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3 **BEFORE THE**  
4 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**  
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7  
8 In the Matter of  
9

Docket No. UE-121373

10 PUGET SOUND ENERGY, INC.

AFFIDAVIT OF ROGER GARRATT IN  
SUPPORT OF PSE'S PETITION FOR  
RECONSIDERATION AND MOTION TO  
REOPEN RECORD

11  
12 Petition for Approval of a Power Purchase  
13 Agreement for Acquisition of Coal  
14 Transition Power, as Defined in  
15 RCW 80.80.010, and the Recovery of  
16 Related Acquisition Costs  
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23 STATE OF WASHINGTON )  
24 ) ss.  
25 COUNTY OF KING )  
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30 Roger Garratt, being first duly sworn on oath, deposes and says:  
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33 1. I am the Director of Financial Planning & Strategic Initiatives for Puget  
34 Sound Energy, Inc. ("PSE"). I am the same Roger Garratt who provided prefiled direct and  
35 rebuttal testimony in this proceeding.  
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40 2. I make this affidavit in support of PSE's Petition for Reconsideration of  
41 Order and Motion to Reopen the Record entered on January 9, 2013, in this proceeding  
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AFFIDAVIT OF ROGER GARRATT

Page 1

**Perkins Coie LLP**  
The PSE Building  
10885 N.E. Fourth Street, Suite 700  
Bellevue, WA 98004-5579  
Phone: 425.635.1400  
Fax: 425.635.2400

1 ("Order 03"). I am over the age of eighteen (18) years and make this Affidavit based on  
2 personal knowledge, and am competent to do so.  
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5 3. In Order 03, the Commission expressed concern regarding preservation of  
6 jobs at Centralia Transition Coal Facility ("CTCF") in connection with resupply rights  
7 under the Coal Transition PPA.<sup>1</sup> The Commission granted PSE's Petition on the condition  
8 of reporting requirements, to which PSE has objected. The reporting requirements appear to  
9 have been included to minimize the possibility that a cessation of plant operations as a result  
10 of economic dispatch might result in loss of jobs, contrary to the purpose of the legislation to  
11 preserve jobs at the plant.<sup>2</sup>  
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21 4. Since the issuance of Order 03, PSE and TransAlta have negotiated an  
22 amendment to the Coal Transition PPA ("Amendment") to address this concern.  
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26 5. The Amendment makes two important revisions to the agreement. First, it  
27 amends section 17.3 of the Coal Transition PPA to provide a process by which PSE would,  
28 in the event TransAlta Centralia terminates the Memorandum of Agreement with the State  
29 of Washington ("MOA"), allow PSE the option to continue with or terminate the Coal  
30 Transition PPA and seek concurrence from the Commission of such decision. Second, the  
31 Amendment adds a new section 17.4 to the Coal Transition PPA that gives PSE a right to  
32 terminate the Coal Transition PPA in the event of a Permanent Cessation of Generation,  
33 which occurs upon any of the following events:  
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45 <sup>1</sup> See Order 03 at ¶67.

46 <sup>2</sup> See Order 03 at ¶¶67-69  
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- (a) a formal determination by the management of TransAlta to permanently cease the generation of electric energy at the CTCF;
  - (b) the CTCF has, for any reason other than Force Majeure, failed during a continuous period of 365 or more days to generate any electric energy; or
  - (c) the average number of FTEs<sup>3</sup> over a six-month period has been reduced below 50% (or, if Seller has permanently terminated operation of one generating boiler at the CTCF at any time during the preceding eighteen (18) consecutive months, below 30%) of the average number of FTEs during the preceding eighteen (18) consecutive calendar months.

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6. The Amendment addresses the Commission's concerns regarding a possible termination of the MOA by TransAlta Centralia and the possibility that TransAlta Centralia will liberally exercise resupply rights and permanently cease generation at the CTCF thus jeopardizing jobs. The Amendment makes it no longer necessary for the Commission to retain authority to consider whether the Coal Transition PPA has lost its character as an agreement for the sale and delivery of coal transition power, or whether the Coal Transition PPA remains prudent, or whether PSE may earn its equity return in association with the Coal Transition PPA. A true and correct copy of the Amendment is attached hereto as Attachment A.

