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**Bellevue, WA 98009-9734**

May 13, 2005

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

**RE: Least Cost Planning Rulemaking--Docket No. UE-030311**

Dear Ms. Washburn,

This filing sets forth the response of Puget Sound Energy, Inc. ("PSE") to the Notice of Opportunity to File Written Comments dated April 22, 2005 in the above-noted docket. PSE appreciates the work undertaken by Commission Staff in moving this docket forward through circulating the discussion draft provided with the Notice and in scheduling a workshop on June 9, 2005.

### **Proposed Revisions to Discussion Draft Rules**

PSE believes that the discussion drafts improve the current versions of WAC 480-100-238. However, PSE recommends that some additional revisions be made, as set forth in the legislative versions of the discussion draft found in Attachment A to this letter. This document shows PSE's proposed revisions to the clean versions of the discussion drafts that were provided with the Notice. PSE has provided explanatory comments in footnotes to the proposed revisions.

PSE's proposed revisions are generally intended to focus the Integrated Resource Planning (IRP) Rule more closely on the fundamental purpose of an IRP, which is to inform future resource acquisition and development decisions. PSE has suggested several changes in order to promote analyses of loads and resources that can be reasonably anticipated to result in potential acquisitions, and to reduce the potential for IRPs to become tied up in theoretical excursions.

### **Commission Approval—What and When?**

During the course of these rulemakings, a number of stakeholders have discussed the potential advantages or disadvantages of incorporating some form of approval by the Commission of LCP/IRPs. PSE believes the public interest could be enhanced with some form of regulatory approval prior to a utility dedicating a significant amount of society's

scarce resources to develop or acquire energy resources. However, the IRP is not the right place for such approval. The IRP is used to inform the RFP process, which, in turn, informs a resource acquisition decision process. Prior to the resource acquisition decision process, there is not enough information available to make a decision, thus little to "approve." PSE believes a new process, that would provide all stakeholders an opportunity to provide meaningful input to the resource decision process should be developed. In terms of process timing, that new process should come AFTER the IRP and RFP processes, when all meaningful information will be available, but BEFORE significant resources are committed to a particular resource.

In order to facilitate such discussion, PSE provides in Attachment B to this letter a "straw man" proposal for optional proceedings through which:

- a utility could seek Commission approval of the prudence of a utility's determination of resource need and resource acquisition strategy prior to implementation of an acquisition plan and associated financial commitments;
- particularly with respect to long lead-time resources, a utility could seek Commission approval of decisions to proceed with various phases of a project along the way. Such approval might or might not include commencement of recovery of costs expended as of that point in the project development;
- stakeholders would be provided an opportunity to provide direct feedback the resource acquisition process decision, rather than just far upstream in the information gathering process and long after the decision is made when utilities seek recovery of costs as provided in the current process;

Please note this new process should be optional. While utilities would generally desire elimination of unnecessary regulatory risk, there may be situations where good, but fleeting opportunities require swift action to capture benefits for customers.

Attachment B consists of two flow charts that compare: (1) the existing process through which stakeholders provide input on and the Commission ultimately approves utility resource acquisitions; and (2) a proposed modified process that includes the potential additional points at which a Commission prudence determination and/or cost recovery might be sought.

## **Conclusion**

PSE looks forward to discussing the comments and suggestions set forth in this filing, as well as the comments submitted by other stakeholders, at the June 9, 2005, workshop. If you have any questions regarding these comments or if we can be of any other assistance, please contact me at 425-456-2797.

Sincerely,

Karl Karzmar  
Director, Regulatory Relations

**DRAFT**  
**(Legislative Version Showing**  
**PSE's Comments on Discussion Draft)**

**Draft Integrated Resource Planning Requirements for Electric Utilities**

**WAC 480-100-238 Integrated Resource Planning.** (1) Purpose. Each electric utility regulated by the commission has the responsibility to meet its load with a lowest reasonable cost mix of resources. In furtherance of that responsibility, each electric utility must develop an "integrated resource plan" to inform future efficiency and supply resource acquisitions<sup>1</sup>.

