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August 1, 2011

Mr. David W. Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**Re: Puget Sound Energy, Inc.
WAC 480-107-015 Draft Request for Proposals from All Generation Sources**

Dear Mr. Danner:

Enclosed for filing are the original and twelve (12) copies of a Request for Proposals from All Generation Sources submitted by Puget Sound Energy, Inc. ("PSE") pursuant to WAC 480-107-015, along with an electronic copy of this filing on the enclosed CD-ROM.

A. The Commission's Competitive Bidding Rules, WAC Chapter 480-107

The Commission established WAC Chapter 480-107 to comply with provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), 16 U.S.C. § 2601 et seq., and regulations promulgated thereunder by the Federal Energy Regulatory Commission ("FERC") in 18 C.F.R. Part 292.

As a means of implementing PURPA, the Commission established the bidding rule as a preferred forum for avoided cost determination, replacing what was previously known as administratively-determined avoided costs. The Commission's intent in establishing a market test for determining these avoided costs was to generate bids between PURPA developers that were lower than the administratively-determined costs, and to allow the utilities to purchase only the supply of resources needed.

In re Regulation of Elec. Utils. in the Face of Change in the Elec. Indus., Docket No. UE-940932, 184 P.U.R. 4th 409 (Wash. U.T.C. April 22, 1998). In addition, the rules are meant to

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ensure that utilities compare opportunities in competitive wholesale markets with the cost of utility owned projects. *Id.*

The solicitation process begins when an electric utility issues a request for proposals (“RFP”) that has been approved by the Commission. The utility is required to file a draft RFP with the Commission no later than one hundred thirty-five days (135) after the utility’s filing of a final Integrated Resource Plan. Interested persons have sixty (60) days from the draft RFP’s filing date to submit written comments to the Commission on the proposed RFP, and the Commission then has thirty (30) days to take action on the proposed RFP. *See* WAC 480-107-015(3).

B. Request for Expedited Treatment

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

PSE hereby requests that the Commission set a deadline for public comment on its All-Source RFP of September 2, 2011, which would provide a 32-day public comment period. PSE requests that the Commission then approve PSE’s All-Source RFP at its Open Meeting on September 28, 2011.

PSE’s request to expedite comment and action on its All-Source RFP is appropriate for at least three reasons. First, PSE requires sufficient time to select and negotiate for resources that meet PSE’s identified capacity need beginning in December 2012. Second, PSE seeks to capitalize on the current lower market price environment; this has potential benefits for both ratepayers and PSE. Third, the 2011 All-Source RFP remains largely unchanged from prior approved RFPs. In that regard, a shortened comment period would not prejudice any stakeholder. Stakeholders have seen the content of several past rounds of PSE RFPs over the past decade. PSE’s All-Source RFP is essentially the same as its most recently approved RFPs. To the extent that PSE has made revisions to the All-Source RFP, these revisions seek to streamline and reduce information and materials requirements that bidders must provide in response to the All-Source RFP. If and to the extent that PSE requires additional information and materials, PSE will ask for such additional information and materials as part of a data request process for any proposals that are identified for further evaluation after the initial screening. PSE believes that stakeholders should be in a position to comment on the All-Source RFP by the September 2, 2011 deadline that PSE has requested.

C. PSE's Integrated Resource Plan, All-Source RFP

On May 27, 2011, PSE filed its most recent Integrated Resource Plan (the "2011 IRP") with the Commission, pursuant to WAC 480-100-238. Among other things, the 2011 IRP finds that PSE has needs for new electric and gas resources over the next twenty years, some of which can be met through acquisition of cost-effective demand-side resources. Like PSE's 2005 Least Cost Plan, the 2007 IRP, and the 2009 IRP, the 2011 IRP concludes that PSE has needs for a diverse range of resource types. A diversified long-term resource strategy that includes several types of resource technologies spreads out and mitigates the risks associated with each specific type of technology. Consistent with WAC 480-107-015 and the 2011 IRP, PSE is filing herewith a draft Request for Proposals from All Generation Sources ("All-Source RFP"). Although PSE believes that this RFP is substantially complete and ready for public comment and Commission action, PSE reserves the right to correct or supplement this RFP if it discovers any errors or omissions. This RFP is substantially similar to previous RFPs that this Commission has approved for PSE.

Please note that pursuant to WAC 480-107-055, PSE provides as Exhibit G to its All-Source RFP a schedule of estimated avoided cost to provide general information to potential bidders about the cost of new power supplies. PSE reserves the right to provide bidders with an updated avoided cost when the final RFP is issued. WAC 480-107-055(3) allows utilities to revise their schedule of avoided cost at any time, if filed with the Commission along with documentation.

Please also note that PSE's All-Source RFP proposes to accept proposals from other utilities. PSE believes 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 480-107-015(2) and 480-107-135, PSE requests that the Commission approve this aspect of its RFPs. PSE will not accept responses from any PSE affiliates or subsidiaries.

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

D. Efforts to Promote Public Awareness of Filing

To broaden awareness of these RFPs among persons who may be interested, PSE has provided notice of its filing to more than 300 power marketing companies, utilities, energy efficiency companies and other entities involved in development or provision of electric energy resources, including representatives of stakeholders who participated in PSE's 2010 IRP process. Email notification included the website location of the draft RFP at

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<http://pse.com/aboutpse/EnergySupply/Pages/Acquiring-Energy.aspx>. PSE will also be providing notice of the filing to a variety of trade publications.

PSE will host a public meeting to discuss this filing and the proposed All-Source RFP on August 16, 2011 at 10:00 a.m. at PSE's Bellevue campus.

PSE invites comments on its RFPs and 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. Questions regarding the All-Source RFP should be addressed to Chris Bevil, Manager, Resource Acquisition, at 425-456-2757.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink, reading "Jason T. Kuzma". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Jason T. Kuzma

Enclosures

EXHIBIT A

EXHIBIT A
WAC CHAPTER 480-107 REQUIREMENTS CHECKLIST

Requirement and Citation	Location in All-Source 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 480-107-025(1)	Part I, Section 2
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 IRP. WAC 480-107-025(2).	Part I, Sections 1 and 2
Explain the general evaluation and ranking procedures to be used in accordance with WAC 480-107-035 and specify any minimum criteria that bidders must satisfy to be eligible for consideration in the ranking procedure. WAC 480-107-025(3).	Part I, Section 4 and Exhibit A; Part II and Exhibit B
Specify the timing of the process including the solicitation period, the ranking period and the expected selection period. WAC 480-107-025(4).	Part I, Section 3
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 480-107-025(5).	Part I, Section 6
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 480-107-035(1)-(6).	Part I, Section 4 and Exhibit A
Determine the avoided costs for the energy and capacity associated with the resource block calculated per WAC 480-107-025 on an annual basis. The avoided cost schedule and its supporting documentation shall be filed with the RFP. WAC 480-107-055 and 480-107-025(1).	Exhibit G

Requirement and Citation	Location in All-Source RFP
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 480-107-135.	Part II, Section 3
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 480-107-015(2) and 480-107-065(1).	Part II, Section 3