EXHIBIT NO. ___(RG-8HC)
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____**

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

REDACTED VERSION

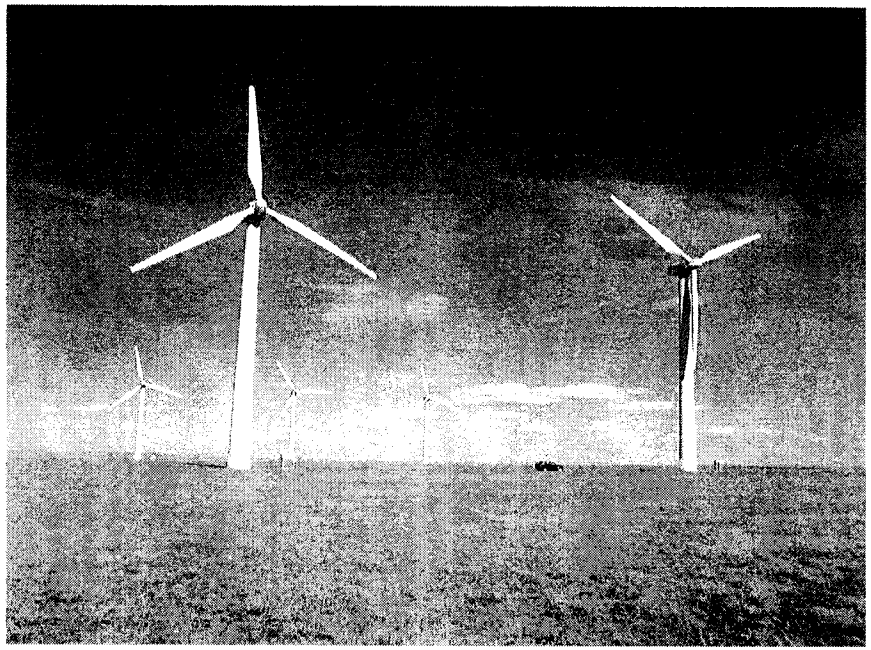
FEBRUARY 15, 2006

Resource Acquisition
2004 Wind RFP

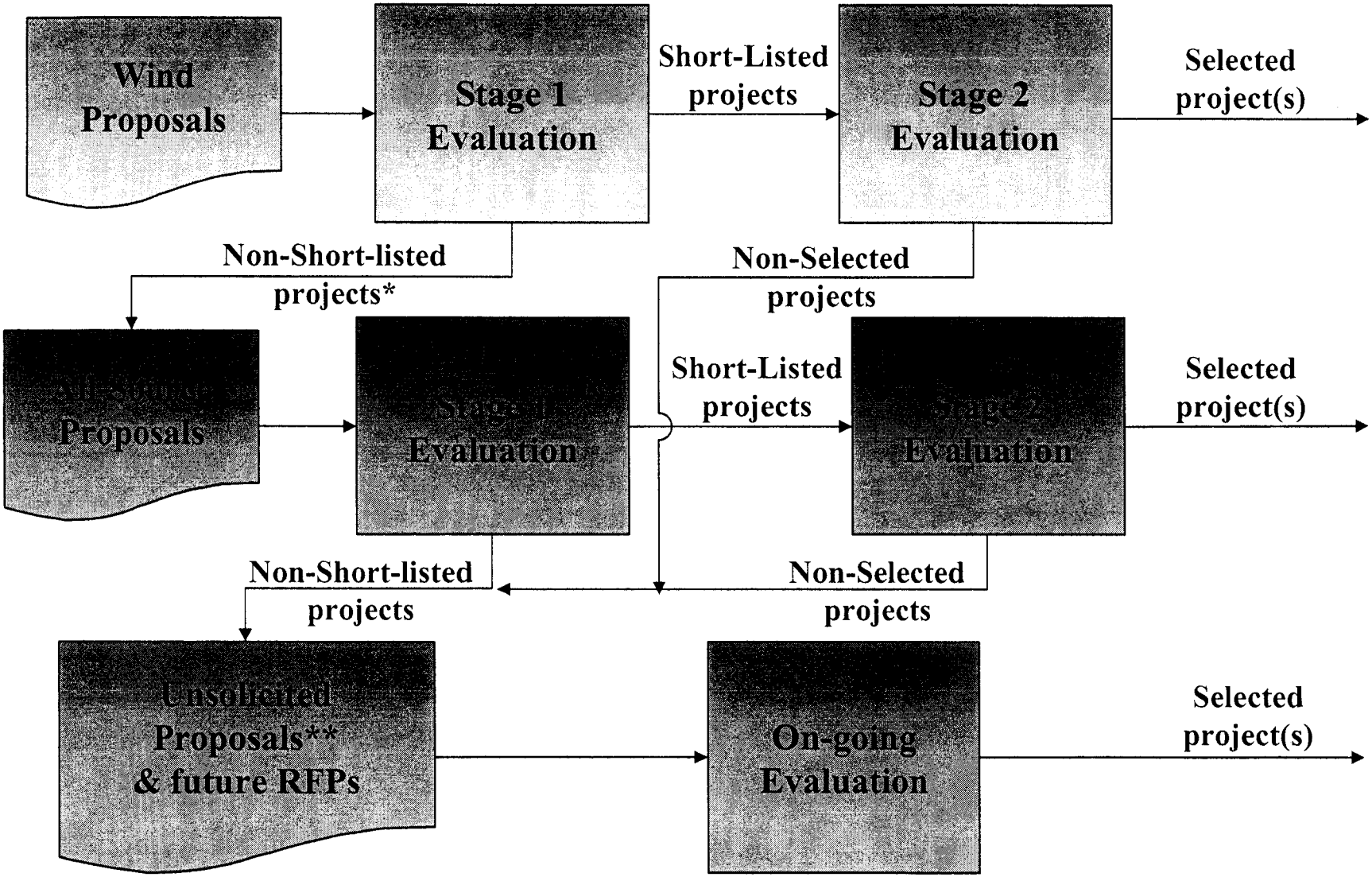
WUTC Staff Review Meeting
Evaluation Process & Review
June 4, 2004

Wind RFP
Evaluation Review

- Resource Acquisition Process
- RFP Evaluation Goals
- Request for Wind Resources
- Evaluation Process & Criteria
- Responses to RFP
- Summary of Proposals
- Stage 1 Evaluation
  - Evaluation Criteria Detail
  - Short-List Selection Process
  - Evaluation Summary Matrix
  - Selection Process Flow Chart
  - Short-List Selection
- Stage 2 Evaluation
  - Evaluation Criteria Detail
  - ASM & PSM Cost Rankings
  - Evaluation Summary Matrix
  - Short-List Order Ranking
- Post Stage 2 Update
- RFP Schedule



Resource Acquisition Process



Notes:

