

EXHIBIT NO. ___(EMM-8)
DOCKET NO. _____
2005 POWER COST ONLY RATE CASE
WITNESS: ERIC M. MARKELL

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-_____

**SEVENTH EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF
ERIC M. MARKELL (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JUNE 7, 2005

KIRSTIN S. DODGE
Direct: (425) 635-1407
Internet: KSDodge@perkinscoie.com

The PSE Building
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
PHONE: 425.635.1400
FAX: 425.635.2400
www.perkinscoie.com

November 25, 2003

VIA HAND DELIVERY

Carole J. Washburn
Office of the Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**Re: Docket No. UE-031353
Draft Request for Proposals from All Generation Sources and
Request to Shorten Time for Public Comment on RFP**

Dear Ms. Washburn:

Enclosed for filing are an original and 19 copies of a Request for Proposals from All Generation Sources ("All-Source RFP") submitted by Puget Sound Energy, Inc. ("PSE") pursuant to WAC 480-107-060. We have provided an electronic copy of this filing on the enclosed CD.

Please note that this letter also requests that the Commission adjust certain time periods set forth in WAC Chapter 480-107, as described below and authorized by WAC 480-107-170(3). PSE hereby asks the Commission to decide at its Open Meeting scheduled for December 10, 2003, whether it will grant PSE's request to shorten time for public comment on its All-Source RFP.

**This All-Source RFP Expands PSE's Efforts to Acquire Resources Under
WAC Chapter 480-107**

On August 25, 2003, PSE filed a Request for Proposals for Wind Power Resources ("Wind RFP") in this docket. On November 13, 2003, the Commission approved PSE's Wind RFP pursuant to WAC 480-107-060(2) on the condition that PSE file with the Commission on or before December 31, 2003, an "all-source" request for proposals that is not limited to a specific resource type or technology.

PSE files this All-Source RFP in compliance with the condition set forth in the Commission's November 13, 2003 order. PSE also files this All-Source RFP in furtherance of the resource acquisition plan described in Exhibit A to PSE's letter to the Commission dated August 25, 2003 ("Resource Acquisition Program"), which was filed along with PSE's Wind RFP.

Request for Expedited Treatment

When a company files a draft RFP with the Commission under WAC 480-107, WAC 480-107-060(2)(b) provides for a sixty-day comment period prior to Commission action on the RFP. However, WAC 480-107-170(3) provides that the Commission "may grant such exceptions to these rules as may be appropriate in individual cases."

PSE hereby requests that the Commission set a deadline for public comment on its All-Source RFP of January 6, 2004, which would result in a 42-day public comment period. PSE requests that the Commission then approve PSE's All-Source RFP at its Open Meeting on January 28, 2004.¹

PSE believes that its request to expedite comment and action on its All-Source RFP is appropriate. Commission Staff expressed a belief at the November 12, 2003, Open Meeting that PSE should consider responses to its Wind RFP at approximately the same time as its All-Source RFP. A shorter comment period on the All-Source RFP would increase the likelihood that such a contemporaneous review would be feasible without delaying an acquisition decision under the Wind RFP.

In addition, PSE does not believe that a shortened comment period would prejudice any stakeholders. Stakeholders have had since late August 2003 to examine PSE's Wind RFP and related documents, including PSE's Resource Acquisition Program, and PSE's August 29, 2003 Least Cost Plan Update. PSE's All-Source RFP contains additional information and requirements relative to resources other than wind, but it is quite similar to the Wind RFP in many respects. Thus, PSE believes that stakeholders should be in a position to comment on the All-Source RFP by the January 6, 2004 deadline that PSE has requested.

¹ As with the Wind RFP, PSE anticipates providing a response to comments on its All-Source RFP that may include proposed revisions to the draft All-Source RFP based on comments received from industry stakeholders.

Approval of Acceptance of Proposals from Other Utilities

As with PSE's Wind RFP, the All-Source RFP proposes to accept proposals from other utilities based on PSE's belief that consideration of proposals from other utilities and/or their affiliates may increase the number of qualified respondents and thus increase the overall creativity and competitiveness of the process. Pursuant to WAC 480-107-020(2), PSE requests that the Commission approve this aspect of its revised RFP.

Estimated Generic Avoided Cost Schedule

PSE has provided in Exhibit V to its All-Source RFP its estimated generic avoided cost schedule in order "to provide general information to potential bidders about the cost of new power supplies absent nonutility resources." WAC 480-107-050. This generic estimated cost schedule does not include costs due to adverse effects on PSE's financial position that may result from a particular resource acquisition, such as imputed debt effects associated with power purchase agreements, counter-party credit issues and other security and control costs, or the costs of integrating a potential resource into PSE's system. Such costs will be considered in reviewing proposals, as described in the RFP.

