

Action Plans

PSE's main objective is to pursue acquisition of both demand- and supply-side resources that will accrue long-term benefits to our customers. The short-term, two-year electric and gas plans presented in sections I and II of this chapter outline specific actions to be taken by the utility in implementing the long-range integrated resource plans discussed in this 2009 IRP. Section III reports on the efforts PSE has made to address the Action Plan items in the 2007 IRP.

Developing the Integrated Resource Plan is an important exercise that gives PSE a structured opportunity to:

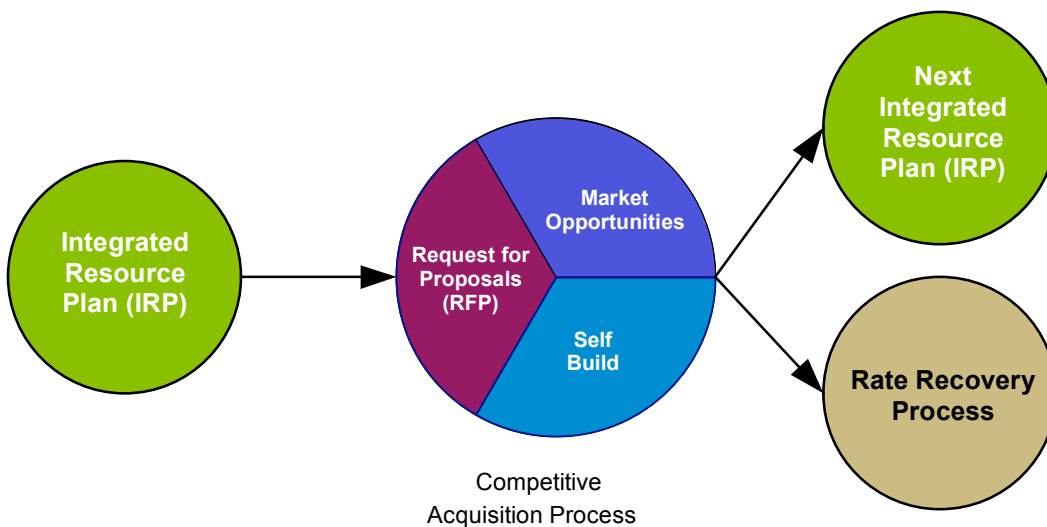
- *Think Broadly.* To consider different futures and understand implications those different futures might have on alternative resource strategies.
- *Consider Different Perspectives.* To obtain input from stakeholders that have a variety of experienced, informed perspectives about long-term energy markets, environmental issues, and other issues related to resource planning.
- *Make Reasoned Judgments.* To combine robust quantitative analysis and non-quantitative factors (reasoned qualitative analysis) into clear, well-supported conclusions that will help meet customer demands at the lowest reasonable cost.
- *Inform the Resource Acquisition Process.* To develop and refine analytical approaches and information that will assist the resource acquisition processes.
- *Communicate.* To describe the market conditions we face, and our thinking about the implications these conditions have for the resource decisions that must be made.

In some states, Integrated Resource Planning is nearly synonymous with resource acquisition analysis. In Washington state, the IRP informs the acquisition processes rather than providing a shopping list of resources to acquire. Analysis in this IRP relies

on generic resources to explore strategic issues, such as natural gas supply diversity. Resource acquisition processes follow through with specific information about specific resources. The primary function of the IRP, beyond simply meeting regulatory requirements, is to inform our resource acquisition process.

Figure 9-1 illustrates the connection between the IRP and activity related to resource acquisitions. It shows how the IRP directly informs the formal RFP process. In Washington, the formal RFP process for demand-side and supply-side resources is just one source of information for making acquisition decisions. Market opportunities outside the RFP and self-build (or PSE demand-side resource programs) must also be considered when making prudent resource acquisition decisions. Figure 9-1 also illustrates that the acquisition process itself informs subsequent IRPs. As shown below, the IRP's primary purpose is to inform the acquisition process; it is not a substitute for the resource-specific analysis done to support specific acquisitions.

Figure 9-1



Relationship between the IRP and the Acquisition Process

I. 2009 Electric Resources Action Plan

The conclusions drawn from this Integrated Resource Plan analysis support the following actions with regard to electric resources.

Demand-side Resources

PSE will work toward significantly increasing our electric demand-side resource programs, mainly energy efficiency programs. We will work with external stakeholders in the CRAG process to develop program goals, targets, and tariff filings to implement this strategy. Such processes will rely on updated avoided cost inputs and more specific assessments of achievability based on specific programs that are designed.

Wind and Other Renewables

PSE will continue working toward meeting obligations under Washington's renewable portfolio standard. We will develop and begin implementing strategies to move deeper into the development process for renewables. Additionally, we will continue to remain active in exploring cost-effective opportunities as they appear during the formal RFP process and to other market opportunities that may present themselves.

Base Load Thermal Resources

PSE will take an opportunistic approach to filling the remaining resource needs with a combination of purchased power agreements and/or natural gas-fueled power plants. We will look to meet resource needs through the formal RFP process, seek opportunities to acquire resources through bilateral negotiations, and consider self-build natural gas alternatives. PSE will also actively monitor and participate in policy, regulatory, and technology developments affecting the viability of new resources.

II. 2009 Natural Gas Resources Action Plan

The conclusions drawn from this Integrated Resource Plan analysis support the following actions with regard to gas resources.

Gas Demand-side Resources

PSE is looking for opportunities to increase our gas programs where it is feasible. We will work with external stakeholders in the CRAG process to develop program goals, targets, and tariff filings to acquire cost effective and achievable energy efficiency savings. Such processes will rely on updated avoided cost inputs and more specific assessments of achievability based on specific programs that are designed.

Diversity of Supply Considerations and Pipeline Expansions

PSE is currently highly exposed to a single supply basin for the majority of its natural gas supplies, a situation that places the company and its customers in a position of risk. This IRP estimated the cost of expanding access to another supply basin. A similar investigation into the benefits of such a strategy needs to take place, so that PSE can evaluate the costs and benefits of increasing supply diversity in a comprehensive way.

Regional LNG Storage

Actions regional LNG storage will be investigatory in the next two years. PSE will continue working with others in the region to identify and more fully define regional LNG peaking opportunities. This will entail exploring whether the needs identified in the gas resource plan can be met by expansion of existing facilities. It will also include preliminary consideration of potential locations for a self-build alternative, and the identification of possible issues associated with such a project.

III. Report on 2007 Action Plan

This section reviews the efforts PSE has made to address the Action Plan items included in the Company's 2007 Integrated Resource Plan. Those items are shown in bold type, subsequent PSE efforts appear below in regular type

[To be developed.]