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7. Additionally, TransAlta has agreed to provide certain generation information to PSE during the Delivery Term of the Coal Transition PPA. Specifically, TransAlta will,

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<sup>3</sup> The Amendment defines the term "FTE" as a full-time employee of TransAlta Centralia who has a minimum of thirty-five (35) scheduled hours per week, or such other number of hours per week (but not less than twenty-five (25) hours) as established by (i) existing practices or written policies of TransAlta Centralia or (ii) any collective bargaining agreement to which TransAlta Centralia is bound, and whose workplace location is the CTCF.

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not later than March 1 of each calendar year during the Delivery Term, beginning on March 1, 2015, provide the following information to PSE with respect to each month during the 13-month period beginning on December 1 of the calendar year immediately prior to the most recently concluded calendar year and ending on December 31 of the most recently concluded calendar year:

1. The total number of hours during such month in which the CTCF generated any electric energy.
2. The total number of MWh of electric energy delivered by TransAlta to PSE under the Agreement during such month.
3. The total number of MWh of electric energy that were delivered by TransAlta to PSE under the Agreement during such month from the CTCF.
4. The total number of MWh of electric energy that were delivered by TransAlta to PSE under the Agreement during such month from sources other than the CTCF, with the number of MWh delivered from each such source as specified by the NERC e-Tags for such energy.

8. In addition, TransAlta will, not later than March 1 of each calendar year during the Delivery Term, beginning on March 1, 2015, provide the following information to PSE with respect to the most recently concluded calendar year:

- A. Each payment made by TransAlta pursuant to Section 3 of the MOA during such calendar year.
- B. The average number of FTEs during such calendar year.

A true and correct copy of the above-described agreement is attached hereto as Attachment

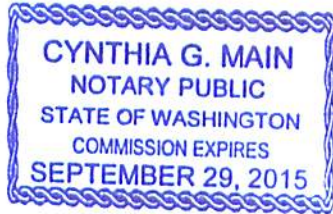
B.

EXECUTED this 22<sup>nd</sup> day of January 2013, at Bellevue, Washington.

[Signature]  
Roger Garratt

SUBSCRIBED and SWORN to before me this 22<sup>nd</sup> day of January, 2013 by Roger Garratt.

[Signature]  
Print Name: CYNTHIA MAIN  
Notary Public in and for the State of  
Washington, residing at [Signature]  
My commission expires: 9-29-2015



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# **Attachment A**

## AMENDMENT TO COAL TRANSITION POWER PURCHASE AND SALE AGREEMENT

THIS AMENDMENT TO COAL TRANSITION POWER PURCHASE AND SALE AGREEMENT (this "Amendment") is made and entered into as of January 22, 2013 (the "Amendment Date"), by and between TRANSALTA CENTRALIA GENERATION LLC, a Washington limited liability company ("Seller"), and PUGET SOUND ENERGY, INC., a Washington corporation ("Buyer").

WHEREAS, the Parties entered into a Coal Transition Power Purchase and Sale Agreement dated as of July 24, 2012, pursuant to which Buyer agreed to purchase coal transition power from Seller, and Seller agreed to sell coal transition power to Buyer (the "Agreement");

WHEREAS, on January 9, 2013, the WUTC issued Order 03 Final Order Granting Petition, Subject to Conditions in Docket UE-121373 (the "Final Order"), in which the WUTC approved the Agreement, but subject to conditions; and

WHEREAS, the Parties wish to amend the Agreement, on the terms and subject to the conditions of this Amendment, in order to address certain conditions set forth in the Final Order.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions.

(a) Defined terms used but not defined in this Amendment will have the meanings set forth in the Agreement.

(b) Section 1.1 of the Agreement is amended to add the following defined terms.

"FTE" means a full-time employee of Seller who has a minimum of thirty-five (35) scheduled hours per week, or such other number of hours per week (but not less than twenty-five (25) hours) as established by (i) existing practices or written policies of Seller or (ii) any collective bargaining agreement to which Seller is bound, and whose workplace location is the CTCF.