For the Commission's convenience, PSE also provides as Exhibit A to this letter a checklist showing that PSE's proposed All-Source RFP satisfies the requirements set forth in WAC Chapter 480-107.

Efforts to Promote Public Awareness of Filing

In order to broaden awareness of this All-Source RFP filing among persons who may be interested, PSE has mailed a copy of this filing to representatives of stakeholders who participated in PSE's LCP process and to approximately 90 power marketing companies, utilities, and other entities involved in development or provision of electric energy resources that PSE has identified in past planning efforts and solicitations. PSE will be distributing the filing to a variety of trade publications and will also post the filing on its Web site.

PSE will host a public meeting to discuss this filing and the proposed All-Source RFP on Monday, December 8, 2003, at 1:00 p.m. at The Summit Conference Center, Summit Ridge Building, Suite 150, 320 108th Avenue N.E., Bellevue, Washington.

PSE looks forward to working with Commission Staff, proposers and other interested parties to make this RFP process successful. Questions regarding this filing

should be addressed to the undersigned or to George Pohndorf, 425-462-3272.
Questions regarding PSE's LCP, resource acquisition plan, or All-Source RFP should
be addressed to Wayman Robinett, 425-462-3144.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kirstin S. Dodge', with a long horizontal line extending to the right.

Kirstin S. Dodge

Enclosures

EXHIBIT A

WAC CHAPTER 480-107 REQUIREMENTS CHECKLIST

Requirement and Citation	Location in RFP
Identify a resource block consisting of the overall amount of power to be solicited from project developers through the bidding process, and specify that block in the RFP. WAC 480-107-040(1), WAC 480-107-060(2)(c).	Section 1.1
Demonstrate (as part of the RFP documentation) that the size of the resource block is consistent with the range of estimated new resource needs identified in the LCP. WAC 480-107-040(2).	Section 2 and Exhibit VI
Specify any minimum criteria that bidders must satisfy to be eligible for consideration in the ranking procedure. WAC 480-107-060(2)(d).	N/A
Explain the criteria that will be used to rank project proposals. Project ranking procedures must be based on least-cost planning goals, and the factors must at a minimum address price, dispatchability, risks imposed on ratepayers, and environmental effects including those associated with resources that emit carbon dioxide. The ranking procedures shall recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, and contract provisions. WAC 480-107-070(1)-(3).	Section 8 and Exhibits I and II
Explain the methodology for performance adjustments to be made if the QF or generating facility agrees to be operated under economic dispatch (price bid to be adjusted by operating performance adjustments such as the project's equivalent availability factor). WAC 480-107-080(2).	Section 8 and Exhibits I and II

<p>Explain security requirements and the rationale for them. (Security is required on all project contracts whose expected payment to the project developer at any point in time will exceed the payment which would have been made under the utility's avoided cost schedule, but is not required if no such payments are expected.) WAC 480-107-090(1).</p>	<p>Sections 1.2.2 and 7 and Exhibits I and II</p>
<p>Specify the time period for the project or contract if it is to exceed 20 years. WAC 480-107-100(2).</p>	<p>Section 3</p>
<p>State whether the utility intends to allow its subsidiaries to participate in the bidding process. If so, indicate how it will ensure that its subsidiaries will not gain any unfair advantage over potential nonaffiliated competitors. WAC 480-107-160(2).</p>	<p>Section 4</p>
<p>If other electric utilities will be permitted to bid (subject to the approval of the Commission), such a decision must be explained in the RFP submittal. WAC 480-107-020(1), (2).</p>	<p>Section 4</p>
<p>Determine the avoided costs for the energy and capacity associated with the resource block calculated per WAC 480-107-040 on an annual basis for the greater of 20 years or the longest period over which power purchase contracts entered into per the bidding rules will be effective. This price stream will be referred to as the utility's avoided cost schedule. The avoided cost schedule and its supporting documentation shall be filed with the RFP. WAC 480-107-050.</p>	<p>Exhibit V</p>
<p>Specify the long-term avoided cost schedule as calculated under WAC 480-107-050. WAC 480-107-060(2)(c).</p>	<p>Exhibit V</p>
<p>File initial prototype contracts with the Commission, attached to the RFP. WAC 480-107-010.</p>	<p>Exhibits III and IV</p>