



Sheree S. Carson  
PHONE: (425) 635-1422  
FAX: (425) 635-2422  
EMAIL: SCarson@perkinscoie.com

The PSE Building  
10885 N.E. Fourth Street, Suite 700  
Bellevue, WA 98004-5579  
PHONE: 425.635.1400  
FAX: 425.635.2400  
www.perkinscoie.com

October 11, 2007

**VIA OVERNIGHT MAIL**

Carole J. Washburn  
Office of the 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 and for Energy Efficiency Programs**

Dear Ms. Washburn:

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

**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 Electric Utilities in the Face of Change in the Electric Industry, Docket No. UE-940932, 1998 WL 223219 at \*13, 184 P.U.R. 4th 409 (Wash. U.T.C. April 22, 1998). In addition, the rules are meant to 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. PSE's Integrated Resource Plan, All-Source RFP and Energy Efficiency RFP**

On May 30, 2007, PSE filed its most recent Integrated Resource Plan (the "2007 IRP") with the Commission, pursuant to WAC 480-100-238. Among other things, the 2007 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 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 2007 IRP, PSE is filing herewith a draft Request for Proposals from All Generation Sources ("All-Source RFP") and a draft Request for Proposals for Electric and Gas Demand-Side Resources ("Energy Efficiency RFP"). Although PSE believes that these RFPs are substantially complete and ready for public comment and Commission action, PSE reserves the right to correct or supplement these RFPs if it discovers any errors or omissions.

Please note that pursuant to WAC 480-107-055, PSE provides as Exhibit H to its All-Source RFP a schedule of estimated avoided cost for the energy and capacity to provide general information to potential bidders about the cost of new power supplies.

Please also note that PSE's All-Source RFP and Energy Efficiency RFP both propose 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

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480-107-135, PSE requests that the Commission approve this aspect of its RFPs. PSE will not accept responses from any PSE affiliates.

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.

**C. 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 approximately 390 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 2007 IRP process. Email notification included the website location of the draft RFP at [www.pse.com/energyEnvironment/pse2008RFP.aspx](http://www.pse.com/energyEnvironment/pse2008RFP.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 and Energy Efficiency RFPs on October 29, 2007 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 Roger Garratt, Director, Resource Acquisition and Emerging Technologies, at 425-462-3470, and questions regarding the Energy Efficiency IRP should be addressed to Carolyn Tash, Energy Efficiency Services, at 425-456-2601.

Thank you for your assistance.

Very truly yours,



Sheree S. Carson

SSC:GSW  
Enclosures

## EXHIBIT A

### WAC CHAPTER 480-107 REQUIREMENTS CHECKLIST:

<b>Requirement and Citation</b>	<b>Location in All-Source RFP</b>	<b>Location in Energy Efficiency RFP</b>
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)	Page 6, Tables 2 and 3.	Pages 5 and 6
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).	Pages 2 and 3, Table 1.	Page 4
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).	Page 5 and Exhibit B.	Pages 7 – 13
Specify the timing of the process including the solicitation period, the ranking period and the expected selection period. WAC 480-107-025(4).	Pages 2 and 7	Page 2 and 6
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).	Page 11	Page 14
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	Page 5, Exhibits B and C	Pages 14-15

<b>Requirement and Citation</b>	<b>Location in All-Source RFP</b>	<b>Location in Energy Efficiency RFP</b>
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).		
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 H	N/A
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.	Page 3	Page 7
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).	Page 3	Page 7