

**EXHIBIT NO. \_\_\_(RG-19HC)  
DOCKET NO. UE-07\_\_\_/UG-07\_\_\_  
2007 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-07\_\_\_  
Docket No. UG-07\_\_\_**

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

**REDACTED  
VERSION**

**DECEMBER 3, 2007**

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WITNESS: ROGER GARRATT

BEFORE THE  
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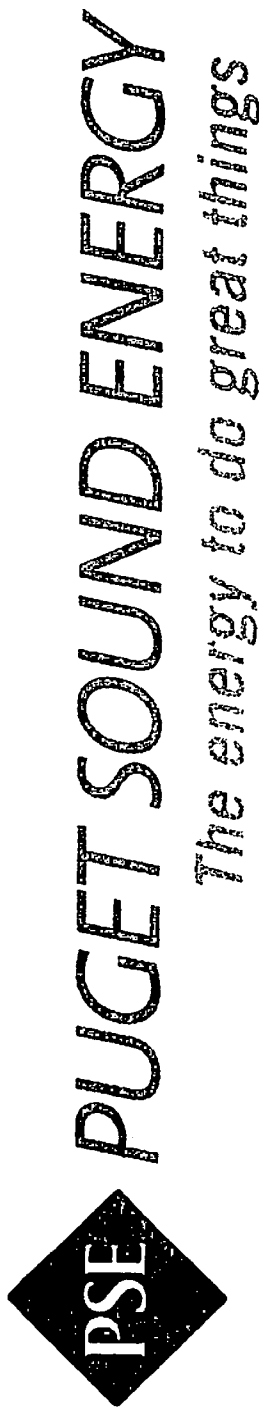
WASHINGTON UTILITIES AND  
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ON BEHALF OF PUGET SOUND ENERGY, INC.

HIGHLY CONFIDENTIAL PER  
WAC 480-07-160

DECEMBER 3, 2007



## **RENEWABLE RESOURCE ACQUISITION**

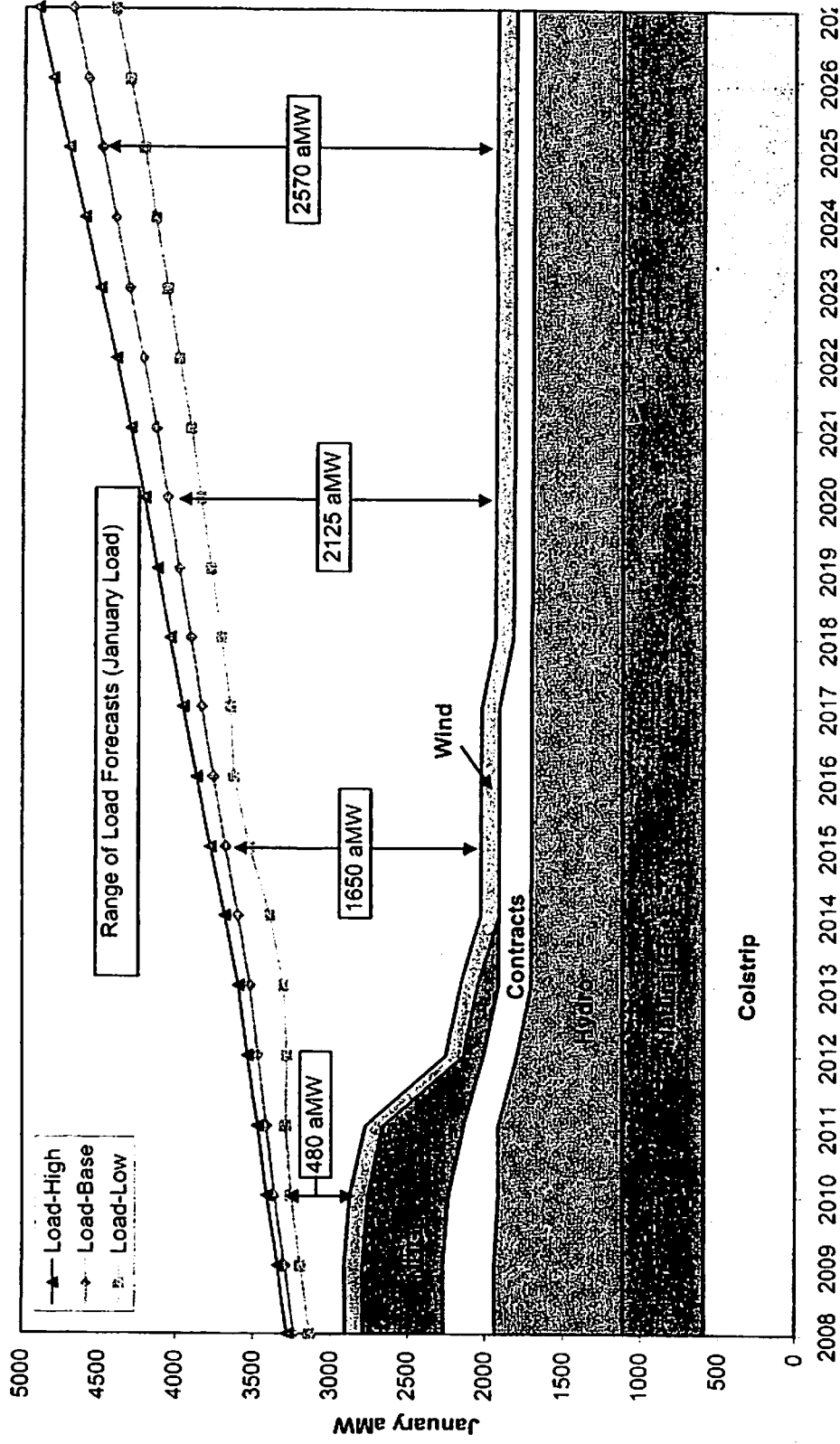
**PSE Board of Directors Retreat  
August 3, 2007**

