

**EXHIBIT NO. ___(RG-10HC)
DOCKET NO. UE-06___/UG-06___
2006 PSE GENERAL RATE CASE
WITNESS: ROGER GARRATT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-06___
Docket No. UG-06___**

**NINTH EXHIBIT (HIGHLY CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

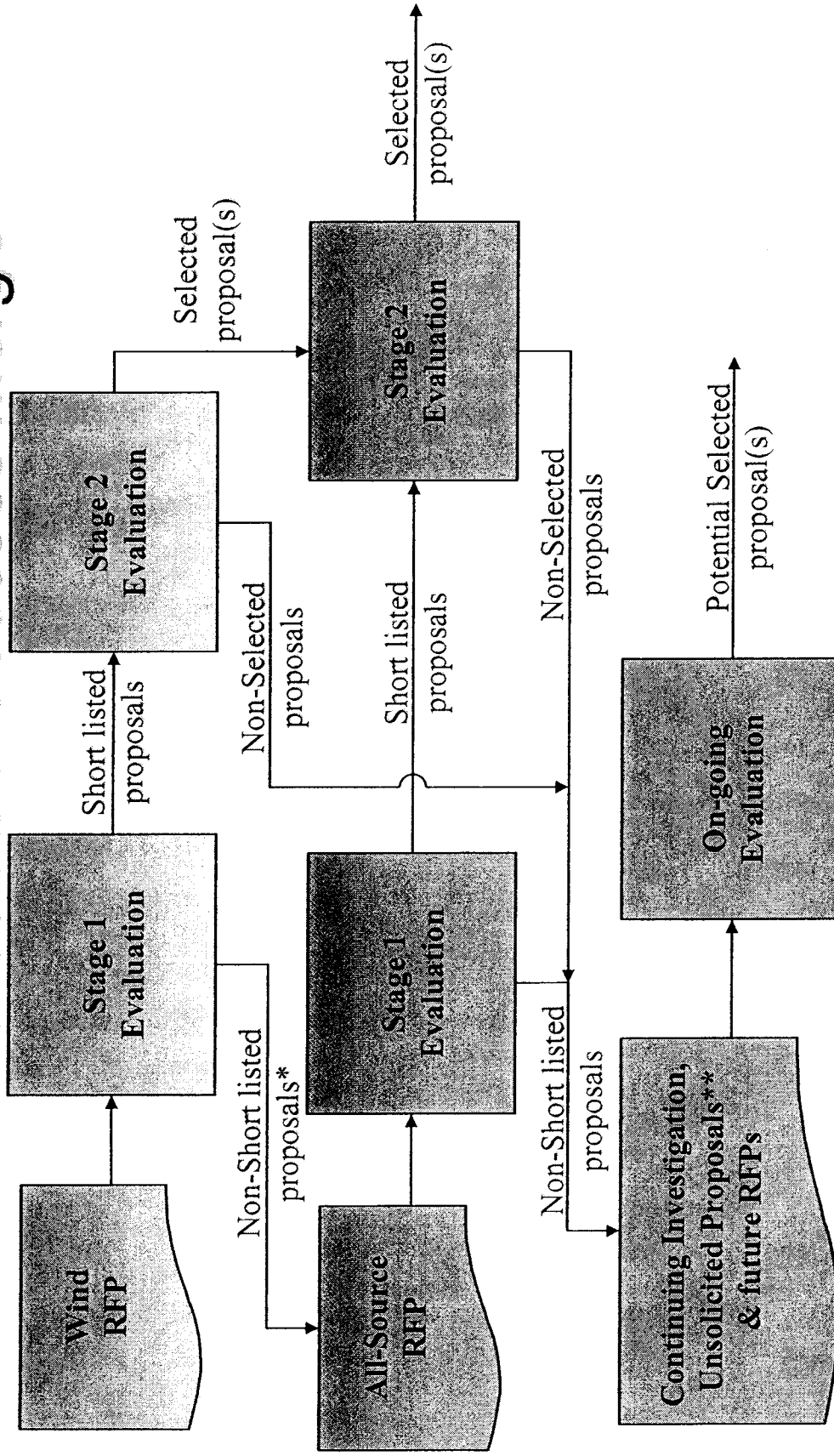
FEBRUARY 15, 2006

All-Source RFP Stage 1 Evaluation Review

May 19, 2004

Resource Strategy & Process

Wind & All-Source RFP Process Merge



* - All but two Non-Short listed as well as all of the Short listed proposals wind projects were officially resubmitted in the All-Source, some with revisions.

** - Non-Short listed all-source proposals and Non-Selected proposals may be revised on an on-going basis to better meet PSE's Least Cost Planning needs and strategies.

All-Source RFP Evaluation RFP Milestone Schedule & Merge

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Wind RFP

WUTC Approval of RFP	Nov 12, 2003
Issue Final RFP	Nov 17, 2003
Pre-Proposal Conference	Dec 3, 2003
Proposal Responses Due	Jan 16, 2004
Stage 1 Evaluation Begins	Jan 16, 2004
Select Short Listed Proposals	Feb 13, 2004
Stage 2 Evaluation Begins	Feb 13, 2004
WUTC Staff Review Meeting	Mar 10, 2004
Order Ranking of Proposals	Mar 23, 2004
Wind RFP Merge with All-Source RFP	May 13, 2004



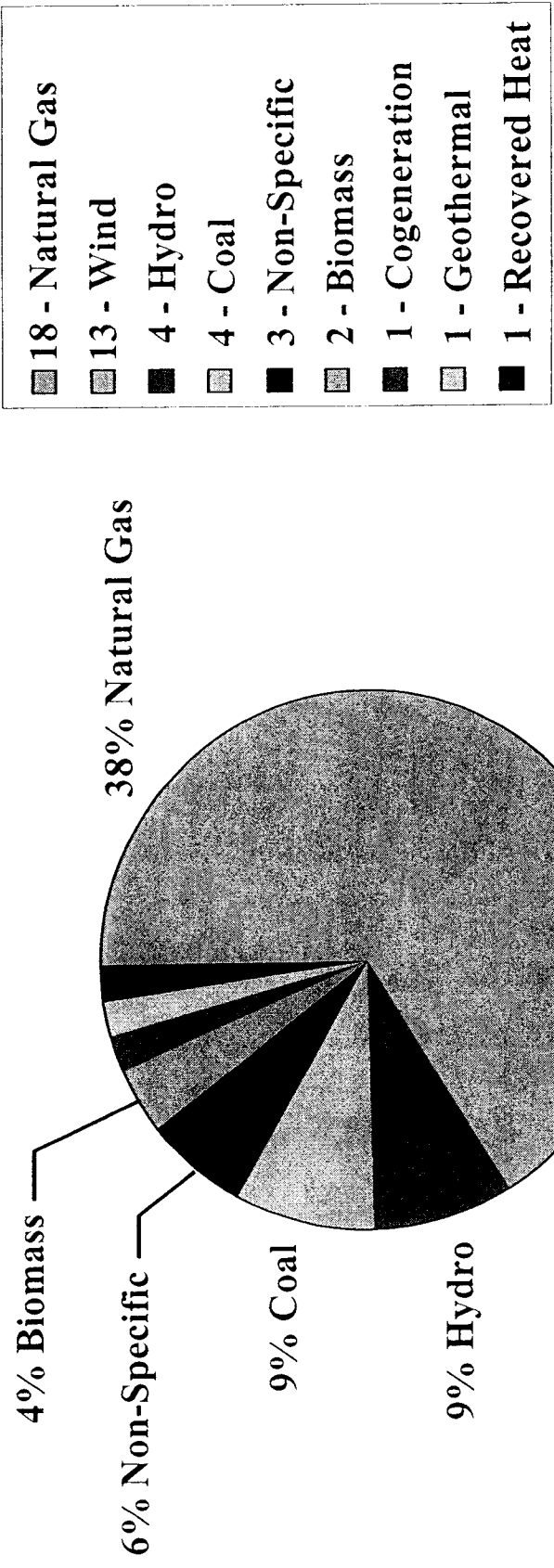
All-Source RFP

WUTC Approval of RFP	Jan 28, 2004
Issue Final RFP	Feb 4, 2004
Pre-Proposal Conference	Feb 11, 2004
Proposal Responses Due	Mar 12, 2004
Stage 1 Evaluation Begins	Mar 12, 2004
Select Short Listed Proposals	May 13, 2004
Stage 2 Evaluation Begins	May 13, 2004
WUTC Staff Review Meeting	Jun 4, 2004
Board of Directors Update	Jul 13, 2004
Selection of Best Alternatives(s)	Jul 22, 2004

All-Source RFP Evaluation

Summary of Proposals

47 - Proposals with options for PPA, Ownership and/or Hybrid
 39 - Owners/Developers



*Summary is based on initial draft figures from bid opening.
 All figures are not final and subject to change and revision at any future date.*

All-Source RFP Evaluation

Summary of Proposals

- 47 - Total Proposals with options for PPA, Ownership and/or Hybrid
- 39 - Different Owners/Developers
- 89 - Total Proposal Options

- 33 - New Projects
- 12 - Existing Projects
- 2 - Suspended Projects
- 12 - Wind Projects Re-Submitted
- 1 - New Wind Project

