

**PUGET
POWER**

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April 21, 1992

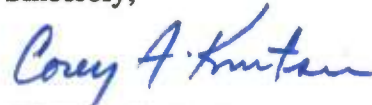
Mr. Paul Curl
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
Olympia, Washington 98504

**SUBJECT: Competitive Bidding Process: Final Results, Ranking
Information and Summaries of Project Proposals**

Dear Mr. Curl:

Puget Power has completed the evaluation phase of its competitive bidding process. In accordance with WAC 480-107, the company has produced a summary of its process entitled: Final Results, Ranking Information and Summaries of Project Proposals. Enclosed are 19 copies of this document for distribution. The company will present its solicitation results to the commission tomorrow, Wednesday, April 22, 1992. Additionally, the final summary will be sent to all project proposal sponsors and other interested parties.

Sincerely,



Corey A. Knutsen
Vice President
Corporate Planning

CAK:smc

Enclosure

September 1991 Request for Proposals

Long-Term Purchase of Resources
from Conservation and Generation Facilities

**Final Results
Ranking Information
Summaries of Project Proposals**

April 21, 1992

***PUGET
POWER***

FINAL SUMMARY AND RANKING PUGET POWER COMPETITIVE BIDDING

April 21, 1992

This document is a final summary and ranking of Puget Power's second competitive bidding process conducted from September 1991 through April 1992. It is in accordance with the regulations issued by the Washington Utilities and Transportation Commission (WUTC or Commission) in Chapter 480-107 WAC (Purchases of Electricity from Qualifying Facilities and Independent Power Producers and Purchases of Electrical Savings from Conservation Suppliers).

BACKGROUND

In September 1991, Puget Sound Power & Light Company (Puget or the company) issued a Request for Proposals (RFP) seeking 100 to 200 average megawatts (aMW) to come on-line during the 1995 through 1998 period. The request specified that the new supply would be provided from:

1. **Conservation Resources:** Five separate solicitations were developed to acquire electrical savings from conservation measures installed at facilities of retail electric customers of Puget. Four solicitations targeted conservation in specific customer segments, and one was for general conservation savings. The RFP requested proposals for conservation resources that produce electric savings over a minimum time period of greater than five years at a minimum of 100,000 kWh annually. Measures with an expected life shorter than the contract term were required to include replacements through the contract term pursuant to WAC 480-107-030(3).

Solicitation 1: General Conservation - Qualifying conservation measures installed at existing facilities of industrial, commercial or residential customers.

Solicitation 2: Multi-Family Housing - Energy-efficient doors installed in multi-family residential buildings which use electricity for space heating.

Solicitation 3: Multi-Family Housing - Energy-efficient glass installed in multi-family residential buildings which use electricity for space heating.

Solicitation 4: Multi-Family Housing - Building insulation installed in multi-family residential buildings which use electricity for space and water heating.

Solicitation 5: Large Commercial/Industrial Customers - Qualifying conservation measures installed by large commercial or industrial customers in existing facilities which are owned or operated by such customers.

2. **Generation Resources:** Long-term sales of firm electricity from Qualifying Facilities or Independent Power Producers of greater than one MW of installed capacity. Resources were required to produce electricity over a term of at least 10 years, provided that the term shall not exceed the life of the facility supplying the power.

The RFP specified that a 10 percent price credit would be given in the evaluation process for both conservation and renewable resources (which is consistent with the credit given to these resources in the scenario planning analyses of the Integrated Resource Plan). These resources were preferred because they help balance the company's resource portfolio and have minimal adverse environmental effects.

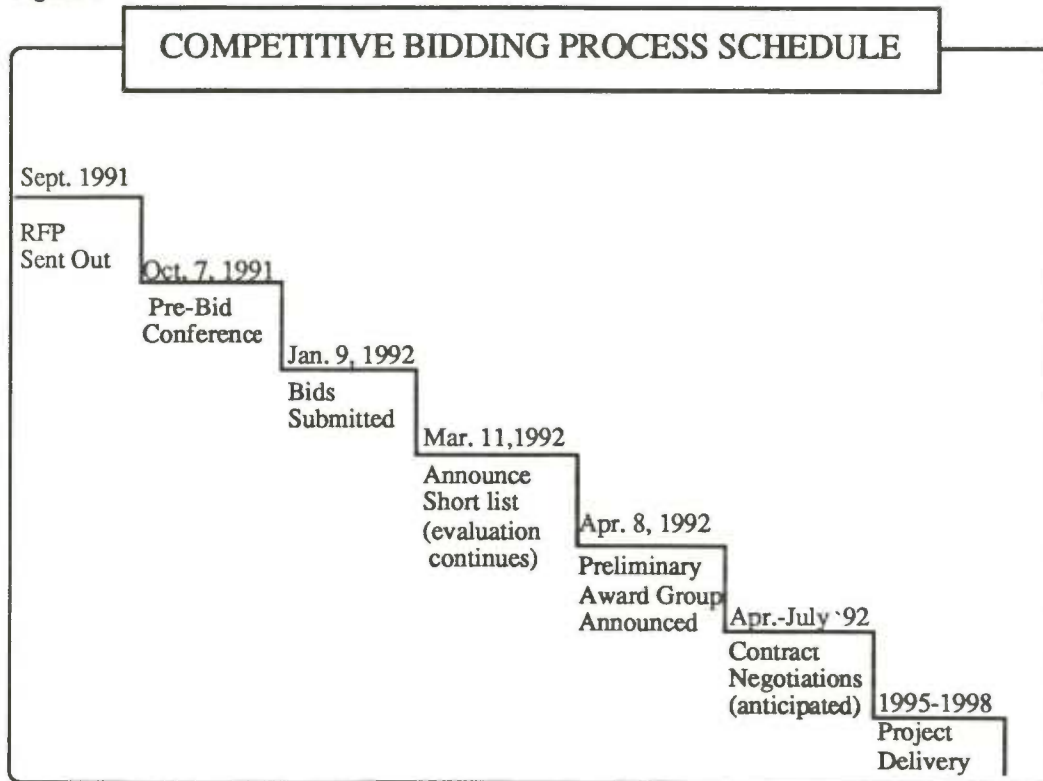
Preference was also given to high efficiency cogeneration over other thermal processes. The definition of high-efficiency cogeneration was developed by Puget and other interested parties, including cogenerators, and provided to the bidders. This definition requires facilities to use high efficiency turbines and boilers, and a minimum of 20% of their total energy output must be thermal. (The definition for a qualifying facility under PURPA in 1978 requires only that a minimum of 5% of the total energy output be thermal.) Technological advancements were among the considerations prompting Puget to increase the standards.

SOLICITATION APPROACH

RFP Development: The RFP was developed in accordance with WAC 480-107. In May 1991, Puget submitted its draft RFP to the WUTC for its review and public comment. The comments were taken into consideration in developing the final version of the RFP. The RFP reflects Puget's forecasted resource needs, the goals of integrated resource planning, and experience gained from the first solicitation. One major change since the first RFP is the inclusion of a 10% advantage for conservation and renewable generation resources versus other generation resources.

Issuance: On September 3, 1991, soon after receiving WUTC approval, Puget issued its RFP. The competitive bidding process followed the schedule identified in Figure 1, and is summarized on the following pages. The evaluation criteria used in the process is described later in this document.

Figure 1



Advertisement: Puget advertised its solicitation in major publications and newspapers nationwide (Attachment A). In total, response to the advertisements and other communications resulted in approximately 480 RFPs distributed by the company.

Pre-bid Conference: A pre-bid conference was conducted on October 7, 1991 in Bellevue, Washington to respond to questions and distribute clarifying information to project sponsors and interested parties. About 150 people attended the pre-bid conference. A question and answer document was developed from this meeting and distributed to those who had received an RFP.

Bids Submittal: In response to the RFP, Puget received 92 project proposals representing about 4,600 aMW of potential resources. Not included in this total were five generation projects that did not conform to the RFP.

The sealed bids were opened at Puget's Bellevue offices on January 9, 1992. Representatives from the Commission staff were present at the opening of bids.

General information about the bids received was compiled, and a news release was issued identifying the number of bids received, proposed resource types, and average megawatts. (See Attachment B)

Initial Review: Copies of the bids were then distributed to various departments within Puget for an initial evaluation to identify compliance with the RFP criteria. Where applicable, additional clarifying information was requested of the project sponsors. Those project proposals not conforming with the RFP were rejected and letters were sent to the project sponsors.

