

**EXHIBIT NO. \_\_ (TAD-6T)  
DOCKET NO. UE-130617  
2013 PSE PCORC  
WITNESS: TOM A. DEBOER**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-130617**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY  
(NONCONFIDENTIAL) OF TOM A. DEBOER  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**JULY 29, 2013**

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**PUGET SOUND ENERGY, INC.**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY  
(NONCONFIDENTIAL) OF TOM A. DEBOER**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED SUPPLEMENTAL DIRECT TESTIMONY**  
3 **(NONCONFIDENTIAL) OF TOM A. DEBOER**

4 **I. INTRODUCTION**

5 **Q. Are you the same Tom DeBoer who provided prefiled direct testimony in this**  
6 **docket on behalf of Puget Sound Energy, Inc. (“PSE”)?**

7 A. Yes. I provided prefiled direct testimony, Exhibit No. \_\_\_\_ (TAD-1T), and four  
8 supporting exhibits, Exhibit No. \_\_\_\_ (TAD-2) through Exhibit No. \_\_\_\_ (TAD-  
9 5HC), all of which PSE filed in this proceeding on April 25, 2013.

10 **Q. What is the nature of your prefiled supplemental direct testimony in this**  
11 **proceeding?**

12 A. This prefiled supplemental direct testimony provides the results of the analysis  
13 supporting PSE’s decision to renew its 115 megawatt (“MW”) contract with the  
14 Bonneville Power Administration (“BPA”) for a five year term, October 1, 2013  
15 through September 30, 2018, and provides an update on the status of the 2014  
16 BPA power and transmission rate case (the “BP-14 Rate Case”).

1           **II.     PSE’S RENEWAL OF THE 115 MW BPA MID-C TRANSMISSION**  
2                           **CONTRACT WAS A PRUDENTLY INCURRED EXPENSE**

3       **Q.     Why is PSE submitting this supplemental testimony regarding the 115 MW**  
4           **Mid-C firm transmission contract renewal?**

5       A.     My prefiled direct testimony, Exhibit No. \_\_\_\_ (TAD-1T), explained that the  
6           renewal deadline for PSE’s 115 MW Mid-Columbia (“Mid-C”) transmission  
7           contract with BPA was to occur July 31, 2013—subsequent to the date PSE filed  
8           this power cost only rate case—and that PSE was in the process of analyzing the  
9           costs and benefits of renewing this 115 MW transmission contract for a new  
10          contract term beginning October 1, 2013.

11           From a quantitative perspective, the extra time allowed PSE to complete its  
12          2013 Integrated Resource Plan (the “2013 IRP”) analyses and incorporate any  
13          changes from the 2013 IRP and any other modifications thereafter into the  
14          analysis. From a qualitative perspective, the extra time allowed PSE to consider  
15          more current regional transmission issues and information that may become  
16          available nearer the renewal deadline of July 31, 2013.

17       **Q.     Has PSE decided to renew the 115 MW Mid-C firm transmission contract**  
18           **with BPA for a five year term beginning October 1, 2013?**

19       A.     Yes. PSE has concluded its analysis and has decided to renew the 115 MW Mid-  
20          C firm transmission contract with BPA for a five year term beginning October 1,  
21          2013. As noted in my prefiled direct testimony, the annual costs for the 115 MW

1 BPA Mid-C transmission contract are included in power costs. Hence, there are  
2 no changes required to be made to the power costs in this supplemental prefiled  
3 direct testimony as a result of this contract renewal.

4 **Q. How did PSE quantitatively evaluate the 115 MW BPA Mid-C transmission**  
5 **contract?**

6 A. PSE used the analytical framework described in the Prefiled Direct Testimony of  
7 Ms. Aliza Seelig, Exhibit No. \_\_\_\_ (AS-1HCT),<sup>1</sup> to evaluate the renewal of the  
8 115 MW BPA Mid-C transmission contract. PSE updated the analytics to  
9 incorporate the 2013 IRP resource assumptions and capacity need. The 2013 IRP  
10 was completed in May 2013.