Options Breakdown

- 24 - PPA and/or Ownership
- 13 - PPA only
- 9 - Ownership only

Proposal Breakdown

- 18 - Natural Gas Projects
 - 10 -New
 - 6 -Existing
 - 2 -Suspended
- 13 - Wind Projects
 - 13-New
- 4 - Hydro Projects
 - 3 -New
 - 1 -Existing
- 4 - Coal Projects
 - 2 -New
 - 2 -Existing
- 3 - Non-specific Power Purchases
- 2 - Biomass (wood) Projects
 - 2 -New
- 1 - Cogeneration Project
 - 1 -New
- 1 - Geothermal Project
 - 1 -New
- 1 - Recovered Heat Project
 - 1 -New

All-Source RFP Evaluation Responses to RFP (March 12, 2004)

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Code	Project Name	Owner / Developer	Location	Resource	New or Existing	Capacity (MW)	COB	Offers
A01				Wind	New		Dec-05	20-yr PPA or 100% Ownership
A02				Wind	New		Dec-05	20-yr PPA or 50% Ownership
A03				Wind	New		Dec-05	20-yr PPA or 100% Ownership
A04				Wind	New		Jul-05	PPA + Ownership
A05				Wind	New		Aug-05	20-yr PPA or 20-yr PPA + 50% Ownership or 100% Ownership
A06				Wind	New		Feb-06	PPA or 50% PPA + 50% Ownership
A07				Wind	New		Oct-05	20-yr PPA or 100% Ownership
A08				Wind	New		Dec-05	30-yr PPA + 50% Ownership
A09				Wind	New		Dec-06	30-yr PPA + 50% Ownership
A10				Wind	New		Dec-05	30-yr PPA + 50% Ownership
A11				Wind	New		Nov-05	20-yr PPA
A12				Wind	New		Nov-05	20-yr PPA
A13				Hydro	New		May-06	25-yr PPA
A14				Hydro	New		Oct-07	100% Ownership
A15				Biomass (wood)	New		May-06	JV w/ PSE
A16				n/a	Existing		n/a	5-yr PPA
A17				Natural Gas	New		n/a	Equipment Purchase of 3-GE7FA CC Power Islands
A18				Coal	New		Dec-06	100% Ownership
A19				Coal	Existing		n/a	1-yr PPA
A20				Coal	New		late 2008	Up to 100% Ownership
A21				Natural Gas	New		Jul-07	20-yr PPA + 50% Ownership
A22				Natural Gas	New		late 2007	20-yr PPA or 100% Ownership
A23				Natural Gas	New		late 2007	20-yr PPA or 100% Ownership

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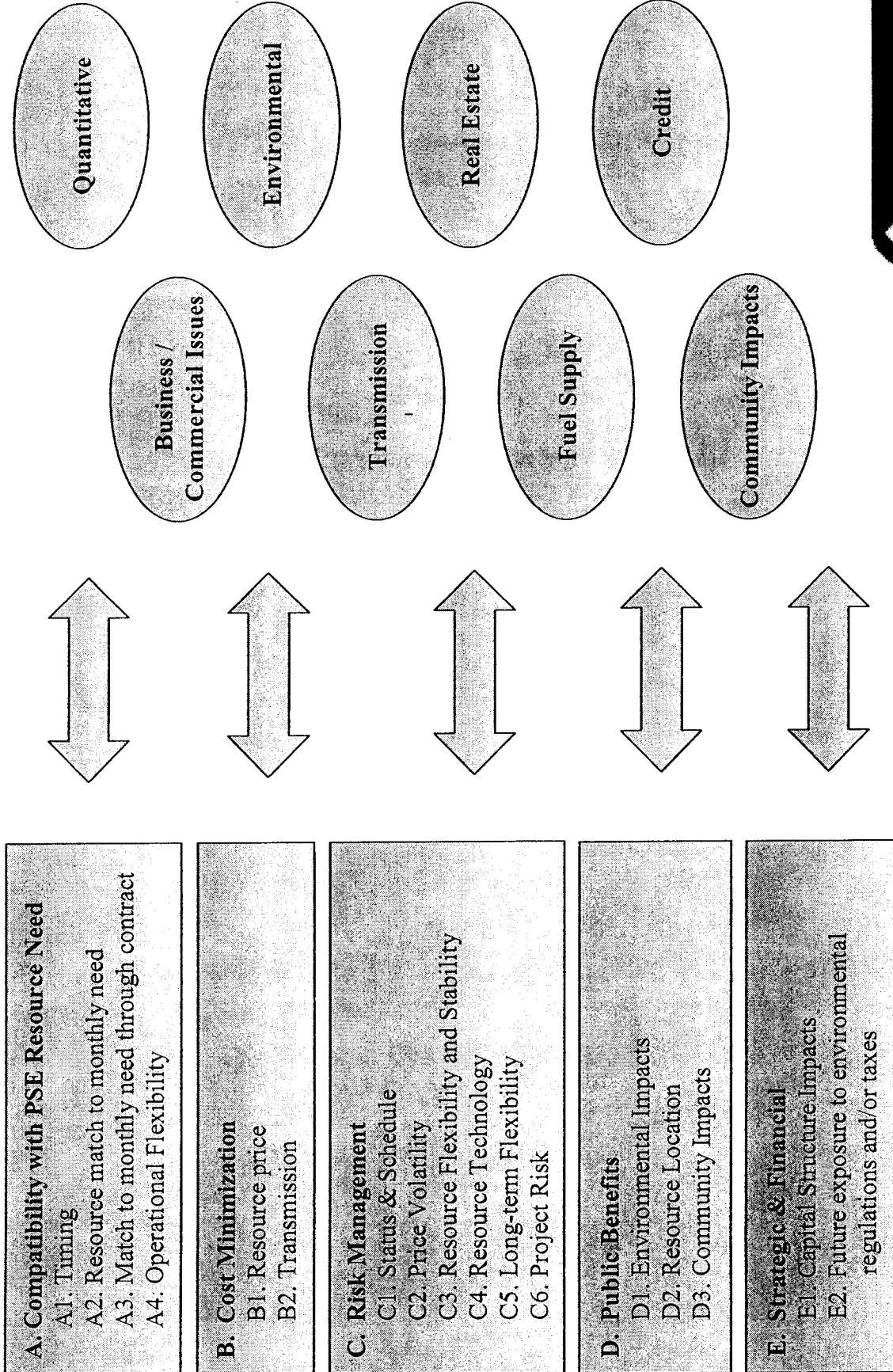
All-Source RFP Evaluation Responses to RFP (continued)

Code	Project Name	Owner/Developer	Location	Resource	New or Existing	Capacity (MW)	COD	Offers
A24				Natural Gas (PPA Coal)	Existing		Aug-02	10-yr PPA or 100% Ownership or
A25				Natural Gas	Existing		n/a	5-yr PPA
A26				Natural Gas	Suspended		Nov-05	100% Ownership
A27				Natural Gas	New		Late 2005	20-yr PPA or 100% Ownership
A28				Natural Gas	New		Sep-07	25% or 50% or 70% Ownership (PPA option available)
A29				Natural Gas	New		Dec-05	50% Ownership
A30				Hydro	Existing		late 2006	22-yr PPA
A31				Natural Gas	New		May-07	20-yr PPA + Partial Ownership or 50% Ownership
A32				Natural Gas	Existing		Oct-03	1-yr PPA or 3-yr PPA or 100% Ownership
A33				Natural Gas	New		Nov-06	20-yr PPA or 20-yr PPA + Ownership or 100% Ownership
A34				Natural Gas	New		Apr-08	20-yr PPA or 100% Ownership
A35				Natural Gas	Suspended		late 2005	100% Ownership
A36				Natural Gas	Existing		n/a	5-yr PPA (25 MW/h)
A37				Natural Gas	Existing		Feb-09	100% Ownership or 7.5-yr Lease Renewal
A38				Cogen	New		Jan-07	100% Ownership
A39				Recovered Heat	New		De 2005	20-yr PPA or 100% Ownership
A40				Hydro	New		Mar-05	25-yr PPA
A41				n/a	Existing		n/a	1-yr PPA (100 MWh)
A42				Geothermal	New		Sep-07	20-yr PPA (potential partial ownership)
A43				Natural Gas	Existing		n/a	PPA assignments
A44				Wind	New		Nov-05	20-yr PPA
A45				Biomass (wood)	New		Jun-06	20-yr PPA or 100% Ownership
A46				n/a	Existing		n/a	3 Tolling-based Proposals
A47				Coal	Existing		n/a	Capacity w/ associated energy from