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

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

Wind RFP

RFP Evaluation Goals

- Prudent selection of wind energy resources
  - Consistent with PSE planning and strategies
- Apply evaluation criteria consistently
  - Across range of 13 projects (43 proposal options) submitted
  - In comparison to proposals submitted in response to All-Source RFP
- Document evaluation process and decision

Wind RFP

Request for Wind Resources

- Issued RFP on November 19, 2003
  - 150 MW nameplate capacity
  - Contracting scenarios
    - PPA
    - PSE Ownership
    - Hybrid
- Expect RFP to result in one or more projects
  - COD by end of 2005
- Responses arrived on January 16, 2004

Wind RFP
Evaluation Process

First Stage Evaluation

PROPOSALS

- 10 - Developers
- 13 - Projects
- 43 - Proposals

Jan 16 - Feb 13, 2004

1ST SCREENING & RATING

- Based on criteria listed in the Wind RFP
- Use respondents data
- Use spreadsheet model to summarize & compare quantitative factors on equivalent basis.
  - Pro Forma w/ Dispatch
  - 20 yr Levelized Cost
  - Revenue Requirements
  - Mark to Model
  - PPA Imputed Debt
  - End-effects
- Key qualitative criteria:
  - Reasonableness of Wind Data
  - Transmission availability
  - Project Vintage
  - Permitting and Construction timeline
  - Developer Experience
  - Location (in NW)

Second Stage Evaluation

Feb 13 - Mar 23, 2004

SHORT-LIST

- Evaluate Specific Proposals within PSE Portfolio
- Use Portfolio Screening Model to determine & compare cost variability and risk.
- Separate analysis for Transmission and Integration alternatives.
- Appropriate comparison of PPA's and ownership alternatives.
  - Ability to Deliver
  - Experience of Developers
  - Guarantees and Security
  - Public Benefit
  - Comparison with All-Source responses.

Post-Proposal Negotiation

BEST ALTERNATIVE

Target:
August 2004

Wind RFP
Evaluation Criteria

Consistency with Need	Cost Minimization	Risk Management	Additional Benefits	Strategic & Financial
• Meet short and long term energy and capacity requirements • Balance capacity and energy needs without risk of excess capacity • Provide shaped resource to balance seasonality of load	• Provide lowest cost alternative to meet energy and capacity needs • Balance potential future exposure to power sales risk	• Balance potential future exposure to power purchase risk • Balance potential future exposure to power sales risk • Reasonable exposure to counterparty risk	• Lower portfolio emission levels • Contribute to regional energy adequacy • Support renewable energy development objectives • Promote energy efficiency (conservation and demand response)	• Reasonable exposure to future environmental regulations • Reasonable exposure to future state wholesale market restructuring trends • Contribute to regional energy needs • Limits balance sheet impact of imputed debt from PPAs

Wind RFP

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Responses to RFP (January 16, 2004)

Code	Developer	Project
W01	REDACTED	
W02		
W03		
W04		
W05		
W06		
W07		
W08		
W09		
W10		
W11		

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Wind RFP

Summary of Proposals

Summary Information from Wind RFP Responses

Code	Developer	Project	Location	COD	MW	Proposal Options Offered: PPA Offer	Proposal Options Offered: Build Transfer or Hybrid Offers
W01	REDACTED			Oct-05		PPA for up to 20 yrs - Capacity could be increased to 250 MW	- Purchase 100% ownership assumes [redacted] bears all development and construction financing costs.
W02				Jul-05		PPA Alternatives with __ yr term: - Busbar Benchmark "vanilla" - Annual energy output guarantee - Pricing shaped to discount summer months - Internally shaped - a proposal that offers PSE first call on a majority, but not all of the facility output	Regardless of which PPA alternative, proposal offers to PSE 50% interest as tenant in common with [redacted] would assume construction risk and operate the project.
W03				Aug-04		PPA Alternatives: - 20 yr PPA - 20 yr PPA and PSE purchases minority tax partner's interest yr 11 - 20 yr PPA and PSE buys 100% tax partner's interest yr 11 - 20 yr PPA and PSE buys 50% of General Partners minority interest at closing	Does not appear to be a build and transfer where PSE would own tax credits
W04				Aug-05		- Purchase actual energy output under 20-yr PPA	- Bidder intends to develop and construct and transfer ownership upon successful completion and testing.
W05				Nov-05		N/A	- Offer 100% ownership. - [redacted] completes development construction and commissioning - PSE owns and operates
W06				Nov-05		20 yr PPA with 100% ownership by [redacted]	- 50% ownership - 20 yr PPA for 50% from [redacted] - [redacted] would construct, manage and operate

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Wind RFP

Summary of Proposals (continued)

Summary Information from Wind RFP Responses							
						Proposal Options Offered	
Code	Developer	Project	Location	COD	MW	PPA Offer	Build Transfer or Hybrid Offers
W07	REDACTED			Dec-05 Dec-05 Dec-05 Dec-05		PPA Alternatives with 30 yr term: - As generated - Hourly firm with day ahead preschedule - Month ahead flat and firm HLH / LLH - Annual firm flat and firm	- PPM is prepared to discuss joint venture not only on proposed projects, but any other assets PSE identifies. 50/50 partnering structure would develop, construct and own. - Services Agreement offer of any or all of the following: development, meteorol
W08				Jul-05		PPA is for full output of [redacted] project	[redacted] offering 50% ownership interest and PPA for remaining 50%
W09				Dec-04		PPA Alternatives: - 20 yr PPA with PTP Transmission - 20 yr PPA with dynamic exchange with [redacted] PSE provides all regulation to [redacted] for intrahour variability	Two Alternatives: - 100% ownership with PTP transmission. BPA firms but PSE pays imbalance - 100% own with dynamic exchange
W10				Dec-06		25 yr PPA energy delivered to John Day switchyard on an as-produced basis	Alternatives: - PSE buys development rights - Outright purchase and operation of 100% of the project - Joint development and ownership - 100% purchase [redacted] responsible for development and operation - 100% purchase [redacted] provides training and oper
W11				late 05		PPA 20 yr	Two alternatives: - Joint development and ownership - Purchase land and development rights

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Wind RFP: Stage 1
Evaluation Criteria Detail

