

**EXHIBIT NO. ___(RG-25HC)
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___**

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

**REDACTED
VERSION**

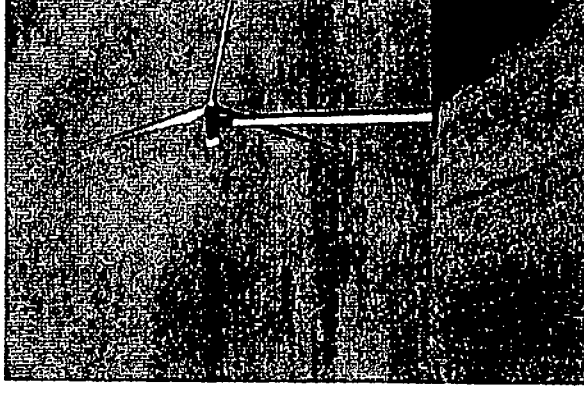
DECEMBER 3, 2007

Energy Management Committee Meeting

7.2 MW Hopkins Ridge Wind Infill Project

Roger Garratt
Director of Resource Acquisition

April 30, 2007



Request for Approval


- Authorization to negotiate and execute turbine supply and Balance of Plant/turbine installation agreements assuming capital costs do not exceed \$13.7 million (\$1,893/kW).

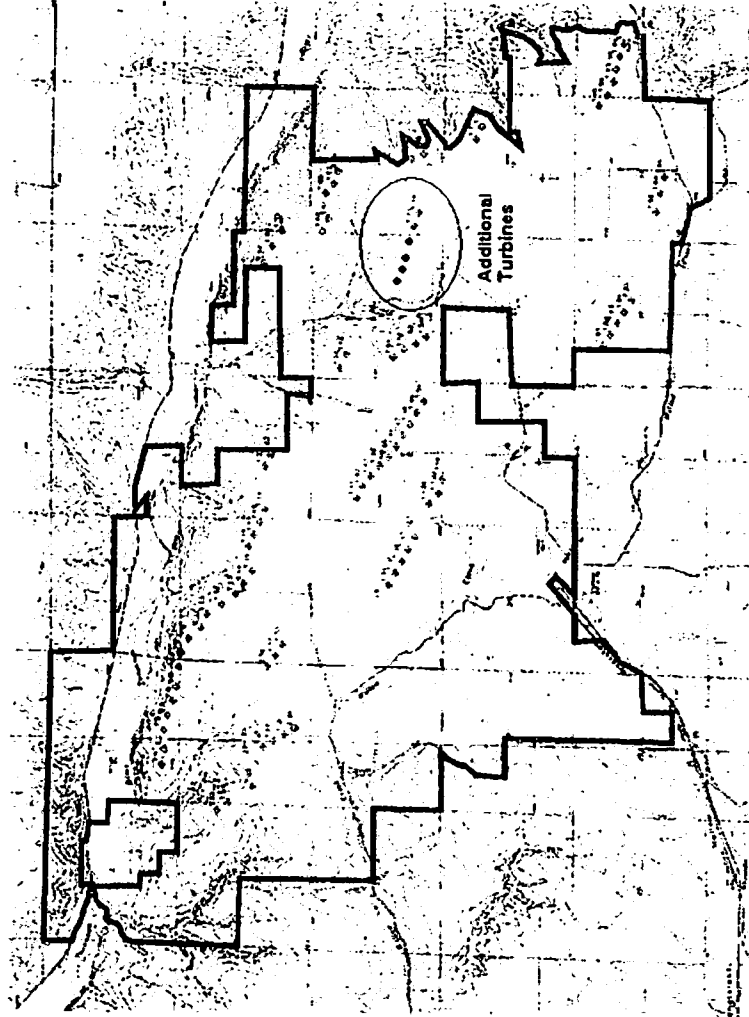


PUGET SOUND ENERGY
PSE.COM

Redacted

Hopkins Ridge- PSE Infill Expansion

Location: Columbia County
 Size: 7.2 MW - Add back in T69-T71, which were replaced prior to closing.
 Capacity Factor: 32.68%¹
 Turbines: 4 - Vestas V80s 1.8MW
 Real Estate: Under Lease from DNR
 Interconnection: Tucannon - BPA
 Transmission: Existing BPA Agreement?
 Permitting: Permitted
 Levelized Cost:  MWh
 Portfolio Benefit: \$4.9 MM
 Benefit Ratio: 0.3553
 Capital Cost/kW: \$1,893



¹ Assumes 34.1% from GH Report and 1.42% discount for spillage of generation >150MW.

