

**EXH. RJR-3  
DOCKET UG-230393  
WITNESS: RONALD J. ROBERTS**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UG-230393**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**RONALD J. ROBERTS**

**ON BEHALF OF PUGET SOUND ENERGY**

**MAY 25, 2023**

**Excerpt from**  
**Presentation to the PSE Board of Directors**  
**September 22, 2016**

## Executive Board Summary

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- Management is requesting final Board authorization contingent upon resolution of two final key authorizations:
  - Receipt of the U.S. Army Corps of Engineers permits (expected the week of September 19)
  - WUTC order approving a regulatory settlement consistent with the following principles (expected by October 31):
    - Limited exemption from merger commitments 56 and 58, if applicable
    - Allocation of capital costs of the LNG Facility between regulated and non-regulated entities along lines proposed in Brown Williams report (i.e., 43% regulated, 57% non-regulated)
- Board Authorization consistent with overall Project strategy:
  - Project construction/execution plan
  - Projection of financial performance
  - Risk analysis and mitigation plans
  - Prudence of peaking portion of LNG Facility based on the determination of need, the analysis of alternatives, Project costs and the benefits for customers



# LNG Project Budget

Overall LNG Project budget remains relatively unchanged despite schedule slippage.

## EPC Contract:

- CBI submitted revised EPC pricing July 2016
  - Contract terms were negotiated and agreed upon in October, 2015
  - Revised EPC pricing includes approx. 1.5% (~\$3m) price increase due to project delay and evolving scope prior to contract execution

## PSE Contractor Team:

- Budget includes cost escalations based upon final contract award and refined scope definition

## Gas System Upgrades:

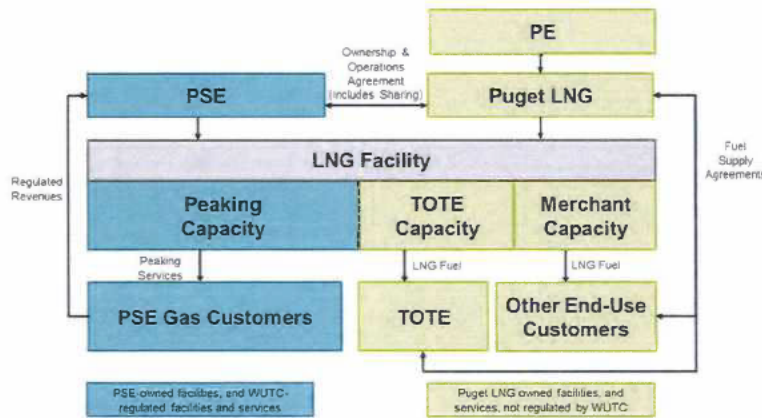
- Gas System Upgrades include all project upgrades; i.e., those required and caused by the LNG Facility as well as those system upgrades included in PSE's 2013 long-range plan and required by LNG Facility

Tacoma LNG Capital Budget (\$ millions)	Total
Development	\$20
Fixed Price EPC	\$197
Miscellaneous Construction	\$55
PM & Outside Services	\$16
Insurance	\$2
Sales Tax	\$14
Contingency	\$19
Construction OH's	\$10
<b>LNG FACILITY TOTAL</b>	<b>\$332</b>
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Gas System Upgrades	\$31
Contingency	\$4
Permitting Mitigations	\$4
<b>GAS SYSTEM IMPROVEMENTS TOTAL</b>	<b>\$39</b>
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<b>PROJECT CAPITAL TOTAL</b>	<b>\$371</b>
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AFUDC / IDC	\$51
<b>CLOSING GROSS PLANT</b>	<b>\$422</b>
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O&M (for development & construction)	\$2



# Expected Cost Allocation Structure

## Organizational Structure:



## Capital Allocation\*:

Physical Capacity	Peak Shaving	TOTE	Merchant	TOTAL
[1] Liquefaction (gpd)	24,333	111,046	114,621	250,000
[2] Storage (gal)	6,300,000	500,000	1,200,000	8,000,000
<b>Percent Allocated</b>				
[3] Liquefaction (gpd)	10%	44%	46%	100%
[4] Storage (gal)	79%	6%	15%	100%
<b>CapEx Allocation</b>				
[10] Liquefaction	10%	44%	46%	\$89
[11] Storage	79%	6%	15%	\$111
[12] Bunkering	0%	100%	0%	\$42
[13] Truck Loading	5%	0%	95%	\$11
[14] Vaporization	100%	0%	0%	\$20
[15] Common	43%	33%	25%	\$59
[16] Allocated Capital	\$142	\$108	\$83	\$332
[17] % of plant	43%	33%	25%	
[18] Gross Plant (w/AFUDC)	\$165	\$121	\$92	

## O&M Allocation Methodology:

### Plant Consumables

Allocated based on LNG Volume in given year

### Maintenance

Allocated based on Maintenance Allocation estimate provided by CBI

### Staffing, Incremental Insurance & Lease

Allocated based on CapEx Allocation (% of plant)

### Bunkering & Wharfage

Allocated based on % Wharfage Volume, with 0% allocated to PSE Peak Shaving

### Corporate OHs

Allocated based on Cost of Service (COS) Methodology



\* Capital allocations are assumed based on current discussions with Utility Commission staff as part of mediation process.

## Capital Allocation Methodology:

### Liquefaction & Storage

Allocated based on physical capacity

### Bunkering

Allocated fully to TOTE- any merchant sales through bunkering facilities will generate a credit to TOTE

### Truck Loading

Truck loading is allocated partially to peak shaving to fuel Gig Harbor and mobile LNG trucks

### Vaporization

Vaporization is allocated fully to utility peak shaving

### Common

Common cost are allocated based on the weighted average allocated of all services

# EPC Agreement

*EPC Agreement with CBI is ready for execution.*

- **Notice to Proceed:**  
Execution of the EPC contract will serve as a full NTP for all engineering, procurement and construction
- **Scope of Work:**  
CBI will provide a plant that meets all requirements of the Basis of Design negotiated during FEED and pricing activities
  - Contract includes performance guarantees and associated penalties
  - 12 month warranty period
  - Delay liquidated damages
- **Contract Pricing:**  
Lump sum payment for base scope of work, negotiated T&M change orders per contract terms, LNG pipeline to TOTE is T&M
  - Payments made according to an agreed-upon milestone schedule based upon actual work completion

<u>EPC Contract*</u>	
Site, Civil, Foundations, Buildings & Structural	5.6
Receiving Equipment	6.2
Pretreatment System	17.1
LNG Liquefaction Train & Compressors	26.6
LNG Tank Storage and Boil Off Gas System	70.0
Vaporization Train	8.0
Truck Loading System	3.7
Blair Marine Fueling System	5.7
Electrical, Instrumentation and Control Systems	29.0
Balance of Plant (Utilities, Safety, Security and Telecom)	16.0
Start Up and Commissioning	9.1
<b>Total EPC</b>	<b>196.9</b>
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<b>LNG Pipeline (to Blair)*</b>	<b>12.3</b>

\* In millions

