

Corrected 11/10/03 5:00 P.M.

Agenda Date: November 12, 2003

Item Number: A2

Docket: UE-031353
Company Name: Puget Sound Energy, Inc.

Staff: Hank McIntosh, Regulatory Consultant
Yohannes Mariam, Regulatory Analyst

Recommendation:

Suspend the filing pursuant to WAC 480-107-060 (2) (b) to allow the Staff and Puget Sound Energy to finish revisions to the filing under the specifications in this Chapter. Staff recommends that the filing be brought back before the Commission within 60 calendar days, preferably at the December 31, 2003, open meeting for action.

Background:

On August 25, 2003, Puget Sound Energy (PSE or Company) filed a draft document which is a plan for Request for Proposals (RFPs). It includes an RFP designed exclusively for wind power projects, illustrative wind power avoided costs, and other elements of the minimum filing requirements in WAC 480-107. After a Commission Notice, a sixty-day comment period began on August 25, 2003. It terminated on October 25, 2003.

Four parties (Zilkha, FPL, Renewables Northwest, and BP - TransCanada) filed comments during this period. Zilkha and FPL commented on draft RFP language for power contracts and purchase documents. The comments were detailed but can be characterized as asking for clarification of terms and discussion of contract relationships. Renewables North West supported the goal of renewable power and asked for expeditious processing. The comment from BP – TransCanada claimed that the RFP excluded their project and that the process is inconsistent with PURPA because it did not request bids from all developers of all technologies. They also claim that they believe the RFP implies a preference for ownership before the cost advantage of ownership is established by a bidding exercise.

Staff discussed the filing with the Company during the comment period and attended a bidders' conference on September 15, 2003, in Bellevue, Washington. Staff now brings the matter to the Commission at the only open meeting opportunity falling within the required 30-day action period.

Chapter 480-107 of the Washington Administrative Code is intended in part to codify the method with which WUTC administers PURPA (78) section 210 and 18 CFR Part 292. The method is a competitive bidding process.

Discussion:

Staff believes the draft documents related to a wind RFP as finalized in the exchanges between commentors and Company are satisfactory. However, since the scope of the solicitation is

implicitly restricted by the statement that PSE is specifically seeking wind resources, there is a chance that a minimum price basis will not be discovered.

Chapter 480-107 recognizes that an electric utility company must secure supplies adequate for its obligation to serve load and may do so outside the rule, *WAC 480 107 001 (1)*. Staff believes that the wind power RFP in itself does not require Commission review or administration. Thus, Staff has no objection to Company releasing the wind RFP as if it were any other solicitation.

PSE has stated that it does not agree that it must revise its wind RFP into an all technologies RFP, but they have offered to accelerate and consolidate the series of future RFPs discussed in the filing into an additional WAC 480-107 filing with an RFP which invites bids from all resource types.

This willingness to respond to Staff concerns was expressed in several conversations and in a meeting between Staff and PSE held on November 5, 2003. On November 7, 2003, PSE filed a package of its responses to comments and revised draft RFP. In this filing PSE again pledges to file an all resources RFP during the week of December 8, 2003. The Staff believes this addition will help make PSE's current filing provide valuable information which can provide PSE a basis for resource comparisons and economic tradeoffs.

Staff notes that if a comment period is provided for the added RFP and the wind RFP is released now, the resulting information may not be contemporaneous. Further, a recalculation of informational avoided costs will be needed to match the wider scope of the RFP. Staff feels it is best to bring further action after this is complete.

Conclusion:

Because the Company promised in its November 7, 2003, letter that it will file an all technology RFP in the second week of December, 2003, the Staff believes it is in the public interest to devote more time for review and refinement of the full RFP filing in this docket. Staff therefore recommends that the Commission suspend the filing pursuant to WAC 480-107-060 (2) (b). Staff also recommends that the filing be brought back before the Commission within 60 calendar days for further action, preferably at the December 31, 2003, open meeting.