

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. 009 to WUTC Staff:

Re: David C. Gomez, Exhibit No. ____ (DCG-1HCT), page 7, line 20, through page 8, line 1.

Please identify each term of the PPA that “Staff believes . . . may be unfair to customers” and explain how such term “may be unfair to customers”.

RESPONSE:

1. Article 3, Energy Obligations, Section 3.1 - As worded in the PPA, power prices are to remain firm and fixed throughout the term with a pre-determined escalation. This rather simplistic approach fails to take advantage of any index or benchmark of lower market prices for power and lower costs of production, like coal, which can be used to leverage future savings. PPA pricing terms should be periodically reviewed against market conditions, and if necessary, adjusted to reflect changing market conditions. TransAlta offered PSE an option for escalation of costs based on specific indexes in its first bid proposal.²
2. Article 3, Energy Obligations, Section 3.2 (b) - Allows TransAlta to provide power from any source or sources if, for any reason, the output from the Centralia Coal Transition Facility (CCTF) is reduced or curtailed. TransAlta may cease providing power from the coal plant and provide market power to PSE at the PPA rate. This thwarts the original intent of the coal transition law.
3. Article 17, Approval of Agreement by WUTC, Section 17.3 – The PPA provides that PSE (Buyer) “may” terminate the Agreement if the MOA is cancelled. The word “may” should be replaced with “must.” The MOA specifies the obligations required from each party as a result of the Coal Transition Energy Bill, E2SSB 5769. These obligations include annual payments by TransAlta totaling \$55.0 million to fund economic and community development in Lewis and South Thurston County. It is Staff’s opinion that without the MOA, the term of RCW 80.80.060(1) that prohibits TransAlta Centralia from entering into a contract of five years or longer with PSE or any other utility in Washington, unless the greenhouse gas emissions performance standard is met, is in effect. Furthermore, the original benefits stemming from a public policy preference for coal transition power as found in Washington State Laws 2011, Chapter 180 is lost.

² Docket 121373 PSE Resp PC DR 056_Attach (HC) 2011 RFP TransAlta Bid 1, Page 12 contains escalation factors offered by TransAlta indexed to market conditions.