



UE 921102

'94 MAR 14 08:45



March 10, 1994

Mr. Steve McLellan
Secretary
Washington Utilities and
Transportation Commission
1300 s. Evergreen Park Dr. S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Mr. McLellan:

This is in response to your letter of February 14, 1994, which identified certain concerns on the part of Commission staff regarding Puget's modeling techniques and communication with the Technical Advisory Committee (TAC) in the ongoing integrated resource planning process.

The Company has been and remains committed to collaborative integrated resource planning. It was in this spirit that we welcomed the opportunity to meet with WUTC staff on December 20, 1993 and January 24, 1994. However, it appears that these meetings may have resulted in a misunderstanding regarding Puget's modeling and resource evaluation techniques.

You indicate in your letter that it is staff's belief that Puget has changed its modeling techniques used in integrated resource planning. This is not the case. In general, Puget's modeling techniques have been consistent throughout the history of its integrated resource planning process. These techniques are described in some detail within the Company's three Integrated Resource Plans. The only substantive modeling change by the Company was the decision to discontinue use of the WUTC model. However, this decision was made in collaboration with Commission staff.

With this general discussion in mind, the following responses address the specific requests for documentation in your letter of February 14:

- 1) **Provide written documentation of all changes in computer resource and financial analysis models.**
 - A. As discussed above, the computer resource and financial analysis models used in Puget's integrated resource planning process have remained the same with the exception of the WUTC model. That model is no longer in use.

2) Provide written explanation and documentation of all resource evaluation selection and decision making methods.

- A. The resource evaluation, selection, and decision making methods used by the Company in the integrated resource planning process are extensive. These methods have been described in some detail in Puget's three Integrated Resource Plans. See, for example, Chapter 6 of the 1992-1993 IRP for a description of these analytical methods. Further, planning and modeling methodologies have been developed with TAC participation throughout the history of the IRP process.

In order to clear up any misunderstanding, as I indicated to the TAC members in our meeting on February 15, 1994, the Company will schedule a meeting to review again the modeling techniques that Puget employs in the integrated resource planning process. I believe that any further questions or issues on the part of Commission staff can be addressed at that time.

3) Provide a written explanation of why Puget Power is changing its resource evaluation, decision making, and computer models from previous IRP cycles.

- A. With the exception of the WUTC model, the Company's resource evaluation, decision making, and computer models currently in use are the same as those used in previous IRP cycles. After the completion of the 1992-1993 IRP the Company determined that both MIDAS and WUTC models were not necessary in performing the analysis required in the IRP process.

The WUTC model was a computer model originally developed and supported by Peter Spinney, a WUTC staff member. With his departure from the Commission, technical support for the WUTC model was minimal, while extensive support existed for the EPRI MIDAS model. Consequently, in collaboration with Commission staff, the Company chose to continue using only the MIDAS model in the IRP process.

4) Provide responses to requests 1-3 to all members of the TAC group, including all Consumer Panel members.

- A. Copies of this letter will be distributed to all TAC members. If there is any misunderstanding regarding our modeling on the part of the Consumer Panel members, we can provide a review for them as well.

Your letter also discussed the timeliness of the technical analysis in Puget's IRP process. For the reasons identified in the TAC meeting on February 15, 1994, the timing of Puget's fourth IRP is the subject of ongoing discussion at this point. Because of sweeping changes that are taking place in the electric utility industry, we believe that it is important to explore a number of issues involving utility strategy and competition in the integrated resource planning process. Because of the depth and the nature of these issues as well as other pending matters in which the Company is involved, additional time may be needed to do a thorough analysis and subsequently complete the fourth Integrated Resource Plan.

I hope that in the future we will be able to resolve any questions or concerns regarding our planning process through the valuable dialogue that takes place in the TAC meetings, or in additional meetings with Commission staff. Please call me at (206) 462-3734 if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Corey A. Knutsen".

Corey A. Knutsen
Vice President, Administration
and Corporate Services

cc: TAC Members