Short List: After the initial evaluation, a smaller number of bids were identified for further investigation and discussion with project sponsors. (The evaluation process is described later in this document.) This list was reviewed with the Commission staff on March 5, 1992. The short list for more detailed evaluation was announced on March 11, 1992, and a news release was issued (Attachment C). Project sponsors on the short list received both a phone call and a letter to inform them of the status of their project proposals. Those not selected were invited to contact the company at the end of the process to discuss their project proposals and how such proposals might be improved for future solicitations. (This invitation was accepted by a number of project sponsors after the last competitive bidding process, and resulted in a number of improvements to Puget's second RFP.)

Development of a short list during the evaluation process served two purposes. First, it responded to project sponsors' need for quicker response to their project proposals. This was requested in debriefings with project sponsors following Puget's first competitive bidding process. Second, early elimination of bids that were not promising provided evaluators more productive time to concentrate on the remaining project proposals.

The short list for further evaluation included an estimated 278 aMW from 19 developers (See Figure 2).

Figure 2

1992 COMPETITIVE BIDS SHORT LIST FOR FURTHER EVALUATION MARCH 11, 1992		
<u>Number of Developer(s)</u>	<u>Resource Type</u>	<u>Energy (aMW)</u>
7	Conservation	<u>18</u>
	Subtotal	18
3	Hydro	15
1	Wood Liquor	5
1	Municipal Solid Waste	18
1	Landfill Gas	20
1	Wind	28
1	Geothermal	<u>19</u>
	Subtotal	105
	Total Conservation and Renewables	123
4	Gas Cogeneration	155
	Total Non-Renewables	155
	Total Short List (19 Projects)	278

Preliminary Award Group: After meeting with each of the bidders on the short list, 13 projects totaling 121 aMW were selected to the Preliminary Award Group (See Figure 3). This group represents project proposals for which Puget is pursuing contract negotiations. The Preliminary Award Group was announced on April 8, 1992, pursuant to WAC 480-107-080. A news release was issued (See Attachment D). Project sponsors in the Preliminary Award Group received both a phone call and a letter to inform them of the status of their project. Any sponsor wishing to discuss the reasons its Project Proposal was not selected to the Preliminary Award Group is invited to contact the Company.

Figure 3

1992 COMPETITIVE BIDS PRELIMINARY AWARD GROUP		
Project Developer	Project Type	Energy aMW
1. EUA Onsite, L.P.	Conservation	2.4
2. Free Lighting Corporation	Conservation	3.4
3. Honeywell, Inc.	Conservation	1.0
4. Lakeland Utilities Conservation, Inc.	Conservation	1.6
5. Northwest Energy Services, Inc.	Conservation	2.4
6. SESCO, Inc.	Conservation	<u>2.3</u>
	Subtotal	13.2
7. Halsey Cogeneration	Wood Liquor	5
8. Mission Energy	Landfill Gas	20
9. Pyroenergy Corporation	Municipal Solid Waste	18
10. Pacific Energy	Hydro	2
11. STS Hydropower, LTD	Hydro	3
12. U.S. Windpower, Inc.	Wind	10
13. Zurn Puyallup, Inc.	Gas-High Efficiency Cogen	<u>50</u>
	Subtotal	108
	TOTAL	121.2

WUTC Presentation: A presentation to the commission on Puget's bidding process and results is scheduled for Wednesday, April 22 in Olympia.

EVALUATION CRITERIA DESCRIPTION

This section summarizes the criteria described in the RFP and used in the evaluation process. It is divided into three categories: general minimum criteria, conservation-specific criteria and generation-specific criteria. As set forth in the RFP, the project proposals were evaluated on the basis of both price and non-price factors, and least-cost, integrated resource planning goals. The RFP specified the minimum criteria that bidders must satisfy to be eligible for consideration in the ranking procedure pursuant to WAC 480-107-060(2)(d) and WAC 480-107-070.

INTEGRATED RESOURCE PLANNING CRITERIA

Part of the evaluation criteria included consistency with Puget's least-cost, integrated resource planning goals pursuant to WAC 480-107-070(1). A key element of the company's Integrated Resource Plan is its resource diversity strategy which refers to balancing risks associated with resource types, fuels and resource acquisition methods. Further, the company's financial risk and credit worthiness are materially influenced by its resource portfolio.

The company's resource diversity strategy includes:

- ❖ **Resource Type Diversity:** Avoidance of being overly dependent on any one type of resource added to the system.
- ❖ **Fuel Diversity:** Avoidance of current and future risks associated with fuel price, availability and use restrictions. For example, although gas is currently attractive, this is the primary fuel for the more than 655 aMW of non-utility resources for which Puget has contracted.
- ❖ **Acquisition Diversity:** Balancing of overall financial, operating and other risks associated with resource acquisitions. For example, contracts to purchase power from others are increasingly being viewed as equivalent to debt obligations by rating agencies. This could potentially result in the down-grading of the company's credit rating and could adversely affect the cost and availability of capital to the company. As part of its acquisition diversity strategy, the company will continue to develop its own resources, particularly conservation programs and small hydro.
- ❖ **Resource Size:** In the short-term, small resources of less than 70 aMW appear to match more closely the company's resource needs, and the various benefits often outweigh the potential higher cost of small resources. This preference was also expressed in the competitive bidding process. Smaller resources can provide:
 - ❖ Increased adaptability to uncertain loads
 - ❖ Easy integration into the transmission system
 - ❖ Efficient integration of smaller cogeneration projects to the host facility, which can also help mitigate the risk of losing a host facility
 - ❖ Reduction of overall risk from project cancellations or outages

The company selected 70 MW or less as the appropriate defining criteria for small resources. At the 70 MW size, a number of vendors offer cogeneration equipment that is close to the efficiency of the large machines. One perceived shortcoming is that as the size of generating equipment decreases, the efficiency of that equipment also declines. However, overall energy efficiency (considering steam and electric output) can actually be greater for small cogeneration facilities because they can more easily thermally integrate with the host facility.

GENERAL RFP EVALUATION CRITERIA

The following summarizes the general evaluation criteria outlined in the RFP.

Bidder Ability: The ability of the bidder to deliver the promised generation or conservation resource, and to do so in accordance with the estimated construction or installation schedule.

Price: The bid price and specifically, how the net present value of the bid price compares to the Schedule of Avoided Costs attached to the RFP as Appendix 2.

Risk to Puget: The financial risk which would be imposed on Puget under the Project Proposal.

Environmental Effects: Any direct or potential effects that either the construction or operation of the Project Proposal may have on the environment.

Reliability: Reliability of the resource based on current knowledge of and experience with the technology involved.

Delivery Schedule and Terms: The proposed date for commencement of deliveries of energy or savings from the resource, the duration of such deliveries, and the compatibility of such schedule and duration with Puget's resource needs as evaluated in its Integrated Resource Plan.

SPECIFIC RFP EVALUATION CRITERIA FOR CONSERVATION SOLICITATIONS

Electricity Savings Yield: Minimum of 100,000 kWh/year.

Measure Quality: The expected reliability and performance of the measure based on current knowledge of and experience with the technology of the equipment involved.

Customer Satisfaction: How the measure is expected to be received by the customer, and activities the bidder proposes to undertake to increase customer acceptance.

Measure Combinations: Whether the Project Proposal undertakes to identify, and to pursue installation of, all technically feasible eligible measures within each facility. Clarification at the October 7, 1991 pre-bid conference indicated that comprehensive plans which maximize the conservation obtained from each facility are encouraged.

Analysis Technique: The reliability and accuracy of methods to be used to calculate electricity savings.

SPECIFIC RFP EVALUATION CRITERIA FOR GENERATION SOLICITATIONS

Environmental Effects: Environmental effects of the Project Proposal, including:

- a. Ability of the resource to comply with current applicable environmental laws and regulations.
- b. Risk associated with the resource's continued compliance with such laws and regulations, as they may change from time to time, throughout the term of the Project Proposal.
- c. For thermal generating projects, evaluation of the environmental effects associated with the emission of carbon dioxide as specified in WAC 480-107-070 (2).
- d. For hydroelectric generating projects, ability of the resource to meet requirements of WAC 480-107-020 (6).

Technological Feasibility: Technological feasibility of the project proposal.

Dispatchability: Dispatchability of the resource.

Compatibility: Compatibility of the resource with Puget's existing electrical system and power supply, including:

- a. Any existing or potential future impacts of the resource on Puget's ability to use its transmission and distribution system.
- b. Effect of the resource on the diversity of fuel mix of Puget's power supply, i.e., whether acquisition of the resource would result in over dependence on a particular fuel source.

