

the Energy Project

July 24, 2001

Ms. Carole Washburn
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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OFFICE OF THE
ATTORNEY GENERAL
COMMUNICATIONS SECTION

RE: Dockets No. UE-992027 and UG-992028
Puget Sound Energy's Electric and Gas Least Cost Plans

Dear Ms. Washburn,

Thank you very much for the opportunity to comment on PSE's Least Cost Plans filed in December, 1999. As a member of the Technical Assistance Group referred to in the document, we feel least cost planning is more important today than it was when this plan was produced. Consumers are buffeted by the volatility of the energy markets - if not by direct increases in rates as with natural gas or several of the public electric utilities, then at least by the media's coverage of the events since this document was filed. It is a very confusing time for consumers.

I think one of the best lessons we've learned is we don't fully understand markets. -- Curt Hebert, chair, Federal Energy Regulatory Commission

We are grateful that the State of Washington has not deregulated its electric industry either through legislation or regulation. While our consumers are still getting burned by the fallout from California's deregulation bomb, at least half of our residents are protected by the oversight the WUTC provides. Perhaps the only thing worse than being thrown to the wolves of deregulation, would be to get all of the risks without any of the rights of choice. This is exactly what PSE is proposing when it "encourages the WUTC to adopt an electric energy cost adjustment clause and incentive mechanism, generally similar to its Purchased Gas Adjustment (PGA) and PGA Incentive Mechanism . . . ". Clearly, PSE wishes to shift all of the responsibility for the volatility in the market to the rate payer. We can understand why PSE would like to shift this responsibility. It is PSE, however, who is making the choices of which power to buy and for how long. While the utility may not be the only generator of electricity, they are still the only provider. They act as a buying agent for most of the people and businesses in their service territory; they should be responsible for the choices they make. Their resources and experience make them far

better equipped than an average rate payer to make such choices. In fact, we pay them to make the best choices available on our behalf. Removing their responsibility for the risk removes their incentive to make sure their customers get the best deal - either through purchases or conservation. This is especially a concern since PSE meets 65% of their load through purchases.

In regard to conservation planning, we continue to believe, as we stated at the time this plan was filed that PSE should more aggressively pursue a broader scope of programs and higher level of savings. We see PSE's emphasis on "market-based conservation and load-management approaches" as a poor substitute for a more aggressive conservation program. They have invested heavily in the "enabling technology to provide real market signals." The recently instituted Time of Day rate for residential customers is the prime example. To our mind, these are just incremental steps in the direction of shifting risk to the consumer. The rest of the quotation above, however, reads "enabling technology that provide . . . and enable conservation and load management" [emphasis added - p.13]. We can see the value in shifting load, but feel that PSE's residential conservation programs need to move beyond their current "information only" approach. We also recognize a value to conservation savings with regard to reliability and consumer confidence.

PSE also states that their "public involvement strategy" . . . has been, and will continue to be, PSE's use of its Technical Advisory Group." If so, the public has not been very involved lately. While the group met some fifteen times between 1996 and this filing in December, 1999, we don't recall meeting more than twice since the filing - if that. If this is to be PSE's public involvement process, it needs to be reinvigorated.

In conclusion, we are not satisfied with PSE's reliance on market-based solutions for 65% of their resource need. In addition, we strongly discourage the Commission from adopting a PGA-like mechanism for electricity. Still, we don't feel the Commission should spend a lot of time discussing the details of this document. PSE itself points out that, given the uncertainty of the time, the document was only a snapshot of its planning efforts. At this point it is more like a fading Polaroid. The information is too dated to be useful. Nearly three-quarters of the term for this plan has past and much has changed. We encourage the Commission to direct the utility to undertake the process anew with an approach that reflects the changes that have occurred and the options available for least cost and greatest benefit to PSE's customers.

Respectfully submitted,



Charles M. Eberdt
Manager