Roger Garratt  
Director, Resource Acquisition

# Agenda

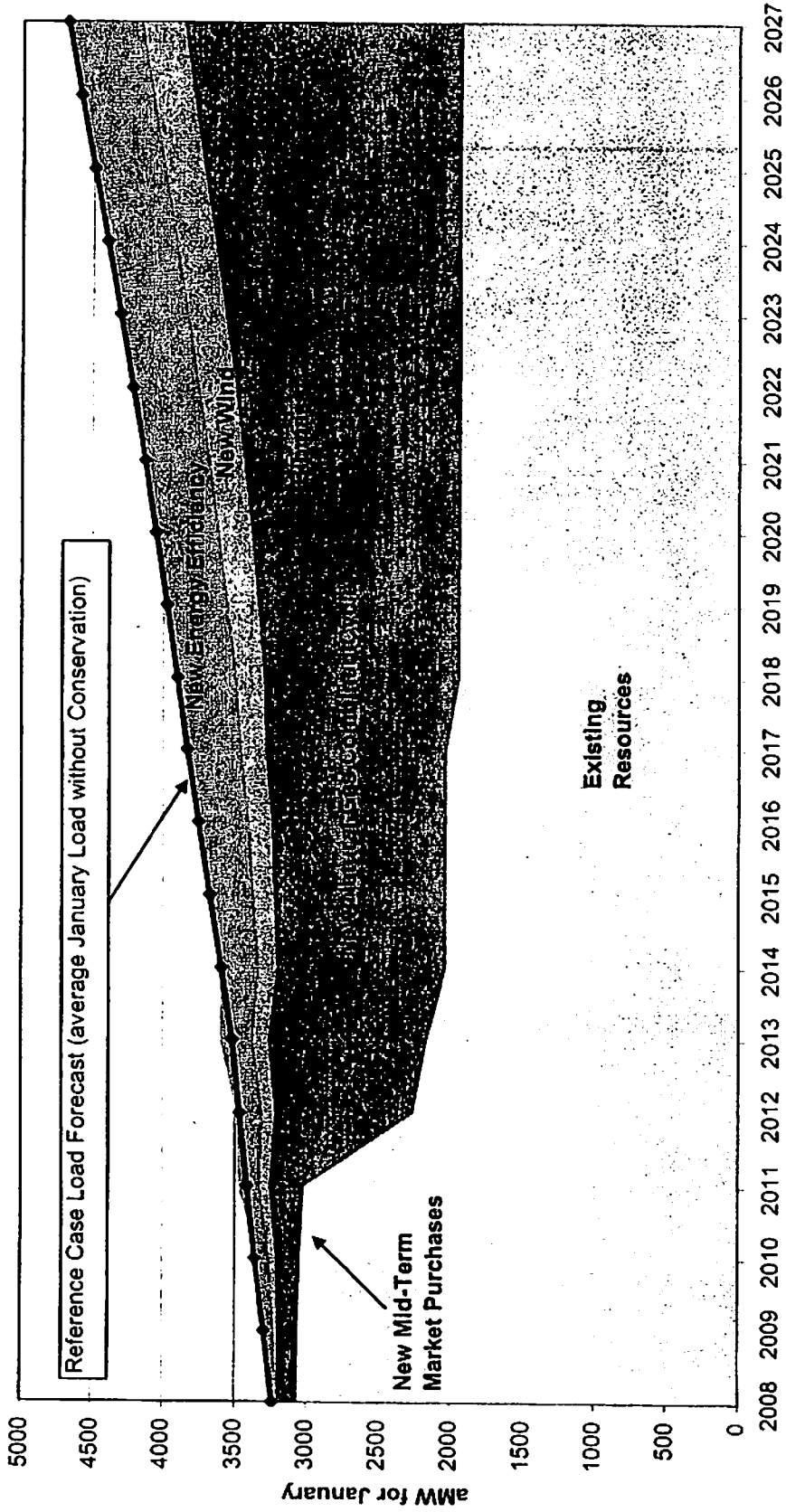
- Resource Need and Strategy
- Renewable Market Overview
- Renewable Opportunities
- Summary

# Resource Need\*



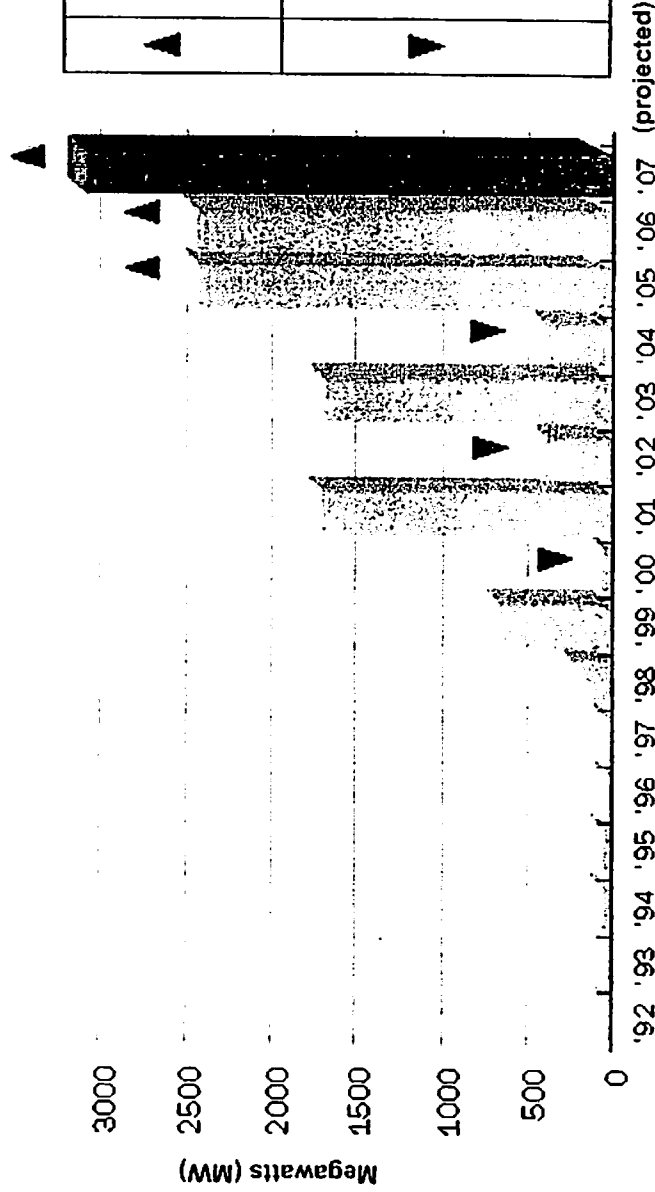
\*As identified in PSE's 2007 Integrated Resource Plan