11 **Q. Have there been any other changes affecting the renewal analysis presented**  
12 **in your prefiled direct testimony on April 25, 2013?**

13 A. Yes. The quantitative analysis supporting the renewal of the 115 MW BPA Mid-  
14 C transmission contract presented in the Prefiled Direct Testimony of Ms. Aliza  
15 Seelig, Exhibit No. \_\_\_\_ (AS-1HCT), and the Prefiled Direct Testimony of  
16 Mr. Tom A. DeBoer, Exhibit No. \_\_\_\_ (TAD-1T), were based on the analysis  
17 supporting the *draft* 2013 IRP. PSE has since filed the *final* 2013 IRP. Please see

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<sup>1</sup> The Prefiled Direct Testimony of Ms. Cara G. Peterman, Exhibit No. \_\_\_\_ (CGP-1HCT), adopts, in its entirety, the Prefiled Direct Testimony of Ms. Aliza Seelig, Exhibit No. \_\_\_\_ (AS-1HCT), and all supporting exhibits thereto.

1 Exhibit No. \_\_\_\_ (TAD-7) for a copy of the 2013 IRP.<sup>2</sup> Since PSE filed the final  
2 2013 IRP, there have been two changes that have modified PSE's capacity need  
3 ("Post IRP Adjustments").

4 The first change that reduced PSE's capacity need as published in the 2013 IRP  
5 involves a process change made by PSE's Merchant Function ("PSEM") that  
6 allows PSE to return contractual losses for energy delivered on its BPA  
7 transmission contracts to BPA directly at the Mid-C. By delivering this loss  
8 return obligation to BPA directly at the Mid-C, PSE in effect freed up  
9 approximately 70 MW of transmission that it had previously reserved for  
10 delivering loss returns to BPA. This transmission can now be made available to  
11 move energy from the Mid-C to meet PSE's westside load during peak  
12 conditions. This modification enables PSE to fulfill 70 MW of capacity need  
13 without any incremental cost of procuring additional transmission.

14 The second change that reduced PSE's capacity need as published in the 2013  
15 IRP came about when BPA confirmed a redirect of BPA transmission from the  
16 Hopkins Ridge Wind Project to the Mid-C on a long-term basis. This change  
17 increased PSE's transmission service from the Mid-C to PSE's system by an  
18 additional 3 MWs.

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<sup>2</sup> PSE's 2013 IRP may also be accessed at:  
<http://pse.com/aboutpse/EnergySupply/Pages/Resource-Planning.aspx>

1 **Q. What is PSE’s updated resource need that reflects these changes discussed**  
2 **above?**

3 A. Table 1 below illustrates PSE’s capacity need after implementing the post-2013  
4 IRP adjustments. Since the final 2013 IRP assumed renewal of the 115 MW BPA  
5 Mid-C transmission contract, the 2013 IRP incorporates the 115 MW of capacity  
6 towards meeting PSE’s long-term capacity resource need. Without renewal of the  
7 115 MW BPA Mid-C transmission contract, PSE would have a capacity need in  
8 2017 of 48 MW. Although renewal of the 115 MW BPA Mid-C transmission  
9 contract will contribute to a short-term resource surplus, it will provide PSE with  
10 a low cost, long-term alternative to fill the 48 MW resource need starting in 2017.

11 **Table 1. 2013 IRP Resource Need/(Surplus) + Post IRP Adjustments**  
12 **with and without 115 MW transmission contract Renewal \***

	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013 IRP + Post IRP Adjustments	209	224	186	70	25	(17)	(12)	(61)	(127)
2013 IRP + Post IRP Adjustments - without 115 MW	94	109	71	(48)	(97)	(140)	(135)	(184)	(250)

13 \* 2013 IRP Resource need includes operating reserves.

