



PUGET SOUND ENERGY

Puget Sound Energy, Inc.
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July 1, 2005

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

**RE: Chapter 480-107 WAC Rulemaking--Docket No. UE-030423
Least Cost Planning Rulemaking--Docket No. UE-030311**

Dear Ms. Washburn,

This filing sets forth supplemental comments by Puget Sound Energy, Inc. ("PSE") in the above-noted dockets. The purpose of these supplemental comments is to further expand upon PSE's discussion of a potential new optional process by which a utility could obtain Commission's approval prior to committing to investing in a new energy resource, as originally discussed in PSE's May 13, 2005, letter in Docket No. UE-030311.

Ex-Ante Prudence Review

As PSE clarified at the June 9, 2005, workshop for these dockets, PSE has in mind a process through which a utility could obtain a determination from the Commission that it is prudent to move forward with acquisition or development of a resource prior to finally committing the utility to that course of action. The utility's implementation of any such acquisition or development would continue to be subject to a prudence review in an appropriate future proceeding; however, the prudence of the initial decision to proceed would not be revisited in such future proceedings. For a multi-year or multi-phase project, a utility might return to the Commission at subsequent stages of project development to obtain a determination that moving forward with the next phase of the project is prudent. PSE is unaware of any legal impediment to including in the Commission's rules explicit authority for making such filings or obtaining such approvals.

The ex ante prudence determinations discussed above would not include incorporating into rates the funds that are anticipated to be invested in the new resource. However, utilities would still have the ability to request -- as part of a ratemaking proceeding -- inclusion in rates of funds that have already been invested in a project (Construction Work In Progress) prior to final project completion. See RCW 80.04.250.

As discussed in PSE's May 13, 2005, letter, PSE believes that the proper timing for the initial prudence determination would be after a utility conducts a WAC Chapter 480-107 RFP process or similar resource alternative analysis that is informed by the utility's most recent Integrated Resource Plan.

Benefit of Ex-Ante Prudence Process

Adopting an Ex-Ante review process would create two primary benefits. It would:

1. Enhance the Commission's ability to regulate in the public interest. Providing regulatory feedback to a utility prior to committing to build or acquire a major resource will help ensure the appropriate allocation of society's scarce resources. This will help facilitate good resource decisions to the benefit of utility ratepayers.
2. Provide stakeholders with an opportunity to participate in a process that would directly affect a utility's generation or energy acquisition decisions.

Proposed Rule Language

PSE suggests the following new WAC rule subsections to accomplish the purposes described above:

WAC 480-107-XXX—Ex-Ante Prudence Determination Filings:

- (1) Prior to finally committing to acquire or develop a new electric resource, an electric utility may file a petition with the commission requesting that the commission determine whether the decision to acquire or develop the resource is prudent.
- (2) In addition, or in the alternative, an electric utility may file a petition with the commission requesting that the commission determine whether the decision to continue forward with the acquisition or development of an electric resource is prudent.
- (3) The commission will initiate an adjudicative proceeding in response to such a petition within thirty days after the petition is filed.
- (4) A commission determination that acquisition or development of a resource is prudent, resulting from such proceeding will constitute a finding of prudence in future rate proceedings. Such determination will not be determinative of the utility's prudence in implementing such decision, which will be addressed in future rate proceedings.

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

cc: Service List