² Assumes use of existing 150MW of transmission, spill above 150MW

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Project Considerations

- Indicative pricing proposal from Vestas for (4) 1.8 MW wind turbine generators at [] million
 - ◆ Delivery guarantee if order is placed no later than May 15 (requires down payment of \$1.85 million)
 - ◆ Will ship with Marengo II (PacifiCorp project) turbines
- Proposal from RES for BOP/turbine erection at [] million.
 - ◆ Construction synergies with Marengo II
- Analysis assumes PTCs cannot be used in the near term; takes into account carrying costs until they can be used
- Could absorb \$600-700K more capital and still match next best wind project's levelized cost (KIII).

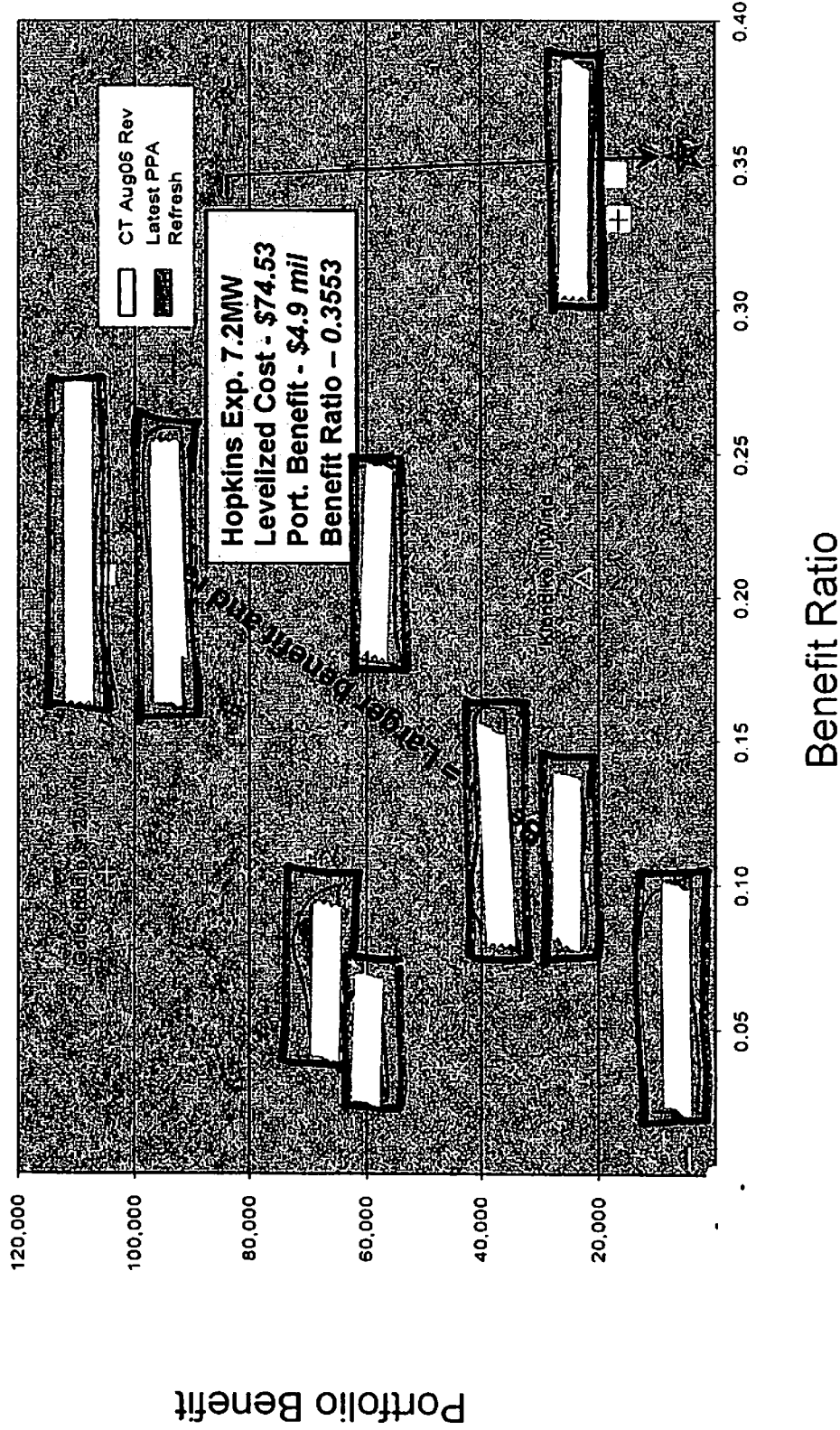
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Transmission Situation