EVALUATION PROCESS

Puget's bid evaluation process included several steps. An internal review team was assembled with representatives from 10 key departments. Their experience and technical expertise provided the necessary skills for the evaluation process. The Conservation Department coordinated review of demand-side project proposals, and the Power Planning Department performed that function for generation project proposals. The Corporate Planning Department was responsible for overall coordination of the process. Puget's senior management were integral to the review process.

The Puget departments involved in the evaluation process were Engineering Services, Environmental Services, Licensing and Regulation, Transmission and Distribution, Real Estate, Risk & Claims, Finance, and Operations Services. These evaluators reviewed the bids based on their areas of expertise. For example, permits and licenses in each project proposal were reviewed by Puget's licensing group, which performs similar work for Puget's own projects.

INITIAL EVALUATION

As summarized in Attachment B, there were 92 total bids received for total energy of 4598 aMW. The initial evaluation of each bid was for conformance with the basic requirements of the RFP, summarized earlier in this document. On the basis of this review, project sponsors were asked to provide additional information as needed. The bid evaluators then considered the RFP criteria for their particular areas and identified any potential major issues that could preclude the proposed projects' completion or continued operation. Five Project Proposals were eliminated on the basis of initial review.

The projects were then categorized as follows:

Conservation: Projects were grouped by solicitation and market: commercial/ industrial, residential and multi-family (no bids were received for Solicitation #5 for large Puget customers). A matrix was developed for key price and non-price considerations. This included: Location, aMW, bid price and percent of avoided cost plus administration, number of units, start date and contract term, number of customers, security deposits and front-loaded payments, and general comments.

Generation: Projects were grouped by size in average megawatts: large projects of more than 200 aMW, medium projects of 100 to 200 aMW, and small projects of under 100 aMW. A matrix was developed for key price and non-price considerations. This included: Location, project/fuel type, MW and aMW, bid price, avoided cost and percent of avoided cost, start date and term of the contract, security deposits for delays, terminations and front-loading, wheeling concerns, price risk, steam host and general comments.

SHORT LIST DETERMINATION

The company performed evaluation of price and non-price factors to determine an initial internal short list. For the internal short list, some projects were eliminated primarily for price and major non-price factor considerations. For conservation resources, all of the multi-family bids were eliminated in this evaluation. These bids did not appear to be cost-effective, particularly in comparison to other resource options. Puget had been particularly interested in pursuing options to reach this market. Despite elimination of all multi-family bids, debriefings with project sponsors for multi-family projects may help define ways to penetrate this market more cost-effectively in the future. For generation resources, better resources by resource type and in each size category were retained for further evaluation.

More in-depth review of the projects on the internal short list was performed to determine the final short list. The company's resource strategy, as defined in the Integrated Resource Plan and supported in the criteria and preferences of the RFP, played a significant role in the selection of the short list of projects for more detailed evaluation. As displayed in Attachment C, 19 projects were selected to the short list for total energy of 278 aMW.

PRELIMINARY AWARD GROUP DETERMINATION

After the selection of the short list, meetings were held with each project developer on the short list. Information from those meetings and further review of the bids were used to reduce further the list of projects under consideration. As displayed in Attachment D, 13 projects representing energy of 121.2 aMW were selected to the Preliminary Award Group. In narrowing the projects from those included in the short list to those selected for the Preliminary Award Group, a number of criteria in particular were relevant, as identified below:

Conservation Project Proposals

1. **Market Targeting:** In cases where bids targeted the same limited market, those appearing to be more cost-effective were selected.
2. **Market Saturation:** Puget Power has an aggressive conservation program which includes rebates, grants, contractor initiated efforts and competitive bidding from the first solicitation. Bids were selected which offered options to an existing service. However, as an example, one of the residential bids is very similar to Puget's programs. There is concern that Puget's current efforts will result in market saturation by the mid-1990s when the new bid resource is proposed to begin delivery. Therefore, this project proposal was selected to the Preliminary Award Group for further assessment of program overlap and compatibility.
3. **Potential Lost Opportunities:** The evaluation process identified a potential for lost opportunities if comprehensive conservation is not pursued by the bidders. Puget has always encouraged a comprehensive approach. This is not the case with the aforementioned residential proposal in that it targets the lowest cost measures which could result in less comprehensive conservation measures being installed. Careful consideration will be given to negotiate contracts that will assure comprehensiveness of measures.
4. **Payment Streams:** Some of the bidders propose more up front costs than others. Puget selected those with the most attractive payment streams for the company and customers.

Generation Project Proposals

1. **Licensing and Permitting:** This included an assessment of the feasibility of acquiring the necessary licenses, and the stage of development in the permitting process. Project sponsor experience with the permitting and licensing process was considered as well.
2. **Location:** The location of a project and particularly transmission access issues were considered. One project required expensive wheeling through three systems, and one of the utilities could not guarantee access on its already full transmission system.
3. **Fuel Uncertainty:** This consideration affected several cogeneration projects.
4. **Financing Ability:** This presented uncertainty in several projects.
5. **Resource Diversity:** This continued as an issue in the selection of the Preliminary Award Group.

DESCRIPTION OF PROJECT PROPOSALS SELECTED TO THE PRELIMINARY AWARD GROUP

The following summarizes the project proposals selected to the Preliminary Award Group.

The project proposals selected to the Preliminary Award Group were competitively priced between 44% to 90% of the company's avoided cost schedule. As noted earlier in this document, price was just one of the evaluation criteria. Non-price considerations were also included in the decisions.

Project Proposals Selected to the Preliminary Award Group

	Total Projects: 13	Total Energy:	121 aMW
Conservation Project 1 EUA Onsite, L.P.			2.5 aMW
Conservation Project 2 Free Lighting Corporation			3.4 aMW
Conservation Project 3 Honeywell, Inc.			1.0 aMW
Conservation Project 4 Lakeland Utilities Conservation, Inc.			1.6 aMW
Conservation Project 5 Northwest Energy Services, Inc.			2.4 aMW
Conservation Project 6 SESCO, Inc.			2.3 aMW
Wood Liquor Project 1 Halsey Cogeneration			5 aMW
Landfill Gas Project 1 Mission Energy			20 aMW
Municipal Solid Waste Project 1 Pyroenergy Corporation			18 aMW
Hydro Project 1 Pacific Energy			2 aMW
Hydro Project 2 STS Hydropower			3 aMW
Wind Project 1 U.S. Windpower			10 aMW
Gas Project 1 Zurn Industries			50 aMW

Description of Conservation Projects (Preliminary Award Group)

EUA ONSITE is proposing to supply 2.5 aMW of conservation resource to be brought "on line" in 1992. The term of delivery for each facility is 12 years. The target market is healthcare, educational, local government, nonprofit and selected commercial/industrial customers.

A marketing plan will utilize vendors and promotional mailings to attract prospective participants with followup contact by EUA Onsite. The general pricing structure will be monthly as energy is delivered. A key feature of this proposal is that the customer pays no initial capital costs for the audit or the installation. Also, EUA Onsite owns the equipment until the end of the delivery term or until the customer terminates the contract, at which time the customer may elect to purchase the equipment at its salvage value.

FREE LIGHTING (FLC) is proposing to supply 3.4 aMW of conservation resource with 1994 to 1998 starting dates and full payment upon completion of installation. Bidder intends to retrofit 50,000 residential basic service customers in King, Pierce and Thurston County service areas.

FLC's marketing plan includes sending promotional materials to selected customers. They would like Puget to provide lists of eligible customers and an introductory letter. FLC will assume any associated marketing costs. The general pricing structure is for upfront payment on completion of each individual installation. A key feature of this proposal is that there are no costs to the customer but they must return the fixtures if they are removed. Also, FLC provides a 3-year warranty and guarantees to replace any equipment that does not meet expected life. The customer approves the installation but must allow Puget to verify the installation.

HONEYWELL is proposing to supply 1 aMW of conservation resources to be installed in 2-3 projects per year beginning in 1992 with all payments ending 2003. The target market is commercial/industrial customer buildings of 25,000 square-feet or larger for approximately 27 buildings. They will install energy measures consistent with those offered under Schedule 83. A key feature is that Honeywell proposes to utilize their existing market base. Installation cost is shared with the customer paying for the installation with the price discounted by a portion of Puget's payment stream. The general pricing structure is monthly as energy is delivered. The customer is obligated to a service and maintenance contract for the term of the project with Honeywell guaranteeing the savings.

LAKELAND UTILITIES CONSERVATION INC. (LUCI) is proposing to supply 1.6 aMW of conservation resource with installation to begin July 1994 and ramp up until 400 units per month are installed. Completion of the 20,000 installations is scheduled for December 1998. They will market, finance, maintain and verify all work.

