

EXHIBIT NO. _____ (CJB-34)
DOCKET NO. _____
2003 POWER COST ONLY RATE CASE
WITNESS: CHARLES J. BLACK

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. _____

DIRECT TESTIMONY OF
CHARLES J. BLACK
ON BEHALF OF PUGET SOUND ENERGY, INC.

Exhibit CJB-34
 Determination of Need, Updated¹

The August 2003 Least Cost Plan Update determines the need for new energy and capacity resources based on new information and analytical techniques. The August 2003 Update does not reconsider the analysis that established the Level B2 planning standard; rather it uses new information regarding energy and peak load, resource contracts, hydro availability and other factors to update the need based on the B2 standard.

As Exhibit V-1 illustrates, the short-run and long-run energy need for new electric resources are little changed, while there is decreased need for new electric resources from 2007 to 2011. The largest contributor to this change is the assumption that the PG&E Exchange would be terminated two years later than previously assumed. Exhibit V-2 shows that the need for peak-capacity resources is lower for every year under all of the changes. The reduction in need for new peak capacity is due in part to the PG&E Exchange assumption and an overall change in forecasting. Following the graphs is a brief discussion of the factors that have changed.

Exhibit V-1
Comparison of Level B Need for New Electric Resources

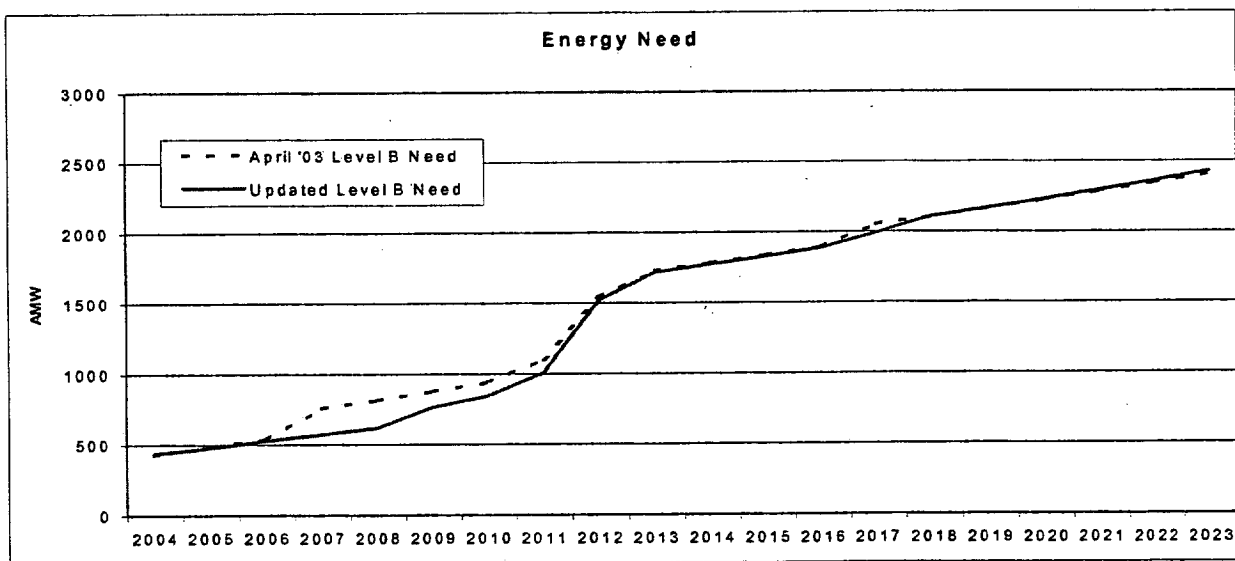
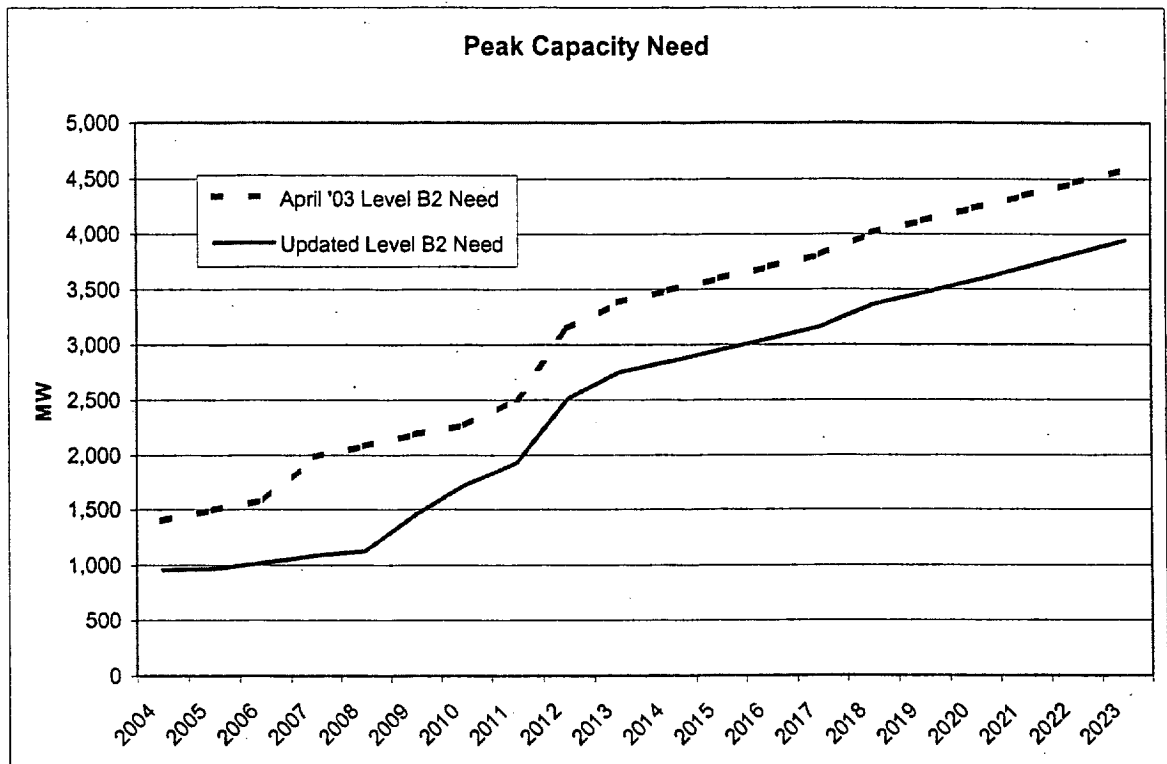