- No additional available transmission in the near term
- West of McNary path limits PSE's ability to acquire additional transmission
 - ◆ Currently 88 requests in the queue affecting that path
- Local limitations include transformer between the BPA Walla Walla substation and the PacifiCorp Walla Walla substation
 - ◆ Existing requests in BPA and PacifiCorp queues could require the transformer to be upgraded; PSE may not be responsible for the costs
- Interconnection request will be filed with BPA
 - ◆ No significant issues expected (new generators identical to existing; preliminary beam path analysis shows no interference)
- Analysis assumes generation over 150MW will be spilled
 - ◆ Assumes transmission system can withstand occasional exceedances

Attractive project in comparison with other RFP alternatives



Project Benefits

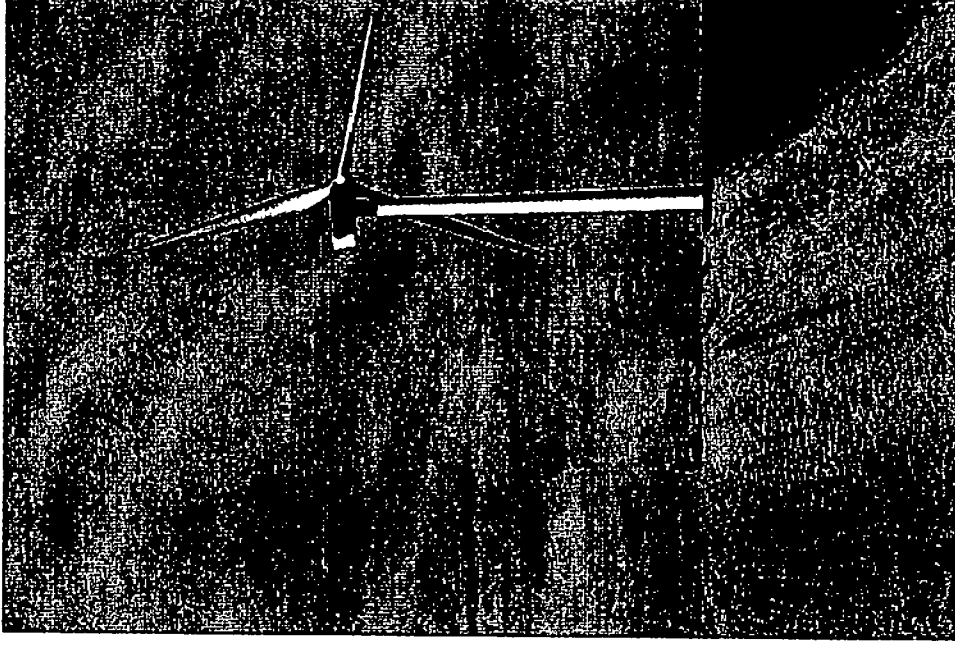
- Competitive with other resource alternatives
- Construction with Marengo II results in construction synergies and savings
- Minimal construction risk (approximately one-half mile extension of existing turbine string, no large cuts or fills, simple electrical integration)
- No substation or transmission line upgrades needed
- No permitting, or land leases required
- Operational synergies (e.g., no new PSE staff, O&M building, etc)

Project Risks

- Marengo II doesn't proceed
 - ◆ Fall Back #1 – Construct as stand alone project with RES
 - ◆ Fall Back #2 – PSE contracts directly for construction and turbine erection
 - ◆ Fall Back #3 – purchase turbines and hold for future project
- Generation over 150 MW
 - ◆ Mitigation #1 – Use forecasts to schedule short-term transmission
 - ◆ Mitigation #2 – Absorb imbalance charges if short term transmission unavailable
 - ◆ Mitigation #3 – Pause turbines if exceedances cause transmission reliability issues
- Interconnection refused
 - ◆ Fall Back – purchase turbines and hold for future project