LUCI proposes to install water heat conservation measures and compact fluorescent bulbs in a target market of 20,000 residences in King, Pierce and Thurston County service areas. The general pricing structure is in the form of single up-front payment upon completion of installation. Key features of this proposal are that measures are free to the customer with LUCI agreeing to leave the measures in place and permitting Puget to inspect.

NORTHWEST ENERGY SERVICES INC. (NWES) is proposing to supply 1.2 aMW of conservation resource with an option of another 1.2 aMW, provided they achieve the proposed 1.2 aMW by the end of 1996. NWES is currently installing projects as a contract from Puget's first competitive bid solicitation. The starting date for their new proposal is 1994 and the proposed term of delivery is 12-15 years.

The target market is primarily grocery stores with expansion into industrial sector. The customer and bidder share installation costs as negotiated. The general pricing structure is monthly as energy is delivered. A key feature of this proposal is that it is an extension of an existing Conservation Purchase Agreement between Puget and Northwest Energy.

SESCO, INC. is proposing to supply 2.28 aMW of conservation resource with delivery beginning in 1994, and ramping-up until they are weatherizing 200 homes per month. Installation will be complete in 1998.

SESCO is targeting electric heat and water heat customers to install insulation measures, infiltration measures, WHIK, pipe wrap, low-flow showerhead and compact fluorescent lights. SESO plans to attract selected customers by sending promotional materials. The general pricing structure is monthly payments as energy is delivered. A key feature of the proposal is that there is no cost to the customer. Additionally, SESO reserves the right to return to the "treated" home to install additional improvements, to inspect the work or to provide necessary maintenance.

Description of Generation Projects (Preliminary Award Group)

HALSEY COGENERATION is proposing to develop a 5 aMW bottoming cycle wood liquor-fueled cogenerator to be located at the Pope & Talbot pulp mill in Eugene, Oregon. This proposal for a renewable resource (fueled by wood liquor) is low in price and involves no front-loading. Security deposits are adequate. The small size of this proposed facility is attractive.

MISSION ENERGY and Cambrian Energy Systems are proposing a 20 aMW methane gas recovery project at King County's Cedar Hills landfill. This proposal for a renewable resource is competitively priced and involves no front-loading. Security deposits are adequate. The project is located within the Puget Sound area, and has some positive environmental effects. The developers are very experienced.

PYROENERGY CORPORATION is proposing an 18 aMW solid waste gasification project to be located in Thurston County. This proposal for a renewable resource is low in price with fixed rates and no front-loading. Security deposits are adequate. The gasification technology produces low emissions. The project is located within the Puget Sound area and could potentially reduce solid waste disposal problems. The small size of this proposed facility is attractive.

PACIFIC ENERGY is proposing a 2 aMW hydro project located at Bear Creek in northwest Washington. This project for a renewable resource is competitively priced with fixed rates. Security deposits are adequate. The FERC license application has been submitted and is expected soon. The small size of this proposed facility is attractive. It is also located within the Puget Sound area.

STS HYDROPOWER is proposing a 3 aMW hydro project located on the Middle Fork Nooksack River. This project for a renewable resource is competitively priced with fixed rates. Security deposits are adequate. The project utilizes an existing dam and has a 1997 start up date. The project could potentially enhance the local fishery by adding a bypass at the existing dam. The small size of this proposed facility is attractive. It is also located within the Puget Sound area.

U.S. WINDPOWER is proposing a 10 aMW wind farm on Rattlesnake Ridge in Eastern Washington. The project has a fixed price and security deposits are adequate. The proposal would allow Puget to take advantage of a wind resource located relatively close to its service area. The small size of this proposed facility is attractive.

ZURN PUYALLUP, INC. is proposing a 50 aMW high-efficiency gas cogeneration project at Boeing's new facility near Puyallup. This project is low in price with fixed rates and no front-loading. Five days of backup fuel are provided. Security deposits are adequate. It is also located within the Puget Sound area. The small size of this proposed facility is attractive.

SUMMARY OF PROJECT PROPOSALS NOT SELECTED TO THE PRELIMINARY AWARD GROUP

The following summarizes those project proposals not selected to the preliminary award group. Many of the sponsors of the project proposals expressly requested that their proposals be afforded confidential treatment. In accordance with this request, only the project proposal in the Preliminary Award Group are identified by name. The summary below does not mention the name of the project, the sponsor, its location, or any specifics that may be considered proprietary. Puget recognizes that those not selected may have the opportunity to secure contracts with another utility or agency. Revealing the name of the sponsor and project proposal may adversely affect the project and/or the decision of another potential purchaser of the project. Sponsors wishing to discuss the reasons for their project proposals not being selected have been invited to contact the company.

The conservation project proposals are grouped based on the solicitation number, and the generation project proposals are grouped based on project size.

The bids are numbered within each project/fuel type grouping. The numbers assigned do not infer any ranking. For example, the proposal designated Gas Project #1 was not evaluated above Gas Project #9.

Conservation Solicitation 1: Conservation Projects 1-10

There were 10 project proposals submitted in response to this solicitation for installation of conservation measures in existing facilities of industrial, commercial or residential customers of Puget.

Conservation Solicitation 2: Conservation Projects 11-17

There were 7 project proposals for installation of insulated doors in multi-family facilities. None appeared to be cost-effective, particularly when compared to other resource options.

Conservation Solicitation 3: Conservation Projects 18-26

There were 9 project proposals for installation of insulated glass in multi-family facilities. None appeared to be cost-effective, particularly when compared to other resource options.

Conservation Solicitation 4: Conservation Projects 27-33

There were 7 project proposals for installation of building insulation in multi-family facilities. None appeared to be cost-effective, particularly when compared to other resource options.

Conservation Solicitation 5: Projects N/A

This solicitation was for large commercial/industrial customers. No bids were received for this solicitation.

Generation Solicitation 6:

- Hydro Projects 1-6
- Wind Projects 1-5
- Geothermal Projects 1-4
- Solid Waste Projects 1-2
- Landfill Gas Project 1
- Wood Liquor Projects 1-2
- Gas Projects 1-54
- Facility Modification Projects 1-3

There were 77 project proposals for generation resources.

Conservation and generation project proposals are described below and grouped under three major headings:

- Project Proposals Eliminated from Further Consideration on April 8, 1992 with the Announcement of the Preliminary Award Group
- Project Proposals Eliminated from Further Consideration on March 11, 1992 with the Announcement of the Short List
- Project Proposals Eliminated on the Basis of Initial Review

**Project Proposals Eliminated from Further Consideration on April 8, 1992 with the
Announcement of the Preliminary Award Group**

Conservation Projects

Conservation Project 7:

2.28 aMW

The Project sponsor proposed to weatherize 10,000 homes with stated average savings of 2,300 to 2,800 kWh per home.

Positives: The bid price is low.

Negatives: The amount of energy savings is determined by adjusted whole-home meter readings regardless of the cause for the reduced usage. The payment terms are not attractive to Puget when compared to a similar proposal by the same developer.

Conservation Project 8:

2.28 aMW

The Project sponsor proposed to weatherize 10,000 homes with stated average savings of 2,300 to 2,800 kWh per home.

Positives: The bid price is low.

Negatives: The amount of energy savings is determined by adjusted whole-home meter readings regardless of the cause for the reduced usage. The payment terms are not attractive to Puget when compared to a similar proposal by the same developer.

Conservation Project 9:

0.60 aMW

The Project sponsor proposed to target 30-50 large commercial/industrial facilities.

Positives: The Project sponsor proposed a "shared savings" plan where they will pay the capital costs of installation and establish terms for guaranteed positive cash flow.

Negatives: The Project sponsor targeted the same limited set of customers as EUA and overlaps Honeywell, NWES and the first round of bids. This proposal is not as economically attractive to the customer or Puget as the other bids.

**Project Proposals Eliminated from Further Consideration on April 8, 1992 with the
Announcement of the Preliminary Award Group**

**Generation Projects
(Small)**

Hydro Project 3:

10 aMW

Hydroelectric project located in Oregon.

Positives: Renewable. Competitive price. Fixed rates. Adequate security deposits. Generation shaped by upstream storage. Start 1998. Small size.

Negatives: Front-loaded. 20% of larger project. Availability and terms of wheeling agreements with two other utilities. Licensing issue. Local government may retain project at end of term. Higher priced than other projects selected to the Preliminary Award Group.

Geothermal Project 1:

19 aMW

Geothermal project located in Nevada.