# Resource Strategy\*



\*As identified in PSE's 2007 Integrated Resource Plan

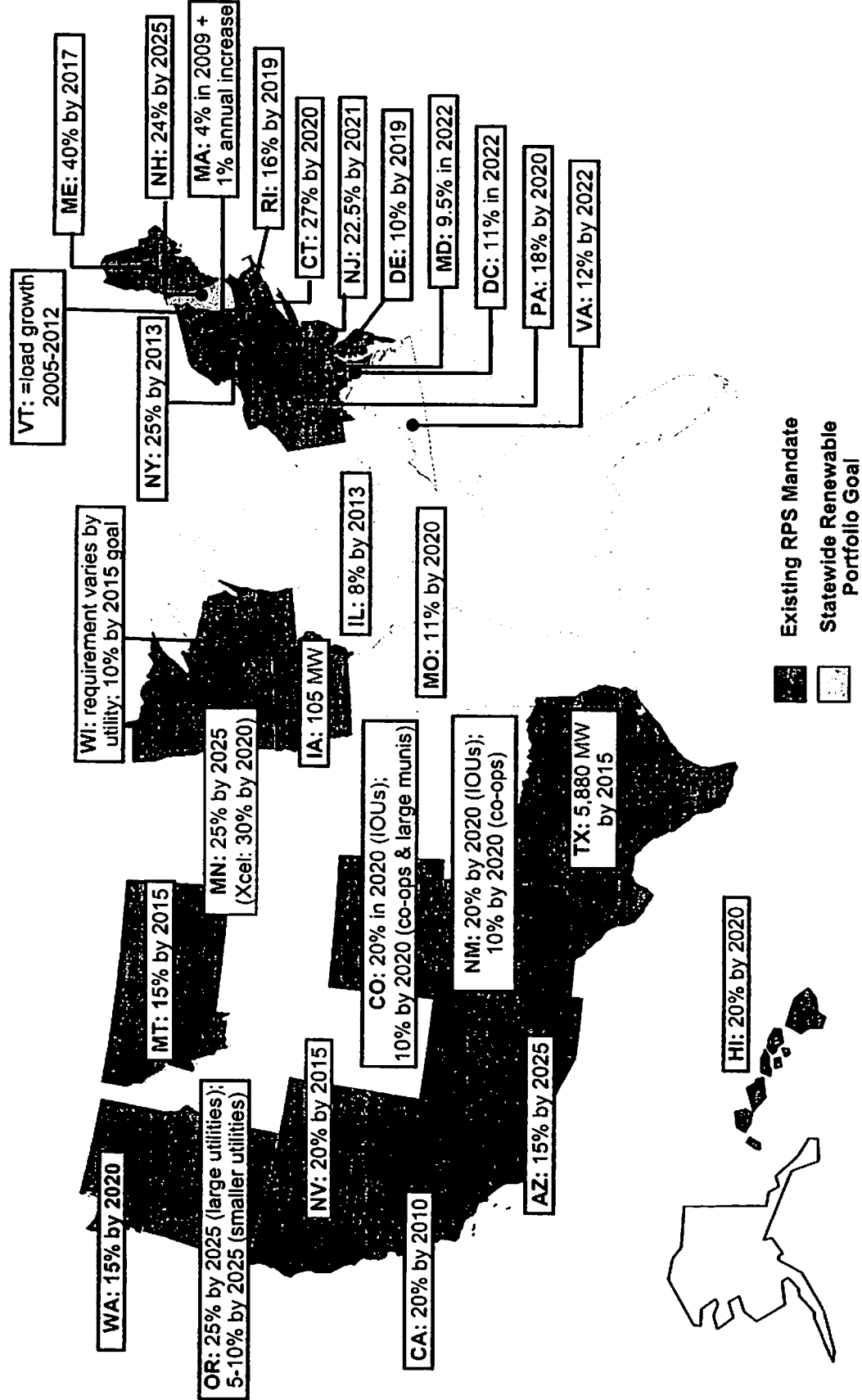
# Annual Installed U.S. Wind Energy Capacity On the Rise



▲	Continuity in the availability of the federal production tax credit ensures steady growth (2005, 2006, 2007)
▼	Expirations of the federal production tax credit (in 1999, 2001, 2003) wreak havoc on industry planning and cause drops in new installations (2000, 2002, 2004)

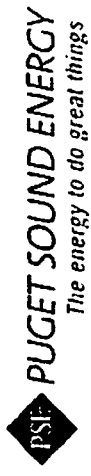
Source: American Wind Energy Association, "Wind Power Outlook 2007"