"Permanent Cessation of Generation" means the occurrence of any of the following: (a) a formal determination by the management of Seller to permanently cease the generation of electric energy at the CTCF; (b) the CTCF has, for any reason other than Force Majeure, failed during a continuous period of 365 or more days to generate any electric energy; or (c) the average number of FTEs over a six-month period has been reduced below 50% (or, if Seller has permanently terminated operation of one generating boiler at the CTCF at any time during the preceding eighteen (18) consecutive months, below 30%) of the average number of FTEs during the preceding eighteen (18) consecutive calendar months.

2. MOA. Section 17.3 of the Agreement is amended to read in its entirety as follows:

Section 17.3. MOA. If at any time after the Agreement Date the MOA is terminated by Seller pursuant to Section 8(c) of the MOA or is terminated or cancelled by the State of Washington as a result of failure by Seller to satisfy its payment obligations under Section 3 of the MOA, Seller will promptly notify Buyer thereof. Upon Buyer's receipt of any such notice, Buyer will have a period of thirty (30) days in which to make an initial determination (the "Initial MOA Determination") whether Buyer wishes to (a) maintain this Agreement in effect, notwithstanding such termination or cancellation of the MOA, or (b) terminate this Agreement on the basis of such termination or cancellation of the MOA. Not later than ten (10) days after the expiration of such thirty (30)-day period, Buyer will file with the WUTC a petition for concurrence with the Initial MOA Determination and provide Seller with a copy of such filing. Upon receipt of a final order of the WUTC concurring with or disapproving of the Initial MOA Determination, Buyer will make a final determination as to whether to maintain this Agreement in effect, notwithstanding such termination or cancellation of the MOA, or terminate this Agreement on the basis of termination or cancellation of the MOA ("Final MOA Determination"). Buyer will provide notice of its Final MOA Determination to Seller within ten (10) days after Buyer's receipt of the final WUTC order concurring with or disapproving of the Initial MOA Determination. If the WUTC has not issued a final order concurring with or disapproving of the Initial MOA Determination within ninety (90) days after the date on which Buyer files its petition for concurrence, then Buyer will make its Final MOA Determination and provide notice thereof to Seller within ten (10) days of the expiration of such ninety (90)-day period. If Buyer notifies Seller that its Final MOA Determination is to terminate this Agreement, this Agreement (and each and all of the rights and obligations of each Party under this Agreement) will terminate effective ten (10) days following such notice. Unless and until Buyer provides any such notice of termination, this Agreement will remain in full force and effect. The right of Buyer to terminate this Agreement (and each and all of the rights and obligations of each Party under this Agreement) under this Section 17.3 is in addition to, and does not limit, the rights and obligations of either Party pursuant to Section 17.1, Section 17.2 or Section 17.4. Neither Party will incur any liability (including liability for any Termination Payment) for or on account of any termination pursuant to this Section 17.3.

3. Permanent Cessation of Generation at CTCF. Section 17.4 is renumbered as Section 17.5, and the following is added to the Agreement as a new Section 17.4:

Section 17.4. Permanent Cessation of Generation at CTCF. Not later than fifteen (15) days after the occurrence of any Permanent Cessation of Generation, Seller will provide notice thereof to Buyer. Upon Buyer's receipt of any such notice, or upon Buyer's otherwise acquiring actual knowledge of the occurrence of any Permanent Cessation of Generation and providing notice thereof to Seller, Buyer will have a period of thirty (30) days in which to make an initial



determination (the “Initial PCG Determination”) whether Buyer wishes to (a) maintain this Agreement in effect, notwithstanding such Permanent Cessation of Generation, or (b) terminate this Agreement on the basis of such Permanent Cessation of Generation. Not later than ten (10) days after the expiration of such thirty (30)-day period, Buyer will file with the WUTC a petition for concurrence with the Initial PCG Determination and provide Seller with a copy of such filing. Upon receipt of a final order of the WUTC concurring with or disapproving of the Initial PCG Determination, Buyer will make a final determination as to whether to maintain this Agreement in effect, notwithstanding such Permanent Cessation of Generation, or terminate this Agreement on the basis of such Permanent Cessation of Generation (“Final PCG Determination”). Buyer will provide notice of its Final PCG Determination to Seller within ten (10) days after Buyer’s receipt of the final WUTC order concurring with or disapproving of the Initial PCG Determination. If the WUTC has not issued a final order concurring with or disapproving of the Initial PCG Determination within ninety (90) days after the date on which Buyer files its petition for concurrence, then Buyer will make its Final PCG Determination and provide notice thereof to Seller within ten (10) days of the expiration of such ninety (90)-day period. If Buyer notifies Seller that its Final PCG Determination is to terminate this Agreement, this Agreement (and each and all of the rights and obligations of each Party under this Agreement) will terminate effective ten (10) days following such notice. Unless and until Buyer provides any such notice of termination, this Agreement will remain in full force and effect. The right of Buyer to terminate this Agreement (and each and all of the rights and obligations of each Party under this Agreement) under this Section 17.4 is in addition to, and does not limit, the rights and obligations of either Party pursuant to Section 17.1, Section 17.2, or Section 17.3. Neither Party will incur any liability (including liability for any Termination Payment) for or on account of any termination pursuant to this Section 17.4.