Positives: Renewable. Competitive price. No front-loading. Good commercial operation security. Adequate delay payment. Small size.

Negatives: Availability and terms of wheeling agreements with other utilities. Most of wheeling costs passed through to Puget. Higher priced than other projects selected to the Preliminary Award Group.

Gas Project 2:

23 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Low price. Fixed rates. No front-loading. 20 days of backup fuel. Small size. Within Puget Sound area.

Negatives: No specific security deposits proposed. 25 year term but fuel prices fixed for first 15 only. Steam host may need to be created for project. Site control.

Gas Project 3:

38 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Competitive price. Fixed rates. No front-loading. Corporate backing of fuel supply. Small size.

Negatives: No specific security deposits proposed. Location. Higher priced than other projects selected to the Preliminary Award Group.

Gas Project 4:

44 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Competitive price. Fixed rates. Backup fuel available at site. Within Puget Sound area. Size.

Negatives: No specific security deposits proposed. 25 year term. Higher priced than other projects selected to the Preliminary Award Group.

**Project Proposals Eliminated from Further Consideration on
March 11, 1992 with the Announcement of the Short List**

Conservation Projects

Conservation Project 10:

12.50 aMW

The Project sponsor proposed 3,650 commercial/industrial installations for the same measures offered by Puget through Schedule 83 and by other bidders.

Positives: The sponsor is offering a comprehensive marketing plan for obtaining conservation. Their proposal guarantees that a minimum of 20% of the conservation will come from non-lighting measures. The proposed price is low.

Negatives: The sponsor would need to complete approximately 3650 installations to achieve their 12.5 aMW goal. Puget currently has approximately 5200 potential customers in the target market meaning they will need to achieve a 70% market penetration to achieve their bid, and there is already high competition in this target market. They propose a term of twenty years which exceeds the life of most of the proposed measures.

Conservation Projects 11-33

The Project sponsors proposed multi-family conservation measures. In the evaluation process, however, the multi-family proposals did not appear cost-effective, particularly in comparison to other resource options submitted. Therefore, we are not pursuing any of the multi-family proposals submitted for this solicitation.

Conservation Project 11

0.01 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 12

0.02 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 13

0.04 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 2,232 units were proposed.

Conservation Project 14

0.01 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 3,600 units were proposed.

Conservation Project 15

0.12 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 12,000 units were proposed.

Conservation Project 16

0.01 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 17

0.16 aMW

The Project sponsor proposed installation of insulated doors in multi-family facilities. Installations for 15,600 units were proposed.

Conservation Project 18

0.08 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 19

0.69 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 8,400 units were proposed.

Conservation Project 20

0.18 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 2,232 units were proposed.

Conservation Project 21

0.30 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 3,600 units were proposed.

Conservation Project 22

0.49 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 6,000 units were proposed.

Conservation Project 23

0.08 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 24

0.04 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 500 units were proposed.

Conservation Project 25

1.41 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 17,160 units were proposed.

Conservation Project 26

0.17 aMW

The Project sponsor proposed installation of insulated glass in multi-family facilities. Installations for 2,100 units were proposed.

Conservation Project 27

3.19 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 12,600 units were proposed.

Conservation Project 28

0.56 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 2,232 units were proposed.

Conservation Project 29

0.91 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 3,600 units were proposed.

Conservation Project 30

3.04 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 12,000 units were proposed.

Conservation Project 31

0.25 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 1,000 units were proposed.

Conservation Project 32

0.13 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 500 units were proposed.

Conservation Project 33

3.29 aMW

The Project sponsor proposed installation of building insulation in multi-family facilities. Installations for 13,000 units were proposed.

**Project Proposals Eliminated from Further Consideration on
March 11, 1992 with the Announcement of the Short List**

**Generation Projects
(Large)**

Gas Project 5:

172 aMW

Natural gas-fired IPP located in Washington state.

Positives: Fixed rates. Plant shut down in May and June. Normal displacement in other months.

Negatives: Competitive price but others in category are lower. Front loaded with no specific security proposed. Delay payment equal to net replacement power costs. No backup fuel. January 1994 commercial operation date. Size.

Gas Project 6:

200 aMW

Natural gas-fired cogenerator located in Washington.

Positives: No front-loading. Adequate security deposits. Fully dispatchable. Located in Puget Sound area.

Negatives: Competitive price but others in category are lower. Gas price increases passed through to utility. Quantity of backup fuel not identified. Size.

Gas Project 7:

222 or 157 aMW (Base Case and Alt. 1)

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. 4.5 days backup fuel. Located in Puget Sound area.

Negatives: Competitive price but others in category are lower. Slightly front-loaded. Availability and terms of wheeling from other utilities. Size.

Gas Project 8:

200 aMW

Natural gas-fired IPP located in Washington.

Two similar projects were submitted by the same company and are different just because of location. Since both projects are large, Puget selected only one for the short list. The other project had a better location on Puget's electric system.

Gas Project 9:

158 aMW

Natural gas-fired IPP located in Oregon.

Positives: Low price. Good commercial operation security. Fully dispatchable. January 1997 commercial operation date.

Negatives: Gas commodity and other cost increases passed through to the utility. Front-loaded with no specific security proposed. No specific delay payments proposed. Quantity of backup fuel not identified. Availability and terms of wheeling from other utilities. Size.

Gas Project 10:

248 aMW

Natural gas-fired peaking plant located in British Columbia, Canada.

Positives: No front-loading. Gas storage available for primary and backup. Fully dispatchable.

Negatives: Competitive price but others in category are lower. Summer spot gas prices increases passed to utility. No specific security deposits. Availability and terms of wheeling from other utilities. Size.

Gas Project 11:

202 aMW

Natural gas-fired IPP located in British Columbia.

Positives: No front-loading. 14 days of backup fuel.

Negatives: Competitive price but others in category are lower. Gas price increases passed through to utility. No specific delay deposit suggested. Proposed pricing does not include dispatchability. Availability and terms of wheeling from other utilities. Size.

Gas Project 12:

Alt 1, 205 aMW

Natural gas-fired cogenerator located in Washington

Positives: Low price. No front-loading. Adequate deposits. Located in Puget Sound area.

Negatives: Price fixed for 15 years then adjusted to market gas for last 5 years. Terms and availability of wheeling from other utilities. Wheeling costs passed through. Quantity of backup fuel not identified. Steam host not identified. Size.

Gas Project 13:

Alt. 3, 202 aMW

Natural gas-fired cogeneration project to be located in Washington.

Positives: Low price. Fixed rates. No front-loading. Fish flush shutdown option plus displaceable 80% of rest of year. Within Puget Sound area.

Negatives: Size. No specific deposit amounts. Two days of backup fuel. Bidder has mostly wood-fired experience. Development costs to be funded by another developer who may not participate.

Gas Project 14:

Alt. 3, 230 aMW

Natural gas-fired cogeneration project located in Washington.

Positives: Low price. Fixed rates. No front-loading. Adequate security deposits. Within Puget Sound area.

Negatives: Size. Smaller option kept on short list.

Gas Project 15:

203 aMW

Natural gas-fired IPP project to be located in Washington.

Positives: Low Price. Fixed rates. No front-loading. Adequate security deposits. 4 days backup fuel. Experienced developer. Off-line in May, standard displacement remainder of year. Within Puget Sound area.

Negatives: Size. Gas-transportation costs pass-through.

Gas Project 16:

207 aMW

Natural gas-fired cogeneration project in Washington.

Positives: Low price. No front-loading. Good commercial operation security. Adequate delay payments. 5 days backup fuel. Commercial operation in October 1996. Good location on system. Local support.

Negatives: Size. Price fixed for 15 years then market-based for last 5 years.

Gas Project 17:

177 aMW

Natural gas-fired IPP project located in Washington.

Positives: Low price. Fixed rates. No front-loading. Adequate security deposits. 3.5 days of backup fuel. Some dispatchability. Commercial operation in January 1997. Within Puget Sound area.

Negatives: Size. 200 MW of 237 MW. Availability and terms of wheeling from another utility. 15 year gas deals but 20 year power sale.

Gas Project 18:

Alt. 2, 190 aMW

Natural gas-fired cogeneration project to be located in Washington.

Positives: Low price. Fixed rates. No front-loading. Adequate security deposits. Dispatch between 75% to 100% of full output. Within Puget Sound area.

Negatives: Size. No backup fuel discussed. Experience. Tax changes passed-through. Proposed no continuing rights for Puget to purchase power at end of contract. 200 of 230 MW. Availability and terms of wheeling from another utility.