# Renewable Portfolio Standards (RPS)



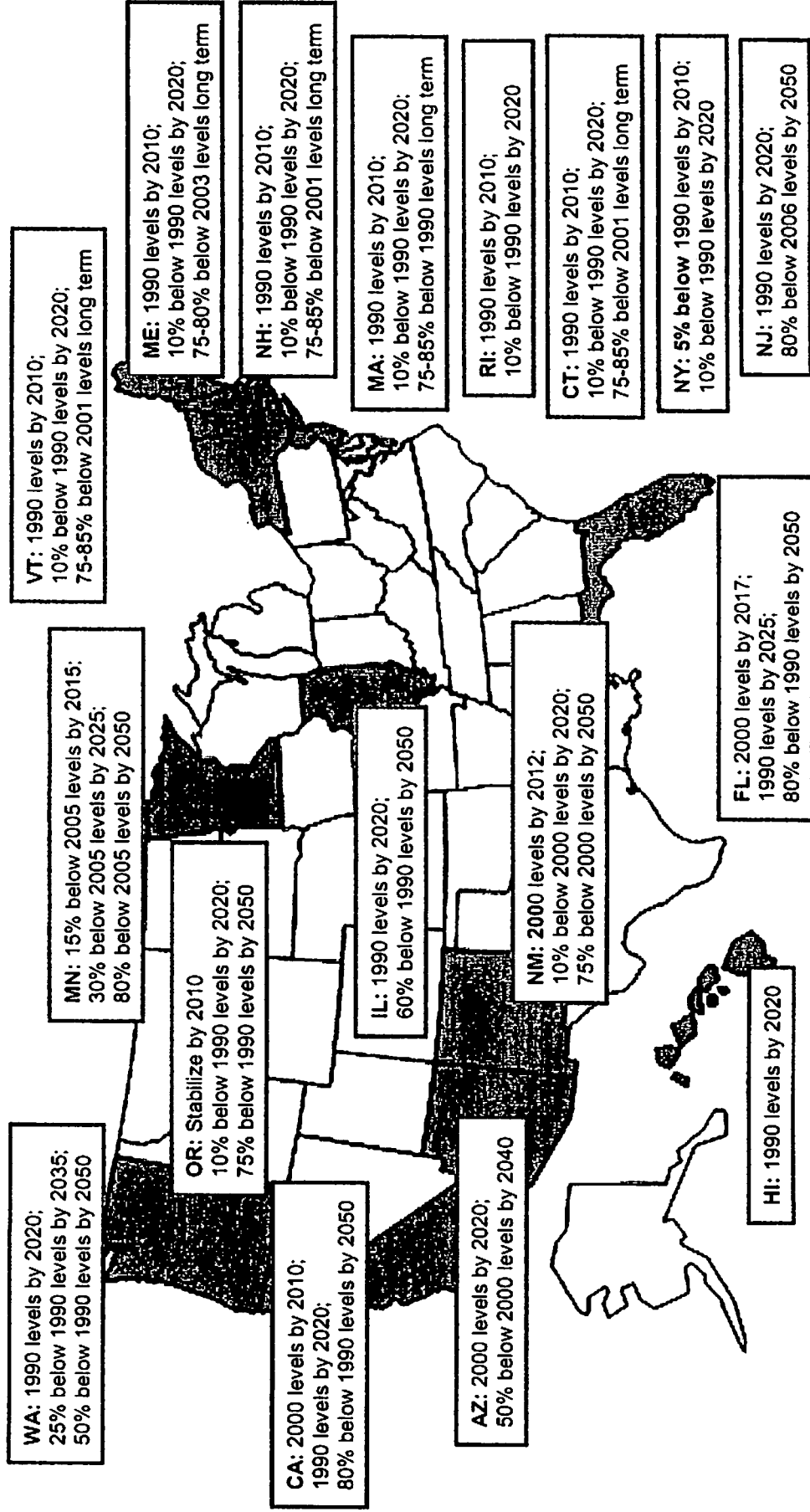
Existing RPS Mandate  
 Statewide Renewable Portfolio Goal