14 **Q. What quantitative considerations did PSE consider in the decision to renew**  
15 **the 115 MW BPA Mid-C transmission contract?**

16 A. PSE analyzed the 115 MW BPA Mid-C transmission contract using quantitative  
17 analysis methods consistent with those used in the 2011 Integrated Resource Plan,  
18 the 2013 IRP, the 2011 Request for Proposal processes, and other transmission  
19 contract renewal decisions, all as described in the Prefiled Direct Testimony of

1 Ms. Aliza Seelig, Exhibit No. \_\_\_\_ (AS-1HCT). Renewal of the 115 MW BPA  
2 Mid-C transmission contract was shown to be a cost competitive resource because  
3 it allows PSE to defer building a peaking gas-fired combustion turbine to fill the  
4 48 MW need for four years—from 2017 to 2021—thereby creating a benefit to  
5 customers between the range of \$44 million to \$56 million.

6 In this analysis, PSE considered three possible resource options to fill its capacity  
7 need in 2017:

- 8 (i) renewal of the 115 MW BPA Mid-C transmission contract;
- 9 (ii) extension of a 100 MW seasonal toll in 2016; and
- 10 (iii) building a 206 MW peaking gas-fired combustion turbine.

11 As shown in Table 2 below, renewal of the 115 MW BPA Mid-C transmission  
12 contract with or without an extension of the 100 MW seasonal toll produces the  
13 lowest portfolio cost and provides benefits to PSE customers between \$44 million  
14 and \$56 million by deferring the need to build a peaker until as late as 2021.



**Table 2. PSM Analysis of 115 MW Transmission Renewal and Other Resource Options \***

<b>Resource Options</b>	<b>Case 1: No 115 MW BPA Mid-C Renewal, No 100 MW Toll Extension</b>	<b>Case 2: No 115 MW BPA Mid-C Renewal, 100 MW Toll Extension</b>	<b>Case 3: 115 MW BPA Mid-C Renewal, No 100 MW Toll Extension</b>	<b>Case 4: 115 MW BPA Mid-C Renewal, 100 MW Toll Extension</b>
2014 115 MW Tx Renewal			X	X
Potential 5-yr 100 MW seasonal toll in 2016		X	-	X
206 MW Peaker Build	Built for 45 MW Need (2017)	Built for 38 MW Need (2019)	Built for 57 MW Need (2021)	Built for 57 MW Need (2021)
<b>Portfolio Cost (\$000)</b>	\$11,788,154	\$11,759,977	\$11,731,817	\$11,744,073
<b>Cost / (Benefit) compared to Case 1 \$000</b>	\$ -	(\$28,177)	(\$56,337)	(\$44,081)

\* Resource need does not include operating reserves.

**Q. What qualitative considerations did PSE consider in the decision to renew the 115 MW BPA Mid-C transmission contract?**

A. PSE considered several other qualitative factors in this renewal analysis, including regional resource adequacy, future availability of Mid-C transmission renewals, and the ability for PSE to obtain Mid-C transmission service through BPA’s transmission request process. Notably, the Pacific Northwest Resource Adequacy Forum’s November 2017 assessment found that resources in the region should be reasonably adequate through 2017. Additional analysis by Northwest Planning and Conservation Council forecasts that the region may not have sufficient winter capacity starting after 2020, when the Boardman Coal Plant and Unit 1 of the Centralia Transition Coal Facility are scheduled to be retired.

1 See Exhibit No. \_\_\_(TAD-7) at pages 416-425. Thus, prior to 2020, it is  
2 reasonable for PSE to rely on transmission to market. Given this the longer-term  
3 concern, and that PSE will have transmission expiring in the 2020-timeframe  
4 (along with the 115 MW BPA Mid-C transmission contract), PSE will have the  
5 opportunity in the future to reassess its reliance on the Mid-C market and reduce  
6 its contracts with BPA for Mid-C transmission, if necessary.

7 **Q. What new information has PSE learned about the availability of additional**  
8 **Mid-C transmission through BPA transmission request processes?**

9 A. In addition to constraints that PSE is aware of on BPA's West of Cascades North  
10 transmission flowgate, PSE has learned about two new constraints on BPA's  
11 transmission system and related transmission request processes that add new  
12 uncertainty into the possibility of PSE obtaining incremental transmission service  
13 from the Mid-C to meet future need.

