

EXHIBIT NO. _____ (EMM-9HC)
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.



www.navigantconsulting.com

Power Resource Acquisition Team Weekly Progress Review

November 6, 2002



The following material represents only a partial summary of the discussions held by the Power Resource Acquisition Team. It does not constitute the entire range of discussion held or alternatives reviewed. The information contained in this document has been obtained under Confidentiality Agreement and should not be copied or reproduced.



Valuation summary of respondents to date

**HIGHLY CONFIDENTIAL
INFORMATION REDACTED**



Revenue requirements analysis can easily be incorporated into financial prioritization

- Steve Cartwright and Karl Karzmar have met and discussed approaches and exchanged spreadsheets on DCF and revenue requirements methodologies
- Revenue requirements spreadsheet completed and integrated into our analysis of data responses (still need to verify a few assumptions with Karl this week)
- Should have revenue requirements calculated for the ~6 projects that we have received by 11-7-02 and the remainder of projects we have received responses from by early the week of 11-11-02



On track to have financial prioritization completed November 15th for top tier of opportunities that have responded

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- Still awaiting (and expect) data responses from **later** this week or early next week
- At this time, expect that the 1-2 wind projects that will have responded will be included in our prioritization
- Remaining projects that have expressed interest to our September solicitation letter will likely not be in our first tier of opportunities (most have COD after 2004)



Key decision points will affect many elements of the resource acquisition process

What analysis is required to support the next LCP filing (either year-end or late January)?

- What is the exact milestone date and what will be the content of the next filing (chapters outlined and text prepared?)
- What schedule and process events would a late-January filing date initiate? (e.g. RFP cycle, action plan filings, comments from collaborative)
- PC-based "pre-screen" of portfolio alternatives to be followed by more detailed Aurora modeling in 1st quarter 2003?

What are the requirements of decisions related to the PPA/RFP?

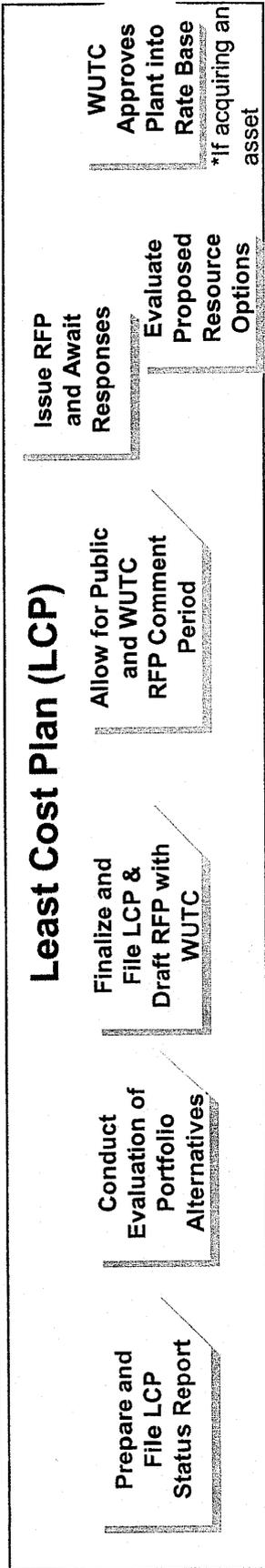
- Is "near-term" acceptable to WUTC if we commit to doing a more formal (90-day) RFP process after the LCP process is completed? (does this change with late-January filing requirements?)
- If a LCP filing does occur in late January, does this eliminate the need for the "near-term" PPA?
- Can the RFP be for purchased power only, since we have more current info currently collected on owned-assets?
- What time and support is needed to support development of draft RFP following a late-January LCP filing

What are implications and requirements of a Declaratory Order?