Sources: and EEI, July 2007



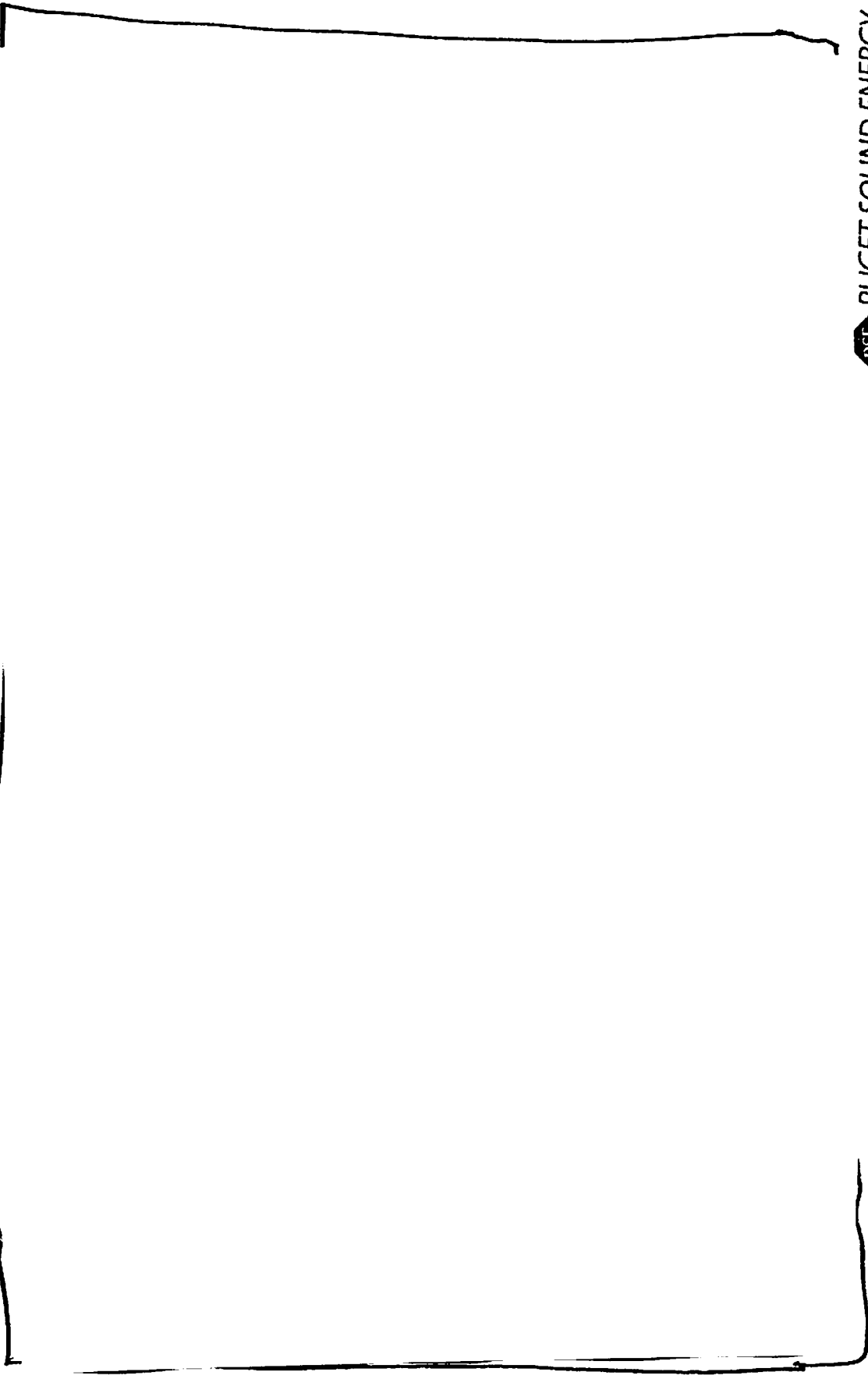


# Greenhouse Gas (GHG) Targets



Source: [www.pewclimate.org](http://www.pewclimate.org)

# Rising Installed Wind Project Costs



Source: Thorndike Landing analysis

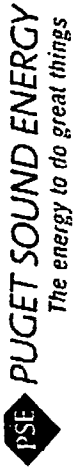


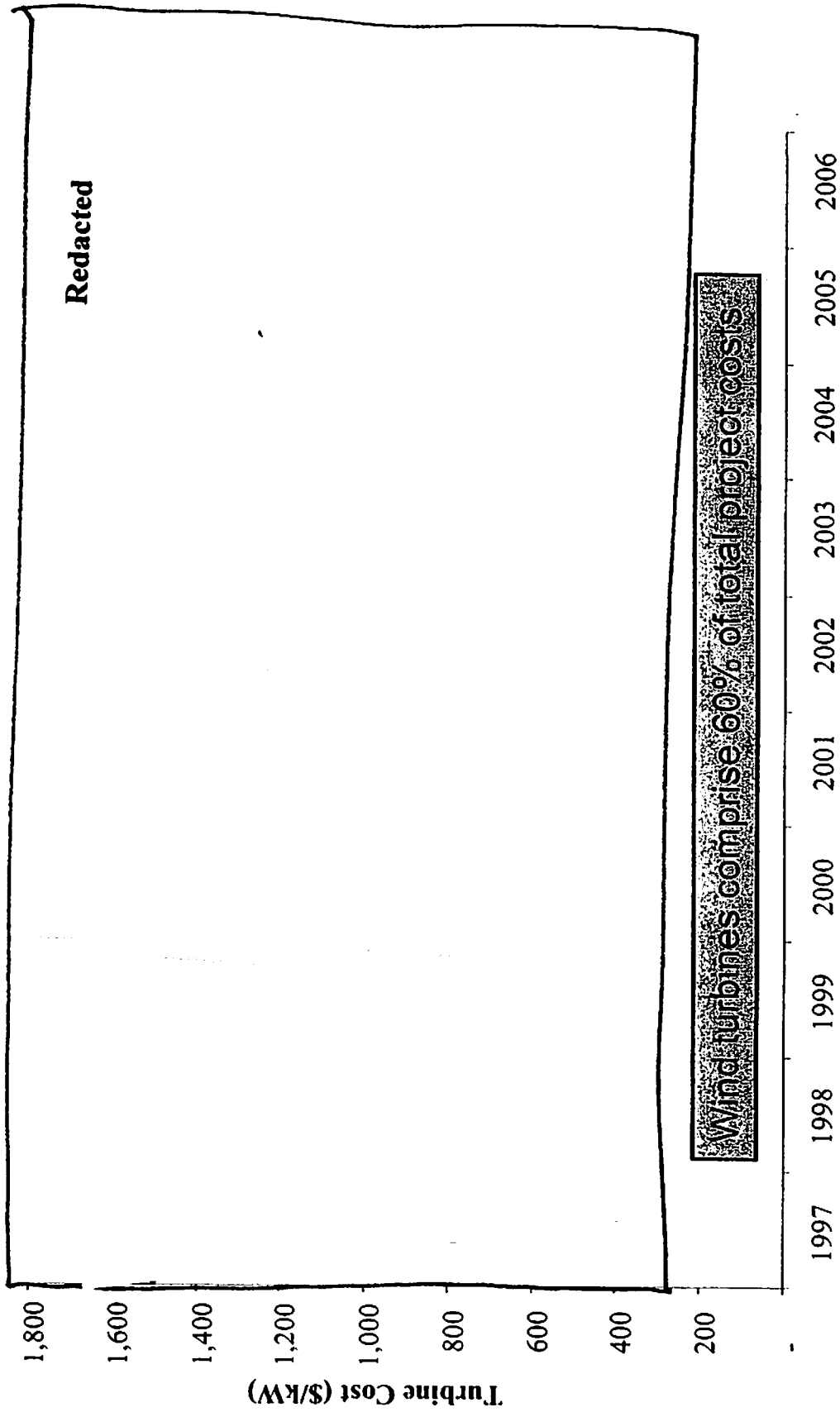
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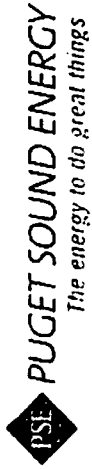
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# Rising Wind Turbine Costs



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Source: Berkeley Lab database. Thorndike Landing analysis.