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All-Source RFP Evaluation

Stage 1: Evaluation Criteria & Teams



Resource Strategy & Process Evaluation & Due Diligence Resources

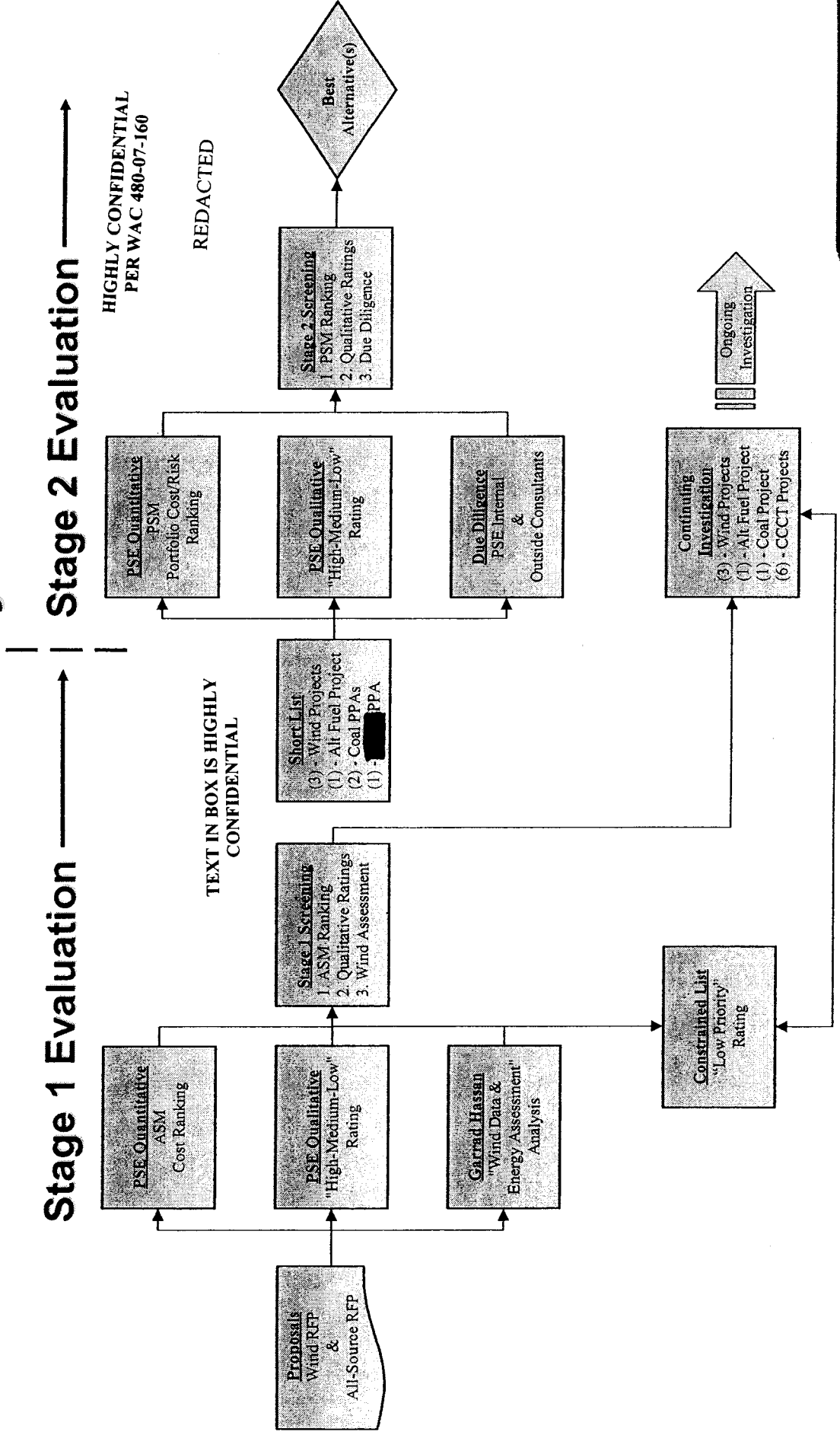
Internal Resources

- Energy Services
- Energy Portfolio Management
- Finance
- Legal
- Regional & Public Affairs
- Regulatory & Government Affairs
- Energy Efficiency & Customer Service
- Operations
- HR & Labor Relations

External Resources

- Technical
 - ◆ Garrad Hassan
 - ◆ 3Tier
 - ◆ Sargent & Lundy
- Environmental
 - ◆ CH2M Hill
 - ◆ URS Corp.
- Legal Services
 - ◆ Buck and Gordon
 - ◆ Perkins Coie
 - ◆ LeBoeuf Lamb

Resource Strategy & Process Evaluation Process & Analysis Flow Chart



All-Source RFP Evaluation

Stage 1: Short List Selection Process

- Level 1 Screening “Constrained” List
- Acquisition Screening Model (ASM) Cost Ranking
- Qualitative Evaluation Ratings
- Combined the review and ratings of each:
 - ◆ ASM Cost Ranking
 - ◆ Qualitative Evaluation Ratings
- Review of “Most Favorable” Projects
- Selection to “Short-List” vs. “Continual Investigating” List
- 7 Projects selected for Stage 2 Evaluation

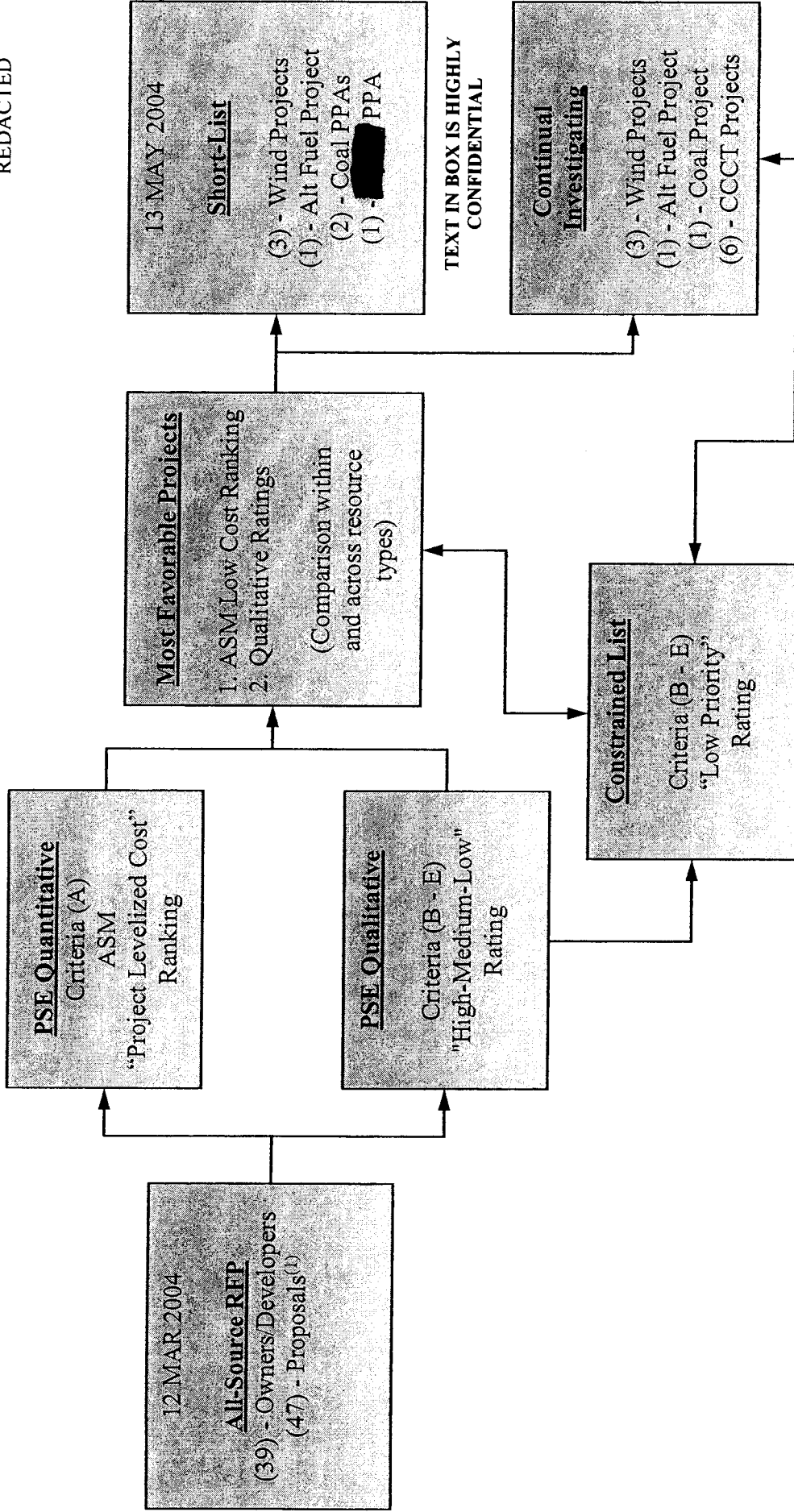
All-Source RFP Evaluation

Stage 1: Selection Process Flow Chart

Exhibit No. ____ (RG-10HC) □
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Notes:

1. Proposals Options included (48) - PPAs, (23) - Asset Ownerships, (18) - Hybrids = (89) - Total Proposal Options.

All-Source RFP Evaluation

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Stage 1: Level 1 Screen "Constrained" List