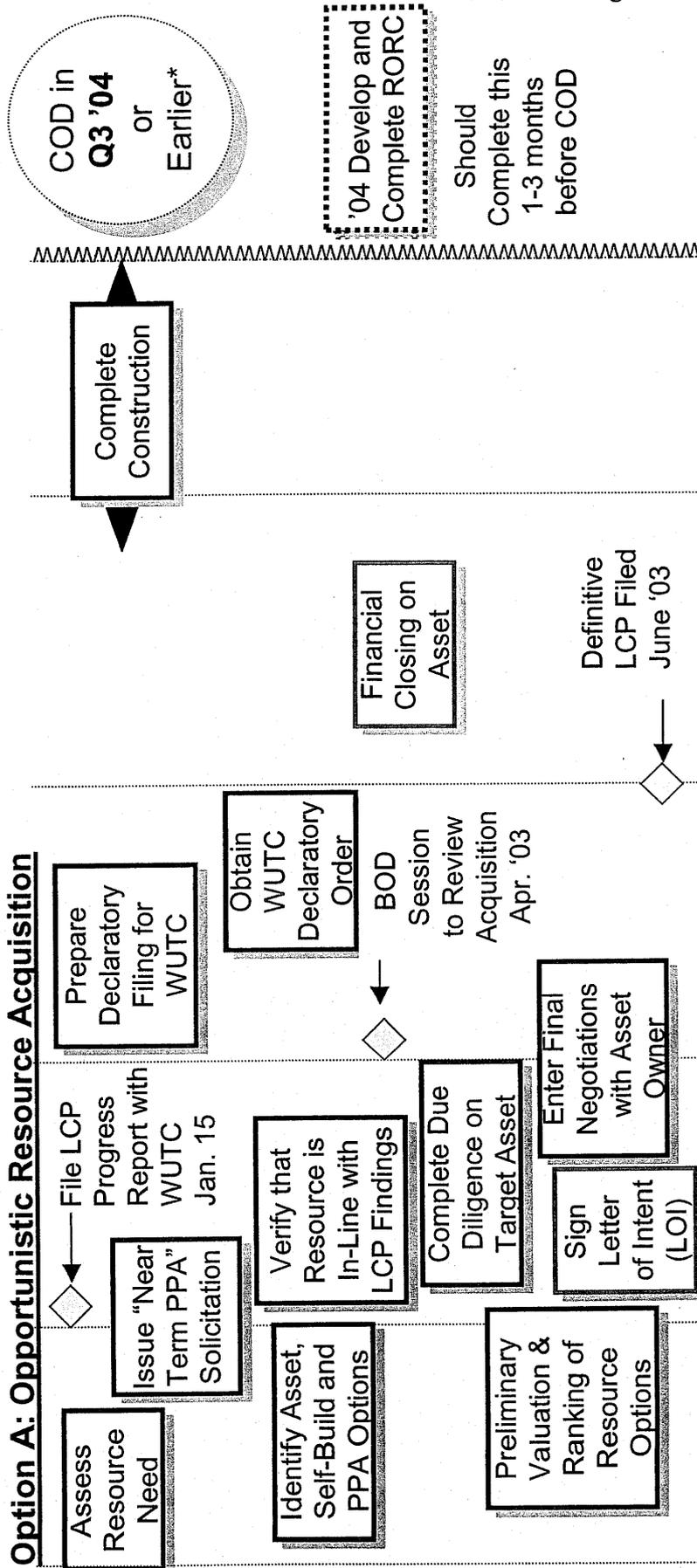
- How much lead time is required for declaratory order and when will WUTC give us indication they will grant such an order?
- When is our targeted milestone date to file declaratory order? (and does this change with new filing requirements)



The process being followed is one that involves parallel paths – coordinating resource acquisitions with the LCP: Option A