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# Developer Consolidation

Merger and acquisition activity among U.S. wind development companies\*

Investor	Transaction Type	Developer	Announced
EDF (SIIF Energies)	Acquisition	enXco	May-02
Gamesa	Investment	Navitas	Oct-02
AES	Investment	US Wind Force	Sep-04
PPM Energy	Acquisition	Atlantic Renewable Energy Corp.	Dec-04
AES	Acquisition	SeaWest	Jan-05
Goldman Sachs	Acquisition	Zilkha (Horizon Renewable Energy)	Mar-05
JP Morgan Partners	Investment	Noble Power	Mar-05
Arclight Capital	Investment	CPV Wind	Jul-05
Diamond Castle	Acquisition	Catamount	Oct-05
Pacific Hydro	Investment	Western Wind Energy	Oct-05
Greenlight	Acquisition	Coastal Wind Energy LLC	Nov-05
EIF U.S. Power Fund II	Investment	Tierra Energy, LLC	Dec-05
Airtricity	Acquisition	Renewable Generation Inc.	Dec-05
Babcock & Brown	Acquisition	G3 Energy LLC	Jan-06
Iberdrola	Acquisition	Community Energy Inc.	Apr-06
Shaw / Madison Dearborn	Investment	UPC Wind	May-06
NRG	Acquisition	Padoma	Jun-06
CPV Wind	Acquisition	Disgen	Jul-06
BP	Investment	Clipper	Jul-06
BP	Acquisition	Greenlight	Aug-06
Babcock & Brown	Acquisition	Superior	Aug-06
Enel	Investment	TradeWind	Sep-06
Iberdrola	Acquisition	Midwest Renewable Energy Corp.	Oct-06
Iberdrola	Acquisition	Gamesa's U.S. project pipeline	Oct-06
Iberdrola	Acquisition	PPM (Scottish Power)	Dec-06
BP	Acquisition	Orion Energy	Dec-06
EDP	Acquisition	Horizon Renewable Energy	Mar-07

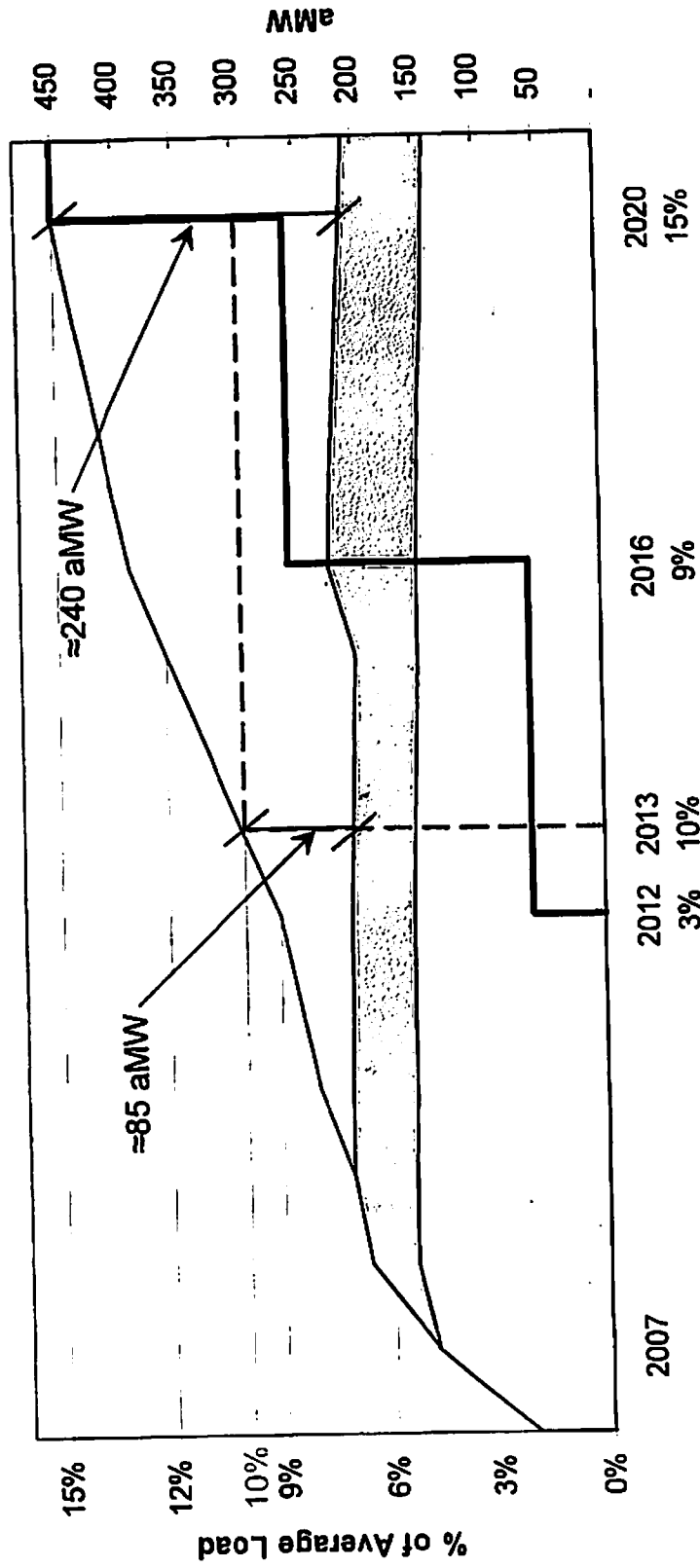
\*Select list of announced transactions; excludes joint development activity.

Source: U.S. Department of Energy, Annual Report on U.S. Wind Power Installation, Cost, and Performance Trends: 2006. Berkeley Lab and Black & Veatch.



