio of all projects even if PSE has to rely on BPA for Southern Intertie transmission
- Assumes 2.5% annual cost escalation
- Contract dependent on obtaining long-term firm transmission redirect and Southern Intertie transmission
- Total availability assumed at 100% in evaluation

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Appendix

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Klamath plant site



506 MW Klamath Cogeneration Plant

500kv Switchyard and Intertie



100 MW Klamath Peaking Plant

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