HellerEhrman
ATTORNEYS

RECEIVED
RECORDS MANAGEMENT

04 MAR -3 PM 4:45

STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

March 3, 2004

Via Messenger

Todd G. Glass
tglass@hewm.com
Direct (206) 389-6142
Fax (206) 447-0849

36745.0029

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc. Docket No. UE-031725 (2003 Power Cost Only Rate Filing)

Dear Ms. Washburn:

Enclosed please find Puget Sound Energy, Inc.'s Corrections to Julia M. Ryan's and William A. Gaines's Responses Made Subject to Check, for filing in the above-referenced docket. Please file-stamp one copy for return with the messenger. Although some of the testimony referenced in the document was taken during a confidential session, nothing in this document itself is confidential.

Thank you again for your assistance in this matter. If you have any questions, please contact me at (206) 389-6142 or Lisa Hardie at (206) 389-4279.

Very truly yours,

Todd G. Glass
Attorney for Puget Sound Energy, Inc.

Enclosure

Cc: All Counsel of Record

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent.	Docket No. UE-031725 PUGET SOUND ENERGY, INC.'S CORRECTIONS OF JULIA M. RYAN'S AND WILLIAM A. GAINES' RESPONSES MADE SUBJECT TO CHECK

Pursuant to WAC 480-07-470(11), Ms. Julia M. Ryan and Mr. William A. Gaines submit the following corrections and clarifications of cross-examination responses made "subject to check" during the PCORC hearing on February 23 and 24, 2004. It should be noted that the portions of Ms. Ryan's testimony discussed below were given during a confidential session, but the clarifications and excerpts discussed are not confidential.

I. Julia M. Ryan

<u>**Subject to Check Correction No. 1.**</u> At page 153, lines 16-21 of the official hearing transcript (February 23, 2004), Julia M. Ryan affirmed, subject to check, that the "high price" on Exhibit 237C (Market Fundamentals Report, December 2003, Exhibit DWS-7C) represented "two standard deviations."

Correction: The graph shown on 237C is a simplified representation of the data resulting from the Henry Hub model. It represents for each respective month of the forecast, the median of the 100 scenarios, and the upper line is +1.96 standard deviations while the lower line is –1.96 standard deviations. Statistically, 95% of the outcomes fall within this monthly range assuming a normal distribution. But it is important to note, the resulting data from the model is not necessarily normally distributed. The graph is meant to provide the user with a sense of the range of potential monthly outcomes.

<u>Subject to Check Correction No. 2.</u> At page 169 of the transcript, lines 21-25, Julia M. Ryan affirmed, subject to check, that Intercontinental Exchange market data (ICE data) may be publicly available.

Correction: Only day-ahead transactions (spot market) are available to the public free of charge. Other market data, such as forward market transactions, are available only to subscription customers.

<u>Subject to Check Correction No. 3.</u> At page 180 of the transcript, line 23 to page 181, line 5, Ms. Ryan estimated that the March NYMEX volumes would be the equivalent of about 35-40% of the of the daily maximum delivery capacity of the Northwest Pipeline.

Correction: The actual figure is 26%, not 35-40%. See calculation below.

March 2005

Using the NYMEX Contract Volumes for September 5-18, March 2005 NYMEX traded contracts are still significant compared to physical market metrics:

(2743 contracts X 10,000 MMBtu)/ 1,000,000 = 27.43 BCF per month

27.43 BCF per month/ 31 days in March = .885 bcf/day = 885,000 MMBtu/day.

This is approximately 26% of the daily maximum delivery capacity of Williams' Northwest Pipeline of 3.4 BCF/day.

II. William A. Gaines

<u>Subject to Check Correction No. 1.</u> At page 263 of the transcript (February 24, 2004), lines 19-24, Brad Van Cleve asserted, "Let me just ask you then subject to check that under the Schedule 48 Table 1, there's a schedule of power cost transition charges beginning in June 1st, 1998, and then there's a schedule for '99 and then 2000 and beyond." Mr. Gaines accepted this characterization subject to check.

