

EXHIBIT NO. ___(WJE-1T)
DOCKET NO. UE-082128
WITNESS: W. JAMES ELSEA

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For a Determination of Emissions Compliance and
Proposed Accounting Treatment For the Mint Farm
Energy Center; or, Alternatively For an Accounting
Order

Docket No. UE-082128

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
W. JAMES ELSEA
ON BEHALF OF PUGET SOUND ENERGY, INC.**

FEBRUARY 13, 2009

1 **PUGET SOUND ENERGY, INC.**

2 **PRE-FILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **W. JAMES ELSEA**

4 **Q. Please state your name, business address, and position with Puget Sound**
5 **Energy, Inc.**

6 A. My name is W. James Elsea. My business address is 10885 NE Fourth Street,
7 Bellevue, WA 98004. I am the Financial Analysis Manager of Energy Resources
8 for Puget Sound Energy, Inc. (“PSE” or “the Company”).

9 **Q. Have you prepared an exhibit describing your education, relevant employment**
10 **experience, and other professional qualifications?**

11 A. Yes, I have. It is Exhibit No. ____ (WJE-2).

12 **Q. Please explain your duties as Financial Analysis Manager of Energy Resources**
13 **for PSE.**

14 A. My present responsibilities include oversight of PSE’s analysis of individual power
15 resources and portfolios of power resources for the Company’s Least Cost Plan,
16 Integrated Resource Plan, and resource acquisition processes. I provided testimony
17 in PSE’s 2007 general rate case (“GRC”) regarding the modeling tools and
18 quantitative analyses utilized by the Company to evaluate the various resource
19 alternatives resulting from its 2008 request for proposals (“RFP”). I managed the

1 quantitative analysis of the Mint Farm Energy Center (“Mint Farm”) as compared
2 to other resources in order to help determine the need and appropriateness of Mint
3 Farm.

4 **Q. What was the result of PSE’s quantitative analysis of Mint Farm?**

5 A. The Company’s evaluation revealed that acquisition of Mint Farm would
6 significantly contribute to PSE’s electric portfolio in that it is consistent with the
7 wind generation and gas generation strategy identified in the Company’s 2007
8 Integrated Resource Plan (“IRP”), which was filed with PSE’s Petition in this
9 docket. Over a 20-year analysis period, Mint Farm’s levelized cost or annual
10 average cost of generation is \$144/MWh.¹ Mint Farm provides approximately \$45
11 million of portfolio benefit relative to the 2007 IRP’s least cost generic portfolio.
12 Mint Farm helps PSE respond to the significant resource shortfall identified in the
13 IRP and is an efficient gas plant that is currently permitted and operating. With a
14 cost of approximately \$800/kW Mint Farm is an opportunistic and lower risk
15 alternative to construction of a new plant.

¹ Note that PSE’s Petition presents a levelized cost range of \$125/MWh-\$155/MWh. This range results from PSE’s ongoing refinements to the project’s proforma as well as the results from subsequent AURORA runs.

1 **Q. What are the fixed and variable costs the Company seeks to defer?**

2 A. Please see the Second and Third Exhibits to my Prefiled Direct Testimony, Exhibit
3 Nos. ___(WJE-3) and Exhibit No. ___(WJE-4), which identify the cost components
4 in the total fixed costs and net variable costs calculations, respectively.

5 **Q. Please describe PSE's resource evaluation methodology.**

6 A. PSE used two quantitative models in evaluating potential resource alternatives: the
7 AURORA model and the Portfolio Screening Model. The AURORA model is a
8 fundamentals-based production costing model that calculates regional wholesale
9 power market prices through simulation of the supply of resources, the demand for
10 power, and transmission constraints. PSE inputs these AURORA prices into the
11 Portfolio Screening Model. The Portfolio Screening Model is a Microsoft Excel-
12 based model, specific to PSE's portfolio, which allows the Company to evaluate
13 alternative portfolios of existing and new resources to serve load.

14 **Q. Has the Company's resource acquisition process been reviewed by the**
15 **Commission?**

16 A. Yes. The type of resource acquisition process applied in PSE's acquisition of Mint
17 Farm has been extensively reviewed through several rate proceedings, and the
18 Commission has repeatedly approved the Company's methodology. As I explained
19 in the Company's 2007 GRC, PSE used its resource acquisition process to evaluate
20 several purchased power agreements, the Hopkins Ridge Infill, and the Sumas

1 natural gas fired combined cycle combustion turbine. As described in the final
2 order in that proceeding, no party objected to the resource acquisition process
3 described above.²

4 PSE also followed a similar resource acquisition process in its 2005 power cost
5 only rate case, Docket No. UE- 050870, for the Company's selection of the
6 Hopkins Ridge Wind Project; in its 2006 GRC, Docket Nos. UE-060266 and UG-
7 060267, for its acquisition of the Wild Horse Wind Project; and in its 2007 power
8 cost only rate case, Docket No. UE-070565, for PSE's acquisition of Goldendale.

9 The Commission found that the costs of PSE's investments in each of the above
10 proceedings were prudently made and reasonable, and the resources were allowed
11 to be recovered in rates.³

12 **Q. Does that conclude your testimony?**

13 **A.** Yes, it does.

² *WUTC v. Puget Sound Energy, Inc.*, Docket Nos. UE-072300 and UG-072301, Order No. 12 at ¶59 (Oct. 8, 2008).

³ *See WUTC v. Puget Sound Energy, Inc.*, Docket No. UE-050870, Order 04 at ¶30 (Oct. 20, 2005), Docket Nos. UE-060266 and UG-060267, Order 08 ¶185 (Jan. 5, 2007), and Docket Nos. UE-070565, Order 07 at ¶47 (Aug. 12, 2007).