Code	Type	Project Name	Owner / Developer	Criteria	"Constrained" Justification	Recommendation
A13	H			B2 C1	Relies on nonfirm transmission through [REDACTED] Quality of the developer/proposer and overall commercial feasibility of the deal. Little technical information is provided for [REDACTED] projects	Low Priority
A14	H			C4 C6	This project does not appear to have permits, and the source and longevity of the water right is unclear.	Low Priority
A17	G			C4	This proposal is for equipment only. While the basic technology appears solid, there is considerable permitting, operational, and completion risk.	Low Priority
A18	IG			C1	Quality of the developer/proposer and overall commercial feasibility of the deal	Low Priority
A20	C			B2	Transmission solution is not mature.	HOLD - Pending resolution of Transmission
A27	G			B2 C E1	No transmission across BPA, scant mention of exchange option [REDACTED] in Bankruptcy.	HOLD - Pending resolution of Transmission and resolution of Bankruptcy filing
A31	G		REDACTED	B2	West of McNary; No firm transmission available at this time	HOLD - Pending resolution of Transmission
A33	G			B2	West of McNary; No firm transmission available at this time	HOLD - Pending resolution of Transmission
A34	G			B2	Only 2 routes for connection to grid; 1 [REDACTED] rejected [REDACTED] not a viable option	*Review Fuel Supply Offer Low Priority
A37	G			C4	The proposed equipment is currently installed at [REDACTED] The units are 23 years old and have engine controls and emission controls of that vintage. Retrofit of modern engine controls would cost approximate [REDACTED] Incomplete information provided [REDACTED]	Low Priority
A40	H			C1	[REDACTED] and the FERC License appears to have already expired or will expire in late April	Low Priority
A41	O			A3	Review by EPM; 2 year product within purview of EPM; product not expected to provide value to PSE's portfolio as it does not conform to PSE's need; option products generally suited for winter reliability. Option premiums significantly above KW3000 valuation	Low Priority - Energy Portfolio Management Review ranks "LOW" and recommends "Not to Pursue"
A44	W			B2	West of McNary; No firm transmission available at this time	HOLD - Pending resolution of Transmission
A45	BG			C1 C6	Supply and purchase of fuel and sale of steam to host no longer viable. Timing and results of permitting cannot be guaranteed.	HOLD - Pending resolution of host and fuel supply
A47	C			B2	Transmission solution is not mature	HOLD - Pending resolution of Transmission

NOTES:

- 1 Removed A16: [REDACTED] from list. The PPA will not be evaluated by the EPM group.
- 2 Removed A19: APS 1-year Centraira Coal PPA for 85MW. The EPM has completed their review and find the proposal exceptional.

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All-Source RFP Evaluation

Acquisition Screening Model (ASM) Definitions

ASM Resource Project Cost: Levelized cost of acquisition or PPA over twenty years of length of proposal / project which is based upon the following inputs:

Plant characteristics:

- Capacity
- Heat rate
- Maintenance outage schedule
- Forced outage rate
- Sample 8760 hour generation profile for wind projects
- Book and tax depreciation rates
- Emission rates for SO₂, NO_x, and CO₂

Plant Cost Data:

- Capital cost including AFUDC and deal transaction costs
- Fixed O&M per kw of capacity.
- Fixed A&G costs per kw of capacity (this will include property taxes and insurance)
- Variable O&M per MWh
- Fuel transportation costs including fixed pipeline and lateral charges as well as pipeline commodity charges plus fuel use (losses) and Washington State use tax.
- Fixed and variable transmission costs including wheeling, ancillary services and imbalance or integration costs.

PPA Cost Data:

- PPA fixed prices and escalation
- PPA variable prices, and/or variable adders
- Transmission costs fixed and variable
- Tolling: fixed and variable gas transportation, variable O&M strike price, seasonal and maintenance outage forecast, forced outage rate.

Other Assumptions:

- Costs of borrowing debt and equity capital. Uses the weighted average cost of capital for levelizing costs.
- Natural gas price = same as input to AURORA5
- Power price = hourly output from AURORA5
- Trading values of emissions
- Imputed debt risk percentage
- Production tax credits for qualifying renewable projects

All-Source RFP Evaluation

Stage 1: ASM Project Levelized Cost

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Rank	Code	Type	Project Name	Owner/ Developer	Proposal Option	Location	Status	Capacity (MW)	COD	Project Levelized Cost (\$ / MWh)	20-yr Expected Cost (\$ / MWh)	Levelized Capacity Factor
1	A19	C			2-yr PPA		Operating		n/a			
2	A03	W			100% Ownership		Development		Dec-05			
3	A07	W			20-yr PPA or 100% Ownership		Development		Oct-05			
4	A02b	W			100% Ownership		Development		Dec-05			
5	A24b	C			10-yr PPA 100 to 200 MW		Operating		n/a			
6	A15	BG			JV w/ PSE		Development		May-06			
7	A06	W			50% PPA + 50% Ownership		Development		Feb-06			
8	A39	HR			100% Ownership		Development		Dec-05			
9	A08	W			30-yr PPA + 50% Ownership		Development		Dec-05			
10	A01	W			100% Ownership		Development		Dec-05			
> 10	A10	W			30-yr PPA + 50% Ownership		Development		Dec-05			
	A09	W			30-yr PPA + 50% Ownership		Development		Dec-05			
	A32c	G			3-yr Tolling PPA Shaping		Operating		Oct-03			
	A16	O			6-yr Seasonal Shaped PPA		Operating		n/a			
	A32b	G			1-yr Tolling PPA Shaping		Operating		Oct-03			
	A20	C			100% Ownership		Development		late 2008			
	A05	W			20-yr PPA or 20-yr PPA + 50% Ownership or 100%		Development		Nov-05			
	A02a	W			50% Ownership		Development		Dec-05			
	A04	W			PPA1 Busbar		Development		Jul-05			
	A25b	G			5-yr PPA October - March		Operating		n/a			

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All-Source RFP Evaluation

Stage 1: ASM Project Levelized Cost (cont.)

Code	Type	Project Name	Owner / Developer	Proposal Option	Location	Status	Capacity (MW)	COD	Project Levelized Cost (\$/MWh)	20-yr. Expected Cost (\$/MWh)	Levelized Capacity Factor
A25a	G			5-yr PPA Sept - March		Operating	250	n/a			
A45	BG			20-yr PPA Energy Pricing		Development	18	Jun-06			
A46	O			Jan05 - Mar08 Baseloid tolling		Operating	n/a	n/a			
A29	G			50.2% Ownership w BPA Transmission		Development	269	Dec-05			
A26	G			100% Ownership		Suspended	250	Nov-05			
A44	W			20-yr PPA		Development	63	Nov-05			
A35	G			100% Ownership		Suspended	550	late 2005			
A24a	G			100% Ownership and 10-yr PPA, 100		Operating	242	Aug-02			
A28	G			70% Ownership		Development	386	Sep-07			
A30	H			2-yr Bridge + 20-yr Seasonal On-Peak PPA		Operating / Development	183	late 2006			
A32a	G			100% Ownership		Operating	520	Oct-03			
A47	C			Sept-Mar 5-yr Unit Contingent		Operating	150	n/a			
A42	GT			20-yr PPA + potential partial ownership		Development	50	Sep-07			
A43	G			PPA assignments		Operating	25	n/a			
A22	G			100% Ownership		Development	260	late 2007			
A36	G			5-yr Tolling PPA (25 MWh)		Operating	25	Jan-05			
A21	G			20-yr PPA + 50% Ownership		Development	250	Jul-07			
A23	G			100% Ownership		Development	120	late 2007			
A38	O			100% Ownership		Development	49	Jan-07			
A12	W			20-yr PPA		Development	33	Nov-05			
A11	W			20-yr PPA		Development	99	Nov-05			

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All-Source RFP Evaluation

Stage 1: Evaluation Summary Matrix by Type

- Ranked by ASM 'Project Levelized Cost'
- Stage 1 Evaluation Criteria Ratings

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PROPOSALS		STAGE 1 EVALUATION SUMMARY by TEAM										
Code	Type	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business / Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2 - C1 - D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
ALTERNATE FUEL												
A15	BG	REDACTED										
A39	HR											
A45	BG											
A42	GT											
A14	H											
			LOW	LOW	LOW-MEDIUM	MEDIUM	LOW	LOW	LOW	LOW	LOW	HIGH
			MEDIUM	HIGH	LOW-MEDIUM	HIGH	LOW	LOW	LOW	LOW	HIGH	HIGH
			LOW	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	LOW-MEDIUM	LOW-MEDIUM	MEDIUM
			MEDIUM	LOW	MEDIUM	MEDIUM	LOW	MEDIUM	MEDIUM	HIGH	HIGH	N/A
			LOW	N/A	LOW	LOW	N/A	LOW	LOW	LOW	LOW	N/A

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All-Source RFP Evaluation

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Stage 1: Evaluation Summary Matrix by Type

PROPOSALS		STAGE 1 EVALUATION SUMMARY by TEAM										
Code	Type	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business / Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2 - C1 - D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
ALTERNATE FUEL												
A15	BG					LOW	LOW	LOW-MEDIUM	MEDIUM	LOW	LOW	HIGH
A39	HR					MEDIUM	HIGH	LOW-MEDIUM	HIGH	LOW	HIGH	HIGH
A45	BG					LOW	LOW	MEDIUM	LOW	LOW	LOW-MEDIUM	MEDIUM
A42	GT								MEDIUM	MEDIUM	HIGH	N/A
A44	H								LOW	LOW	LOW	N/A