Correction: The above-referenced assertion was inaccurate in a number of respects. First, Original Tariff Schedule 48 contains a Table 1, Schedule of Power Cost Transition Charges, that began on November 1, 1996, not June 1998. Second, the table displays charges for both High Voltage and Primary Voltage customers for four milestone time periods: (1) Schedule Effective Date (November 1, 1996) through May 31, 1998, (2) June 1, 1998 through May 31, 1999, (3) June 1, 1999 through May 31, 2000, and (4) June 1, 2000 and beyond. For instance, for High Voltage Customers the Power Cost Transition Charge is listed as $7.20 / kVa-Month on November 1, 1996 and is $0.00 / kVa-Month on June 1, 2000 and beyond. *See* attached copy of Original Tariff Sheets of Schedule 48 at Sheet No. 48b.

<u>Subject to Check Correction No. 2.</u> On page 263 of the transcript, line 25, to page 264, line 6, Mr. Van Cleve asserted that "the PURPA transition charges are defined in the [Schedule 48] tariff to be the difference between the market based price and the company's embedded cost of service." Mr. Gaines did not recall how the charges were computed, but accepted this characterization subject to check.

Correction: The above-referenced assertion actually mischaracterizes the nature and duration of the charges described. The tariff does not refer to the charges using the term "PURPA," but rather refers to these charges as a "Power Cost Transition Charges" or "Transition Charge." Nor does the tariff define the charges in specific terms; rather, it generally describes them as "a phased-out recovery of the difference between test year embedded costs and market rates and historical program costs." *See* attached copy of Original Tariff Sheets of Schedule 48, at Sheet No. 48e paragraph 6.

Importantly, this general description of the transition charge only applies to the first milestone charge (i.e. November 1, 1996). The charges during the "phase-out" period (i.e. milestone periods 2 through 4, June 1, 1998 and thereafter) were not based on any calculated difference between the Company's embedded costs and market rates; they were based purely on negotiations between the Company and these non-core customers and declined rapidly. In a response to a WUTC Staff Data Request, the Company provided workpapers describing the development of the initial transition charge. The Company specifically stated that, "There are no supporting documents for the reductions in the transition charge. The timing of the reductions represents a compromise between two competing tensions; the customers' pursuit of alternatives and the time required by the Company to match its resource obligations for non-core service with the Company's available resources." *See* attached copy of PSE's Response to WUTC Staff Data Request No. 7, WUTC Docket No. UE-960696.

It should also be noted that the Commission has determined that the Company's actual cost of procuring that energy for Schedule 48 customers is not relevant to energy component charges under Schedule 48, because the energy delivered under Schedule 48 is priced according to the market. *See* WUTC Docket No. UE-981410, Fifth Supplemental Order (August 3, 1999) at 26-28.

STATE OF WASHINGTON)
)
KING COUNTY)

AFFIDAVIT OF JULIA M. RYAN

I, Julia M. Ryan, hereby declare:

I testified on February 23, 2004 in the above-referenced matter. I have read the foregoing corrections to my responses made "subject to check" and declare that the corrections are true and correct based on my knowledge.

Julia M. Ryan

Julia M. Ryan

SUBSCRIBED AND SWORN TO before me this 1st day of March, 2004.

Gail G. Swihart

GAIL G. SWIHART NOTARY PUBLIC STATE OF WASHINGTON Commission Expires OCT. 17, 2006

Notary Public in and for Washington

MY COMMISSION EXPIRES: 10/17/2006

STATE OF WASHINGTON)
)
KING COUNTY)

AFFIDAVIT OF WILLIAM A. GAINES

I, William A. Gaines, hereby declare:

I testified on February 23 and 24, 2004 in the above-referenced matter. I have read the foregoing corrections to my responses made "subject to check" and declare that the corrections are true and correct based on my knowledge.