Next Steps

- ◆ Parallel negotiations with Vestas for turbine supply agreement and BOP agreement with RES

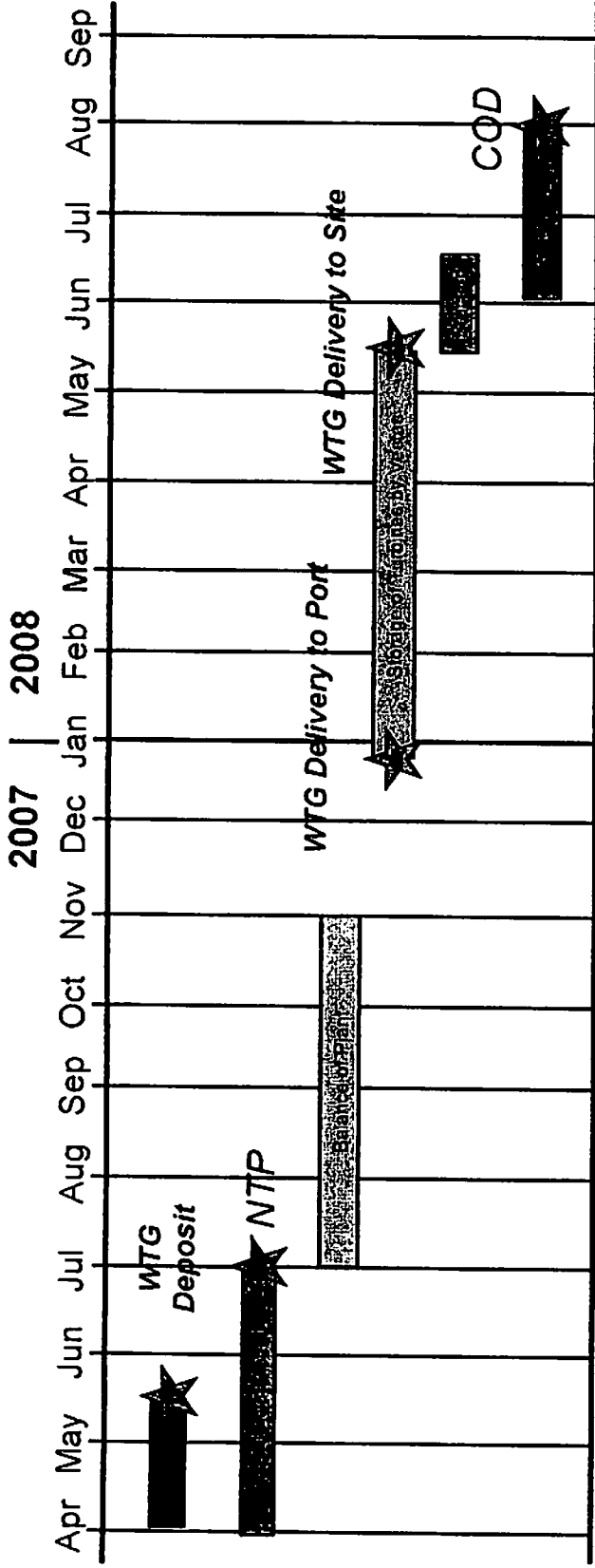


APPENDIX



PUGET SOUND ENERGY
psen.com

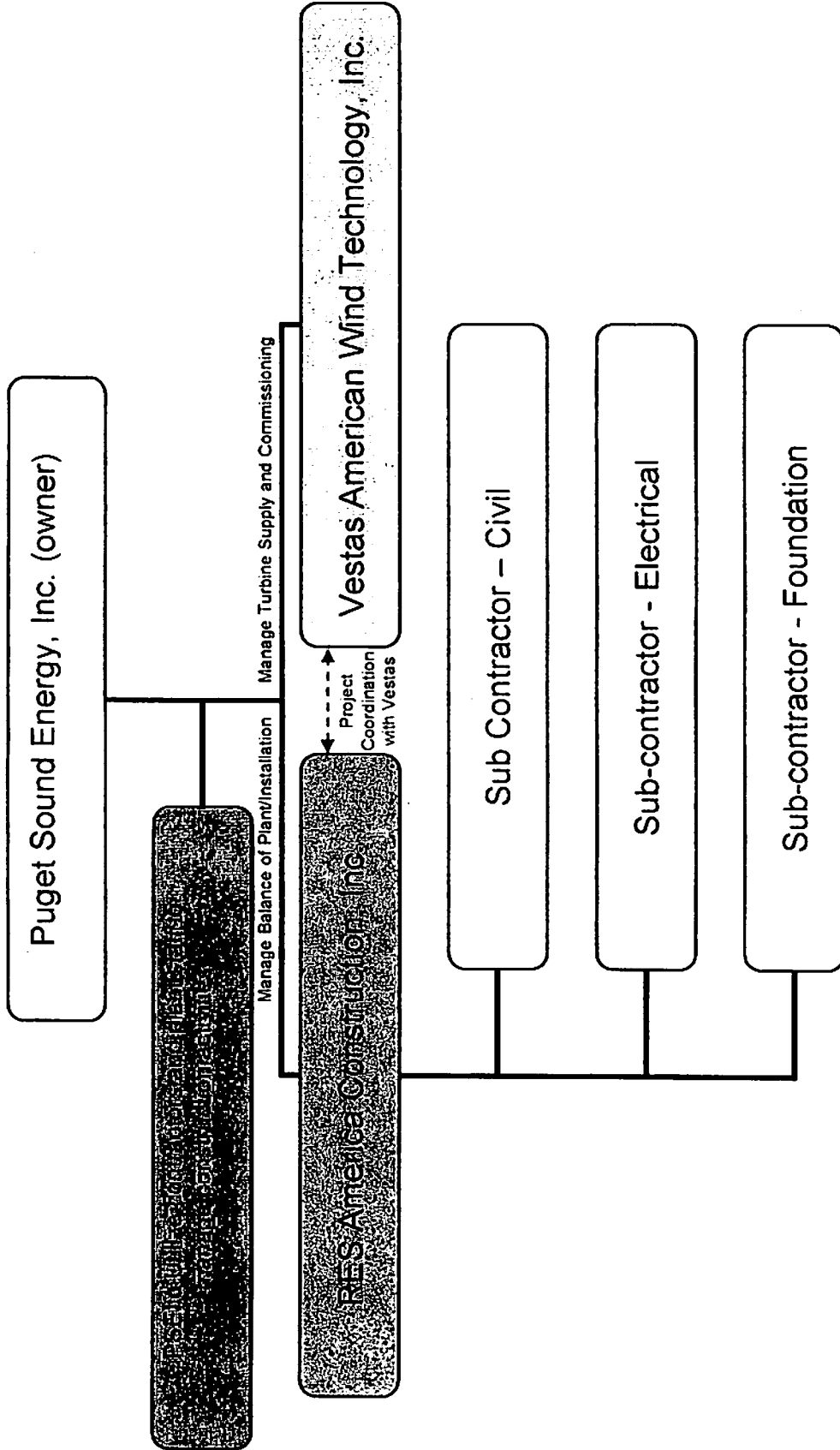
Estimated Project Schedule



- WTG Deposit 2007 May 15
- NTP on Construction 2007 July 01
- Balance of Plant Complete 2007 October 31
- WTG delivery to Port 2007 December 31
- WTG Delivery to Site 2008 May 19
- WTG Erection Complete 2008 July 15
- Commercial Operations Date (COD) 2008 August 01



Construction Management



All In Capital Cost

Redacted

Total Project

\$13,632,864

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- (1) Assumes use of non-union, non-prevailing wage labor.
- (2) Assumes outside contractors incur no PSE overhead charge.



Puget Sound Energy, Inc.
Minutes of the
Energy Management Committee
Meeting on April 30, 2007

Attendees

The following members of the Energy Management Committee (EMC) attended the meeting in person: Bert Valdman, Kimberly Harris, Jennifer O'Connor, and Eric Markell.

The following non-voting members of the EMC attended the meeting: Paul Wiegand, Don Gaines, David Mills, Jim Elsea, Salman Aladin, Roger Garratt, and Tom DeBoer.

Guests included: Aliza Seelig, Jorg Steyskal, Scott Williams, Chris Bevil, Christine Philipps, Sam Osborne, Connie Mander, Bev Ikeda, Wayne Gould, and Rob Neate.