(2) Definitions.

(a) "Integrated resource plan" or "plan" means a plan describing strategies for acquiring energy, capacity, and the mix of generating resources and improvements in the efficient use of electricity~~energy efficiency resources~~<sup>2</sup> that will meet current and future needs at the lowest reasonable cost to the utility and its ratepayers.

(b) "Lowest reasonable cost" means the lowest cost resulting from an ~~exhaustive and detailed~~ analysis of all reasonable<sup>3</sup> alternative sources and mixes of supply, considerations of market-volatility risks of generating and demand-side resources, and of system reliability and operational risks.

(3) Content. At a minimum, integrated resource plans must include:

(a) A range of forecasts of future demand using methods that examine the effect of economic forces on the consumption of electricity and that address changes in the number, type, and efficiency of electrical end-uses.

(b) An assessment of technically-commercially<sup>4</sup> feasible improvements in the efficient use of electricity, including load management, as well as an assessment of currently employed ~~and new policies and efficiency~~ programs ~~needed to obtain the efficiency improvements~~<sup>5</sup>.

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<sup>1</sup> PSE believes the fundamental purpose of the IRP should be to inform future resource acquisition/development decisions. Stating this in section (1) would help guide interpretation of the rest of the rule.

<sup>2</sup> This edit adopts the same definition as the gas plan, which more directly supports the purpose of the rule noted above in footnote 1. Note, PSE believes it is more important for the IRP to develop generic strategies than it is for the IRP to focus on finding one hypothetical, but unattainable, theoretical portfolio of resources.

<sup>3</sup> The phrase "exhaustive and detailed" is too broad to provide utilities with guidance. Also, extensively analyzing countless resources the utility would not reasonably expect to acquire over the planning horizon would add costs to the process without reaping commensurate benefits for customers. Changing the explanation to "all reasonable" will better support the purpose of the rule, as described in footnote 1, above.

<sup>4</sup> This edit continues implementing the concept in footnote 4; i.e., the utility should not spend a significant amount of time analyzing resources that are not reasonably anticipated to be acquirable.

<sup>5</sup> These edits will help keep the IRP focused on point to inform future resource decisions. While some policy discussion may be appropriate, the edits will help the IRP from straying into a document on regulatory policy.

(c) An assessment of ~~technically-commercially~~<sup>6</sup> feasible generating technologies.

(d) A comparative evaluation of generating resources and improvements in the efficient use of electricity based on a consistent method for calculating cost-effectiveness.

(e) The integration of the demand forecasts and resource evaluations into a long-range (i.e., of a duration appropriate to the life of the resources considered for acquisition) integrated resource plan describing the mix of resources that will meet current and future needs at the lowest reasonable cost to the utility and its ratepayers.

(f) A short-term (e.g., two-year) plan outlining the specific actions to be taken by the utility in implementing the long-range plan.

(4) Timing. Unless otherwise ordered by the commission, each electric utility must submit an IRP within two years after the date on which the previous plan was filed with the Commission. Not later than 16 months prior to the due date of a plan, the utility must provide a work plan for Commission review.

(5) Work plan. The work plan must outline the content of the integrated resource plan to be developed by the utility and the method for assessing potential resources. Consultations with commission staff and public participation are essential to the development of an effective plan. The work plan must also outline the timing and extent of public participation and must be conducted in consultation with staff.

(6) All integrated resource plans must include a progress report that relates the new plan to the previously filed plan.