William A. Gaines

SUBSCRIBED AND SWORN TO before me this 3RD day of March, 2004.

Gail G. Swihart

GAIL G. SWIHART NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES OCT. 17, 2006

Notary Public in and for Washington

MY COMMISSION EXPIRES: 10/17/2006

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

I. SCHEDULE AVAILABILITY

1. This rate is available, subject to paragraph IV.6 of this Schedule, to all customers served at high voltage for their high voltage accounts and to customers served at primary voltage having individually metered accounts with annual loads over 2.4 aMW.

2. Notwithstanding the provisions of Section 5 of Schedule 80, customers with multiple primary voltage accounts on the same distribution feeder may aggregate those accounts to qualify for this rate.

3. Customer is responsible for procuring, installing and maintaining all necessary wiring, transformers, switches, cut-outs and protection equipment beyond the point of delivery, and such service facilities and equipment shall be of types and characteristics acceptable to the Company. The entire service installation, protection coordination, and the balance of the load between phases shall be subject to approval by the Company.

4. Customers taking service under this Schedule assume risks of variability in energy prices and availability of energy for delivery to Customer, except as otherwise provided in this Schedule.

5. Nothing in this Schedule shall restrict customers from, or impose any penalty on customers for, installing self-generation or on-site generation instead of using Puget's delivery services.

6. This Schedule is subject to termination by the Company on June 1, 1998, upon ninety (90) days' notice to customers taking service under the Schedule and without regulatory action authorizing such termination, if the Commission does not approve the proposed merger of the Company and Washington Natural Gas Company in Docket No. UE-960195 on terms and conditions proposed by Joint Applicants in that proceeding (or on such different terms and conditions as accepted by Joint Applicants).

Canceled 4-11-97 by 1st Revised Sheet 48

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

II. MONTHLY RATE

Component	High Voltage	Primary Voltage
Non-Firm Energy (a)	$((INDX_h * 1.0233) + 2.5) * 1.0425$	$((INDX_h * 1.0423) + 2.5) * 1.0425$
Optional Firming (b)	$0.50 / kVa Month	$0.50 / kVa Month
Optional Price Stability	Based on customer needs	Based on customer needs
Firm Transportation	$2.10 / kVa Month	$4.64 / kVa Month
Customer Charge	$600 / Month per metered customer site	$600 / Month per metered customer site
Transition Charge 1996 (c)	$7.20 / kVa Month	$9.65 / kVa Month
DSM Charge 1996 (d)	$1.31 / kVa Month	$1.06 / kVa Month

(a) $INDX_h$ is hourly Index non-firm price, as set forth below.

(b) Based upon an 8-month ratchet on either 100% of peak demand set during period November - February, or on a contractual firm demand level. Rate will be adjusted effective in November 1998, and annually thereafter, based upon market prices.

(c) Based upon historic demands; subject to adjustment in accordance with Table 1 below, with adjustments effective as of the "milestone" date identified in Table 1.

(d) Based upon historic demands; subject to adjustment in accordance with Table 2 below, with adjustments effective as of the date identified in Table 2.

Canceled 2-8-97 by 1st Revised Sheet 48-a

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

Table 1. Schedule of Power Cost Transition Charges

Milestone	High Voltage	Primary Voltage
Schedule Effective Date	$7.20 / kVa - Month	$9.65 / kVa - Month
June 1, 1998	$2.77 / kVa - Month	$4.59 / kVa - Month
June 1, 1999	$1.38 / kVa - Month	$2.30 / kVa - Month
June 1, 2000 and beyond	$0.00 / kVa - Month	$0.00 / kVa - Month

