



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250 • (206) 753-6423 • (SCAN) 234-6423

February 14, 1994

Mr. Corey Knutsen, Vice President, Corporate Planning
Puget Sound Power and Light Company
One Bellevue Center Building
411 108th Avenue N.E.
Bellevue, Washington 98004-5515

Dear Mr. Knutsen:

This letter identifies and addresses specific concerns of staff of the Washington Utilities and Transportation Commission regarding Puget's 1992-1994 Integrated Resource Plan (IRP). These concerns include, but are not limited to: 1) the timeliness and quality of technical analysis in Puget Sound Power and Light Company's (Puget) IRP process, and 2) significant and unforeseen changes in Puget's IRP resource assessment and computer modeling methods.

Since Puget's July 22, 1993 Technical Advisory Committee (TAC) meeting was postponed, Puget has held only one IRP TAC meeting, on November 12, 1993, since May 18, 1993. Following this November 12, 1993 meeting, Commission staff stated its interest in meeting with company staff to more fully understand Puget's resource cost analysis methods and IRP resource computer modeling. These issues are identified in staff's October 21, 1992 letter to Puget regarding both the need for a company work plan and specific areas for Puget to focus its efforts on in the 1992-1994 IRP.

In order to review Puget's resource assessment methods and models, staff first met on December 20, 1993 in Bellevue. At this meeting, staff was informed that the company had made significant changes in the computer modeling methods it was planning to use in its IRP. The company had not previously informed Commission staff of these changes. Furthermore, no written documentation explaining these changes were available at this meeting nor provided to staff at a later date.

IRP TAC Staff expressed concern that Puget had not taken steps to inform members of the group of these changes. At this same meeting, staff was also informed that Puget's base case scenario was not yet performed.

At this meeting, staff emphasized that two issues needed to be presented to the IRP TAC group at its next meeting. First, Puget should clearly document all changes in the planning methods for evaluating resource options. Second, Puget must explain why it is changing the modeling strategy so late in the IRP process. Staff requested a follow-up meeting with Puget



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to be informed of these resource analysis methods and modeling changes.

Staff's follow-up meeting took place at Puget headquarters on January 24, 1994. At this meeting, staff was informed that the medium case scenario had still not been completed. Staff was also given a photocopy of a computer printout of a "LEV_COST" computer model run. Staff requested Puget to provide computer access to this model. Staff is waiting for information on how to access this model.

At the meeting's conclusion, staff reiterated the need for Puget to document all changes in modeling and to explain, in writing, to the TAC group why it is changing resource analysis and computer modeling methods.

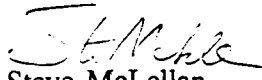
As a result of these meetings, staff requests the following documentation from Puget:

- 1) provide written documentation of all changes in computer resource and financial analysis models;
- 2) provide written explanation and documentation of all resource evaluation selection and decision making methods;
- 3) provide a written explanation of why Puget Power is changing its resource evaluation, decision making, and computer models from previous IRP cycles;
- 4) provide responses to requests 1-3 to all members of the TAC group, including all Consumer Panel members.

Staff is concerned that these methods and changes be fully explored and discussed prior to the circulation of a draft 1992-1993 least cost plan document. It is staff's position that these changes receive full review and comment from the TAC members prior to the company's writing of its draft least cost plan document.

As Puget proceeds with its 1992-1993 least cost plan, please direct questions and communications to Patrick Moast, Utility Rate Research Specialist at (206) 664-0834.

Sincerely,


Steve McLellan
Secretary

cc: Christy Omohundro
TAC Members