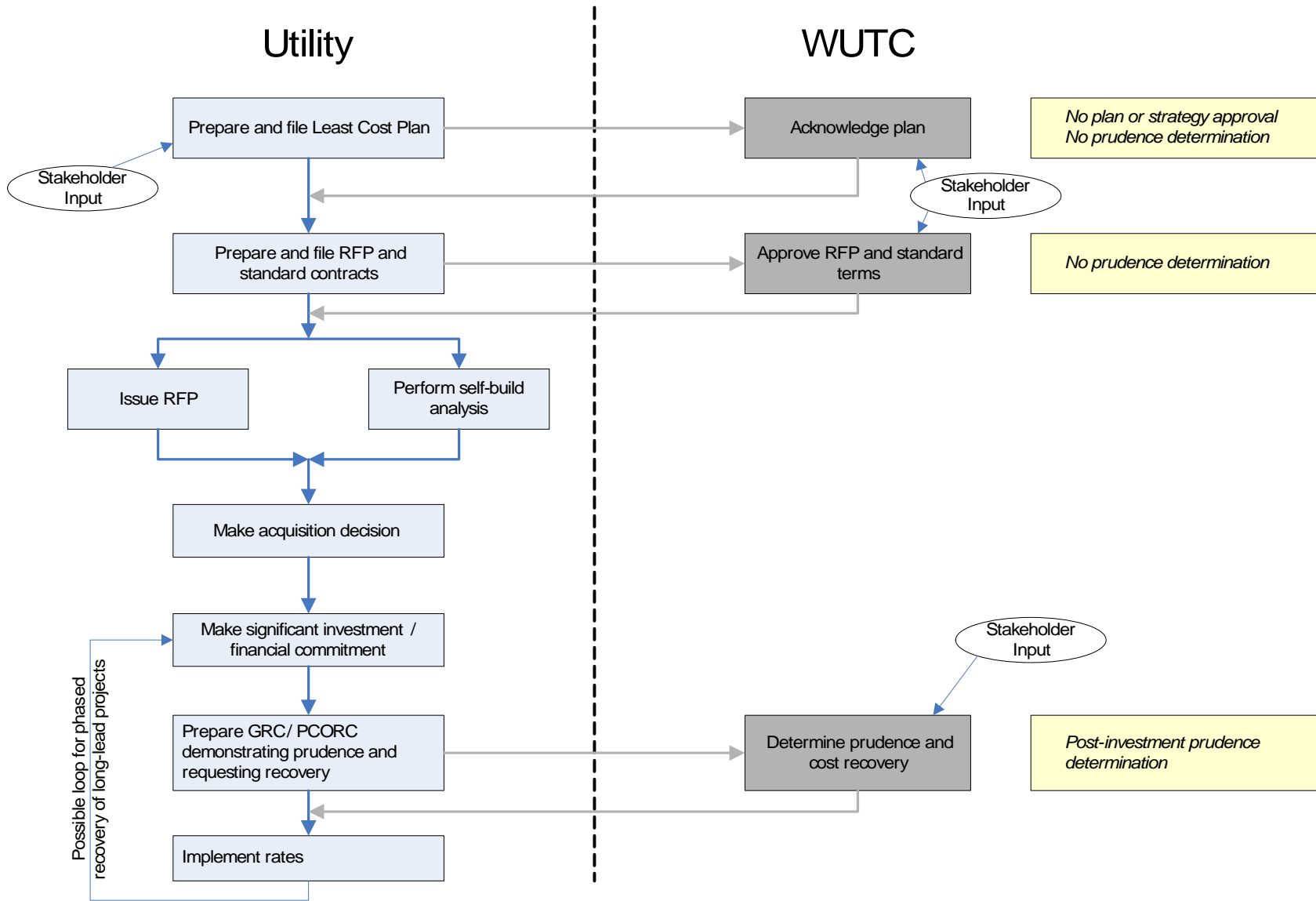
(7) The Commission will consider the information reported in the integrated resource plan, along with other available information, at a public hearing on the plan and when it evaluates the performance of the utility in rate and other proceedings.

[Statutory Authority: RCW 80.01.040 and 80.04.160. 01-11-004 (Docket No. UE-990473, General Order No. R-482), § 480-100-238, filed 5/3/01, effective 6/3/01.]

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<sup>6</sup> This edit continues implementing the concept in footnote 4; i.e., the utility should not spend a significant amount of time analyzing resources that are not reasonably anticipated to be acquirable.

# Energy Resource Regulatory Approval Process Flow Existing Process



# Energy Resource Regulatory Approval Process Flow Modified Process