4. Severability. Former Section 17.4 is renumbered as Section 17.5, and is amended to read in its entirety as follows:

Section 17.5. Severability. The provisions of Section 17.1, Section 17.2, Section 17.3, Section 17.4, and this Section 17.5 are severable from the other provisions of this Agreement and will survive and remain in full force and effect following any such termination.

5. Return of Guaranty. Former Section 17.5, headed “Return of Guaranty,” is renumbered as Section 17.6.

6. Effect of Amendment. Except as expressly provided herein, this Amendment shall not alter, modify, amend or in any way affect the terms, conditions, obligations, covenants or agreements contained in the Agreement.

7. Counterparts; Facsimile. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Washington. This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together,

shall constitute one agreement, and this Amendment shall become effective upon receipt of a counterpart hereof from each of the Parties. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, each Party has caused this Amendment to be executed on its behalf by its duly authorized representative, effective as of the Amendment Date. This Amendment will not become effective as to either Party unless and until executed by both Parties.

**TRANSALTA CENTRALIA GENERATION  
LLC**

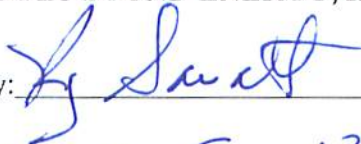
By:  \_\_\_\_\_

Its: President \_\_\_\_\_

By:  \_\_\_\_\_

Its: Secretary \_\_\_\_\_

**PUGET SOUND ENERGY, INC.**

By:  \_\_\_\_\_

Its: Director, Financial Planning &  
Strategic Initiatives \_\_\_\_\_

# **Attachment B**

## TRANSALTA CENTRALIA GENERATION LLC

January 22, 2013

Puget Sound Energy, Inc.  
10885 NE 4<sup>th</sup> Street  
Bellevue, WA 98004  
Attn: Senior Vice President Energy  
Operations  
Facsimile: (425) 462-3300

Re: Annual Reports Regarding Coal Transition Power Purchase and Sale  
Agreement dated as of July 24, 2012

Ladies and Gentlemen:

Reference is hereby made to that certain Coal Transition Power Purchase and Sale Agreement dated as of July 24, 2012 (the "Agreement") by and between TransAlta Centralia Generation LLC, a Washington limited liability company ("Seller"), and Puget Sound Energy, Inc., a Washington corporation ("Buyer"). Capitalized terms used herein and not defined herein will have the meanings ascribed to such terms in the Agreement.

On January 9, 2013, the WUTC issued Final Order 03 Granting Petition, Subject to Conditions, with respect to the Agreement in Docket UE-121373 (the "WUTC Order"). The WUTC Order requires that Buyer file annually with the WUTC a report regarding certain matters relating to the Agreement. Paragraph 126 of the WUTC Order provides as follows with respect to such report:

- (5) The Commission's approval is subject to the condition that Puget Sound Energy, Inc., within 30 days after the date of this Order, will enter into good faith discussions and determine in coordination with Commission Staff the content and form of an annual report that will be filed with the Commission under Docket UE-121373, as provided under WAC 480-07-880(3). The report should include monthly data for the preceding 13 months beginning with the period December 1, 2014, through December 31, 2014, and must be provided no later than March 31 of each year, beginning in 2015. The report must include data that show plant operations and the sources of power from which TransAlta satisfies its delivery obligations to PSE under the Coal Transition PPA, and information concerning the payments and disposition of payments as required under the Memorandum of Agreement between the Governor's Office and TransAlta Centralia entered into on December 23, 2011, memorializing in contractual form the requirements set forth

in the Coal Transition Energy Bill, as codified in RCW 80.80.100. The report should include such other data as agreed between Commission Staff and Puget Sound Energy, Inc. These parties should file a detailed description of the report they propose within 120 days after the date of this Order. The proposed content and form of the report is subject to approval by the Commission's Executive Director and Secretary to whom the Commission delegates this responsibility.