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
A	Resource price ranking as compared to avoided cost. All transaction costs such as taxes and risk transfer will be included in the evaluation.	**Evaluation Criteria:** ***Cost Minimization*** • Quantitative analysis using a "Pro Forma with Dispatch" model will produce stand-alone valuation for ranking purposes. – Annual revenue requirement – Levelized Cost/MWH • PSE prefers those proposals which satisfy its other evaluation criteria at the lowest cost throughout the project life.	Tom MacLean-Resource Planner (lead) Jim Elsea-Financial Analysis Jay Jacobson-Engineering Planner Marino Monardi-Energy Risk Mgmt Salman Aladin-Energy Risk Mgmt Aliza Seelig-Load Resource Modeling Darrin Morgan-Financial Analyst
B	Project size & monthly energy production An initial evaluation of the quality of the wind resource data submitted by respondent will be made during this stage.	**Evaluation Criteria:** ***Compatibility with Need*** • Quantitative analysis using the "Pro Forma with Dispatch" model. – Mark to Model evaluation with simple load. – Consultants to evaluate wind data • Proposals where generation from the underlying generation asset more closely match PSE's monthly energy requirements are preferred.	Tom MacLean-Resource Planner (lead) Jim Elsea-Financial Analysis Jay Jacobson-Engineering Planner Marino Monardi-Energy Risk Mgmt Salman Aladin-Energy Risk Mgmt Aliza Seelig-Load Resource Modeling Christine Philipps-Power Marketing Darrin Morgan-Financial Analyst Garrad Hassan (outside wind consultant)
C	New or already existing project?	**Evaluation Criteria:** ***Public Benefit and Financial and Strategic*** • Preference is for new projects	Roger Garratt- Project Development (lead) Dennis Parrish- Energy Supply
D	Proximity and availability of transmission and the status and schedule for completion of the necessary transmission agreements. The respondent shall be responsible for arranging for the transmission interconnection with the WECC high voltage transmission system and for projects located outside of PSE's control area, transmission to agreed to point(s) on PSE's transmission system.	**Evaluation Criteria:** ***Cost Minimization, Compatibility with Need*** • PSE prefers firm delivery of energy to its service area (particularly at points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion). In the absence of assurance at the time of proposal of such firm delivery, PSE prefers proposals that provide a high likelihood of acquiring adequate transmission rights to such points. Proposals that do not include firm transmission to such points, that would produce congestion or that would increase PSE's transmission costs will be compared unfavorably with other proposals and/or will be assessed the additional cost to PSE. [In-depth transmission and integration analysis will occur in stage 2.]	Doug Faulkner-Resource Integration (lead) Wayman Robinett-Resource Planning Steve Johnson – Integration Analyst

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Wind RFP: Stage 1

Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
E	Status and schedule for completion of the project including financial resources of the respondent and securing necessary permits, land, hardware, etc.	**Evaluation Criteria:** ***Risk Management*** • Respondent needs to show that the project will be completed and commercially operational. • Proposals that include project agreements and all other rights and arrangements coterminous with power purchase delivery periods or project life are preferred. • Proposals that involve minimal risk for timely plant completion within cost projections are preferred.	Roger Garratt-Project Development (lead) Chris Bevil- Resource Planning Dennis Parrish-Energy Supply Lorna Luebbe-General Counsel Nick Floros-Real Estate Kurt Krebs-Real Estate Steve Secrist-Legal & Environmental Michelle McGrady-Environmental Kris Olin-Plant Engineering Steve St. Clair-Asset Manager Garrad Hassan (outside wind consultant)
F	Proposed date of operation and full availability of the project.	**Evaluation Criteria:** ***Compatibility with Need, Cost Minimization*** • Proposals which would provide an opportunity to achieve bonus MACRS depreciation are highly preferred. All other things being equal, proposals with earlier on-line dates are preferred.	Roger Garratt-Project Development (lead) Chris Bevil- Resource Planning Dennis Parrish-Energy Supply
G	PPA, PSE as owner, or hybrid of the two	**Evaluation Criteria:** ***Compatibility with Need, Strategic and Financial*** • Long-term power purchase agreements (up to 20 years or longer) are preferred over short-term. • Proposals that provide flexibility to expand to meet PSE's growing needs or to be deferred as required are preferred. • Proposals that provide PSE the flexibility to adjust its position in a resource, including termination are preferred. • Proposals are preferred that do not increase PSE's exposure to adverse impact on its financial position (e.g., by requiring PSE to impute debt, by otherwise adversely affecting PSE's financial leverage, operating leverage, credit rating, cash flow, income statement or balance sheet, or by imposing credit requirements).	Roger Garratt-Project Development (lead) Jim Elsea-Financial Analysis Lorna Luebbe-General Counsel Jerry Gallagher-Energy Risk Control Bev Ikeda-Risk Control Jim Sant-Forecasting

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Wind RFP: Stage 1

Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
H	Developer experience and successful history of development of similar wind projects.	**Evaluation Criteria:** ***Risk Management*** • Respondents that are able to demonstrate they have the experience and financial resources to complete the project and have made significant progress in securing necessary permits, property rights, equipment, regulatory approvals, project agreements and all other rights or arrangements necessary for a commercially operational project within the time proposed are preferred. • Proposals that are based on commercially proven technology with demonstrated long-term reliability and performance history are preferred. • Proposals that minimize exposure to environmental risk or other potential liability are preferred.	Roger Garratt-Project Development (lead) Chris Bevil-Resource Planning Dennis Parrish-Energy Supply Lorna Luebbe-General Counsel Steve Secrist-Legal & Environmental Nick Floros-Real Estate Kurt Krebs-Real Estate Kris Olin-Plant Engineering Steve St. Clair-Asset Manager Garrad Hassan (outside wind consultant)
I	Project Location	**Evaluation Criteria:** ***Public Benefit, Compatibility with Need*** • Proposals that are located such that they provide benefits to the regional and PSE transmission system or require minimal or no transmission upgrades are preferred. • Proposals that are not dependent upon constrained transmission are preferred. • Proposals that are located such that they are within PSE's control area are preferred.	Doug Faulkner-Resource Integration (lead) Brian Lenz-Gov't & Community Relations Wayman Robinett-Resource Planning

Wind RFP: Stage 1

Short-List Selection Process

- Combined the review and ratings of each:
  - PSE Qualitative Evaluation Teams
  - PSE Quantitative Evaluation Teams
  - Garrad Hassan Report and Technical Analysis
- Garrad Hassan Wind Data Assessment
  - 7 Projects considered "Non-Financable" due to poor or insufficient wind data
- Of the 6 projects remaining:
  - 1 dropped due to having the highest cost of the 6
  - 1 dropped due to immature development
- 4 Projects selected for Stage 2 Evaluation