14 The first new constraint is related to transmission capacity of transmission  
15 facilities that are located in and around the Mid-C hydroelectric projects. BPA  
16 has indicated that there is little or no remaining capacity on BPA's transmission  
17 facilities located in this area. Because a new transmission request sourcing from  
18 the Mid-C and sinking to PSE's westside load would require incremental capacity  
19 on these Mid-C area facilities, a lack of capacity on these facilities is one barrier  
20 in PSE obtaining incremental Mid-C transmission service. Additionally, because  
21 there are parallel, non-federal owners of transmission facilities in the Mid-C, BPA  
22 has expressed uncertainty in how it would address and identify transmission

1 system improvements through its existing Network Open Season process to  
2 increase capacity on these Mid-C facilities because the current Network Open  
3 Season process only addresses improvements needed on BPA's transmission  
4 system.

5 The second new constraint is related to a transmission flowgate that BPA  
6 implemented in winter 2013 called the North of Echo Lake flowgate. In June  
7 2013, BPA indicated that there is no long-term capacity on the North of Echo  
8 Lake flowgate. Because a new transmission request sourcing from the Mid-C and  
9 sinking to PSE's westside load would require incremental capacity on the North  
10 of Echo Lake flowgate, this would be one additional barrier to PSE obtaining  
11 incremental Mid-C transmission service.

12 The combination of these new constraints and PSE's knowledge of constraints on  
13 the West of Cascades North flowgate creates significant uncertainty in PSE's  
14 ability to obtain transmission when it has a resource need in the future. As such,  
15 in addition to the prudence of renewing the 115 MW BPA Mid-C transmission  
16 contract for quantitative reasons discussed above, PSE believes that it is most  
17 prudent to renew the 115 MW BPA Mid-C transmission contract now for a five  
18 year term because PSE may not have an opportunity to obtain the transmission  
19 again in the future. By renewing the contract for five years, PSE maintains  
20 rollover rights to retain the transmission indefinitely.

1 **Q. Did PSE present the renewal of the 115 MW BPA Mid-C transmission**  
2 **contract to PSE’s Energy Management Committee?**

3 A. Yes. PSE’s Energy Management Committee (“EMC”) reviewed and approved  
4 the five-year contract renewal of the 115 MW BPA Mid-C transmission contract  
5 at the EMC meeting on July 18, 2013. Please see Exhibit No. \_\_\_(TAD-8C) for a  
6 copy of the presentation made to the EMC on July 18, 2013, which provided an  
7 updated analysis on the renewal of the 115 MW BPA Mid-C transmission  
8 contract.

9 **Q. Is PSE’s renewal of its 115 MW BPA Mid-C transmission contract a**  
10 **prudently incurred expense?**

11 A. Yes. For the reasons discussed above, PSE’s renewal of the 115 MW BPA Mid-  
12 C transmission contract was a prudently incurred expense. PSE requests the  
13 Commission approve PSE’s recovery of the 115 MW BPA Mid-C transmission  
14 contract and recovery of the rate year costs associated with this contract.

15 **III. UPDATE REGARDING THE BP-14 RATE CASE**

16 **Q. What is the status of the BP-14 Rate Case?**

17 A. As discussed in my prefiled direct testimony, BPA is conducting the BP-14 Rate  
18 Case to set wholesale power, transmission, and ancillary services rates for BPA’s  
19 fiscal years 2014-2015, effective October 1, 2013, through September 30, 2015.  
20 On July 23, 2013, the BPA released the Administrator’s Final Record of

1 Decision<sup>3</sup> (“Final ROD”) for the BP-14 Rate Case and has set wholesale power,  
2 transmission, and ancillary services rates to be effective October 1, 2013. PSE  
3 plans to provide an update to its rate year power costs to reflect the BPA’s Final  
4 ROD in its rebuttal filing on August 28, 2013.

5 **IV. CONCLUSION**

6 **Q. Does this conclude your prefiled supplemental direct testimony?**

7 A. Yes, it does.

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<sup>3</sup> The BPA’s Administrator’s Final Record of Decision may be accessed at:  
<http://www.bpa.gov/Finance/RateCases/BP-14RateAdjustmentProceeding/Pages/default.aspx>.