Table 2. Schedule of DSM (Conservation) Charges for Existing DSM

Date	High Voltage	Primary Voltage
Oct. 1995	$1.31 / kVa - Month	$1.06 / kVa - Month
Oct. 1996	$1.13 / kVa - Month	$0.91 / kVa - Month
Oct. 1997	$1.08 / kVa - Month	$0.85 / kVa - Month
Oct. 1998	$1.00 / kVa - Month	$0.79 / kVa - Month
Oct. 1999	$0.82 / kVa - Month	$0.64 / kVa - Month
Oct. 2000	$0.69 / kVa - Month	$0.56 / kVa - Month
Oct. 2001	$0.52 / kVa - Month	$0.41 / kVa - Month
Oct. 2002	$0.34 / kVa - Month	$0.27 / kVa - Month
Oct. 2003	$0.15 / kVa - Month	$0.12 / kVa - Month
Oct. 2004 and beyond	$0.00 / kVa - Month	$0.00 / kVa - Month

Canceled 2-8-97 by 1st Revised Sheet 48-b

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

III. EXPLANATION OF RATES AND SERVICES

1. Non-Firm Energy. An hourly non-firm energy price equal to the Index energy price in each on-peak hour or off-peak hour, adjusted for losses associated with power delivery to the customer, plus 2.5 mills/kWh for ancillary services and margin. Risk for price movements in the Index energy price is borne by Customer; Customer will receive non-firm energy service in absence of the election of related optional services. (See Risk of Availability of Power, Section IV.2 below.)

   "Index" in 1996 means COB less 1/2 mill/kWh. "COB" means the California-Oregon Border Revised Non-Firm Electricity Index prices last reported by Dow Jones to Dow Jones Telerate subscribers for on-peak hours and off-peak hours for each day of the relevant billing month. After 1996, "Index" means the Mid-Columbia Revised Non-Firm Electricity Index prices, last reported by Dow Jones to Dow Jones Telerate subscribers for on-peak hours and off-peak hours for each day of the relevant billing month or such other, similar, published or verifiable index which reflects commodity electric energy prices in the Pacific Northwest, as determined by the Company. If a price for any on-peak hour period is not reported in the Index, then the price for such unreported on-peak hour period shall be determined by calculating the average of the Index prices last reported for the on-peak hour periods immediately preceding and immediately succeeding such unreported on-peak hour period. If a price for any off-peak hour period is not reported in the Index, then the price for such unreported off-peak hour period shall be determined by calculating the average of the Index prices last reported for the off-peak hour periods immediately preceding and immediately succeeding such unreported off-peak hour period. On-peak hours are the hours between 6:00 a.m. and 10:00 p.m., Pacific Time, Monday through Saturday, exclusive of holidays recognized by the North American Electric Reliability Council. Off-peak hours are hours that are not on-peak hours.

   If the Company and all of the Customers to which this Schedule is available pursuant to its terms agree that the Mid-Columbia Revised Non-Firm Electricity Index prices are not representative of non-firm electricity transaction pricing in the

Canceled 4-11-97 by 1st Revised Sheet 48-c

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

region, the Company will seek to obtain written agreement with all such Customers upon an index that is representative of non-firm electricity transaction pricing in the region, and if such agreement is obtained, then from and after the date of such agreement "Index" will mean that agreed-upon index.

The formula for pricing is as follows:

$PRICE_h$ = ($INDX_h$ (1 + Loss Factor) + Ancil) * (1+ Utility Tax and WUTC Fee)

$PRICE_h$ = hourly marginal cost (mills)

$INDX_h$ = hourly index price for each on peak/off peak hour

Loss Factor = loss adjustment (2.33% high voltage and 4.23 % primary voltage)

Utility Tax = WA State utility tax (currently 3.873%), as adjusted for revenue effects

WUTC Fee = fee imposed by the WUTC (currently 0.2%)

Ancil = Ancillary services & margin (2.5 mills)