The Parties hereby agree that, in support of Buyer's annual reporting obligations under the WUTC Order, Seller will, not later than March 1 of each calendar year during the Delivery Term, beginning on March 1, 2015, provide the following information to Buyer with respect to each month during the 13-month period beginning on December 1 of the calendar year immediately prior to the most recently concluded calendar year and ending on December 31 of the most recently concluded calendar year:

1. The total number of hours during such month in which the CTCF generated any electric energy.
2. The total number of MWh of electric energy delivered by Seller to Buyer under the Agreement during such month.
3. The total number of MWh of electric energy that were delivered by Seller to Buyer under the Agreement during such month from the CTCF.
4. The total number of MWh of electric energy that were delivered by Seller to Buyer under the Agreement during such month from sources other than the CTCF, with the number of MWh delivered from each such source as specified by the NERC e-Tags for such energy.

In addition, Seller will, not later than March 1 of each calendar year during the Delivery Term, beginning on March 1, 2015, provide the following information to Buyer with respect to the most recently concluded calendar year:

- A. Each payment made by Seller pursuant to Section 3 of the MOA during such calendar year.
- B. The average number of FTEs during such calendar year, where "FTE" means a full-time employee of Seller who has a minimum of [thirty-five (35)] scheduled hours per week, or such other number of hours per week (but not less than twenty-five (25) hours) as established by (i) existing practices or written policies of Seller or (ii) any collective bargaining agreement to which Seller is bound, and whose workplace location is the CTCF.

If and to the extent that the good-faith discussions required by Paragraph 126 of the WUTC Order with respect to the form and content of the annual report result in a

request by WUTC Staff that the annual report contain information with respect to the CTCF or the MOA that is in addition to the information described above, Buyer will consult with Seller prior to entering into an agreement with WUTC Staff regarding the provision of such information.

If and to the extent that Seller designates information provided by Seller to Buyer under or in connection with this letter agreement as "Confidential Information" under the Agreement, Buyer will treat such information as Confidential Information in accordance with the requirements of Article 13 of the Agreement; provided, however, that Seller hereby consents to the disclosure of such information to the WUTC, in accordance with the provisions of Section 13.4 of the Agreement, as and to the extent reasonably required to satisfy the requirements of the WUTC Order.

\* \* \* \* \*

Except as expressly provided herein, this letter agreement will not alter, modify, amend or in any way affect the terms, conditions, obligations, covenants or agreements contained in the Agreement.

This letter agreement may not be amended or waived except by an instrument in writing signed by each of the Parties. This letter agreement will be governed by the laws of the State of Washington, without regard to the principles of conflicts of law thereof. This letter agreement may be executed in any number of counterparts, each of which will be an original and all of which, when taken together, will constitute one agreement. Delivery of an executed signature page of this letter agreement by facsimile transmission, as a .pdf attachment in an e-mail, or by other electronic transmission will be as effective as delivery of a manually executed counterpart hereof.

*[Signature Page Follows]*

Puget Sound Energy, Inc.  
January 22, 2013  
Page 4

If the foregoing correctly sets forth our understanding, please indicate your acceptance of the terms hereof by returning to us an executed counterpart hereof, whereupon this letter agreement will become a binding agreement between us.

Very truly yours,

TRANSALTA CENTRALIA GENERATION LLC

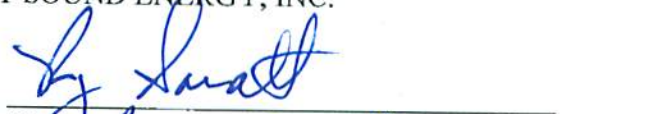


Paul Taylor  
President

Accepted and agreed to as of  
the date first written above:

PUGET SOUND ENERGY, INC.

By:



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Name: Roger Garratt  
Title: Director, Financial Planning  
& Strategic Initiatives