Gas Project 19:

207 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Low price. Fixed rates. No front-loading. Adequate security deposits. 10 days backup fuel. Displacement available for 30 days in spring and 20% of other months. Local support. CO2 offset program. Purchase option at end of term. Location.

Negatives: Size. Availability and terms of wheeling from another utility. Other proposals in category are lower priced.

Gas Project 20:

200 aMW

Natural gas-fired cogenerator to be located in Washington.

Positives: Fixed rates. No front-loading. Good commercial operation deposit. Annual displacement of 750 hours. Within Puget Sound area. Experienced.

Negatives: Size. Other proposals in category are lower priced. No specific delay payment proposed. No backup fuel. Availability and terms for wheeling from another utility. No delay payments.

**Project Proposals Eliminated from Further Consideration on
March 11, 1992 with the Announcement of the Short List**

**Generation Projects
(Medium)**

Gas Project 21:

117 aMW

Natural gas-fired cogenerator located in Washington.

Positives: No front loading. Adequate security deposits. Fully displaceable. Located in Puget Sound area.

Negatives: Competitive price but others in category are lower. No backup fuel. Size.

Gas Project 22:

97 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Low Price. No front loading. Fully dispatchable. Located in Puget Sound area.

Negatives: No specific delay payments. Quantity of backup fuel not identified. 30 year term. Availability and terms of wheeling from another utility. Confidential steam host. 110 MW from a 220 MW project. Size.

Gas Project 23:

96 aMW

Natural gas fired cogenerator located in Washington with steam host.

Positives: Steam host.

Negatives: High price above avoided costs. Gas price increases passed through to utility. Significantly front loaded. No specific delay payment. Quantity of backup fuel not identified. 30 year term. Availability and terms of wheeling from other utilities. Size.

Gas Project 24:

107 aMW

Natural gas-fired cogenerator located in Oregon.

Positives: Fixed rates except for gas transportation. 5 days backup fuel. Fully dispatchable.

Negatives: Competitive price but others in category are lower. Delay payment equals net replacement power cost. Availability and terms of wheeling from two other utilities. Size.

Gas Project 25:

107 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. No front loading. Adequate security deposits. 3 days backup fuel.

Negatives: Competitive price but others in category are lower. No dispatchability discussed. Size.

Gas Project 26:

Alt. 2, 112 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. 4.5 days backup fuel. Located in Puget Sound area.

Negatives: Competitive price but others in category are lower. Steam host may need to be created. Slightly front-loaded. Size.

Gas Project 27:

Alt. 1, 110 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fully dispatchable. Located in Puget Sound area.

Negatives: Competitive price but others in category are lower. Gas price increases passed through to utility. Quantity of backup fuel not identified. 30 year term. Size.

Gas Project 28:

Alt. 2, 142 aMW

Natural gas-fired IPP located in British Columbia.

Positives: Competitive price. 14 days of backup fuel.

Negatives: Gas price increases passed through to utility. Front loaded with no specific security proposed. No specific delay deposit suggested. Proposed pricing does not include dispatchability. Availability and terms of wheeling from another utility. Size.

Gas Project 29:

Alt. 2, 140 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Competitive price. No front-loading. Adequate deposits. Located in Puget Sound area.

Negatives: Price fixed for 15 years then adjusted to market gas. Wheeling costs passed through. Quantity of backup fuel not identified. Limited dispatchability. Steam host not identified. Size.

Gas Project 30:

Alt. 1, 113 aMW

Natural gas-fired cogeneration project located in Washington.

Positives: Low price. Fixed rates. No front-loading. Adequate security deposits. Within Puget Sound area.

Negatives: Size (smaller option kept on short list).

Gas Project 31:

Alt. 1, 106 aMW

Natural gas-fired cogeneration project to be located in Washington.

Positives: Low price. Fixed rates. No front-loading. Fish flush shutdown option plus displaceable 80% of rest of year. Within Puget Sound area.

Negatives: Size. No specific deposit amounts. 2 days of backup fuel. Bidder has mostly wood-fired experience. Development costs to be funded by another developer who may not participate.

Gas Project 32:

Alt. A, 106 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. Within Puget Sound area. Purchase option at end of term. Gas supply and transportation already arranged. Experienced.

Negatives: Size. Other proposals in category are lower priced. Quantity of backup fuel not identified. Large interconnection cost passed through to utility.

Gas Project 33:

Alt. 1, 125 aMW

Natural gas-fired cogeneration project located in Washington.

Positives: Fixed rates. No front-loading. Adequate security deposits. Dispatch between 75% to 100% of full output. Within Puget Sound area.

Negatives: Other proposals in category are lower priced. No backup fuel discussed. Tax changes passed-through to utility. Possible deletion of Puget's purchase option. 200 of 230 MW. Availability and terms of wheeling from another utility. Experience. Size.

**Project Proposals Eliminated from Further Consideration on
March 11, 1992 with the Announcement of the Short List**

**Generation Projects
(Small)**

The initial short-list of small projects was compiled somewhat differently than the Large and Medium project lists. An adequate number of small gas-fired cogenerators were selected to meet the energy target. All proposals for small renewable generating resources were selected with the exception of one project that supplied inadequate bid price information.

Wood Liquor Project 2:

Alt. 2, 12 aMW

Natural gas- and wood liquor-fired cogenerator to be located at a lumber mill in Oregon. Alternative 1 of this proposal was judged to be the better option and was retained for the short list. Alternative 2 was eliminated.

Solid Waste Project 2:

17 aMW

Construction waste-fired generation project located in Washington.

Positives: Low price. No front-loading. Located in Puget Sound area. Size.

Negatives: Bid price components and escalators are not explained. No specific security deposits proposed. Availability of fuel based on market survey. No firm fuel supply contract envisioned.

Geothermal Project 2:

33 aMW

Geothermal project located in California.

Positives: Renewable. Competitive price. Fixed rates. Adequate security deposits. Some geothermal experience. Size.

Negatives: Extensive front-loading. Baseload. 40 year term. Benefits to Puget Power occur toward end of term. Availability and terms of wheeling agreement with other utilities. Developer experience.

Geothermal Project 3:

21 aMW

Geothermal project located in Oregon.

Positives: Renewable. Fixed rates. Adequate security deposits. Commercial operation in October 1996. Size.

Negatives: High price above avoided costs. Availability and term of wheeling agreements with other utilities.

Geothermal Project 4:

45 aMW

Geothermal project in California.

Positives: Renewable. Starts 1998. Experienced. Size.

Negatives: High price above avoided costs. Front-loaded. Requires intertie wheeling. 30 year term.

Hydro Project 4:

22 aMW

Hydroelectric project locate in British Columbia, Canada.

Positives: Renewable. Low price. Fixed rates. Adequate security deposits. Size.

Negatives: Front-loaded with letter of credit for security. Run-of-river. Availability and terms of wheeling from other utilities. Questionable site control (one of two project proposed at same site). Very early stages of licensing.

Hydro Project 5:

25 aMW

Hydroelectric project located in British Columbia, Canada.

Positives: Renewable. Low price. Adequate security deposits. Good understanding of licensing and export. Size.

Negatives: Front-loaded. Run-of-river. Commercial operation in March 1995. Questionable site control (one of two project proposed at same site). Very early stages of licensing. Availability and terms of wheeling agreements with two other utilities.

Hydro Project 6:

45 aMW

Hydroelectric project located in Idaho.

Positives: Renewable. Size.

Negatives: High price above avoided costs. Location issues. Availability and terms of wheeling agreements with other utilities.

Wind Project 2:

4 aMW

Wind farm located in Montana.

Positives: Renewable. Size.

Negatives: High price above avoided costs. Wheeling from another utility.

Wind Project 3:

3 aMW

Wind farm located in Montana.

Positives: Renewable. Size.

Negatives: High price above avoided costs. Wheeling from another utility.

Gas Project 34:

Alt. 2, 41 aMW

Natural gas fired cogenerator located in Washington with steam host.

Positives: Steam host identified. Size.

Negatives: High price above avoided costs. Gas price increases passed through to utility. Significantly front loaded. No specific delay payment. Quantity of backup fuel not identified. 30 year term.

Gas Project 35:

23 aMW

Natural gas-fired cogenerator located in Oregon. One of three identical projects submitted by this developer at different locations. The best of the three was selected to the short list.

Positives: Competitive price. Fixed rates. 20 days of backup fuel. Size.

Negatives: No security deposits proposed. 25 year term but fuel prices fixed for first 15 only. Availability and terms of wheeling from other utilities.