In the event that no incremental power is available for purchase at a given hour for delivery at the Index location, the Company will, subject to paragraph IV.2 of this Schedule, attempt to purchase power (to the extent power is available) from another delivery source and the hourly Index price will become for that period of unavailability the Company's cost to purchase and transmit that power to one of the Company's normal points of delivery. However, the Customer, in the event that no incremental power is available for purchase at a given hour for delivery at the Index location, may elect to purchase power from another source and sell such power to the Company for delivery to such Customer, and Company will purchase such power from such Customer and deliver it to the Customer, and the hourly Index price will become for that period of unavailability the Company's cost to purchase and transmit that power to one of the Company's normal points of delivery. In the event that no power is available, and the customer does not elect for optional firming service, then the Company has the right to curtail the customer's load on two (2)

Canceled 4-11-97 by 1st Revised Sheet 48-d

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

hours notice. (Company shall use reasonable best efforts to provide 24 hours' notice to Customer prior to curtailment.) Upon failure to curtail, customer shall pay an amount equal to the optional firming charge under Section III.2 for the preceding twelve (12) months and shall be required to purchase such optional firming service for the next succeeding twelve-month period for the quantity of power not curtailed.

2. Optional Firming. At Customer's option and under the terms set forth herein, Customer may place demand on the Company's electric system during periods in the event that non-firm energy is not available for the Company to purchase and deliver to the customer. Service is elected on an annual basis, and the monthly demand charge for the service is based on either (a) a 100% ratchet of the maximum customer demand (aggregated by feeder) during the months of November - February and charged for the remaining eight months, or (b) a firm demand level elected by the Customer as the maximum load that will be placed on the Company's electric system.

3. Optional Price Stability. Available optional price stability services may include guarantee on an average commodity price, price caps on the non-firm prices, or collars on the non-firm price. Rates for these Optional Price Stability services will be determined according to market conditions.

4. Firm Transportation Charge. A monthly demand charge covering deliveries of power purchased under this Schedule to the points of delivery existing as of the effective date of this Schedule.

5. Customer Charge. Monthly charge for metering, meter reading and billing.

6. Transition Charge and DSM Charge. A monthly demand charge which recovers a phased-out recovery of the difference between test year embedded costs and market rates and historical conservation program costs. The transition charge is applied to the average monthly historical load of the customer based upon the prior two years of history. The average monthly load is not reset during the rate transition period. New customers or services which qualify for the rate will pay the transition charge based upon actual monthly demands for their first two years as a customer

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

of the Company. After the two year period the transition charge for a new customer will be converted to the average monthly load and will not be reset for the remainder of the transition period. If during the term of the Service Agreement the Customer ceases all business operations that would require any electrical service, the Customer will not be required--from the time the Customer ceases such operation--to pay the Transition Charges referred to in this paragraph.

7. Billing Demand. For the purpose of calculating transition charges associated with conservation and transition costs the billed demand is the registered demand as described in the applicable schedule which the customer took service prior to electing this Schedule.

   For the purpose of calculating optional firming and transportation charges, billed demand is the highest average thirty minute demand recorded in the month for high voltage customers, and the recorded fifteen minute demand in any hour for primary voltage customers. Demands will be metered in kVa and will be adjusted for appropriate transformation losses associated with locating the billing meter at a lower voltage than the customer's service voltage.

8. Service Voltage. High voltage service is defined as three phase delivery voltage of 50,000 volts or higher.

   Primary voltage service is defined as single or three phase delivery voltage at the primary distribution level.

IV. TERMS & CONDITIONS

1. Execution of Service Agreement. A Customer desiring service under this schedule shall execute a Schedule 48 Service Agreement. Such Service Agreement shall be substantially in the form attached hereto, and may include additional terms and conditions as agreed upon between Company and Customer. The term for power sales under this Schedule will commence on the date the Customer elects service under this Schedule and will terminate on the fifth anniversary of the effective date of this Schedule. The Service Agreement shall require that the Company receive from the Customer a minimum of ninety (90) days notice prior to expiration in order

Canceled 4-11-97 by 1st Revised Sheet 48-f

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

to renew the agreement for a period equal to or greater than 12 calendar months. Company shall make reasonable efforts to ensure that prior to Customer's execution of Service Agreement, Customer (including its management) has been advised of the risks associated with taking service under Schedule 48.