Costs Very Attractive

Rating mainly reflects undeveloped status of the proposal

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Higher Costs and/or on "Constrained" List

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All-Source RFP Evaluation

Stage 1: Evaluation Summary Matrix by Type

Exhibit No. ___ (RG-10HC) □
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PROPOSALS		STAGE 1 EVALUATION SUMMARY BY TEAM										
Code	Type	Project Name	Project Levelized Cost (\$ / MWh)	20-yr Expected Cost (\$ / MWh)	Levelized Capacity Factor	Business / Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2 - C1 - D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
POWER PURCHASE - Long-Term (>10yrs)												
A24b	C					HIGH	HIGH	VERY HIGH	N/A	N/A	MEDIUM-HIGH	HIGH
A30	H					HIGH	N/A	MEDIUM	N/A	N/A	MEDIUM-HIGH	N/A
A43	G					MEDIUM	MEDIUM	LOW-MEDIUM	N/A	N/A	MEDIUM-HIGH	HIGH
A13	H					LOW	N/A	VERY LOW	MEDIUM	MEDIUM	LOW-MEDIUM	N/A
A40	H					LOW	N/A	LOW-MEDIUM	LOW	LOW	LOW	MEDIUM
POWER PURCHASE - Short-Term (<10yrs)												
A19	C					HIGH	HIGH	VERY HIGH	HIGH	N/A	MEDIUM-HIGH	HIGH
A32c	G					HIGH	MEDIUM	MEDIUM	HIGH	N/A	HIGH	HIGH
A16	O					HIGH	N/A	LOW	N/A	N/A	HIGH	N/A
A32b	G					HIGH	MEDIUM	MEDIUM	HIGH	N/A	HIGH	HIGH
A25b	G					MEDIUM	MEDIUM-HIGH	LOW	N/A	N/A	MEDIUM	HIGH
A25a	G					MEDIUM	MEDIUM-HIGH	LOW	N/A	N/A	MEDIUM	HIGH
A46	O					MEDIUM	LOW	N/A	N/A	N/A	HIGH	N/A
A47	C					HIGH	HIGH	VERY LOW	N/A	N/A	LOW-MEDIUM	N/A
A36	G					MEDIUM	LOW	MEDIUM	LOW	N/A	HIGH	N/A
A41	O					LOW	N/A	N/A	N/A	N/A	MEDIUM	N/A

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All-Source RFP Evaluation

Stage 1: Evaluation Summary Matrix by Type

On-Peak Product
(See Next Slide)

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Costs Very Attractive and
Ratings are Highly Favorable

STAGE 1 EVALUATION SUMMARY by TEAM													
PROPOSALS	Code	Type	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business / Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2 - C1 - D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
POWER PURCHASE - Long-Term (>10yrs)													
A24b	C						HIGH	HIGH	VERY HIGH	N/A	N/A	MEDIUM-HIGH	HIGH
A30	H						HIGH	N/A	MEDIUM	N/A	N/A	MEDIUM-HIGH	N/A
A42	G						MEDIUM	MEDIUM	LOW-MEDIUM	N/A	N/A	MEDIUM-HIGH	HIGH
A42	H									MEDIUM	MEDIUM	LOW-MEDIUM	N/A
A46	H									LOW	LOW	LOW	MEDIUM
POWER PURCHASE - Short-Term (<10yrs)													
A19	C						HIGH	HIGH	VERY HIGH	HIGH	N/A	MEDIUM-HIGH	HIGH
A22c	G						HIGH	MEDIUM	MEDIUM	HIGH	N/A	HIGH	HIGH
A46	G									N/A	N/A	HIGH	N/A
A22b	G									HIGH	N/A	HIGH	HIGH
A25b	G						MEDIUM	MEDIUM-HIGH	LOW	N/A	N/A	MEDIUM	HIGH
A25a	G						MEDIUM	MEDIUM-HIGH	LOW	N/A	N/A	MEDIUM	HIGH
A46	G						MEDIUM	LOW	N/A	N/A	N/A	HIGH	N/A
A47	G						HIGH	HIGH	VERY-LOW	N/A	N/A	LOW-MEDIUM	N/A
A66	G						MEDIUM	LOW	MEDIUM	LOW	N/A	HIGH	N/A
A44	G						LOW	N/A	N/A	N/A	N/A	MEDIUM	N/A

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Higher Costs and/or
on "Constrained" List

Higher Costs and/or
on "Constrained" List

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All-Source RFP Evaluation

Stage 1: Selection of A30: Powerex PPA

- Acquisition Screening Model (ASM) used to quantify costs of All-Source proposals does not seem adequate to address value of some non-standard offers (e.g., [REDACTED] PPA).
- TEXT IN BOX IS HIGHLY
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- [REDACTED] offered On-Peak power during September through March.
 - Recommendation to take this offer through to “Short-List” to be evaluated by Portfolio Screening Model (PSM).
 - In support of recommendation, On-Peak market prices during September - March were compared to the [REDACTED] PPA proposed contract prices.
 - ◆ On a PV basis the [REDACTED] contract is about \$ [REDACTED] /MWh lower than assumed market prices.
 - ◆ Given this, [REDACTED] PPA merits further consideration in Stage 2 evaluation; therefore, selected for “Short-List”.

All-Source RFP Evaluation

Stage 1: Evaluation Summary Matrix by Type

STAGE 1 EVALUATION SUMMARY by TEAM											
PROPOSALS	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business / Commercial (A-B-C-D-E)	Fuel Supply (C1-C2-D2)	Transmission (B2 - C1 - D2)	Technical (C4)	Real Estate (C1-C6-D2)	Environmental (C1-C6-D1-E2)	Community (D3)
THERMAL (Natural Gas, Coal, Cogen)											
A20	C				MEDIUM	LOW	VERY LOW	LOW	LOW	HIGH	N/A
A29	G				MEDIUM	MEDIUM-HIGH	LOW-MEDIUM	LOW	MEDIUM	MEDIUM-HIGH	N/A
A26	G				LOW	MEDIUM-HIGH	LOW	MEDIUM	N/A	MEDIUM	HIGH
A35	G				MEDIUM	MEDIUM	LOW	HIGH	N/A	MEDIUM	MEDIUM
A24a	G				HIGH	MEDIUM	VERY HIGH	MEDIUM	N/A	LOW-MEDIUM	HIGH
A28	G				MEDIUM	HIGH	MEDIUM-HIGH	MEDIUM	LOW	MEDIUM-HIGH	LOW
A32a	G				HIGH	MEDIUM	MEDIUM	HIGH	N/A	HIGH	HIGH
A22	G				MEDIUM	MEDIUM-HIGH	LOW-MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH
A21	G				MEDIUM	MEDIUM	HIGH	HIGH	HIGH	MEDIUM-HIGH	HIGH
A23	G				MEDIUM	MEDIUM-HIGH	LOW-MEDIUM	LOW	MEDIUM	MEDIUM	HIGH
A38	O				MEDIUM	LOW	MEDIUM	LOW	MEDIUM	MEDIUM	MEDIUM
A17	G				LOW	N/A	N/A	LOW	N/A	MEDIUM	MEDIUM
A18	IG				LOW	LOW	HIGH	LOW	MEDIUM	LOW	LOW
A27	G				LOW	LOW	VERY LOW	LOW	MEDIUM	LOW	N/A
A31	G				MEDIUM	HIGH	VERY LOW	N/A	LOW	HIGH	N/A
A33	G				MEDIUM	MEDIUM-HIGH	VERY LOW	MEDIUM	LOW	MEDIUM	N/A
A34	G				LOW	HIGH	LOW	MEDIUM	MEDIUM	MEDIUM-HIGH	LOW
A37	G				LOW	HIGH	HIGH	LOW	N/A	HIGH	HIGH

REDACTED

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All-Source RFP Evaluation

Exhibit No. (RG-10HC) □
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Stage 1: Evaluation Summary Matrix by Type

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PROPOSALS	STAGE 1 EVALUATION												
	Code	Type	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business/Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2-C1-D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
THERMAL (Natural Gas, Coal, Cogen)													
A20	C						MEDIUM	LOW	VERY LOW	LOW	LOW	HIGH	N/A
A29	G						MEDIUM	MEDIUM-HIGH	LOW-MEDIUM	LOW	MEDIUM	MEDIUM-HIGH	N/A
A26	G						LOW					MEDIUM	HIGH
A35	G						MEDIUM					MEDIUM	MEDIUM
A24a	G						HIGH					LOW-MEDIUM	HIGH
A28	G						MEDIUM					MEDIUM-HIGH	LOW
A32a	G						HIGH	MEDIUM	MEDIUM	HIGH	N/A	HIGH	HIGH
A20	C						MEDIUM	MEDIUM-HIGH	LOW-MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH
A24	C										HIGH	MEDIUM-HIGH	HIGH
A23	C										LOW	MEDIUM	HIGH
A20	C						MEDIUM	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM
A47	C						LOW	N/A	N/A	LOW	N/A	MEDIUM	MEDIUM
A18	C						LOW	LOW	HIGH	LOW	MEDIUM	LOW	LOW
A27	C						LOW	LOW	VERY LOW	LOW	MEDIUM	LOW	N/A
A24	C						MEDIUM	HIGH	VERY LOW	N/A	LOW	HIGH	N/A
A23	C						MEDIUM	MEDIUM-HIGH	VERY LOW	MEDIUM	LOW	MEDIUM	N/A
A24	C						LOW	HIGH	LOW	MEDIUM	MEDIUM-HIGH	MEDIUM-HIGH	LOW
A27	C						LOW	HIGH	HIGH	LOW	N/A	HIGH	HIGH

