

EXHIBIT NO. __ (KJB-3T)
DOCKET NO. UE-121373
WITNESS: KATHERINE J. BARNARD

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Petition of

PUGET SOUND ENERGY, INC.

**for Approval of a Power Purchase Agreement
for Acquisition of Coal Transition Power, as
Defined in RCW 80.80.010, and the Recovery
of Related Acquisition Costs**

Docket No. UE-121373

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
KATHERINE J. BARNARD
ON BEHALF OF PUGET SOUND ENERGY, INC.**

NOVEMBER 16, 2012

1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED REBUTTAL TESTIMONY OF**
3 **KATHERINE J. BARNARD**

4 **I. INTRODUCTION**

5 **Q. Are you the same Katherine Barnard who provided in this proceeding**
6 **prefiled direct testimony, Exhibit No. ___(KJB-1T), and supporting exhibits**
7 **on August 20, 2012, on behalf of Puget Sound Energy, Inc. (“PSE”)?**

8 A. Yes.

9 **Q. What is the nature of your prefiled rebuttal testimony in this proceeding?**

10 A. This prefiled rebuttal testimony addresses the Testimony of Mr. David C. Gomez,
11 Exhibit No. ___(DCG-1HCT), witness for the Staff of the Washington Utilities
12 and Transportation Commission (“Commission Staff”) regarding the deferral of
13 incremental costs associated with the Coal Transition PPA.

14 **Q. Does PSE agree with Commission Staff’s assertion that PSE will have**
15 **“sufficient time to include the [Coal Transition] PPA into rates via a Power**
16 **Cost Only Rate Case (PCORC)”¹?**

17 A. No. Commission Staff bases its assertion that PSE will have sufficient time to
18 include the Coal Transition PPA into rates via a PCORC on the flawed premise

¹ Gomez, Exh. No. ___(DCG-1HCT) at page 15, lines 8-9.

1 that PSE can time a general rate case or PCORC filing perfectly to address
2 changes in costs with the Coal Transition PPA. As discussed in the Prefiled
3 Rebuttal Testimony of Mr. Roger Garratt, Exhibit No. ____ (RG-10HCT), the load
4 shaping feature of the Coal Transition PPA benefits PSE's customers by shaping
5 the receipt of power to load. This shaping feature is in contrast to the acquisition
6 of a resource that, although cost-effective over the life of the resource, has excess
7 capacity in the early years of its life.

8 The changes in volume and pricing over the term of the Coal Transition PPA
9 would cause problems for traditional rate recovery mechanisms because PSE
10 would otherwise need to time a general rate case or PCORC filing to meet such
11 changes. From beginning to end, a non-settled general rate case takes
12 approximately fourteen to fifteen months. Although a PCORC does have a
13 quicker turn around period of six months from date of filing, there are restrictions
14 as to how often PSE may file a PCORC, and a PCORC may only address power
15 costs, which would preclude PSE from filing a general rate case for other cost
16 pressures.

17 PSE's proposal to defer the incremental costs of the Coal Transition PPA is a
18 more appropriate methodology that provides (i) PSE with the capability to
19 recover costs associated with the Coal Transition PPA and (ii) PSE's customers
20 the benefit of the Coal Transition PPA, which is a least cost and least risk
21 resource shaped to meet PSE's projected need.

1 **Q. Is PSE seeking to defer all costs associated with the Coal Transition PPA?**

2 A. No. As discussed in the prefiled direct testimony, PSE proposes to defer
3 *incremental* costs associated with the Coal Transition PPA that are not included in
4 rates.² As explained in the Prefiled Rebuttal Testimony of Mr. Roger Garratt,
5 Exhibit No. ___(RG-10HCT), transmission costs associated with the Coal
6 Transition PPA are not included in the contract prices and are not incremental
7 costs because PSE currently has transmission capabilities that will cover the 380
8 megawatt ("MW") PPA. The *incremental* costs include the direct costs associated
9 with the Coal Transition PPA on a per megawatt basis (along with the equity
10 costs, also on a per megawatt basis) for the actual megawatt quantities delivered
11 to and purchased by PSE. PSE already has costs associated with market power
12 purchases built into rates, and PSE would reduce the *incremental* costs associated
13 with the Coal Transition PPA by the market purchases that PSE would no longer
14 be required to make. PSE would calculate this credit to the deferral as the product
15 of (i) the cost per megawatt-hour for market purchases embedded in then-current
16 rates and (ii) the actual megawatt-hours delivered under the Coal Transition PPA
17 for the relevant period.

² Barnard, Exh. No. ___(KJB-1T) at page 5, lines 3-4.

1 **Q. If Bonneville Power Administration (“BPA”) transmission costs change**
2 **would PSE consider those changes incremental costs?**

3 A. No. Currently, PSE’s baseline power cost rate includes transmission costs that
4 can be used for the 380 MW of transmission discussed in Mr. Garratt’s testimony.
5 Any change in the transmission costs would not be incremental costs associated
6 with the Coal Transition PPA. Therefore, if the costs associated with BPA
7 transmission are higher or lower than those embedded in the baseline power costs,
8 those differences in the actual costs flow through the Power Cost Adjustment
9 (“PCA”) mechanism or will be adjusted in a general rate case or PCORC.

10 **Q. Is PSE proposing to defer *incremental* costs regardless of whether the Coal**
11 **Transition PPA is terminated?**

12 A. No. PSE proposes to defer costs associated with the volumes delivered under the
13 Coal Transition PPA. If the Coal Transition PPA were to terminate, PSE would
14 no longer receive power deliveries under the Coal Transition PPA, and therefore
15 PSE would have no costs to defer.

16 **Q. Does this conclude your testimony?**

17 A. Yes it does.

18 25180832.1