

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	Dockets UE-121697 and UG-121705
)	<i>(Consolidated)</i>
v.)	
)	Dockets UE-130137 and UG-130138
PUGET SOUND ENERGY, INC.,)	<i>(Consolidated)</i>
)	
Respondent.)	
_____)	

EXHIBIT NO. ___(MCD-7)

Staff's Responses to ICNU Data Requests 4.6 and 4.23 in UE-121697

PSE's Responses to ICNU Data Requests 2.4 and 3.10 in UE-130137

April 26, 2013

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
STAFF RESPONSES TO ICNU DATA REQUESTS

DATE PREPARED: April 4, 2013
DOCKETS: UE-121697/UG-121705
REQUESTER: ICNU

WITNESS: Thomas E. Schooley
RESPONDER: Thomas E. Schooley
TELEPHONE: 360-664-1307

REQUEST NO. 4.6: Regarding Staff's support for the proposed global settlement, please explain what value Staff attaches to the proposed resolution of issues in the UE-121373 docket. Please provide any rationale or analysis relating to the value of this particular component both individually and as a part of the overall settlement package.

RESPONSE:

See Staff Response to ICNU Data Request 4.23.

Staff strongly believed the elements of the Commission's Order 03 should be maintained, and placed value on clarifying our position that the Coal Transition Power Purchase Agreement (PPA) was prudent and did not require further prudence determinations in the future. Although Staff's testimony in UE-121373 did not advocate specifying a method of recovering the costs of the PPA, we did see merit in doing so at this point in time. Resolution of these issues merely adds detail to the Commission's decisions in Order 03. The settlement of these two issues combined with PSE's acquiescence to the Commission's allowed level of the equity adder, ensures that rate-payers receive the benefit of the Commission's decision. Further value is found in settling these matters while they are fresh in our minds, avoiding the need to resurrect and relearn the issues sometime in the distant future.

As part of the overall settlement package, PSE's agreement to sign the PPA is a good deal for ratepayers because the cost of the power under the PPA, either with or without the equity adder, is a good deal for ratepayers. It is cheap power when compared to a build option, and the contracted rates protect customers from the vagaries of the market.

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RESPONDER: Mark Vasconi
TELEPHONE: 360-664-1307

REQUEST NO. 4.23: Please describe all changes that Staff is recommending that the Commission make to the Centralia PPA Order 03. Explain in detail the reason for each proposed change.

RESPONSE:

This response assumes that the Centralia PPA Order 03 refers to the Commission's Order 03 in Docket UE-121373 [Order 03], and that the Centralia PPA refers to the Coal Transition Purchase Power Agreement between PSE and TransAlta Centralia Generation LLC [PPA].

First, Order 03 suggested that the Commission might rule the PPA imprudent in certain circumstances. In response, PSE and TransAlta amended the PPA. The amendment provides that if either TransAlta's Memorandum of Agreement with the State of Washington is terminated or there is a permanent cessation of generation at the Centralia Transition Coal Facility, PSE will bring this matter to the Commission with PSE's recommendation on whether to continue the PPA or not, and file a petition seeking concurrence with its recommendation from the Commission. In the Global Settlement, PSE expressly agrees that the Commission may condition any order approving or disapproving a petition for concurrence, including but not limited to the recovery of cost and equity under the PPA, and that any such condition will be binding on PSE if PSE were to continue to make purchases under the PPA. Any such condition would be prospective only. This satisfies the concerns expressed by Staff in the PPA case and we support reopening the record to enter the amendment to the PPA and to clarify Order 03, consistent with the terms of paragraphs 16 and 17 of the Global Settlement.

Second, Order 03 in its current form leaves to the future a plan for recovering the costs of the PPA. The Global Settlement provides a specific method for PSE to collect the PPA costs and the equity adder in rates. The PPA begins in December 2014, with the delivery of 180 megawatts (MW) per hour around the clock. In December 2015, the volume increases to 280 MW per hour, and in December 2016, it increases again to 380 MW per hour and remains at that level until December 2024, when it drops to 300 MW for the final year of the contract. In each of the first three years, PSE will submit a compliance filing to update the Power Cost Adjustment (PCA) baseline with the price and volumes of the contract plus the equity adder. The costs of the PPA will be offset by the cost of the market power the PPA replaces. Once the volumes reach the maximum of 380 MW per hour, further price increases will flow through the PCA as normal power costs.

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The Global Settlement merely expands on the Commission's decisions resolving these matters now rather than later.

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**Docket No. UE-130137 and Docket No. UG-130138
Puget Sound Energy, Inc.
Expedited Rate Filing Electric Service Advice No. 2013-01 and
Natural Gas Advice No. 2013-02**

ICNU DATA REQUEST NO. 2.4

ICNU DATA REQUEST NO. 2.4:

Please provide the most recent five years of actual power costs (Electric operations).

Response:

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to ICNU Data Request No. 2.4, please find an MS Excel spreadsheet that shows the actual and budgeted power costs as reported in PSE's internal margin report for calendar years 2008 through 2012. Actual margins are reported in PSE's 10-K on a GAAP basis.

PUGET SOUND ENERGY
Power Costs per Electric Margin Report
(in thousands)

	2008		2009		2010		2011		2012	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Net power costs:										
Purchased power per SAP	(832,886)	(703,042)	(817,323)	(756,008)	(702,970)	(662,923)	(680,661)	(619,650)	(532,703)	(526,209)
Sales to Other Utilities and Marketers	84,716	-	78,471	56,206	62,943	51,165	45,726	18,216	23,709	49,964
Payroll tax reclass	282	incl above	303	incl above	319	incl above	316	incl above	323	incl above
Net purchased power	(747,888)	(703,042)	(738,549)	(699,802)	(639,709)	(611,758)	(634,619)	(601,434)	(508,671)	(476,245)
Fuel	(212,333)	(199,610)	(208,444)	(247,321)	(268,147)	(324,932)	(199,471)	(344,662)	(204,956)	(283,713)
Wheeling	(70,713)	(72,743)	(75,750)	(81,677)	(78,565)	(79,786)	(82,632)	(79,472)	(87,086)	(102,343)
Other revenue	15,805	(662)	(46,626)	(8,083)	(36,748)	-	(58,402)	-	(21,314)	-
Total net power costs	(1,015,129)	(976,057)	(1,069,370)	(1,036,883)	(1,023,169)	(1,016,476)	(975,124)	(1,025,568)	(822,026)	(862,301)
Customer Portion of Deferral (Note 1)	-	-	5,465	-	7,210	-	(9,007)	-	(2,822)	(6,241)
Total Power Costs with PCA deferral	(1,015,129)	(976,057)	(1,063,905)	(1,036,883)	(1,015,959)	(1,016,476)	(984,131)	(1,025,568)	(824,849)	(868,542)

1. Represents the customer's (cost)/benefit as a result of sharing when allowed power costs are above the first \$20 million band (positive or negative) in the PCA Mechanism.

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ICNU DATA REQUEST NO. 3.10

ICNU DATA REQUEST NO. 3.10:

Has PSE proposed, or plan to propose, a change in rates to reflect the major change in cost of service associated with the transfer of PSE's service territory to JPUD?

Response:

Puget Sound Energy, Inc. has not proposed, nor does it currently plan to propose, any change in its electric rates to specifically reflect the transfer of its electric utility assets to Jefferson County Public Utility District No. 1.