SEATTLE STEAM
COMPANY

Seattle Steam Company

COMMENTS ON LEAST COST PLAN

Puget Sound Energy: Docket No. UG-992028

Good afternoon Commissioners, I am James G. Young, President of Seattle Steam Company. We operate a district heating system serving major customers in downtown Seattle. We are Puget's largest sales customer receiving interruptible service on Schedule 87. My comments relate to the gas portion of Puget's plan.

I recognize the energy picture has changed dramatically since the "2000 - 2001 Least Cost Plan" dated December, 1999 was prepared. However, I believe a few general comments or observations are pertinent based on the experience of the past 12 to 15 months.

Specifically, I am referring to page 115 of the Least Cost Plan document entitled "WACOG Price Stability". In the second paragraph it states ".. it may be possible to develop a strategy that could increase the stability of the WACOG while lowering the overall costs".

A document published in May 2001 by the Washington State Office of Trade & Economic Development titled "Convergence: Natural Gas and Electricity in Washington" makes some important observations:

- The regulatory policy in Washington minimizes risk to the gas company by requiring the majority of purchases be made at monthly market prices. (P.22)

- Washington policies lead to greater customer exposure to market volatility. (P.23)

- Washington gas companies are insulated from market price risk (P.28), but the ultimate gas customer is exposed to market volatility. (P.23)

Last winter the gas consumer was exposed to the gas price spikes at the time their consumption was the greatest. I encourage the Commission and staff along with the company and customers to help develop policies and mechanisms, which will allow the gas companies to manage their gas purchase portfolios and lock in firm prices when they are lower. The objective is to reduce the effects of peak short term prices when demand is high.

Thank you very much for the opportunity to make these comments. I will be pleased to answer any questions you may have.

7/23/01