Wind RFP: Stage 1

Evaluation Summary Matrix

Highly Confidential per WAC 480-07-160

Exhibit No. ___(RG-8HC)
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PROPOSALS		EVALUATION CRITERIA SUMMARY								
Code	Developer - Project	Low Levelized Cost Rank [A]	Size (MW) & Capacity / WTG [B]	New or Existing [C]	Transmission Availability & Proximity [D]	Status & Schedule [E]	COD [F]	PPA, Owner, or Hybrid [G]	Risk Management [H]	Public Benefit / Location [I]
W01	REDACTED	High [3]	Low GE1.5sl	New	Low BPA / 115kV	Low	Medium Oct-05	Medium PPA or Own	Medium	Medium
W02		Low [13]	Low GE1.5sl	New	Low BPA / 230kV	Medium	Medium Jul-05	Low PPA & Hybrid	Medium	Low
W03		Low [11]	Low NM82	New	Low BPA / 230kV	Low	High Dec-04	Medium PPA & Other	Medium	High
W04		High [6]	High Open	New	High PSE / 230kV	Medium	Medium Aug-05	Medium PPA or Own	Medium	Medium
W05		High [2]	Medium Open	New	High PSE / 230kV	High	Medium Nov-05	Medium PPA	High	High
W06		Medium [7]	Medium Open	New	High PSE / 230kV	High	Medium Nov-05	Medium PPA & Hybrid	High	High
W07		Low [8]	Low GE1.5sl/V80	New	Medium BPA / 230kV	Low	Medium Dec-05	Medium PPA & Hybrid	Low	Low
		Low [12]	Low GE1.5sl/V80	New	Medium BPA / 230kV	Low	Medium Dec-05	Medium PPA & Hybrid	Low	Low
		Low [10]	Medium GE1.5sl/V80	New	Medium P-Corp / 230kV	Medium	Medium Dec-05	Medium PPA & Hybrid	Medium	Medium
		Low [9]	Low GE1.5sl/V80	New	Medium BPA / 115kV	Medium	High Dec-04 / Dec-05	Medium PPA & Hybrid	Medium	Medium
W08		High [5]	Medium GE1.5sl	New	High PSE / 230kV	High	Medium Jul-05	Medium PPA & Hybrid	High	High
W09		High [1]	Medium GE1.5sl	New	Medium BPA / 115kV	Medium	High Dec-04	Medium PPA or Own	High	High
W10		High [4]	Medium GE1.5sl/V80	New	Low BPA / 500kV	Low	Low Dec-06	Low PPA or Own	Low	Medium
W11		Low [14]	Low	New	Low	Low	Low Late 05	Medium PPA & Other	Low	Low

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Wind RFP: Stage 1

Highly Confidential per WAC 480-07-160

Exhibit No. ___(RG-8HC)
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Evaluation Summary Matrix: 1st Screen

PROPOSALS		EVALUATION CRITERIA SUMMARY								
Code	Developer - Project	Low Levelized Cost Rank [A]	Size (MW) & Capacity / WTG [B]	New or Existing [C]	Transmission Availability & Proximity [D]	Status & Schedule [E]	COD [F]	PPA, Owner, or Hybrid [G]	Risk Management [H]	Public Benefit / Location [I]
~~W01~~		~~High~~	~~Low~~		~~Low~~	~~Low~~	~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~
		[3]	GE1.5sl	New	BPA / 115kV		Oct-05	PPA or Own		
~~W02~~		~~Low~~	~~Low~~		~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Medium~~	~~Low~~
		[13]	GE1.5sl	New	BPA / 230kV		Jul-05	PPA & Hybrid		
~~W03~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~High~~	~~Medium~~	~~Medium~~	~~High~~
		[11]	NM82	New	BPA / 230kV		Dec-04	PPA & Other		
W04		High	High		High	Medium	Medium	Medium	Medium	Medium
		[6]	Open	New	PSE / 230kV					
W05		High	Medium		High	High				
		[2]	Open	New	PSE / 230kV					
W06		Medium	Medium		High	High				
		[7]	Open	New	PSE / 230kV		Nov-05	PPA & Hybrid		
~~W07~~		~~Low~~	~~Low~~		~~Medium~~	~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Low~~
		[8]	GE1.5sl/V80	New	BPA / 230kV		Dec-05	PPA & Hybrid		
~~W11~~		~~Low~~	~~Low~~		~~Medium~~	~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Low~~
		[12]	GE1.5sl/V80	New	BPA / 230kV		Dec-05	PPA & Hybrid		
		Low	Medium		Medium	Medium	Medium	Medium	Medium	Medium
		[10]	GE1.5sl/V80	New	P-Corp / 230kV		Dec-05	PPA & Hybrid		
~~W12~~		~~Low~~	~~Low~~		~~Medium~~	~~Medium~~	~~High~~	~~Medium~~	~~Medium~~	~~Medium~~
		[9]	GE1.5sl/V80	New	BPA / 115kV		Dec-04 / Dec-05	PPA & Hybrid		
W08		High	Medium		High	High	Medium	Medium	High	High
		[5]	GE1.5sl	New	PSE / 230kV		Jul-05	PPA & Hybrid		
W09		High	Medium		Medium	Medium	High	Medium	High	High
		[1]	GE1.5sl	New	BPA / 115kV		Dec-04	PPA or Own		
W10		High	Medium		Low	Low	Low	Low	Low	Medium
		[4]	GE1.5sl/V80	New	BPA / 500kV		Dec-06	PPA or Own		
~~W11~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~Low~~	~~Medium~~	~~Low~~	~~Low~~
		[14]		New			Late 05	PPA & Other		

REDACTED

7 Projects dropped due to poor or insufficient wind data

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PUGET SOUND ENERGY

Wind RFP: Stage 1

Highly Confidential per WAC 480-07-160

Exhibit No. ___(RG-8HC)
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Evaluation Summary Matrix: 2nd Screen

PROPOSALS		EVALUATION CRITERIA SUMMARY								
Code	Developer, Project	Low Levelized Cost Rank [A]	Size (MW) & Capacity / WTG [B]	New or Existing [C]	Transmission Availability & Proximity [D]	Status & Schedule [E]	COD [F]	PPA, Owner, or Hybrid [G]	Risk Management [H]	Public Benefit / Location [I]
~~W01~~		~~High~~	~~Low~~		~~Low~~	~~Low~~	~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~
	[3]		GE1.5sl	New	BPA / 115kV		Oct-05	PPA or Own		
~~W02~~		~~Low~~	~~Low~~		~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Medium~~	~~Low~~
	[13]		GE1.5sl	New	BPA / 230kV		Jul-05	PPA & Hybrid		
~~W03~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~High~~	~~Medium~~	~~Medium~~	~~High~~
	[11]		NM82	New	BPA / 230kV		Dec-04	PPA & Other		
W04		High	High		High	Medium	Medium	Medium	Medium	Medium
	[6]		Open	New	PSE / 230kV					
W05		High	Medium		High	High				
	[2]		Open	New	PSE / 230kV					
W06		Medium	Medium		High	High				
	[7]		Open	New	PSE / 230kV					
~~W07~~		~~Low~~	~~Low~~		~~Medium~~	~~Low~~				
	[8]		GE1.5sl/V80	New	BPA / 230kV					
		~~Low~~	~~Low~~		~~Medium~~	~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Low~~
	[12]		GE1.5sl/V80	New	BPA / 230kV		Dec-05	PPA & Hybrid		
		~~Low~~	~~Medium~~		~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~
	[10]		GE1.5sl/V80	New	P-Corp / 230kV		Dec-05	PPA & Hybrid		
		~~Low~~	~~Low~~		~~Medium~~	~~Medium~~	~~High~~	~~Medium~~	~~Medium~~	~~Medium~~
	[9]		GE1.5sl/V80	New	BPA / 115kV		Dec-04 / Dec-05	PPA & Hybrid		
W08		High	Medium		High	High	Medium	Medium	High	High
	[5]		GE1.5sl	New	PSE / 230kV		Jul-05	PPA & Hybrid		
W09		High	Medium		Medium	Medium	High	Medium	High	High
	[1]		GE1.5sl	New	BPA / 115kV		Dec-04	PPA or Own		
W10		High	Medium		Low	Low	Low	Low	Low	Medium
	[4]		GE1.5sl/V80	New	BPA / 500kV		Dec-06	PPA or Own		
~~W11~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~Low~~	~~Medium~~	~~Low~~	~~Low~~
	[14]			New			Late 05	PPA & Other		