Exhibit V-2
Comparison of Level B2 Need for Peak Capacity



- **Load Forecast:** The changes to the load forecast are discussed fully in Chapter III. Both peak capacity and energy needs are lower in the August 2003 Update.
- **Hydro Availability:** Information from the Northwest Power Pool's "2002-2003 Final Regulations" has been applied to PSE's hydro resources. Hydropower availability has shifted among months but is consistent with the data PSE uses for short-term risk management. Another significant factor is the assumed loss of PSE's White River Project energy as of January 15, 2003. The project has provided about 30 aMW annually and this change has contributed to an overall increased need for new electric resources.

¹ Source: August 2003 Least Cost Plan Update, Chapter V, p. 3

- **PG&E Exchange:** PSE's exchange agreement with Pacific Gas & Electric provides for up to 300 MW of capacity and 437,000 MWH of energy, going to PG&E in the summer and back to PSE in the winter. The agreement was assumed to terminate as of December 31, 2006; however, it now appears that the contract may continue through 2008, which results in lower energy and peak need for new electric resources for the extra two years.
- **Contracted Resources:** PSE has many contracts for energy, several of which have been updated since the April 2003 LCP. The overall impact is slight: an annual reduction in resources of about 3 aMW.
- **Colstrip:** The available energy from Colstrip has been reduced because of higher forced-outage rates during recent years. The net result is an increased need for new electric resources for resources of about 15 aMW per year over the next 20 years.