

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: November 14, 2012 WITNESS: David C. Gomez
DOCKET: UE-121373 RESPONDER: David C. Gomez
REQUESTER: Puget Sound Energy TELEPHONE: (360) 664-1240

PSE Data Request No. 003 to WUTC Staff:

Re: David C. Gomez, Exhibit No. ____ (DCG-1HCT), page 6, lines 12-13.

- a. Is it Staff's position that PSE's customers would not benefit from "Agreement as protection against rising power costs"?
- b. Is it possible that a PPA can benefit both PSE and its customers?

RESPONSE:

- a. No. The context of the referenced quote from Exhibit No. ____ (DCG-1HCT), page 6, lines 12-13, refers to the PPA, and the Company's analysis of power cost risk. Specifically, Staff relied on a statement from the Company's prefiled testimony titled; July 2012 memo: Reevaluation of revised offers¹ which described one of the PPA's qualitative advantages as: "Fixed price structure provides a hedge against rising power costs and stability compared to variability and uncertainty of natural gas tolling alternatives." In the same document, PSE identifies as a qualitative risk: "If market power prices drop over the long term compared to current market power price forecasts, then the PPA economics are not as attractive." Staff believes that certain terms of the PPA may be unfair to customers. Specifically, the firm/fixed pricing terms in Article 3, Energy Obligations, Section 3.1 should be periodically reviewed against market conditions, and if necessary, adjusted to reflect changing market conditions.
- b. Staff's response to this question is based on the specific question being posed; [I]s it possible that a PPA can benefit both PSE and its customers (emphasis added)? The plain answer to the question as stated above is yes, but Staff has been tasked to provide the Commission with a recommendation on the PPA as filed by the Company in its Exhibit No. __ (RG-3C). To that extent, Staff refers PSE back to Exhibit No. ____ (DCG-1HCT), page 3, lines 15-22 as its answer.

¹ PSE's Exhibit No. __ (CB-4HC) at 8, Figure 6.