REDACTED

Project dropped due to Higher cost compared to remaining 6 projects

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PUGET SOUND ENERGY

Wind RFP: Stage 1

Highly Confidential per WAC 480-07-160

Exhibit No. ___(RG-8HC)

Evaluation Summary Matrix: 3rd Screen

PROPOSALS		EVALUATION CRITERIA SUMMARY								
Code	Developer - Project	Low Levelized Cost Rank [A]	Size (MW) & Capacity / WTG [B]	New or Existing [C]	Transmission Availability & Proximity [D]	Status & Schedule [E]	COD [F]	PPA, Owner, or Hybrid [G]	Risk Management [H]	Public Benefit / Location [I]
~~W01~~	REDACTED	~~High~~	~~Low~~		~~Low~~	~~Low~~	~~Medium~~	~~Medium~~	~~Medium~~	~~Medium~~
		[3]	GE1.5sl	New	BPA / 115kV		Oct-05	PPA or Own		
~~W02~~		~~Low~~	~~Low~~		~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Medium~~	~~Low~~
		[13]	GE1.5sl	New	BPA / 230kV		Jul-05	PPA & Hybrid		
~~W03~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~High~~	~~Medium~~	~~Medium~~	~~High~~
		[11]	NM82	New	BPA / 230kV		Dec-04	PPA & Other		
W04		High	High		High	Medium	Medium	Medium	Medium	Medium
		[6]	Open	New	PSE / 230kV					
W05		High	Medium		High	High				
		[2]	Open	New	PSE / 230kV					
W06		Medium	Medium		High	High				
		[7]	Open	New	PSE / 230kV		Nov-05	PPA & Hybrid		
~~W07~~		~~Low~~	~~Low~~		~~Medium~~	~~Low~~	~~Medium~~	~~Medium~~	~~Low~~	~~Low~~
		[8]	GE1.5sl/V80	New	BPA / 230kV		Dec-05	PPA & Hybrid		
		Low	Low		Medium	Low	Medium	Medium	Low	Low
		[12]	GE1.5sl/V80	New	BPA / 230kV		Dec-05	PPA & Hybrid		
		Low	Medium		Medium	Medium	Medium	Medium	Medium	Medium
		[10]	GE1.5sl/V80	New	P-Corp / 230kV		Dec-05	PPA & Hybrid		
		Low	Low		Medium	Medium	High	Medium	Medium	Medium
		[9]	GE1.5sl/V80	New	BPA / 115kV		Dec-04 / Dec-05	PPA & Hybrid		
W08		High	Medium		High	High	Medium	Medium	High	High
		[5]	GE1.5sl	New	PSE / 230kV		Jul-05	PPA & Hybrid		
W09		High	Medium		Medium	Medium	High	Medium	High	High
		[1]	GE1.5sl	New	BPA / 115kV		Dec-04	PPA or Own		
~~W10~~		~~High~~	~~Medium~~		~~Low~~	~~Low~~	~~Low~~	~~Low~~	~~Low~~	~~Medium~~
		[4]	GE1.5sl/V80	New	BPA / 500kV		Dec-06	PPA or Own		
~~W11~~		~~Low~~	~~Low~~		~~Low~~	~~Low~~	~~Low~~	~~Medium~~	~~Low~~	
		[14]		New			Late 05	PPA & Other		

Project dropped due to immature development

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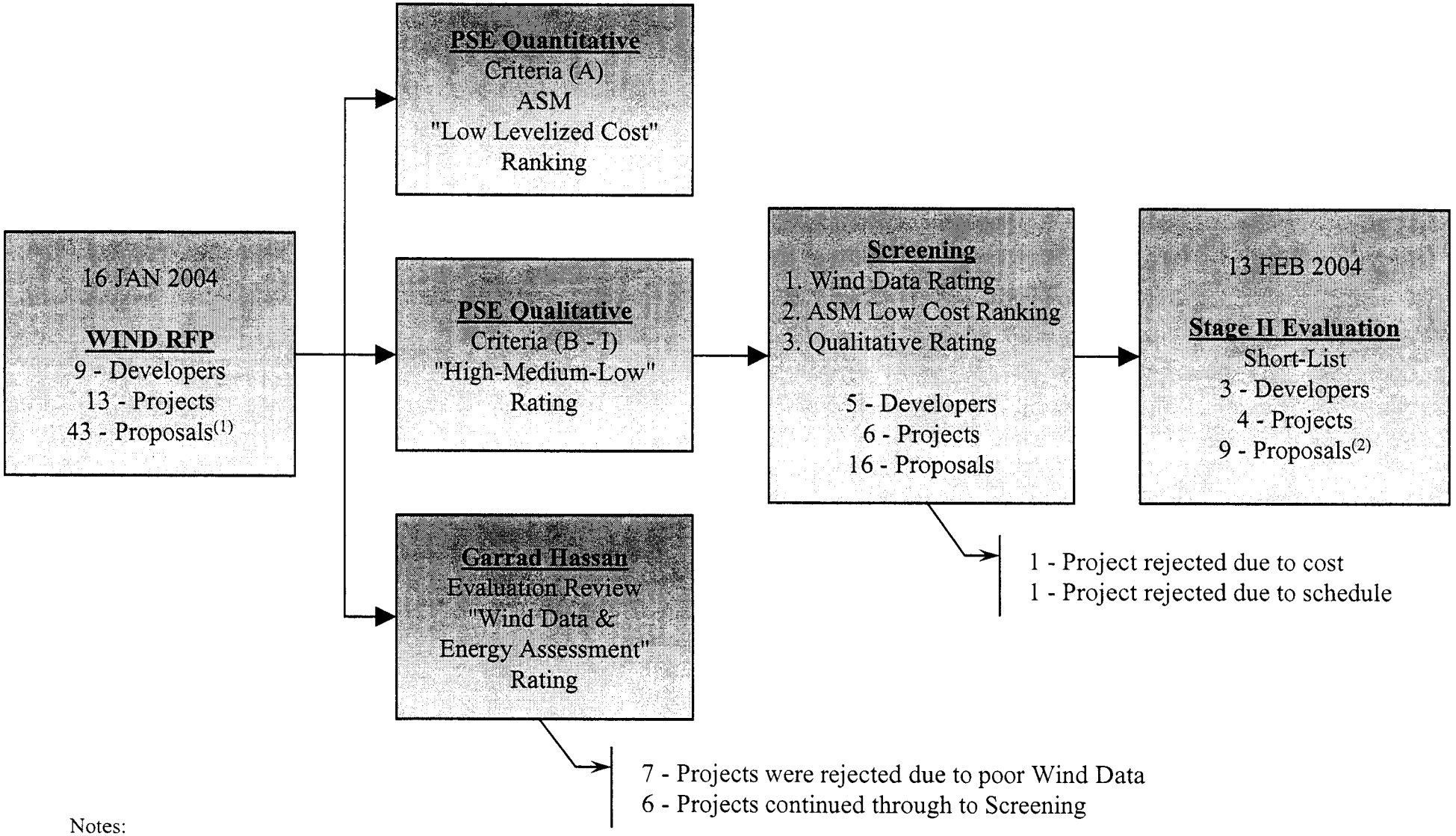
Wind RFP: Stage 1