Gas Project 36:

23 aMW

Natural gas-fired cogenerator located in Washington. One of three identical projects submitted by this developer at different locations. The best of the three was selected to the short list.

Positives: Competitive price. Fixed rates. 20 days of backup fuel. Located in Puget Sound area. Size.

Negatives: No security deposits proposed. 25 year term but fuel prices fixed for first 15 only. Steam host created for project.

Gas Project 37:

48 aMW

Winter sale of 100 MW of 450 MW natural gas-fired cogenerator located in California.

Positives: Low price. Fixed rates. No front-loading. Natural gas storage used for backup. Shaping available as long as minimum take of 80% for winter. Winter-only sales from October through March. Size.

Negatives: No proposed delay payments. No specific quantity of backup fuel identified. Availability and terms of wheeling on the intertie. Proposal for 100 MW of large project with remainder not yet sold. No identification of assumed wheeling and losses.

Gas Project 38:

46 aMW

Natural gas-fired cogenerator located in British Columbia.

Positives: Competitive price. 10 days of backup fuel. Size.

Negatives: Pricing terms and escalators not identified. Front-loaded with no security proposed. No specific delay payment proposed. 10 year term. Availability and terms of wheeling from another utility.

Gas Project 39:

Alt. 3, 50 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. 4.5 days backup fuel. Located in Puget Sound area. Size.

Negatives: High price above avoided costs. Slightly front-loaded.

Gas Project 40:

76 aMW

Natural gas-fired cogenerator located in Montana.

Positives: Low price. No front-loading. Size.

Negatives: Gas price increases passed through to the utility. No security deposits proposed. No backup fuel. Availability and terms of wheeling from other utilities. Proposal is very difficult to follow.

Gas Project 41:

47 aMW

Natural gas-fired cogenerator to be located in Washington

Positives: Adequate security deposits. Located in Puget Sound area. Size.

Negatives: High price above avoided costs. Gas price increases passed through to utility. Front-loaded. No backup fuel.

Gas Project 42:

61 aMW

Natural gas-fired combined cycle combustion turbine to be located in British Columbia, Canada.

Positives: 5 days of backup fuel. Size.

Negatives: Price of other gas projects in category are lower. No delay payments proposed. Standard displacement proposed. Availability and terms of wheeling from another utility.

Gas Project 43:

18 aMW

Existing natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. Size.

Negatives: Price of other gas fired projects in this category are lower. Front-loaded. Backup fuel possible but no specific proposal. Standard dispatchability proposed. At contract commencement in January 1995, project will be 12 years old. Availability and terms of wheeling from two utilities.

Gas Project 44:

45 aMW

Natural gas-fired cogenerator to be located in Washington.

Positives: Fixed rates. Adequate security deposits. Located in Puget Sound Area. Size.

Negatives: High price above avoided costs. Front-loaded. Quantity of backup fuel not identified.

Gas Project 45:

59 aMW

70 MW of 215 MW natural gas-fired cogenerator project located in Oregon.

Positives: Low price. Fixed rates. Size.

Negatives: Front loaded with no specific security proposed. No specific commercial operation or delay payments proposed. 2 days of backup fuel. Standard displacement offered. Commercial operation in January 1995. Availability and terms of wheeling from another utility. 70 MW of 215 MW project with remainder not yet sold.

Gas Project 46:

31 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fixed rates. Adequate security deposits. Size.

Negatives: Competitive price but others in category are lower. Front-loaded with no security proposed. Wood waste backup fuel able to supply only 1.5 MW of project output. No other backup fuel discussed. Commercial operation scheduled for January 1995. Availability and terms of wheeling from another utility.

Gas Project 47:

Alt. 2, 47 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Fully dispatchable. Located in Puget Sound area. Size.

Negatives: Price of other gas-fired projects in category are lower. Gas price increases passed through to utility. Quantity of backup fuel not identified. 30 year term.

Gas Project 48:

48 aMW

Natural gas-fired cogenerator to be located in Washington.

Positives: Competitive price. Adequate security deposits. Backup fuel available at site. 40% of primary fuel supply from steam host. Size.

Negatives: Gas price increases passed through to utility. 25 year term.

Gas Project 49:

3 aMW

Bottoming cycle cogeneration located in Washington.

Positives: Fixed rates. Size.

Negatives: High price at or above avoided costs. No specific security deposits proposed.

Gas Project 50:

65 aMW

70 MW of 150 MW natural gas-fired cogenerator located in Washington.

Positives: Low price. No front-loading. Adequate deposits. Located in Puget Sound area. Size.

Negatives: Price fixed for 15 years then adjusted to market gas for last 5 years. Wheeling costs passed through. Quantity of backup fuel not identified. Limited dispatchability. Steam host not identified. Remainder of project not yet sold.

Gas Project 51:

Alt. 2, 45 aMW

Natural gas-fired cogeneration project located in Washington.

Positives: Competitive price. Fixed rates. No front-loading. Fish flush shutdown option plus displaceable 80% of rest of year. Within Puget Sound area. Size.

Negatives: No specific deposit amounts. 2 days of backup fuel. Bidder has mostly wood-fired experience. Development costs to be funded by another developer who might not participate.

Gas Project 52:

65 aMW

Natural gas-fired cogenerator located in Washington.

Positives: Competitive price. Adequate security deposits. Displacement to zero 1,825 hours/year. Within Puget Sound area. Size.

Negatives: Rates tied to gas market after year 15. Quantity of backup fuel not identified. 25 year term. Availability and terms of wheeling from other utilities. Proposed sale of 70 MW out of 220 MW with some interest by another utility in remainder.

Gas Project 53:

41 aMW

Natural gas-fired cogeneration project located in Washington.

Positives: Fixed rates. Adequate security deposits. Within Puget Sound area. Purchase option at end of term. Gas supply and transportation already arranged. Experienced. Size.

Negatives: Price of other projects are lower. Quantity of backup fuel not identified.

Other Project 1:

9 aMW

Modular generation units that can be located anywhere, require no fuel and produce electricity based upon unidentified process.

Positives: Low price. Size.

Negatives: Unknown and extremely questionable generating technology.

Project Proposals Eliminated on the Basis of Initial Review

Facility Modification Project 1:

This proposal is to add combined cycle turbine at a Puget existing combustion turbine facility (Same facility as Modification Project 3 below). This proposal will be evaluated outside the bidding process.

Facility Modification Project 2:

This proposal is to increase capacity of existing coal-fired units through major equipment replacement. Since these units are jointly owned, Puget is not likely able to pursue this proposal independently. The developer was referred to the plants' ownership committee and the alternative is being evaluated there.

Facility Modification Project 3:

This proposal is to add combined cycle at a Puget existing combustion turbine facility (same facility as Project 1 above). This proposal will be evaluated outside the bidding process.

Wind Project 4:

This proposal appears to be a combination of wind and coal gasification. The bid is difficult to understand. Basic information is not discernible and cannot be determined, such as a description of the proposed deal, project capacity, expected energy, and bid price.

Wind Project 5:

This proposal is for a 900 MW wind plant in Montana. The bid is difficult to understand. Much of the basic information cannot be determined (i.e., bid price).

Request for Proposals

Puget Power Seeks Conservation and Generation Resources

Puget Sound Power & Light Company invites proposals for approximately 100-200 average megawatts of electricity from conservation and generation resources. Proposals are solicited for conservation from Puget Power's retail customers, and from independent power producers, cogenerators and small power production facilities. Puget Power is seeking new long-term supplies of electricity beginning approximately 1995 through 1998.

For conservation, there are five separate solicitations. (1) General conservation for existing facilities of Puget Power's industrial, commercial or residential customers, (2) Installation of insulated doors for multi-family housing (MFH) facilities, (3) Installation of insulated glass for MFH facilities, (4) Installation of building insulation for MFH facilities, and (5) Conservation by large Puget Power customers who own or operate existing commercial or industrial facilities.

The deadline for submitting proposals is 10 a.m., Jan. 9, 1992. A prebidding conference is scheduled for Oct. 7, 1991, in Bellevue, Washington. Conservation resources will be discussed from 9 a.m. to 11 a.m. Generation resources will be discussed from 1:30 p.m. to 3:30 p.m.

Address requests for bid specifications to:

Puget Sound Power & Light Company
P.O. Box 97034
Bellevue, Washington 98009-9734
Attn: Competitive Bid Proposal
c/o Suzanne Evans OBC-3E, (206) 462-3273

**PUGET
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The Energy Starts Here

News Release

FOR IMMEDIATE RELEASE:
January 21, 1992

CONTACT: Teri Van Duine, (206) 462-3744

PUGET POWER RECEIVES BIDS FOR NEW ENERGY

Puget Sound Power & Light Company received a total of 92 project proposals for about 4,600 average megawatts (aMW) in response to the company's request for bids for long-term conservation and generation resources. In its second solicitation announced last September, Puget Power had asked for proposals for 100 to 200 aMW for delivery between 1995 and 1998.

