

EXHIBIT NO. _____ (EMM-8HC)
DOCKET NO. _____
2003 POWER COST ONLY RATE CASE
WITNESS: ERIC M. MARKELL

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

Docket No. _____

v.

PUGET SOUND ENERGY, INC.,

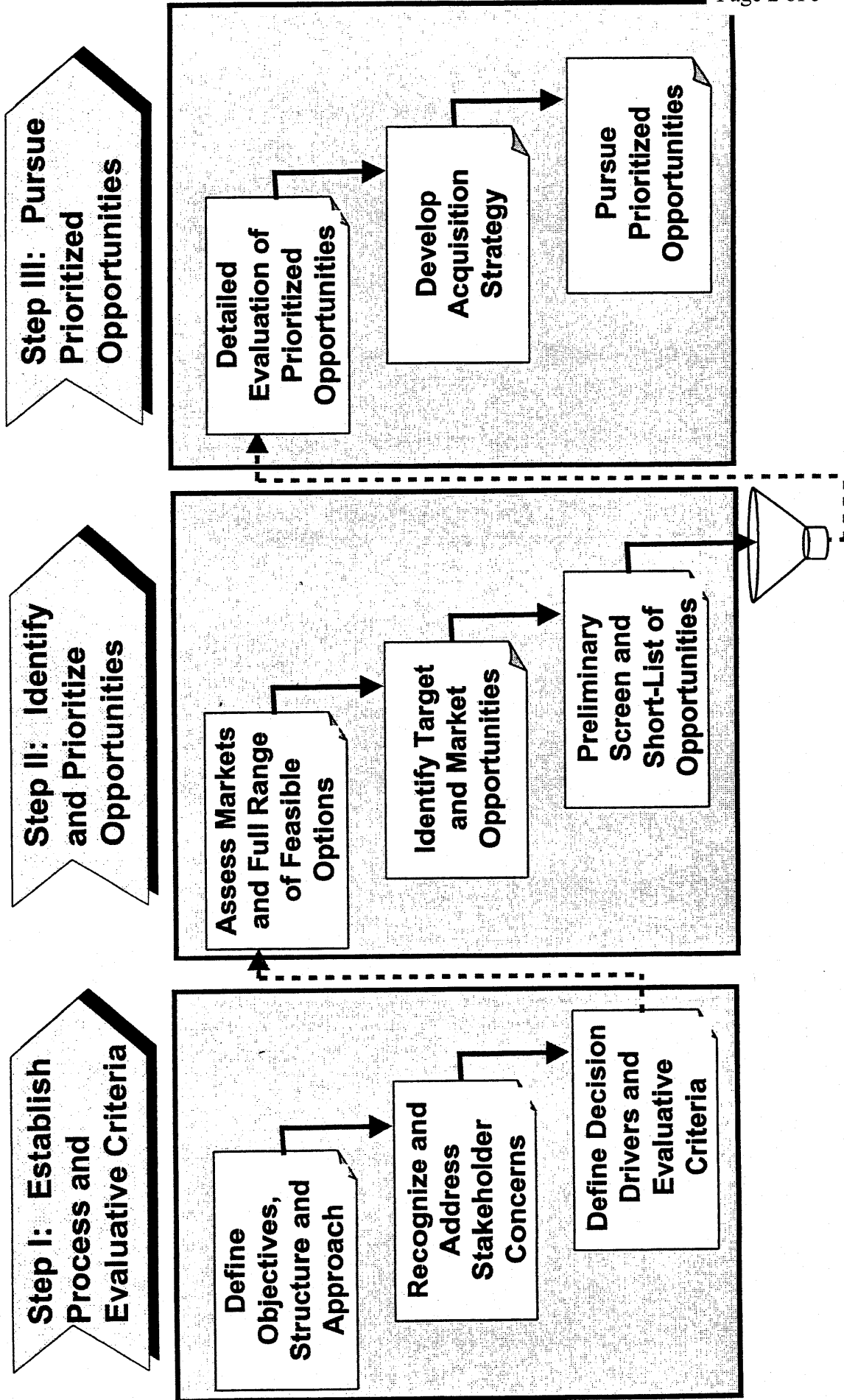
Respondent.

**DIRECT TESTIMONY OF
ERIC M. MARKELL
ON BEHALF OF PUGET SOUND ENERGY, INC.**

PROGRESS REPORT GENERATION PLANNING

- **Eric Markell**
 - Vice President
 - Corporate Development

The approach adopted incorporates prudent evaluation and selection elements



The Draft Evaluation Criteria consider factors which are salient to both generation assets and purchase power commitments

- **Fuel Supply**
 - ✓ Type
 - ✓ Diversity of Source
 - ✓ Cost and volatility
 - ✓ Reliability
 - ✓ Deliverability
- **Financial**
 - ✓ Purchase Price / Value
 - ✓ EPS Impact
 - ✓ Improve Capital Structure
- **Location**
 - ✓ System Impact
 - ✓ Deliverability
- **Equipment / Technology**
 - ✓ Commercial vs, R&D
 - ✓ Reliability
 - ✓ Performance (Plant specific)
- **In Service Date / Timing**
 - ✓ Anticipated / Expected and Reasonableness
 - ✓ Flexibility of Extension / Deferment
- **Size / Flexibility**
 - ✓ Fit to Need to Meet Reserve Margin
 - ✓ Flexibility to Step into Need
 - ✓ Expansion Capability
- **Resource Mix**
 - ✓ Type
 - ✓ Match to Need (Capacity v. Energy)
 - ✓ Operational Flexibility
 - ✓ Diversity of Supply Type
 - ✓ Consistent with LCP Principles
 - ✓ Reliability
 - ✓ Environmental Implications
- **Regulatory Impact**
 - ✓ Revenue Requirements
 - ✓ Rate Impact
- **Counter-party Risk**
 - ✓ Credit Rating and Rating Agency Outlook
 - ✓ Transaction History
 - ✓ Balance Sheet Strength
- **Security and Control**
 - ✓ Plant Operations
 - ✓ Fuel Supply
 - ✓ Ownership Structure
 - ✓ Development Control
- **Market Fundamentals**
 - ✓ Current and expected conditions in the generation asset market
 - ✓ Current and expected conditions in the purchase power market

The Resource Acquisition Team continues to make considerable progress

- **Resource Acquisition Process**
 - Developed resource evaluation criteria
 - Developed resource acquisition decision process
 - Identified all of the salient options to meet PSE needs
 - Maintaining consistency and linkage to LCP process
 - Developing evaluation approach to incorporate all types of resources
- **Generation Assets Options**
 - Identified priority assets to pursue given timing and market issues
 - Developed financial model for project valuation
 - Expeditiously valued projects with near-term timing constraints to b
 - Issued solicitation to asset market participants with projects in PSE market
 - Received 29 responses for 35 projects
 - Beginning to map responses into screen criteria established
- **Purchase Power Options**
 - Developed initial evaluation criteria
 - Performing assessment of likely suppliers to determine supply positions in the market
 - Developed draft solicitation to issue to market participants
 - Developing evaluation approach for purchase power options

To date, the asset sale responses received are at varying stages of development

We sent out 53 letters and received 29 responses for 35 projects from a variety of project developers

<u>Project Status</u>	<u>Number of Projects</u>	<u>Example Respondents</u>
Operational	3	
Under Construction	9	
In Permitting	16	
Conceptual / Design	7	
	<hr/> 35	

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