Cost Attractive but Transmission is Constrained

VERY LOW

Natural Gas Projects Ratings are Favorable but Costs Range \$

Higher Costs and/or on "Constrained" List

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REDACTED

Gray Shade = "Constrained" List

All-Source RFP Evaluation

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Stage 1: Evaluation Summary Matrix by Type

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PROPOSALS		STAGE 1 EVALUATION SUMMARY by TEAM										
Code	Type	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business / Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2 - C1 - D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
WIND												
A03	W					HIGH	MEDIUM	LOW	HIGH	MEDIUM	HIGH	HIGH
A07	W					MEDIUM	LOW	LOW	LOW	LOW	MEDIUM-HIGH	MEDIUM
A02b	W					MEDIUM	MEDIUM	HIGH	MEDIUM	MEDIUM	HIGH	HIGH
A06	W					HIGH	MEDIUM	MEDIUM-HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM
A08	W					MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM
A01	W					LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW
A10	W					MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	HIGH	MEDIUM	LOW
A09	W					MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM	HIGH	HIGH
A05	W					MEDIUM	LOW	LOW	LOW	HIGH	MEDIUM	HIGH
A02a	W					MEDIUM	MEDIUM	HIGH	HIGH	MEDIUM	HIGH	HIGH
A04	W					MEDIUM	LOW	LOW	LOW	MEDIUM	LOW-MEDIUM	HIGH
A44	W					MEDIUM	N/A	MEDIUM	N/A	HIGH	MEDIUM-HIGH	HIGH
A12	W					LOW	LOW	LOW	LOW	LOW	LOW-MEDIUM	N/A
A11	W					LOW	LOW	LOW	LOW	LOW	LOW-MEDIUM	N/A

REDACTED

All-Source RFP Evaluation

Stage 1: Evaluation Summary Matrix by Type

Costs Attractive and Ratings are Highly Favorable

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Costs Attractive but Wind Energy Assessment Rates as "Non-Financable"

STAGE 1 EVALUATION SUMMARY BY TEAM											
PROPOSALS	Project Name	Project Levelized Cost (\$/MWh)	20-yr Expected Cost (\$/MWh)	Levelized Capacity Factor	Business/Commercial [A-B-C-D-E]	Fuel Supply [C1-C2-D2]	Transmission [B2-C1-D2]	Technical [C4]	Real Estate [C1-C6-D2]	Environmental [C1-C6-D1-E2]	Community [D3]
WIND											
A03	W	[REDACTED]	[REDACTED]	[REDACTED]	HIGH	MEDIUM	LOW	HIGH	MEDIUM	HIGH	HIGH
A07	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM-HIGH	MEDIUM
A02b	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	MEDIUM	HIGH	MEDIUM	MEDIUM	HIGH	HIGH
A06	W	[REDACTED]	[REDACTED]	[REDACTED]	HIGH	MEDIUM	MEDIUM-HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM
A08	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM
A01	W	[REDACTED]	[REDACTED]	[REDACTED]	LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW
A09	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	HIGH	MEDIUM	LOW
A00	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH
A05	W	[REDACTED]	[REDACTED]	[REDACTED]	LOW	MEDIUM	HIGH	LOW	HIGH	MEDIUM	HIGH
A03a	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	MEDIUM	HIGH	HIGH	MEDIUM	HIGH	HIGH
A04	W	[REDACTED]	[REDACTED]	[REDACTED]	LOW	MEDIUM	LOW	LOW	MEDIUM	LOW-MEDIUM	HIGH
A04a	W	[REDACTED]	[REDACTED]	[REDACTED]	MEDIUM	N/A	MEDIUM	N/A	HIGH	MEDIUM-HIGH	HIGH
A02	W	[REDACTED]	[REDACTED]	[REDACTED]	LOW	LOW	LOW	LOW	LOW	LOW-MEDIUM	N/A
A02a	W	[REDACTED]	[REDACTED]	[REDACTED]	LOW	LOW	LOW	LOW	LOW	LOW-MEDIUM	N/A

REDACTED

Higher Costs and/or on "Constrained" List

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High Permitting Risk due to preemption request under EFSEC

All-Source RFP Evaluation

Stage 1: "Most Favorable" Projects Matrix

Code	Type	Project Name	Owner/Developer	Proposal Option	Location	Status	Capacity (MW)	COD	Project Levelized Cost (\$ / MWh)	20-yr Expected Cost (\$ / MWh)	Levelized Capacity Factor	
ALTERNATE FUEL												
A15	BG			JV w/ PSE		Development		May-06				
A39	HR			100% Ownership		Development		Dec-05				
POWER PURCHASE												
A19	C			2-yr PPA		Operating		n/a				
A24b	C			10-yr PPA 100 to 200 MW Plant		Operating		n/a				
A30	H			2-yr Bridge + 20-yr Seasonal On-Peak PPA		Operating / Development		late 2006				
THERMAL (N)												
A20	C			100% Ownership		Development		late 2008				
A29	G			50.2% Ownership w BPA Transmission		Development		Dec-05				
A26	G			100% Ownership		Suspended		Nov-05				
A35	G			100% Ownership		Suspended		late 2005				
A24a	G			100% Ownership and 10-yr PPA 100		Operating		Aug-02				
A28	G			70% Ownership		Development		Sep-07				
A32a	G			100% Ownership		Operating		Oct-03				
WIND												
A03	W			100% Ownership		Development		Dec-05				
A07	W			20-yr PPA or 100% Ownership		Development		Oct-05				
A02b	W			100% Ownership		Development		Dec-05				
A06	W			50% PPA + 50% Ownership		Development		Feb-06				
A08	W			30-yr PPA + 50% Ownership		Development		Dec-05				
A01	W			100% Ownership		Development		Dec-05				

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All-Source RFP Evaluation

Stage 1: Significant Comments & Decision

Code	Type	Project Name	Owner/ Developer	Project Levelized Cost (\$ / MWh)	Significant Comments	DECISION
ALTERNATE FUEL						
A15	BG	REDACTED			*Very early stages of development *Fuel Supply Plan not fully developed *Very little emissions data. Assumes that only cleanup will be particulates. *BFB supposed to cut NOx and convert CO to CO2.	"Continual Investigating"
A39	HR					"Need to decide if PSE Ownership is a feasible option *PPA is not attractively priced"

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All-Source RFP Evaluation

Exhibit No. ____ (RG-10HC) □
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Stage 1: Significant Comments & Decision

Code	Type	Project Name	Owner/ Developer	Project Levelized Cost (\$/MWh)	Significant Comments	DECISION
POWER PURCHASE						
A19	C	REDACTED			*Reviewed & Evaluated by EPM *Recommendation is to Pursue *Product has many benefits: provides reliability, good exchange value, and loss savings *Price is DJ Mid-C Index minus \$ [REDACTED] /MWh	"SHORT-LIST"
A24b	C				*Low Cost & Low Risk PPA	"SHORT-LIST"
A30	H				*On Peak PPA is worth evaluating in the Portfolio Model *May be about \$ [REDACTED] lower than assumed market prices	"SHORT-LIST"

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All-Source RFP Evaluation

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Stage 1: Significant Comments & Decision

Code	Type	Project Name	Owner/ Developer	Project Levelized Cost (\$/MWh)	Significant Comments	DECISION
THERMAL (Natural Gas, Coal, Cogen)						
A20	G	[REDACTED]		52.77	<ul style="list-style-type: none"> *Not expected to get service agreement without improvements through West of Hawaii. *Must assume that PSE can live with non-firm transmission or wait for more Cross Cascades transmission *Contains a coal supply proposal from the adjacent mine [REDACTED] [REDACTED] The extent of reserves are known but may require the plant owner(s) to operate the mine as well 	"Continual Investigating"
A29	G	[REDACTED]		60.26	<ul style="list-style-type: none"> *[REDACTED] involvement (optional) makes transaction look like a tolling deal. *The [REDACTED] turbine represents a major development effort on the part of [REDACTED] to resolve combustion and cooling issues; this turbine may present significant risks to long-term operation. 	"Continual Investigating"
A26	G	[REDACTED]		62.10	<ul style="list-style-type: none"> *[REDACTED] filed Bankruptcy in [REDACTED] *No transmission request in BPA queue; Cross Cascades path is expected to sell out before contract is offered 	"Continual Investigating"
A35	G	[REDACTED]		62.62	<ul style="list-style-type: none"> *Project attractively priced *Fixed fuel charges of approx. [REDACTED] month *No transmission request in; two constraints on I-5, others in queue will use capacity 	"Continual Investigating"
A24a	G	[REDACTED]		63.43	<ul style="list-style-type: none"> *LM6000 units with quickstart capability may have optionality and/or capacity value *Concern with [REDACTED] 	"Continual Investigating"
A28	G	[REDACTED]		63.70	<ul style="list-style-type: none"> *PSE Interconnection will be extremely expensive *[REDACTED] very high in queue, should receive a transmission offer shortly. Their path to John Day has higher impacts than delivering the power to PSE *CT technology is a concern; Users are just getting to the first combustion inspections and only one has reached the hot gas path interval. None have reached the 48k hour major inspection yet 	"Continual Investigating"
A32a	G	[REDACTED]		64.12	<ul style="list-style-type: none"> *Attractive plant 	"Continual Investigating"