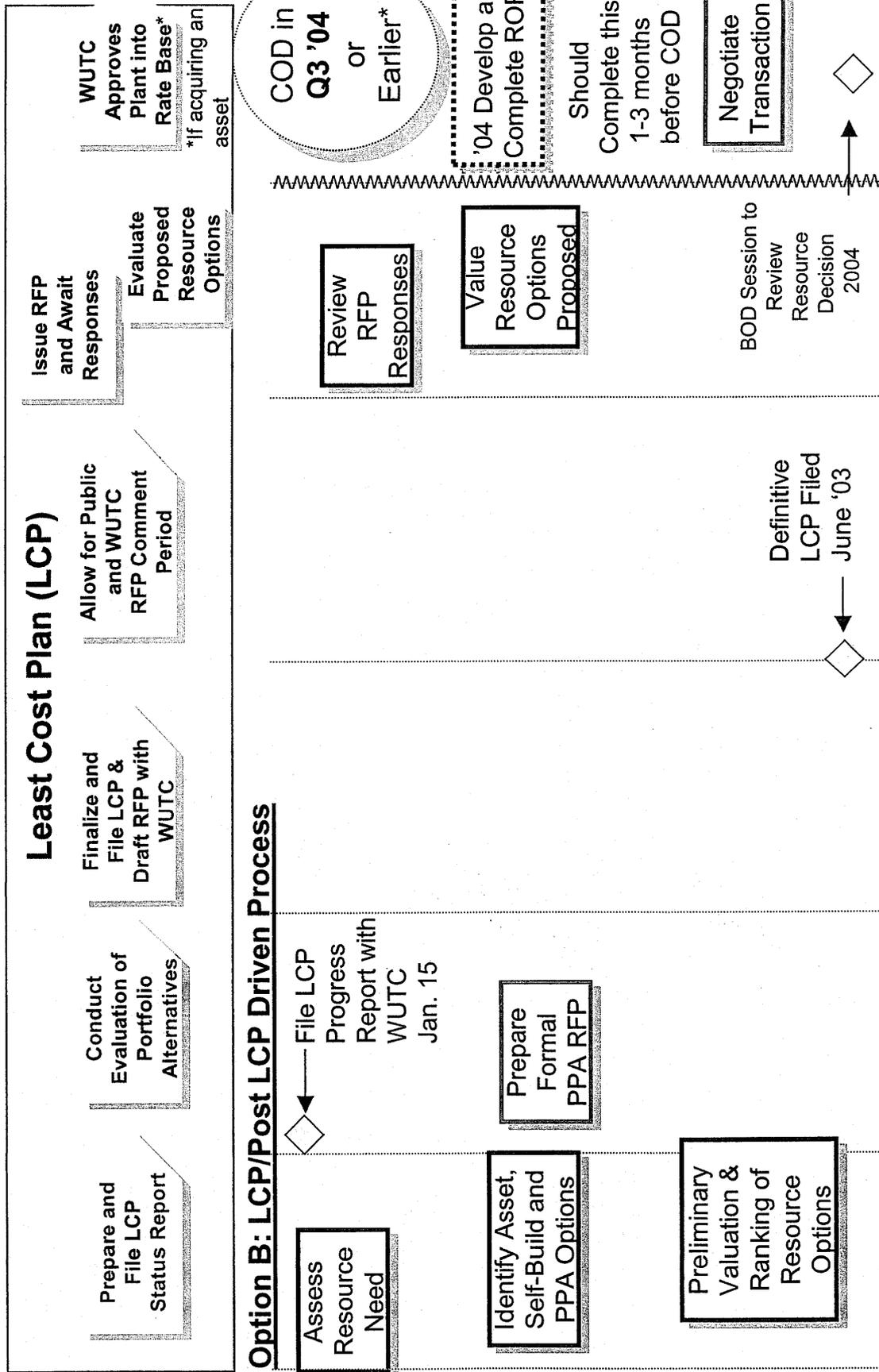
Option A: Opportunistic Resource Acquisition



*Assumes COD does not change from that originally identified by target(s)



The process being followed is one that involves parallel paths – coordinating resource acquisitions with the LCP: Option B



* Assumes COD does not change from that originally identified by target(s)