

Agenda Date: January 28, 2004  
Item Number: A1

**Docket:** UE-031353  
Company Name: Puget Sound Energy, Inc.

Staff: Hank McIntosh, Regulatory Consultant  
Joelle Steward, Regulatory Analyst  
Yohannes Mariam, Regulatory Analyst

**Recommendation:**

Approve the filing (as revised by the Company) as being in the public interest pursuant to WAC 480-107-060 and allow Puget Sound Energy to publish its all-technology and DSM RFPs.

Background:

On November 14, 2003, in its First Order of Docket UE-031353, the Commission ordered PSE to file an "all source" RFP not limited to a specific resource type or technology. PSE filed an all generation resources RFP on November 25, 2003. At the open meeting of December 8, 2003, PSE asked the Commission for a waiver of the comment period stated in Chapter 107 WAC in order to make the results of the bidding more contemporaneous with their on-going wind power solicitation. In the Second Order in this Docket, the Commission granted exception to the time requirement. Additionally, PSE filed a draft Request for Proposals for Electric Energy Efficiency Resources and Pilot Projects (Energy Efficiency RFP) on December 12, 2003. With both RFPs, the Company also requested a shortened time for public comment, which the Commission approved. The public comment period for the All-Source RFP ended January 6, 2004, and the comment period for the Energy Efficiency RFP ended January 13, 2004.

Discussion:

All Generation Resources RFP

The draft RFP produced 5 comments. The commentators were Public Counsel, The Opportunity Council, NW Energy Coalition (NVEC) and Renewables Northwest Project (RNP), jointly; TransAlta, and Sempra. Public Counsel generally supports the RFP draft. They prefer that bidders be required to file a bid with all fuel supply related risks bundled into the offered price, as a prerequisite to other bids of the sort considered by PSE's draft. This opinion is echoed by the joint comment of NVEC and RNP. The Opportunity Council suggests that the differences in bids with fuel supply and environmental risks covered in the price and those without be evaluated in a way that downgrades the bids without such insurance. Sempra requires that a limit on the level of detail in required information be imposed in the first round of bids, and that this information be required only at the second screening. They also suggest that PSE not consider the implied debt that ratings agencies use in analyzing a purchase power agreement

(PPA.) TransAlta generally wants a simpler PPA contract structure, with a lower information requirement than ownership bids.

Staff has reviewed PSE's responses to the comments and believes that they are reasonable and in the public interest. Generally Staff believes that the goal of the RFP is to ultimately produce offerings which have the greatest ratepayer advantage. The standard of non-discrimination and unconstrained bidding allows for fairness for bidders as well as protection for ratepayers. Requiring that a bidder file a bid with carbon tax and price volatility risks bundled into the price prerequisite to any other bid of their own preference will likely elicit fewer bids than requesting such a no-risk bid to accompany the usual one. Asking for the bidders' reason for not supplying such information will shed light on the costs and availability of these features. Further, making clear that the company welcomes such bids and that its evaluation scheme weighs such information is sufficient. However, requiring a level of information which the company believes is not adequate for analysis they perform is not useful. This applies to the amount of detail that PPA bids and ownership bids supply as well. The company is ultimately the decision maker and must assess the risk of supply as it sees fit. Otherwise, regulators cannot hold them accountable for their supply decisions.

#### Energy Efficiency RFP

Three parties submitted comments on the draft Energy Efficiency RFP. The Northwest Energy Efficiency Council (NEEC) commented that the proposed timeline is unreasonably long, which will create uncertainty and risk for bidders. NEEC recommends a RFP process targeted to specific end-use sectors or program designs with a shortened timeline that would allow program implementation to occur by 2005. The NW Energy Coalition (NWEC) also commented that the extended timeline created uncertainty and NWEC does not support a broad RFP that would seek energy savings in 2004-2005 since this could undermine the Company's current effort on conservation. However, NWEC does support a more targeted RFP to solicit bids that enhance or supplement PSE's current programs. Public Counsel commented that the RFP should better distinguish between near-term acquisitions and long-term exploration; they suggest language changes that would be less restrictive of bid types; and, they believe that the penalty clause should be reconsidered in order to not discourage bidders.

Staff has reviewed the Company's responses to the parties' comments and we believe that they are reasonable and adequate. We support the revisions the Company has made to the draft Energy Efficiency RFP. The Company has revised the draft RFP to better identify a path for consideration of bids for implementation in early 2005.

Staff believes that a broad RFP is preferable to a more targeted effort at this time in order to identify what the market has to offer without discretionary constraints. We are hopeful that this RFP will provide additional market information on price and program design that will supplement the supply curves the Company recently prepared for the least cost plan.

Summary

Staff has reviewed the text of the revised RFPs and believes that PSE's revisions reflect a reasonable consideration of public comment. The contents of the RFP document contain the required elements as described in Chapter 107 WAC. Staff concludes that these RFPs are in the public interest.

Conclusion:

Approve the filing (as revised by Company) as being in the public interest pursuant to WAC 480-107-060 and allow Puget Sound Energy to publish its all-technology and DSM RFPs.