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# PSE Renewable Acquisition Strategy



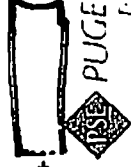
--- PSE 10% Goal

— RPS Requirement

Future Renewable Acquisitions

Under Active Consideration

Existing Renewables: Hopkins Ridge + Wild Horse + Klondike 3



PUGET SOUND ENERGY

# Current PSE Position

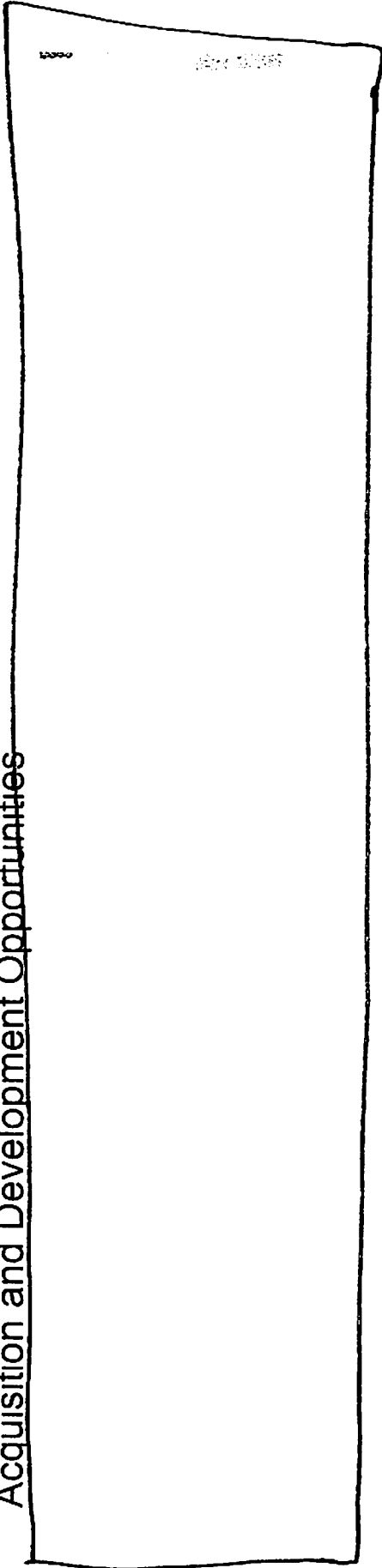
- Strong commercial reputation
- Proven track record as closer and partner
- Demonstrated project management and construction management skill set

## **BUT**

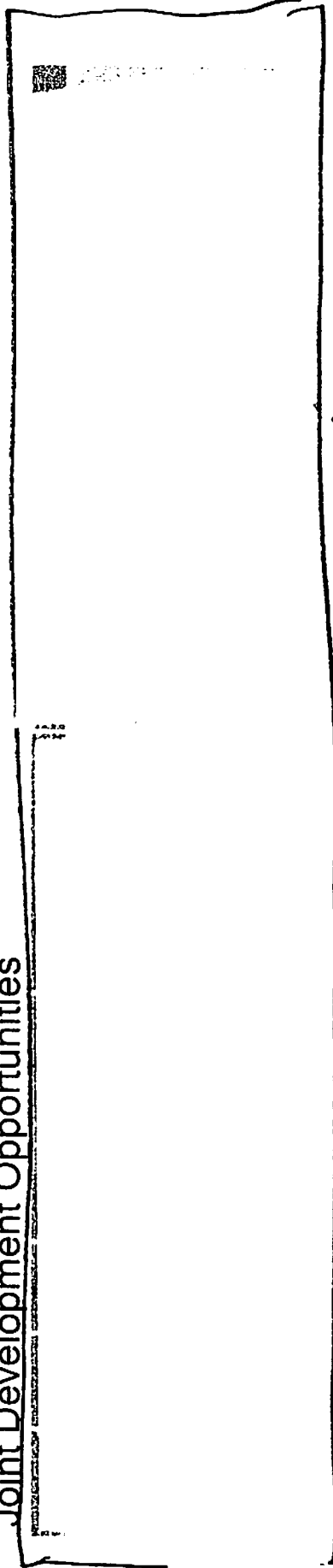
- Market is more competitive
- We don't control any options

# Identified Opportunities for Future Acquisition & Improved Control

## Acquisition and Development Opportunities



## Joint Development Opportunities



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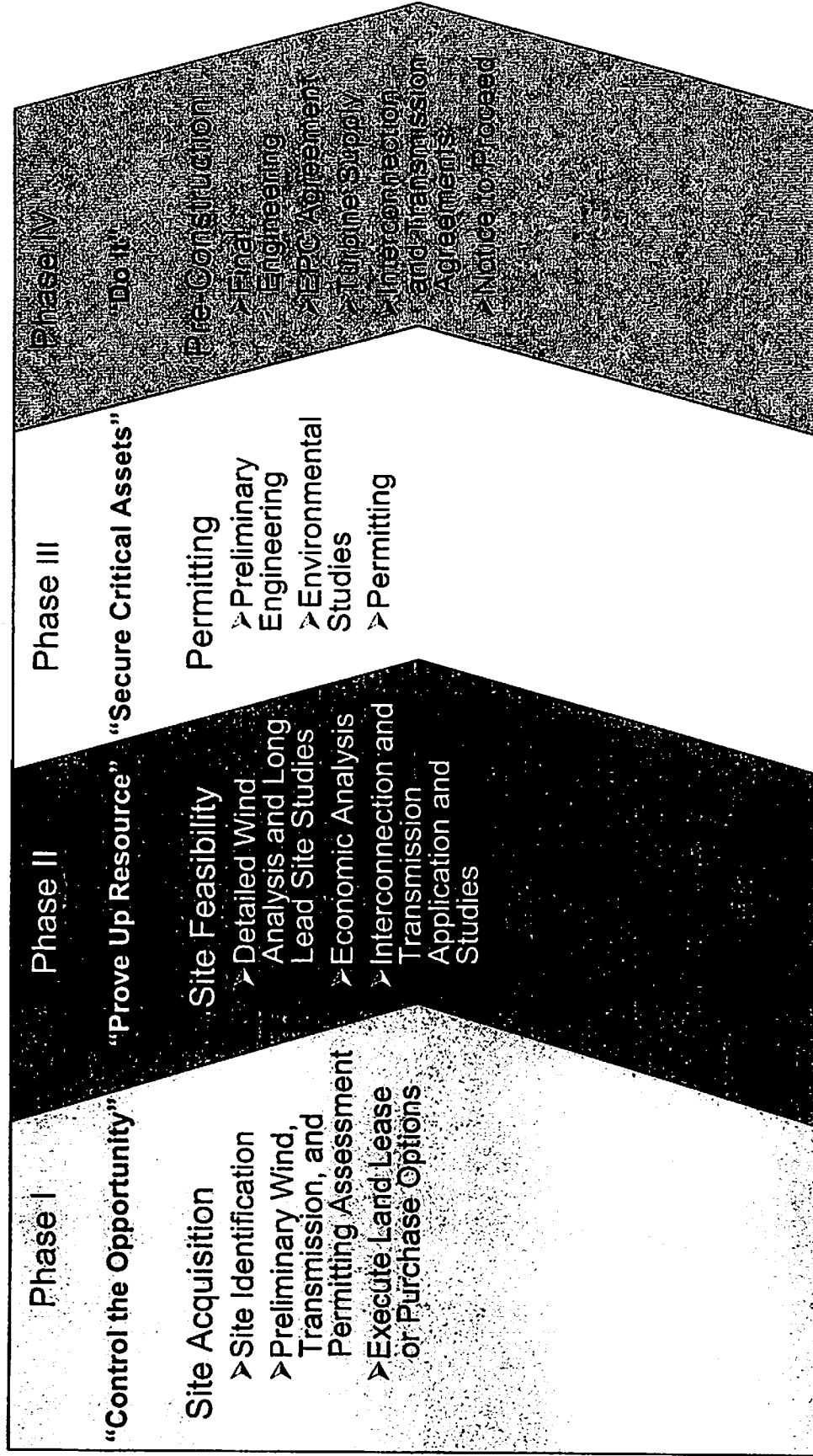


