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November 11, 2003

**VIA OVERNIGHT MAIL**

Ms. Carole J. Washburn  
Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Puget Sound Energy's Reply Comments of November 10, 2003, in  
Docket No. UE-031353**

Dear Ms. Washburn:

This letter contains the reactions of BP West Coast Products ("BP") and TransCanada PipeLines Ltd. ("TransCanada") to materials filed yesterday in Docket No. UE-031353 by Puget Sound Energy, Inc. ("PSE"). In part, PSE's materials respond to comments of BP and TransCanada filed on October 24, 2003.

PSE misconstrues our comments of October 24<sup>th</sup>, which were not directed against the Wind RFP specifically. Instead, our comments criticized PSE's piecemeal approach to fulfilling its resource needs. BP and TransCanada raised this issue in this docket because PSE has chosen this Wind RFP process to reveal more of the disjointed path it intends to follow to satisfy its ratepayers' power requirements. See letters of Kirstin Dodge, p. 1 (November 10, 2003) and pp. 2-5 (August 25, 2003).

Our comments relate to PSE's misapplication of the WUTC's all-source bidding rules and its failure to promote the underlying regulatory policies of those rules in its current efforts to meet its ratepayers' resource needs. BP and TransCanada firmly



believe the Cherry Point cogeneration project would prove to be the low cost thermal resource for PSE's ratepayers. However, PSE has not given appropriate consideration to the Cherry Point project as means to meet its need for long-term thermal resources. Instead, PSE has announced its intention to acquire a portion of the Fredrickson 1 combined-cycle project at the end of an informal process.

From what it has disclosed to date, PSE proposes to start with the acquisition of a 49% ownership interest in the Frederickson I. Thereafter, it proposes to acquire 50 MW of windpower in an RFP limited to a single resource type. In PSE's response of November 10, it proposes to initiate yet another RFP by December 1, 2003, but only for "near and medium-term needs (2004 to approximately the Winter of 2007-08)." Letter of Kirstin Dodge, p. 4 (November 10, 2003). Still left unstated by PSE are its plans for satisfying its other resource needs, both near-term and long-term.

Even if this latest near- and medium-term RFP had some practical merit, we are at a loss to understand why it would be truncated to exclude PSE's acknowledged need for power after the winter months of 2008. Having identified both its long-term and short-term resource needs, the all-source bidding rules require PSE to solicit bids from resource-developers of all types, including cogeneration, renewable resources, other thermal resources and conservation. This process best ensures that PSE will select the least-cost set of resources with which to satisfy its ratepayers' needs. This process also best ensures that PSE will document all relevant information about its resource options, measured as of a common date for bid submissions. To the extent PSE wishes to build or own new resources as rate-base assets, this option must be measured against the proposals of other participants in the all-source bidding process.

PSE's piecemeal approach makes it difficult for resource developers to compete against the PSE self-build option. If PSE continues down this path, then the Cherry Point cogeneration project will never be given a fair chance to supply PSE's power needs, despite its many benefits to the ratepayer. The process PSE has chosen effectively precludes this QF project from consideration. Furthermore, PSE's approach would also make it difficult for the WUTC to determine the prudence of these piecemeal steps toward resource acquisition. Prudence would become a task of assessing PSE decisions based on multiple, sometimes-overlapping evaluation periods, akin to using multiple test years in a single rate case. This is inconsistent with the regulatory policy underlying the WUTC's all-source bidding rules.

Neither BP nor TransCanada doubts the wisdom of including windpower and other renewable resources in PSE's resource mix. We object to PSE's unwarranted departure from WUTC all-source bidding rules, not to its desire to add windpower to its portfolio. We also intend to raise these issues further in Docket No. UE-031725, which

Ms. Carole J. Washburn  
November 11, 2003  
Page 3



focuses on PSE's proposal to include the costs of its Frederickson I acquisition in retail rates.

Sincerely,

A handwritten signature in black ink, appearing to be 'John Cameron', with a long horizontal line extending to the right.

John Cameron

cc: Kirstin S. Dodge (via e-mail)  
Robert Cederbaum (via e-mail)  
Hank McIntosh (via e-mail)