Selection Process Flow Chart



Notes:
1. Options included (28) PPAs, (5) Asset Ownerships, (7) Hybrids, and (3) Non-Standard. (43) Total Proposal Options.
2. Short-List options included (2) PPAs, (3) Asset Ownerships, and (2) Hybrids. (7) Total Proposal Options.

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Wind RFP: Stage 1

Short-List Selection

No.	Developer	Project	Location	Size (MW)	COD (Proposed)	Proposal Options		
						PPA	Ownership	
W04	REDACTED				Apr 2005		100%	
W05					Nov 2005		100%	
W06					Nov 2005			50%
W08					Jul 2005	X		50%
W09					Dec 2004	X	100%	
					Totals	**2**	**3**	**2**

- Four projects selected for Stage 2 Evaluation
- Stage 2 includes Portfolio Screening Model runs and additional qualitative analyses

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Wind RFP: Stage 2

*Evaluation Criteria Detail

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
A	**Portfolio Analysis**	**Evaluation Criteria:** ***Cost Minimization, Compatibility with Need*** • The net impacts of each proposal on cost and risk for the Company's overall electric resource portfolio – How proposed resource interacts with other existing and planned resources in PSE's overall portfolio and with PSE's retail electric loads • Includes: – Imputed debt – Integration costs – Transmission costs (See separate sheets) • Proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included into PSE's existing generation resource portfolio are preferred. • Proposals which provide PSE control of project output acceptable to PSE to respond (i.e., displacement) to system reliability events are preferred, including the ability for PSE to elect to displace for reliability purposes generation output that would otherwise have been used by the other owner.	Tom MacLean-Resource Planner (lead) Jim Elsea-Financial Analysis Jay Jacobsen-Engineering Planner Marino Monardi-Energy Risk Mgmt Aliza Seelig-Load Resource Modeling Darrin Morgan-Financial Analyst
A1	**Portfolio Analysis (Transmission)**	**Evaluation Criteria:** ***Cost Minimization, Compatibility with Need*** • The ability to transmit power from the project site to one or more points on PSE's electric system is a requirement (particularly to points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion). PSE will use information provided in response to the RFP to assess whether and to what extent required transmission will be available and whether and to what extent the necessary transmission paths are subject to constraint.	Doug Faulkner-Resource Integration (lead) Wayman Robinett-Resource Planning Steven Johnson- Resource Integration

* First Stage Criteria will continue to apply.

Continued on Next Slide

Wind RFP: Stage 2

*Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
B	**Risk**	**Evaluation Criteria:** ***Risk Managment*** • Cost uncertainty, price volatility, production uncertainty and other such quantitative factors which can be included into the Portfolio Analysis • Proposals and combinations of proposals will be evaluated to determine the impact of the proposal(s) on the overall risk position with respect to PSE's generation asset base. Risk scenarios will include such factors as hydroelectric production variation, fuel price volatility and price scenarios, and market price volatility and price scenarios. Other considerations will include exposure to transmission congestion and costs. All other factors being equal, PSE prefers proposals that result in lower generation portfolio performance risk.	Tom MacLean-Resource Planner (lead) Jim Elsea-Financial Analysis Jay Jacobsen-Engineering Planner Marino Monardi-Energy Risk Mgmt Aliza Seelig-Load Resource Modeling Darrin Morgan-Financial Analyst Outside wind consultant
B1	**Risk (Qualitative)**	**Evaluation Criteria:** ***Risk Managment*** • Qualitative risk associated with factors such as technology, performance, operations, transactional, vendor support, construction, project completion, schedule, capital cost, and others.	Roger Garratt- Project Development (lead) Dennis Parrish-Energy Supply Tom Hiester-Resource Acquisitions Christine Philipps-Resource Acquisitions Chris Bevil-Energy Planning Outside wind consultant

* First Stage Criteria will continue to apply.

Continued on Next Slide

Wind RFP: Stage 2

*Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
C	**Ability of Project to Deliver as Proposed**	**Evaluation Criteria:** ***Risk Management, Compatibility with Need***	Roger Garratt-Project Development (lead)
		• Probability of meeting the proposed commercial operation date	Tom Hiester-Resource Acquisitions
		– Financing commitments	Christine Philipps-Resource Acquisitions
		– Permit status and difficulty	Chris Bevil- Resource Planning
		– Long lead time equipment commitments	Dennis Parrish-Energy Supply
		– Probability of financing – reasonableness of project budgets and pro forma	Lorna Luebbe-General Counsel
		– Project schedule reasonableness	Nick Floros-Real Estate
		– Availability and cost of transmission	Kurt Krebs-Real Estate
		– Ability to document proposed transaction within schedule requirements	Steve Secrist-Legal & Environmental
		• Confidence in long-term energy projections	Michele McGrady-Environmental
		– Quality and quantity of on-site data	Kris Olin-Plant Engineering
		– Long-term reference data	Steve St. Clair-Asset Manager
		– Experience of the parties making the energy projections	Outside wind consultant
		– History of proposed turbines	
		– Written opinion and analysis of a nationally recognized meteorological consultant as to the reasonableness of the amount and shape of energy production.	

* First Stage Criteria will continue to apply.