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All-Source RFP Evaluation

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Stage 1: Significant Comments & Decision

Code	Type	Project Name	Owner / Developer	Project Levelized Cost (\$ / MWh)	Significant Comments	DECISION
WIND						
A03	W	<div style="border: 2px solid black; padding: 10px; text-align: center;"> <p>REDACTED</p> </div>			<p>Transmission Constraints: *Wrong side of the 'West of McNary' cutplane; Not expected to get service agreement without completion of McN - JDA. *The project is too low in the transmission queue to have any certainty of receiving firm transmission. *Must assume that PSE can live with nonfirm transmission</p>	"SHORT-LIST"
A07	W					"Continual Investigating"
A02b	W					"SHORT-LIST"
A06	W					"SHORT-LIST"
A08	W					"Continual Investigating"
A01	W					"Continual Investigating"
<p>Permit Obstacles:</p>						

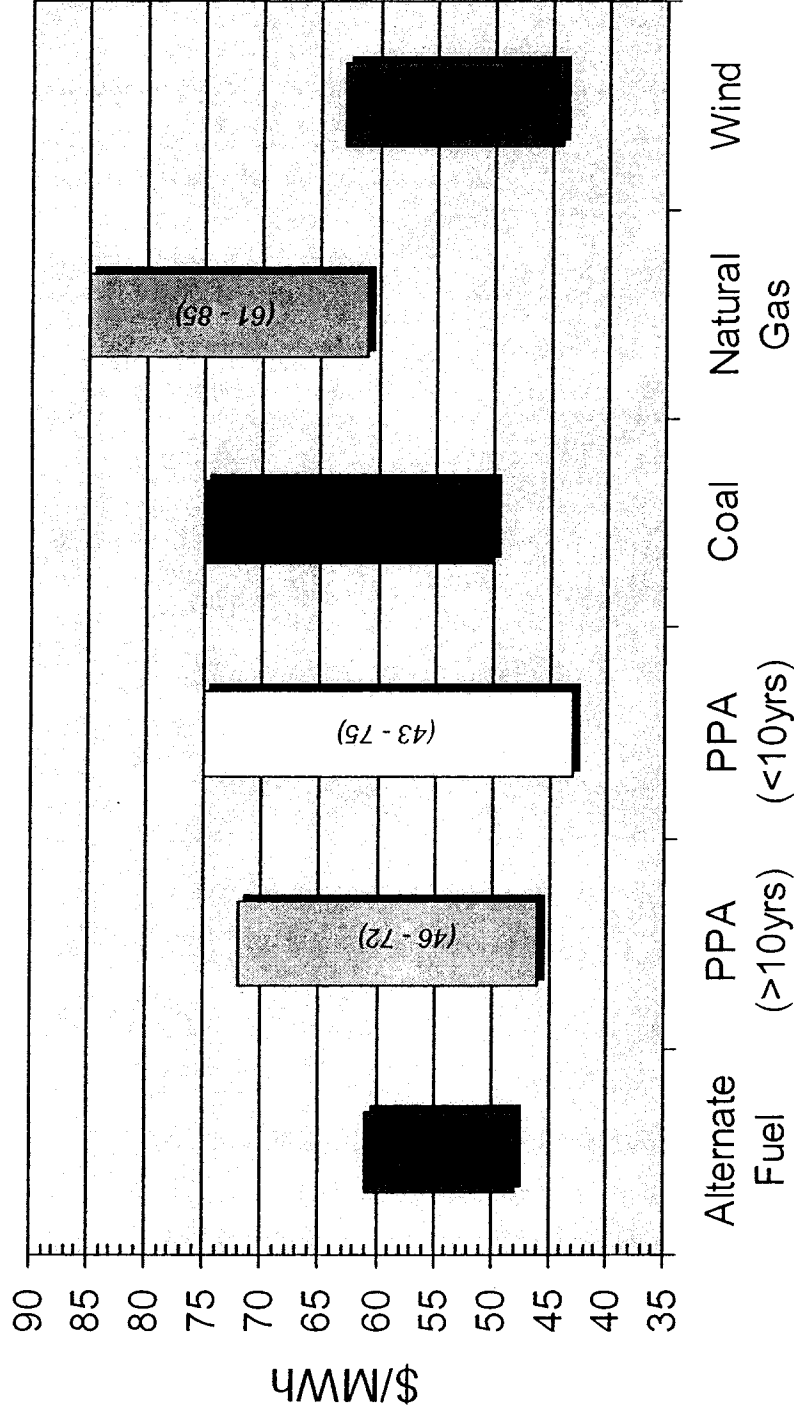
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Short List Review

Levelized Costs Evaluation Results

Cost Range by Technology Type



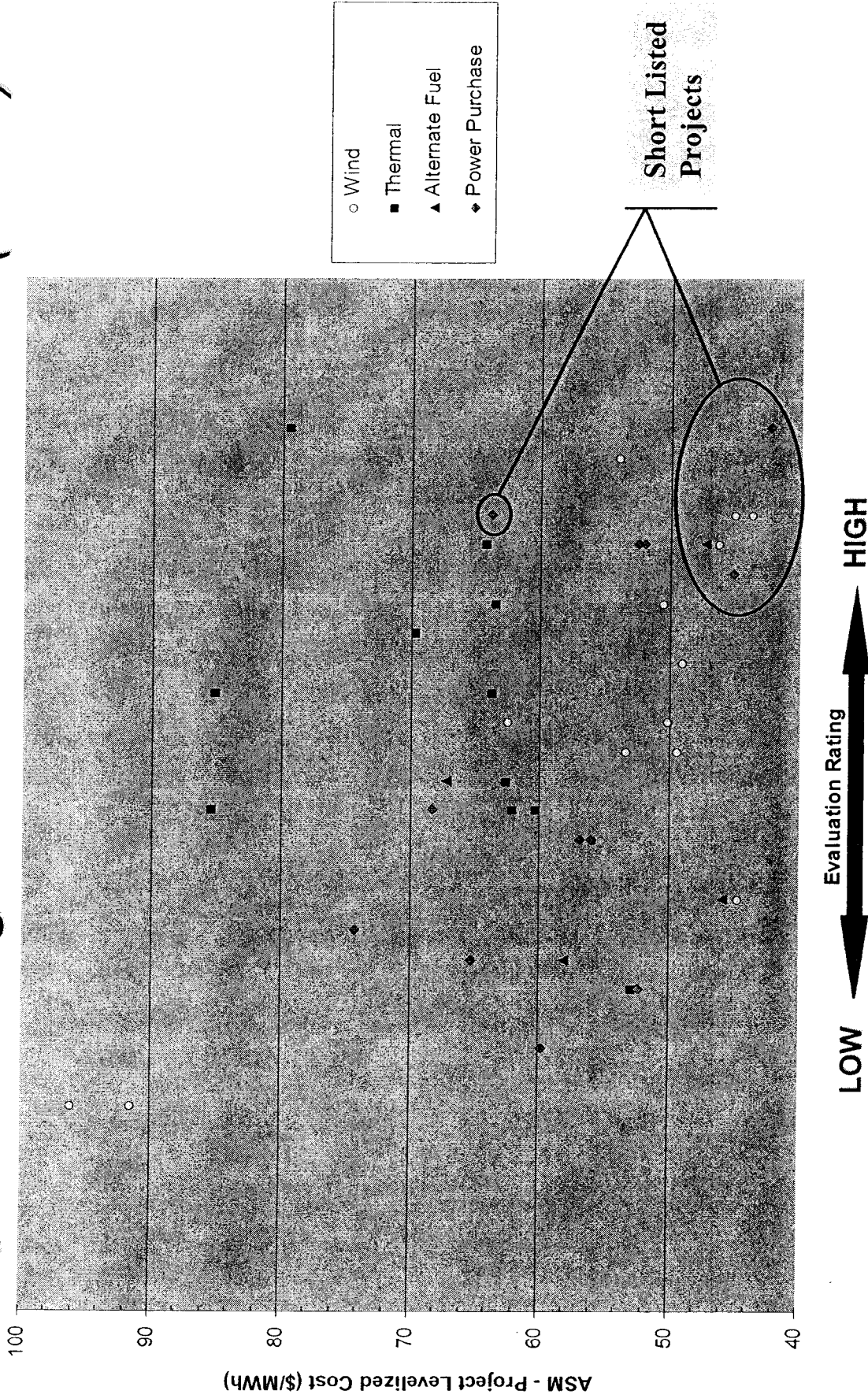
Notes:

1. Acquisition Screening Model (ASM8) 20-yr Levelized Costs
2. Transmission solution is not mature
3. Does not include credit
4. All delivered to PSE System

All-Source RFP Evaluation

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Stage 1: Rating vs. Cost Distribution (ASM)



Note: This chart is for graphical illustration purposes. Evaluation Ratings for this chart

All-Source RFP Evaluation

Stage 1: Continuing Investigation Selection

- “Continuing Investigation” list defined as those projects that PSE’s Stage 1 evaluation has shown as being attractive, but currently face obstacles such as transmission constraints.
- PSE will continue to monitor status of these projects as Stage 2 progresses and depending on negotiations with those “Short listed”.
- It is possible these projects could advance.
- Current and forward gas prices render the natural gas projects uneconomical as compared to other resource alternatives identified in “Short List”.
- PSE will continue investigating these projects with ongoing discussions with developers/owners.