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# Wind Development Activities



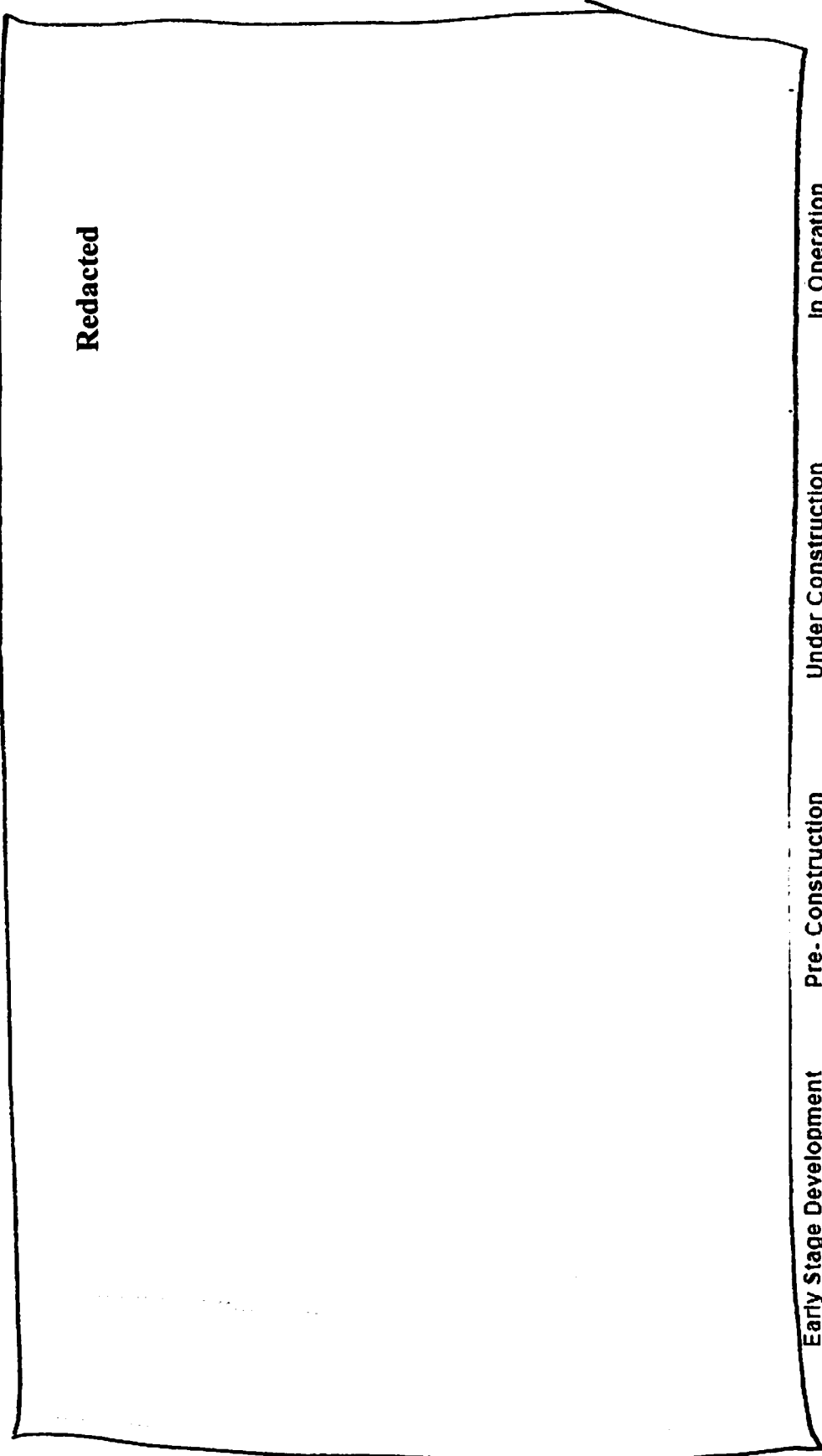
Early Stage Development



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# Wind Farm Value Chain



Early Stage Development      Pre-Construction      Under Construction      In Operation

Source: Thorndike Landing analysis

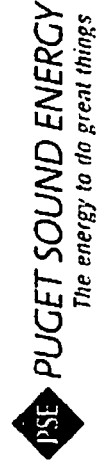


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# Key Impacts

Deal and development team staffing	O&M expenditures
Project management staffing	Accounting treatment
Tax credit financing	Regulatory treatment

# Summary

- Moving Up the Development Chain
- Pursuing Joint Development Opportunities