

I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Donald W. Schoenbeck. I am a member of Regulatory & Cogeneration Services, Inc. ("RCS"), a utility rate and economic consulting firm. My business address is 900 Washington Street, Suite 780, Vancouver, WA 98660.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. My direct testimony on behalf of the Industrial Customers of Northwest Utilities in this proceeding was submitted on June 15, 2007. My qualifications are described in Exhibit No.____(DWS-2).

Q. PLEASE STATE THE PURPOSE OF AND SUMMARIZE THIS SUPPLEMENTAL TESTIMONY.

A. I am submitting this supplemental testimony to address the appropriate capacity value used in the AURORA modeling for the Colstrip #3 and Colstrip #4 generating units ("Colstrip units"). I feel it is appropriate to make the supplemental filing now so that Puget Sound Energy ("the Company" or "Puget" or "PSE") can provide a response in its rebuttal testimony regarding the evidence and basis for the PSE proposed value.

In this docket, PSE used [REDACTED] MW as the dependable capacity for each unit. Based upon public information from several sources, it appears the more appropriate value is in the range of 763 to 770 MW. I have performed a sensitivity analysis using the AURORA model assuming the correct rating of these units is 768 MW. Increasing the capacity of these units to this value lowers the revenue requirement by \$6.1 million (50-water-year result with an incremental mark to

1 market adjustment). As a result, the revised ICNU recommendation in this case is
2 a revenue increase of about \$47.4 million as compared to PSE's proposal of \$77.8
3 million—a difference of \$30.4 million.

4 **Q. IS IT POSSIBLE FOR A GENERATING UNIT TO HAVE MORE THAN**
5 **ONE CAPACITY RATING?**

6 **A.** Yes. To name just a few, generating units have a “nameplate” capacity, a “gross”
7 dependable capacity, and a “net” dependable capacity. Further, the “dependable”
8 rating can also vary by season or time period considerations. Many years ago, the
9 nameplate rating was used as a measure of the generating units' output, but it is less
10 relevant today because the “dependable” ratings are recognized as providing a more
11 meaningful measure of the units' performance. The gross and net dependable
12 ratings differ by the amount of internal load—station service and auxiliary load—of
13 the generating unit. Accordingly, in my view the most important rating is the net
14 dependable rating, as it represents the amount of power that can be depended upon
15 to be output to the grid over a select amount of time and used as an input to
16 AURORA.

17 **Q. CAN THE NET DEPENDABLE CAPACITY OF A UNIT CHANGE?**

18 **A.** Yes. The net capacity of a unit can deteriorate over time (degradation) or it can be
19 improved or “upgraded” due to maintenance overhauls and/or capital investment.
20 The circumstances regarding the Colstrip capacity in this case are the latter.
21 Specifically, the Colstrip units have or are scheduled to undergo upgrades that are
22 projected to increase the output of each unit.

performed a sensitivity using the AURORA model. We simply changed PSE's values for the two units to 768 MWs. Under a complete 50-water-year run, the AURORA power costs were lowered by \$6.1 million, but there was an incremental increase in the post processing mark to market adjustment of almost \$218,000. This resulted in a net power cost reduction of \$5.8 million. Consequently, the power cost adjustments addressed by ICNU in this proceeding would lower the proposed rate increase by about \$36.1 million, resulting in a rate increase of \$41.7 million or 2.4%.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.