"Puget Power needs additional resources to meet growing customer energy needs, so we are very pleased with the responses," said Corey Knutsen, vice president, Corporate Planning. "We are particularly encouraged by the number of bids for conservation and renewable resources such as hydro, wind and geothermal."

The company indicated a preference for these types of resources in its solicitation as well as for high-efficiency cogeneration (HEC). Knutsen explained that such a facility is designed to use one fuel resource to produce two forms of useful energy.

In pursuing additional conservation resources, Puget Power requested proposals for residential, commercial and industrial facilities, and multi-family housing. Within the multi-family housing sector, about an equal amount of bids were received for insulated doors and glass and building insulation. No bids were submitted by large Puget Power customers who own or operate existing commercial or industrial facilities.

Knutsen noted that, in addition to competitive bidding, Puget Power's options for acquiring additional resources include the company's own conservation programs and generation projects, and other power purchase contracts.

"Our resource acquisition plan calls for a diverse mix of resources that will provide cost effective, reliable energy service to customers with low

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environmental impacts," he said.

Selection of a short list of project proposals will be announced mid-March, and the preliminary award group will be selected in early April.

A summary of the bids received follows.

SUMMARY OF BIDS RECEIVED BY PUGET POWER

<u>BIDS</u>	<u>RESOURCE</u>	<u>EST. AVERAGE MEGAWATTS</u>
5	Conservation-Residential	12
5	" Commercial/Industrial	24
	" Multi-Family	11
8	" Doors	
9	" Glass	
7	" Building Insulation	
33	Gas-Cogeneration	2696
8	Gas-Independent Power Producers	1444
4	Geothermal	155
6	Hydroelectric	148
1	Landfill Gas	20
1	Municipal Solid Waste	18
3	Wind	44
1	Wood	17
1	Other	9

92	12 Resources	4598

**PUGET
POWER**

The Energy Starts Here.

News Release

FOR IMMEDIATE RELEASE:
March 12, 1992

CONTACT: Teri Van Duine, (206) 462-3744

COMPETITIVE BIDDING SHORT LIST RESOURCES ANNOUNCED

Puget Sound Power & Light Company has selected a short list of 19 long-term conservation and generation resource proposals totalling 278 average megawatts for further evaluation as part of the company's competitive bidding process announced last September. The company received a total of 92 project proposals for approximately 4,600 average megawatts in response to Puget Power' request for proposals for 100 to 200 average megawatts from non-utility sources. The energy must be delivered between 1995 and 1998.

Corey Knutsen, vice president Corporate Planning, explained that Puget Power is pursuing other resources to meet increasing customer energy needs. "Our resource strategy is to pursue resource opportunities that increase operating flexibility while ensuring reliable, low-cost energy service to our customers. Competitive bidding is one of the ways we can acquire these new resources."

The short list from this solicitation is an intermediate step in the bid evaluation process.

"Our experience in the first solicitation indicated the need to do an initial evaluation of all the bids, and then narrow the list to a smaller number for more detailed evaluation. Since we are still in the evaluation process, we are maintaining the confidentiality of those developers and their projects on the short list," said Knutsen.

In its request for proposals, Puget Power expressed a preference for conservation and renewable resources (e.g., hydro, wind, geothermal) because of their low environmental effects. A 10 percent price credit is given to these resources in the evaluation process. Also, preference is given to high efficiency cogeneration over other thermal processes and to resources less than 70 average megawatts.

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The names of the developers and their projects selected in the preliminary award group will be made public on April 8, 1992.

"This will be the group with whom we will pursue negotiations for long-term contract agreements," he said.

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**1992 COMPETITIVE BIDS
SHORT LIST FOR FURTHER EVALUATION
MARCH 11, 1992**

Since we are still in the evaluation process, names of bidders and their projects are considered confidential information. Names of bidders selected for the Preliminary Award Group for contract negotiations will be released (April 8, 1992).

<u>Number of developer(s)</u>	<u>Resource type</u>	<u>Energy aMW</u>
7	Conservation	<u>18</u>
	Subtotal	18
3	Hydro	15
1	Wood Liquor	5
1	Municipal Solid Waste	18
1	Landfill Gas	20
1	Wind	28
1	Geothermal	<u>19</u>
	Subtotal	105
TOTAL CONSERVATION AND RENEWABLES		123
4	Gas-Cogeneration	155
TOTAL NON-RENEWABLES		155
TOTAL SHORT LIST (19 PROJECTS)		278

**PUGET
POWER**

The Energy Starts Here.

News Release

FOR IMMEDIATE RELEASE

April 8, 1992

CONTACT: William Seil, (206) 462-3206

PRELIMINARY AWARD GROUP ANNOUNCED

BELLEVUE, WA -- Puget Sound Power & Light Company today announced that it will pursue contract negotiations for long-term energy resources with 13 non-utility developers selected through its competitive bidding process.

Projects selected for the preliminary award group include six conservation proposals and seven generation proposals. The projects would deliver an estimated total of 121 average megawatts (aMW) to meet customer needs in the 1995-98 period. (A list of the projects is attached.)

"In this solicitation, we placed special emphasis on cost-effective conservation and renewable resources, such as hydro and wind," said Corey Knutsen, vice president, Corporate Planning. "These resources are beneficial, partially because they help balance our resource portfolio and have low environmental effects."

Knutsen said a 10 percent price credit was given to conservation and renewable resources in the evaluation process. Also, preference was given to high efficiency cogeneration over other thermal processes, and to resources of less than 70 megawatts (MW).

As part of its resource strategy, Puget Power continues to focus on conservation programs to reduce the need for new resources. Knutsen said the company's conservation measures installed between 1978 and 1991 will reduce load by 112 aMW this year.

"This is equivalent to the amount of total energy needed annually to serve the cities of Bellevue, Issaquah and the Totem Lake area of Kirkland," he said.

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Puget Power/2

In 1991, company programs achieved more than 17 aMW of conservation, exceeding the ambitious target of 16 aMW. A challenging 24 aMW target is set for 1992.

Knutsen noted that the growing demand by customers for electric power cannot be met exclusively by conservation.

"While we will continue to pursue conservation efforts, additional resources are needed," Knutsen said. In addition to resources from competitive bidding, Puget Power will continue to develop its own resources, particularly small hydro, which appears to be promising from both a cost and environmental perspective.

"We will maintain the flexibility to develop these resources ourselves, or to purchase the projects or their output, whichever is more cost-effective for our customers in the long-term," he said.

Knutsen said an important part of the company's resource strategy is to avoid over dependence on any one resource added to the system. The preliminary award group includes a variety of low-cost resources.

The company received numerous proposals for gas-fired projects, but the one selected was attractive for several reasons beyond price. Knutsen said it met the company's criteria as a high-efficiency cogenerator, it is a small facility at a good location, and it provides efficiency benefits to a large Puget Power customer. The company's evaluation of all the bid proposals included similar non-price considerations.

Knutsen said that since Puget Power's first solicitation two years ago, the company has contracted for more than 400 aMW of non-utility resources, primarily gas-fired.

"Gas is currently attractive, but our resource portfolio calls for a mix of resources to maintain resource diversity and to meet long-term needs," Knutsen said. "This was an important consideration for giving preference to conservation and renewable resources in the bid evaluation process."

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Puget Power Competitive Bids
Preliminary Award Group
April 8, 1992

<u>Project Developer</u>	<u>Project Type</u>	<u>Energy aMW</u>
EUA Onsite, L.P.	Conservation	2.5
Free Lighting Corp.	Conservation	3.4
Honeywell, Inc.	Conservation	1.0
Lakeland Utilities Conservation, Inc.	Conservation	1.6
Northwest Energy Services, Inc.	Conservation	2.4
SESCO, Inc.	Conservation	<u>2.3</u>
	SUBTOTAL	13.2
Halsey Cogeneration	Wood Liquor	5
Mission Energy	Landfill Gas	20
Pyrowaste Corp.	Municipal Solid Waste	18
Pacific Energy	Hydro	2
STS Hydropower, LTD	Hydro	3
U.S. Windpower, Inc.	Wind	10
Zurn Industries, Inc.	Gas-High Effic. Cogen.	<u>50</u>
	SUBTOTAL	108
	TOTAL	121.2