Call to Order

The meeting was called to order at 3:00 p.m.

Approval of Previous Meeting Minutes

The minutes of the Energy Management Committee (EMC) on April 20, 2007 were unanimously approved by voice vote of the Committee.

Standards of Conduct Requirements and Guidelines

A reminder of the Standards of Conduct was distributed by the EMC secretary in advance of the meeting. That reminder stated:

Meeting attendees are reminded that the FERC Standards of Conduct prohibit discussion or sharing of non-public transmission information. Specifically, attendees are reminded of the "no conduit" rule that prohibits an employee who has knowledge of non-public transmission information from acting as a conduit to transfer that information to merchant employees.

New Matters

1. **Clay Basin Storage Optimization:** Jorg Steyskal presented a recommendation to manage the Clay Basin natural gas storage capacity to improve cost recovery for core gas customers by taking advantage of the forward spreads between the price of summer gas and winter gas. This proposal is a repeat of last year's trading and is expected to recover an incremental [redacted] billion which will reduce costs for core gas customers. David Mills clarified that this storage is in excess of what is needed to manage core gas requirements. Following discussion, the Committee unanimously approved the recommendation.
2. **Extension of Hedging Program:** Jorg Steyskal then presented a recommendation to extend the hedging strategies from [redacted] to [redacted] and to [redacted] monthly limit on open exposure from [redacted] to [redacted]. Following discussion, the EMC unanimously approved the recommendation, but deferred implementation until the May 17 EMC meeting to allow the long-term acquisition team to finalize the PPA opportunities arising from the 2005 RFP.
3. **Hopkins Ridge Wind Infill Project:** Scott Williams presented a recommendation that the EMC authorize the negotiation and execution of turbine supply and balance of plant/turbine installation agreements for the Hopkins Ridge Wind Infill (four additional turbines) Project. Following discussion about the 150 MW transmission capacity limit and other matters, the EMC unanimously approved the authorization to proceed.
4. **Klondike III wind PPA:** Chris Bevil presented an update on the accounting treatment for the Klondike III 20-year Power Purchase Agreement and sought EMC approval to enter into the PPA. This is a follow-up to the presentation made at the EMC meeting held on March 15, 2007. File memoranda on credit and accounting treatment were distributed. Following discussion, the EMC unanimously approved entering into the 20-year agreement.
5. **Trading Position Review:** Salman Aladin presented an outline of risk management discussion topics that he will present over the next several EMC meetings. He also reviewed the current trading positions and exposures.
6. **[redacted] Update:** Christine Philipps gave an update of the [redacted] PPA and explained that market prices moved above the target price presented to the EMC on April 20, 2007. Discussions centered on how the [redacted] product is shaped to PSE need. The Committee directed Christine to obtain two other indicative offers and a refreshed offer from [redacted] on Tuesday, May 1. Assuming the offer still looks attractive, the EMC would be notified by email.

Meeting Postscript: Following a favorable price update on May 1, 2007, the EMC was contacted by email for approval to enter into a four-year seasonal on-peak power purchase agreement with [redacted] (December through February 2008-2012) at a revised price cap of [redacted] levelized. The EMC members responded by email and unanimously approved the agreement on Tuesday, May 1.

- 7. **Wild Horse Solar Demonstration Project:** Roger Garratt asked the Committee about completing the approval process for the Wild Horse Solar Demonstration Project. The project had been previously discussed by the officers and CEO at an officer meeting on February 13, 2007 and Stephen Emmert had given an earlier informational presentation at the EMC on December 21, 2006. The Committee members had questions about the proposed schedule of the project and the timing of possible application of Investment Tax Credit (ITC). A recommendation was circulated after the meeting with an explanation of the possibility of ITC on this project. The recommendation was approved via email on May 2, 2007, by the four EMC members who attended this meeting.

Next Meeting

The next meeting of the Energy Management Committee is scheduled for 2:30 p.m. on Thursday, May 17, 2007 in the Meydenbauer Conference Room, PSE-12.

There being no further business, the meeting was adjourned at 4:30 p.m.

Respectfully submitted:



Jim Elsea or David Mills, Secretary

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Accepted by the Energy Management Committee:



Eric Markell, Bert Valdman, or Kimberly Harris

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