Continued on Next Slide

Wind RFP: Stage 2

*Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
D	**Experience of the Project Team**	**Evaluation Criteria:** ***Risk Management*** • The organizations and key personnel responsible for implementing the project including identification of the project manager, his/her tenure, and scope of responsibility. • A legal entity organization chart. • A managerial organization chart • Existing projects owned, developed and/or operated by the respondent • The personnel or organizations responsible for the following areas: – Project wind resource assessment and energy projections – Project financing – Project design, engineering, procurement and construction specifications – Interconnection and substation design – Project environmental assessments – Project land use and zoning approval – Permits and related approvals – Project construction and commissioning – Risk management and insurance – Project operations – Project maintenance • A brief description of relevant experience of the key personnel and organizations for their responsibility area listed above. • Contacts and references (name, title, address, telephone, e-mail and fax numbers) knowledgeable about the previous wind project experience of the key participants in the project.	Roger Garratt-Project Development (lead) Tom Hiester-Resource Acquisitions Christine Philipps-Resource Acquisitions Chris Bevil- Resource Planning Dennis Parrish-Energy Supply Lorna Luebbe-General Counsel Nick Floros-Real Estate Kurt Krebs-Real Estate Steve Secrist-Legal & Environmental Michele McGrady-Environmental Kris Olin-Plant Engineering Steve St. Clair-Asset Manager Outside wind consultant

* First Stage Criteria will continue to apply.

Continued on Next Slide

Wind RFP: Stage 2

*Evaluation Criteria Detail (continued)

	CRITERIA IN RFP	EXPLANATION	EVALUATION TEAM
E	**Guarantees, Security and Credit Worthiness**	**Evaluation Criteria:** ***Strategic and Financial*** • This evaluation criterion will include an assessment of the credit worthiness of respondent and any person that would provide any guarantees and security offered to PSE in the proposal. • PSE will consider the information received in response to this RFP in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. • PSE may require additional guarantees or security pursuant to Section 9 of this RFP. • Lower-risk respondents are preferred.	Jerry Gallagher-Energy Risk Control Bev Ikeda-Risk Control Jim Sant-Forecasting Mike Main-Risk Management Tom Hiester-Resource Acquisitions Christine Philipps-Resource Acquisitions
F	**Environmental and Public Purpose**	**Evaluation Criteria:** ***Public Benefit*** • This criterion will include an assessment of the magnitude of potential environmental impacts, the thoroughness of the plan to identify and mitigate those impacts regardless of whether the proposal results in a new wind resource being added to the Northwest region. • Proposals with lower environmental impacts are preferred. Environmental impacts refer to the full range of issues evaluated in an environmental impact statement (EIS) or environmental assessment (EA). • Proposals that demonstrate support from public, local, state and federal government entities and Native American nations, if applicable, are preferred.	Roger Garratt-Project Development (lead) Tom Hiester-Resource Acquisitions Christine Philipps-Resource Acquisitions Chris Bevil- Resource Planning Dennis Parrish-Energy Supply Lorna Luebbe-General Counsel Nick Floros-Real Estate Kurt Krebs-Real Estate Steve Secrist-Legal & Environmental Michele McGrady-Environmental Kris Olin-Plant Engineering Steve St. Clair-Asset Manager Outside wind consultant

* First Stage Criteria will continue to apply.

Wind RFP: Stage 2

ASM & PSM Cost Rankings & Ratings

by Project Analysis (Acquisition Screening Model):

No.	Developer	Project	Offer Option	ASM5 Levelized Cost-Static $ / MWh
W05			100%	
W09			100%	
W08			PPA + 50%	
W04			100%	
W09			PPA	
W08			PPA	
W06			PPA + 50%	

Rating

"High"

"Low"

REDACTED

by Portfolio Analysis (Portfolio Screening Model):

No.	Developer	Project	Offer Option	PSM2 Static 20-Year Expected Cost $ MM
W09			100%	
W05			100%	
W08			PPA + 50%	
W04			100%	
W08			PPA	
W09			PPA	
W06			PPA + 50%	

Rating

"High"

"Low"

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by Project Risk (Portfolio Screening Model):

No.	Developer	Project	Offer Option	PSM2 Dynamic 5-Year Risk Factor (95%- 50%) $ MM
W09			100%	
W09			PPA	
W08			PPA + 50%	
W08			PPA	
W06			PPA + 50%	
W05			100%	
W04			100%	

Rating

"High"

"Low"

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Wind RFP: Stage 2
Evaluation Summary Matrix

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	Evaluation Criteria[1]	W04 [redacted]	W05 Zilkha Wild Horse	W06 [redacted]	W08 [redacted]	W09 [redacted]
[A]	Project Analysis[2]	Medium [redacted]	High [redacted]	Low [redacted]	Medium [redacted]	High[5] [redacted]
[A]	Portfolio Analysis[3]	Medium [redacted]	High [redacted]	Low [redacted]	Medium [redacted]	High [redacted]
[A1]	Transmission	High	Medium	Medium	High	Low
[B]	Risk Management (Quantitative)[4]	Medium [redacted]	Medium [redacted]	Medium [redacted]	Medium [redacted]	Medium [redacted]
[B1]	Risk Management (Qualitative)	Low	Medium	Medium	Medium	Medium
[C]	Ability to Deliver	Low	Medium	Medium	Medium	Medium
[D]	Experience	Medium	Medium	High	High	High
[E]	Strategic & Financial	Medium	Medium	High	Medium[6]	Medium
[F]	Environmental & Public Benefit	Low	Medium[7]	Medium[7]	Medium	High

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Notes:

1. Stage 2 Evaluation Ratings were relative to only the Short-List projects
2. For summary purposes, the number (in ($/MWh) equates to the '**ASM5 Levelized Cost - Static**' for the lowest Offer Option
3. For summary purposes, the number (in $ MM) equates to the '**PSM2 Static 20-Year Expected Cost**' for the lowest Offer Option
4. For summary purposes, the number (in $ MM) equates to the '**PSM2 Dynamic 5-Year Risk Factor (95%- 50%)**'
5. The levelized cost for a 50% PSE Ownership option would equal [redacted] / MWh
6. This rating would trend to "High" if [redacted] were to provide guarantee
7. Rating is trending to "Low" due to current likelihood of [redacted]
8. "Low" ratings represents high risk obstacles

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Wind RFP: Stage 2
Short-List Order Ranking

- 1st - [redacted]
  - Ranks third in portfolio & project costs
  - Best project using all evaluation criteria
- 2nd - Zilkha Wild Horse
  - Ranks second best in portfolio cost & best in project costs
  - Current likelihood of EFSEC preemption
- 3rd - RES Hopkins Ridge
  - Ranks best in portfolio cost & second best in project cost
  - Transmission constraints provide major obstacle
- 4th - [redacted]
  - Ranks last in portfolio & project costs
  - [redacted] strong negative reaction to project

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Wind RFP: Stage 2

Short-List Order Ranking

	Order Ranking by Project:
1	
2	Wild Horse
3	Hopkins Ridge
4	

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- Order Ranking provides priority on beginning commercial negotiations and proceeding with due diligence phase
- Monitoring of all projects will continue
- All-Source RFP provide opportunity to gather additional information on resources
- Goal to choose resource(s) that best fit PSE needs at least cost