All-Source RFP Evaluation

Stage 1: Continuing Investigation Selection

Code	Type	Project Name	Owner / Developer	Proposal Option	Location	Status	Capacity (MW)	COD	Project Levelized Cost (\$ / MWh)
ALTERNATE FUEL									
A15	BG			JV w/ PSE		Development		May-06	
THERMAL									
A20	C	REDACTED		100% Ownership		Development		late 2008	
A29	G	REDACTED		50.2% Ownership w BPA Transmission		Development		Dec-05	
A26	G	REDACTED		100% Ownership		Suspended		Nov-05	
A35	G	REDACTED		100% Ownership		Suspended		late 2005	
A24a	G	REDACTED		100% Ownership		Operating		Aug-02	
A28	G	REDACTED		70% Ownership		Development		Sep-07	
A32a	G	REDACTED		100% Ownership		Operating		Oct-03	
WIND									
A08	W	REDACTED		30-yr PPA + 50% Ownership		Development		Dec-05	
A07	W	REDACTED		20-yr PPA or 100% Ownership		Development		Oct-05	
A01	W	REDACTED		100% Ownership		Development		Dec-05	

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All-Source RFP Evaluation

Stage 1: Short List Selection for Stage 2

- “Short Listed” projects were both “Low Cost” and evaluated as “Low Risk” through the integrated assessment of qualitative criteria that led to natural groupings.
- The cost of projects selected to “Short List” ranged from \$42 to \$48 excluding the non-standard [REDACTED] On-Peak PPA which after further analysis may prove to be below assumed market prices.
- The diversified mix of projects selected to the “Short List” include:
 - ◆ (1) Alternate fuel (recovered heat from gas compressors)
 - ◆ (2) Coal PPAs (10-yr & 2-yr terms)
 - ◆ (1) [REDACTED] PPA (22-yr On-Peak)
 - ◆ (3) Wind projects (3 of 4 from Wind RFP)
- Given current forecasted high gas prices, no gas projects selected for Stage 2 evaluation.

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All-Source RFP Evaluation

Stage 1: Short-List Selection Summary

- (1) Alternate fuel (gas compressor recovered heat)
- (2) Coal PPAs (10-yr & 2-yr terms)
- (1) [REDACTED] PPA (22-yr On-Peak)
- (3) Wind project (3 of 4 from Wind RFP)

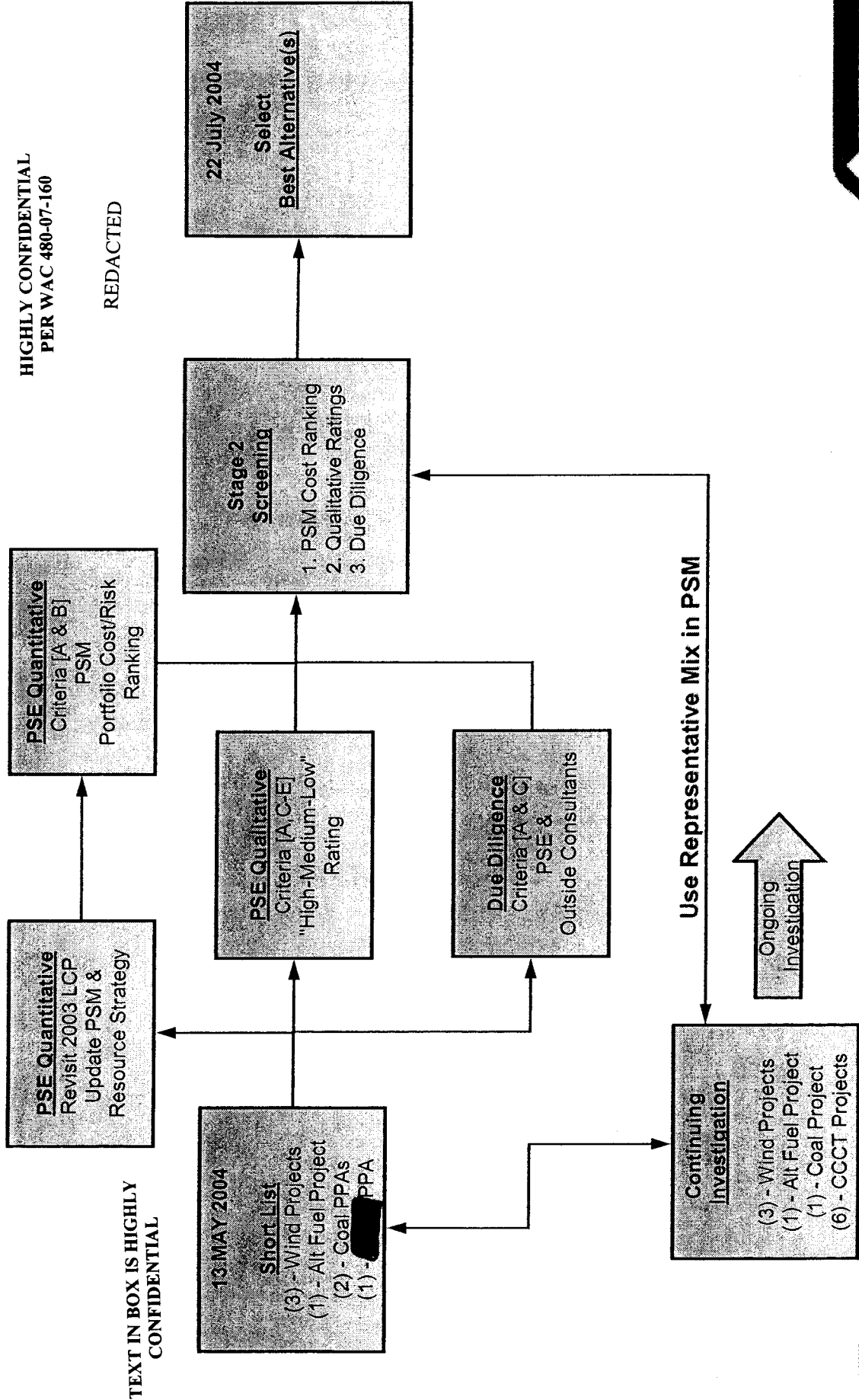
Code	Type	Project Name	Owner / Developer	Proposal Option	Location	Status	Capacity (MW)	COD	Project Levelized Cost (\$ / MWh)
ALTERNATE FUEL									
A39	HR	[REDACTED]	[REDACTED]	100% Ownership	[REDACTED]	Development	[REDACTED]	Dec-05	[REDACTED]
POWER PURCHASE									
A19	C	[REDACTED]	[REDACTED]	2-yr PPA	[REDACTED]	Operating	[REDACTED]	n/a	[REDACTED]
A24b	C	[REDACTED]	[REDACTED]	10-yr PPA 100 to 200 MW	[REDACTED]	Operating	[REDACTED]	n/a	[REDACTED]
A30	H	[REDACTED]	[REDACTED]	2-yr Bridge + 20-yr Seasonal On-Peak PPA	[REDACTED]	Operating / Development	[REDACTED]	late 2006	[REDACTED]
WIND									
A03	W	[REDACTED]	[REDACTED]	100% Ownership	[REDACTED]	Development	[REDACTED]	Dec-05	[REDACTED]
A02b	W	[REDACTED]	[REDACTED]	100% Ownership	[REDACTED]	Development	[REDACTED]	Dec-05	[REDACTED]
A06	W	[REDACTED]	[REDACTED]	50% PPA + 50% Ownership	[REDACTED]	Development	[REDACTED]	Feb-06	[REDACTED]

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All-Source RFP Evaluation

Next Steps: Stage 2: Process Flow Chart



All-Source RFP Evaluation

Next Steps: Quantitative Analysis-Process & Strategy

- Revisit LCP 2003 Generic Resource Strategy
- Step 1
 - ◆ Update supply tester to create representative scenarios of generic portfolios for testing in PSM
 - ◆ Update PSM model
 - ◆ Add wind variability logic (similar to Stage II of wind evaluations)
 - ◆ Update generic plant assumptions (all-in cost, O&M, FOR, heat rate, etc.)
 - ◆ Update variability of power price and gas price
 - ◆ Update coal market prices
- Step 2
 - ◆ Run Aurora optimization with new generic plant assumptions
- Step 3
 - ◆ Run PSM with new commodity prices, generic assumptions and price and wind variability for the generic portfolios to update LCP 2003 strategy
- Determine optimum combination of all-source short-list projects
- Documentation of models and process