



May 16, 2003

VIA ELECTRONIC MAIL

To: records@wutch.wa.gov

Carole J. Washburn
Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Northwest Independent Power Producers Coalition's Initial Comments In Docket Nos.
UE-030311/UE-030423[/UG-030312]

Dear Ms. Washburn:

On behalf of the Northwest Independent Power Producers Coalition (NIPPC), I am writing to provide initial comments in the above-referenced rulemaking dockets. I serve as NIPPC's Executive Director.

Background on NIPPC

The members of NIPPC are active participants in the Northwest energy system; many of our members operate and/or plan to operate significant power projects in Washington State. Together, NIPPC Washington members own and operate approximately 2,500 megawatts of facilities. . Our Washington members have partially completed or permitted another 3000 megawatts. NIPPC members companies have invested billions of dollars in the energy industry and are major employers that can bring multiple positive impacts to Washington communities. Most important of all, we are capable of providing new resources at the lowest cost to utility ratepayers.

Here in Washington State, independent power producers are active. This industry embodies a unique ability to bring needed generating resources on line, and to do so relatively quickly. Generally speaking, we feel that independent power producers can:

- Develop new generation resources faster, more economically and with greater certainty than non-specialists;
- Add capacity quickly to their operating or permitted projects;
- Distinguish themselves through higher risk tolerance, better risk abatement methods, and the disciplines of private financing.

When it comes to new or repowering development, independent power producers routinely assume development, operation and fuel supply risks. This limits siting, permitting, financing, construction, abandoned plant and other risks to which ratepayers could otherwise be exposed. Thus, independent power producers are uniquely suited to supply the Northwest region with affordable, reliable and responsible sources of electric capacity and energy.

Scope of Comments

We understand that at this point, the rulemaking dockets contemplate only an initial round of written comments and a stakeholder meeting. The only rulemaking documents available to date provide a list of potential subjects to be covered, but do not provide further details. Accordingly, our present comments focus on the subjects that we would recommend the rulemaking cover, and considerations that we recommend be taken into account in establishing the procedures for the rulemaking. We reserve the right to submit additional comments as the rulemaking progresses.

Subjects to Cover

We generally concur with the subject lists identified in the CR-101 filings, assuming that those subjects will be broadly interpreted. These lists imply, and we agree, that more than incremental “tweaking” of the rules is necessary. In particular, we urge the Commission to focus on the following issues, in the context of both the least cost planning rules and the RFP rules:

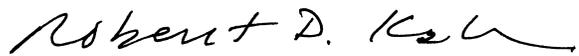
- What has been the history over the past 10-15 years of least cost planning, and of resource acquisition, both through and outside the competitive procurement process established by the rules?
- How often has the procurement process been used? How often has the procedure been bypassed by utilities?
- Have there been unexpected outcomes, such as rejection of all proposals, or turnover of a project bid by a utility affiliate to the utility?
- What changes in proposal evaluation criteria should be considered in light of developments in the electric industry and in applicable federal and state laws and regulations since the adoption of current rules?
- What changes should be made to improve the Commission’s ability to compare utility-sponsored resource proposals to other proposals and to give recognition, as appropriate, to the expertise and resources that independent power can utilize to create and manage power supplies and facilities with minimum risk to ratepayers?
- How can a level playing field be established for purposes of ensuring that comparisons between utility- and non utility-owned resources are undertaken fairly, and that the process results in transparency, measurable accountability, contractual symmetry, and reliability?
- What sanctions should be imposed for a utility’s failure to prepare a least cost plan on a timely basis, or for other failures to comply with the Commission’s requirements for resource identification and acquisition?
- What Commission rule amendments are necessary or appropriate in light of any Congressional action on federal energy legislation this year, including potential repeal of the PURPA mandatory purchase provisions that underlie some of the existing rules?
- We also would suggest that the fifth bullet in the subject list for chapter 480-107 WAC be revised to read: “the need to clarify benefits of competitive wholesale markets for consumers under regulated retail service.”

Procedural Considerations

The Commission should ensure that procedures it establishes for the rulemaking process will afford full and equal opportunities for all interested parties to participate but, at the same time, will not require an overwhelming time commitment for meaningful participation. Many parties that have greatest interest and stakes in the process are simultaneously involved in other important proceedings at the state, regional and federal level, and do not have an ability to devote full time to the rulemaking process, notwithstanding the significance of that process.

The independent power community welcomes this opportunity to help the Commission and all stakeholders to gain better understanding of the important role that independent power can play in providing reliable and economical means of meeting ratepayers' needs. Please add me to the service list for all future communications in this matter. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Robert D. Kahn". The signature is written in a cursive style with a long, sweeping underline.

Robert D. Kahn
Executive Director

cc: Graciela Etchart (getchart@wutc.wa.gov)