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Wind RFP: Post Stage 2

Milestone History

REDACTED

Date	Project	Subjects & Conclusions
3/23/04	Stage 2 projects	Evaluation makes clear that least cost results from 100% PSE ownership.
3/23/04	[redacted]	PSE considers that 100% ownership on [redacted] with residual royalty interest may be of interest to [redacted] as it compensates [redacted] for opportunity cost of project transferred to PSE, yet would keep [redacted] motivated and at risk in the project.
3/24/04	[redacted]	Meeting with [redacted] agrees to consider 100% PSE ownership under royalty-like structure.
3/25/04	[redacted]	Meeting with [redacted]
4/14/04	[redacted]	Meeting with [redacted] Bulk of discussion on [redacted] and transfer cost issues. [redacted] agrees to make royalty proposal to PSE at next meeting.
4/22/04	[redacted]	[redacted] proposes to transfer project for total cost of approximately [redacted] which includes an [redacted] development fee and [redacted] premium. Premium could be structured as a royalty of [redacted] MWH. PSE counter proposed that project be built on a turnkey basis at a price of [redacted] which would include an [redacted] development fee, and a royalty of [redacted] MWH.
4/22/04	Hopkins Ridge	RES submits proposal addendum with additional data suggesting transmission constraint is not a show-stopping problem.
4/30/04	Wild Horse	Zilkha [redacted] meet with PSE to discuss possible 100% PSE ownership and royalty structures. No numerical suggestions.

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Wind RFP: Post Stage 2

Milestone History (continued)

REDACTED

Date	Project	Subjects & Conclusions
5/5/04	Hopkins Ridge	RES submits a modified proposal addendum with further data on transmission.
5/7/04	[redacted]	[redacted] announces a reduction in capacity factor from [redacted] based on reanalysis of wind data by [redacted] makes counterproposal on royalty of [redacted] escalating at [redacted] Evaluates to no movement on NPV however.
5/7/04	Hopkins Ridge	PSE considers that RES would not be in a position to cure the firm-transmission problem if its time to commit to firm transmission comes before a project deal is made. The solution may be to negotiate a deal with RES contingent on firm transmission so that when it's turn in the transmission queue comes, it can sign up. Otherwise the project might die for inability to cure its fundamental flaw—a Catch 22.
5/11/04	Stage 2 projects	PSE revisits levelized cost and other considerations of leading projects. All projects updated with new integration/transmission cost estimates, new estimates of PTC, and new schedule estimates. [redacted] remains in first place even with capacity factor reduction if PSE proposal of 4/22 accepted. RES in second place, considering a reduction in energy delivered based on congestion estimates provided by BPA. See next slide.
5/11/04	[redacted]	Meeting with [redacted] PSE proposes that reduction in capacity factor merits a reduction of 4/22 proposed royalty to [redacted] MWH.
5/18/04	[redacted]	Counterproposal by [redacted] [redacted] MWH with [redacted] increase in capacity factor in any year. PSE evaluates this upside as expected value of [redacted] MWH increase in royalty.
5/19/04	[redacted]	PSE countered with [redacted] MWH with upside and downside at [redacted] capacity factor
5/23/04	[redacted]	PSE and [redacted] agreed on [redacted] MWH with neither upside nor downside adjustments based on capacity factor.

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Wind RFP: Post Stage 2

Summary of Negotiation History

Date	Offer By	Turnkey Cost ($000) (1)	Cap. Fact.	Royalty ($/MWH)	Escala-tion	Dev. Fee ($000)	Royalty NPV ($000) (2)	Total Fee & Royalty ($000) (3)		Improvement From Last Offer ($000) (4)		Distance Apart ($000) (5)	Levelized Cost ($/MWH)		
								[redacted] Proposal	PSE Proposal	[redacted]	PSE		ASM5 (6)	ASM8W (7)	ASM8Wa (8)
04/24/04															
04/24/04															
04/24/04															
05/04/04															
05/04/04															
05/11/04															
05/18/04															
05/19/04															
05/23/04															
03/12/04															
03/12/04															

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(1) Includes EPC cost, plus development cost, plus development fee. Does not include financing costs, transaction costs, IDC, or AFUDC.

(2) Discounted at [redacted]. Pre-tax number. Note: [redacted] might use a different discount rate to evaluate royalty. In fact, first proposal suggests [redacted] uses [redacted]

(3) Does not include EPC fee or O&M fee. EPC fee unclear. PSE proposed [redacted] reduce EPC fee by [redacted] This, plus [redacted] development fee reduction makes up [redacted] haircut. The haircut is considered in theturnkey cost column.

(4) Improvement from last offer: This represents change in NPV of Total Fee & Royalty from previous offer by same party. Negative means worse offer.

(5) Distance Apart: This represents separation in NPV of Total Fee & Royalty between current offer and last offer by other party.

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(6) ASM5: Acquisition Screening Model Version 5. Used escalating PTC as proposed by [redacted] Assumes on-line date mid 2005.

(7) ASM8W: All projects put on 1/1/06 start date basis. PTC still escalates as in [redacted] proposal. Some adjustments in transmission/integration cost assumptions

(8) ASM8Wa: Changed PTC to [redacted] flat.

(9) Includes base royalty of [redacted] plus estimated benefit of [redacted] in any year in which it occurs of [redacted] per 0.1% improvement in capacity factor ove[redacted]

(10) [redacted] proposal on capital costs. West of McNary constraint, short term firm transmission; first 5 days of month at higher rate than remainder of month. [redacted] O&M. offsite correlation to long-term site is poor--wind resource assessment may decline with due diligence. No assurance of achieving firm transmission through BPA at this time.

(11) [redacted] Wind assessment based on one year of data on site and poor correlation to offsite long-term reference--wind resource assessment ma decline with due diligence. Permitting issues include [redacted]

(12) Proposal agreed by [redacted] The proposal with and without haircut is shown.

Wind RFP
Milestone Schedule

■ WUTC Approval of RFP	November 12, 2003
■ Issue Final RFP	November 17, 2003
■ Pre-Proposal Conference	December 3, 2003
■ Proposal Responses Due	January 16, 2004
■ Stage I Evaluation	January 16 - February 13, 2004
■ Short-List Selection	February 13, 2004
■ Stage II Evaluation	February 13 - March 19, 2004
■ WUTC Staff Review Meeting	March 10, 2004
■ Short-List Order Ranking	March 23, 2004
■ Due Diligence Begins	May 24, 2004
■ WUTC Staff Review Meeting	June 4, 2004
■ Execute Letter(s) of Intent	June 14, 2004
■ Board of Directors Approval	July 13, 2004
■ Execute Definitive Transaction Agreement(s)	August 30, 2004
■ Non-appealable Permit/Notice to Proceed	April 1, 2005
■ Commercial Operation Date	December 30, 2005