2. Risk of Availability of Power. Customer will receive non-firm energy service in absence of the election of related optional services. For purposes of service under this Schedule 48, provisions regarding "Continuity of Service" in Section 12 of Schedule 80 of Company's Electric Tariff G shall be modified insofar as "interruption, suspension, curtailment, or fluctuation in service" may occur because the service contracted for is nonfirm. Customer may not obtain from the Company service for power supplies provided under this Schedule under any other schedule during the term of the Service Agreement. The Company is not responsible for power resources for customer following the term of the Service Agreement. At the expiration of the term of the Service Agreement, Customer may commence taking service under any retail tariff providing firm service; however, the Customer understands and acknowledges that such service may be subject to payment by such Customer of any long-run resource costs and any incremental capacity costs (which costs are not intended by the Company and Customer to constitute an exit fee) incurred by the Company to provide such service.

3. Conservation. Charges for Commission-mandated customer conservation activities may be applicable based upon the terms of any such programs to be developed.

4. Additional Facilities. The Customer will be required to pay the reasonable costs of any new dedicated facilities required by the Company to meet either increased load, or increased reliability requirements requested by the customer.

5. Adjustments. The rate will be adjusted for authorized PRAM deferral charges, as set forth in the column labeled "Deferral" of Schedule 100. The current rate for high voltage and primary voltage accounts is $0.003101/kWh and $0.003241/kWh respectively.

Rates in this Schedule are subject to tax adjustments as described in General Provision 3 of Schedule 80.

RECEIVED
MAY 24 1996
WASH. UT. & TRANS. COMM.

Sub

PUGET SOUND POWER & LIGHT COMPANY
Electric Tariff G

SCHEDULE 48
OPTIONAL LARGE POWER SALES RATE

High voltage rates apply for customers taking service at 50 kV or higher. If high voltage service customers are metered at a lower voltage, then the price will be adjusted for appropriate transformation losses and any applicable line losses. Primary voltage rates apply for customers taking at primary distribution voltages (generally 4 to 34 kV). If primary voltage service customers are metered at a lower voltage, then the price will be adjusted for appropriate transformation losses and any applicable line losses.

6. Customers Taking Service Under Special Contracts. Any customer receiving service from Company pursuant to a Special Contract (pursuant to WAC 480-80-335) as of the effective date of Schedule 48 shall have a one-time option, expiring ninety (90) days after the effective date of this Schedule, to cancel such Special Contract in favor of taking service under this Schedule. Following the expiration of such Special Contract, such customer shall have the option of taking service under this Schedule.

7. General Rules and Provisions. Except as otherwise provided in Sections I.2 and IV.2 above, service under this schedule is subject to the General Rules and Provisions contained in Company's Electric Tariff G (Schedule 80, as modified by Commission Order in Docket No. UE-950195 dated June 7, 1995) and other schedules that may apply as may be revised from time to time upon approval of the Washington Utilities and Transportation Commission.

Puget Sound Power & Light Company
Schedule 48
Docket Nos. UE-960696
WUTC Staff Data Request No. 7

Staff Request No. 7:

Please provide workpapers and supporting documents for determining the yearly PURPA transition charges for both high voltage and primary voltage customers.

Response (Heidell):

Workpapers for developing the initial transition charges are attached. The initial transition charge is designed to make Schedule 48 revenue neutral at the class level. There are no supporting documents for the reductions in the transition charge. The timing of the reductions represents a compromise between two competing tensions: the customers' pursuit of alternatives and the time required by the Company to match its resource obligations for non-core service with the Company's available resources.