

EXHIBIT NO. _____ (EMM-10HC)
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.,

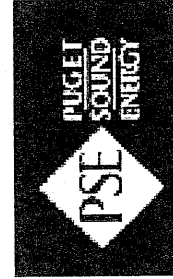
Respondent.

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

Resource Acquisition Opportunity Review

Update to Puget Sound Energy Board of Directors

January 6, 2003



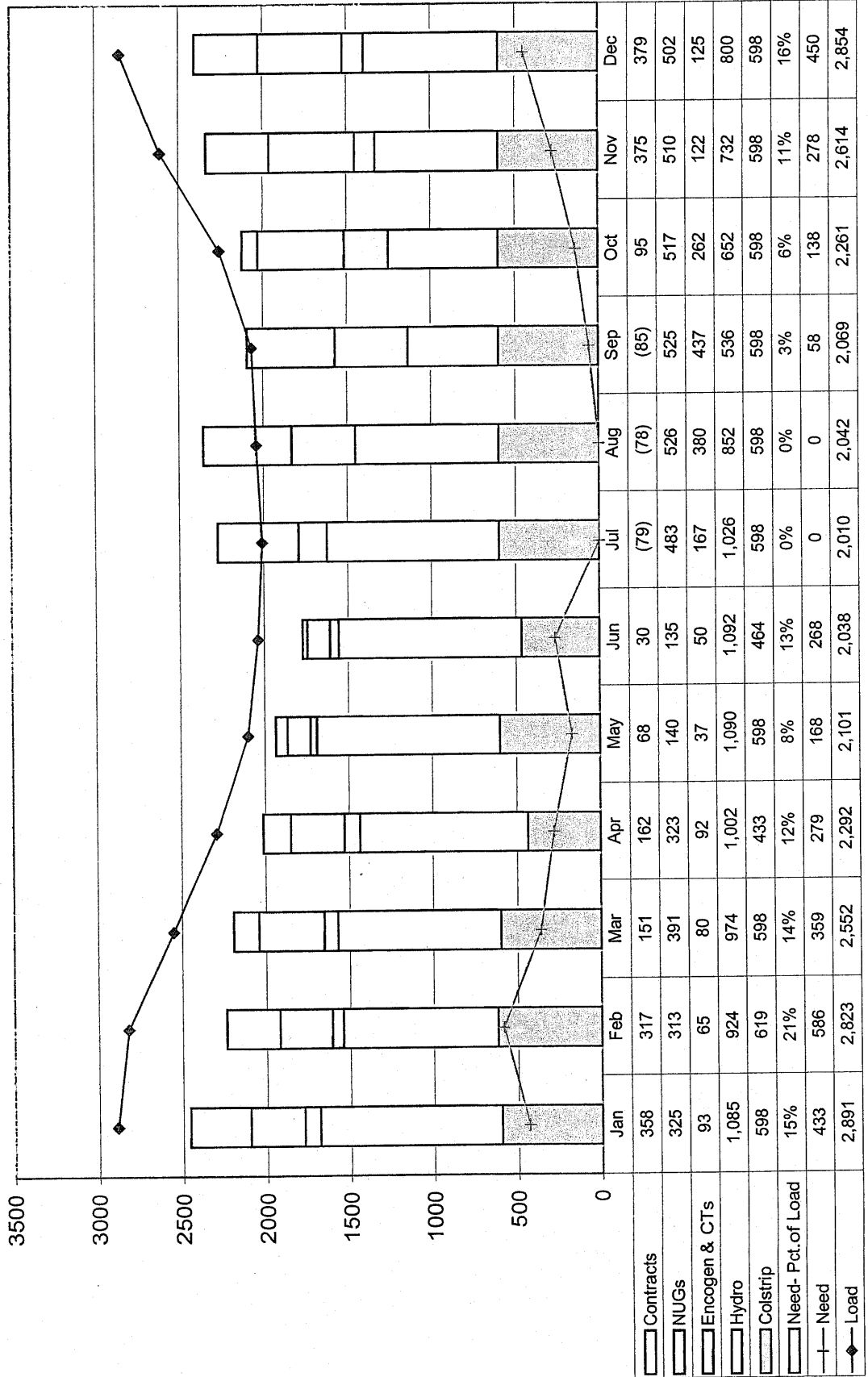
The following material represents only a partial summary of the discussions held by the Power Resource Acquisition Team. It does not constitute the entire range of discussion held or alternatives reviewed. The information contained in this document has been obtained under Confidentiality Agreement and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

Agenda

- **PSE's Near-Term And Longer-Term Resource Requirements**
- **Locations Of Prioritized Opportunities**
- **Resource Evaluation Process And Decision Criteria**
- **Individual Discussion of Each Candidate Project**
- **Next Steps**

PSE's resource needs have seasonal variations throughout the year

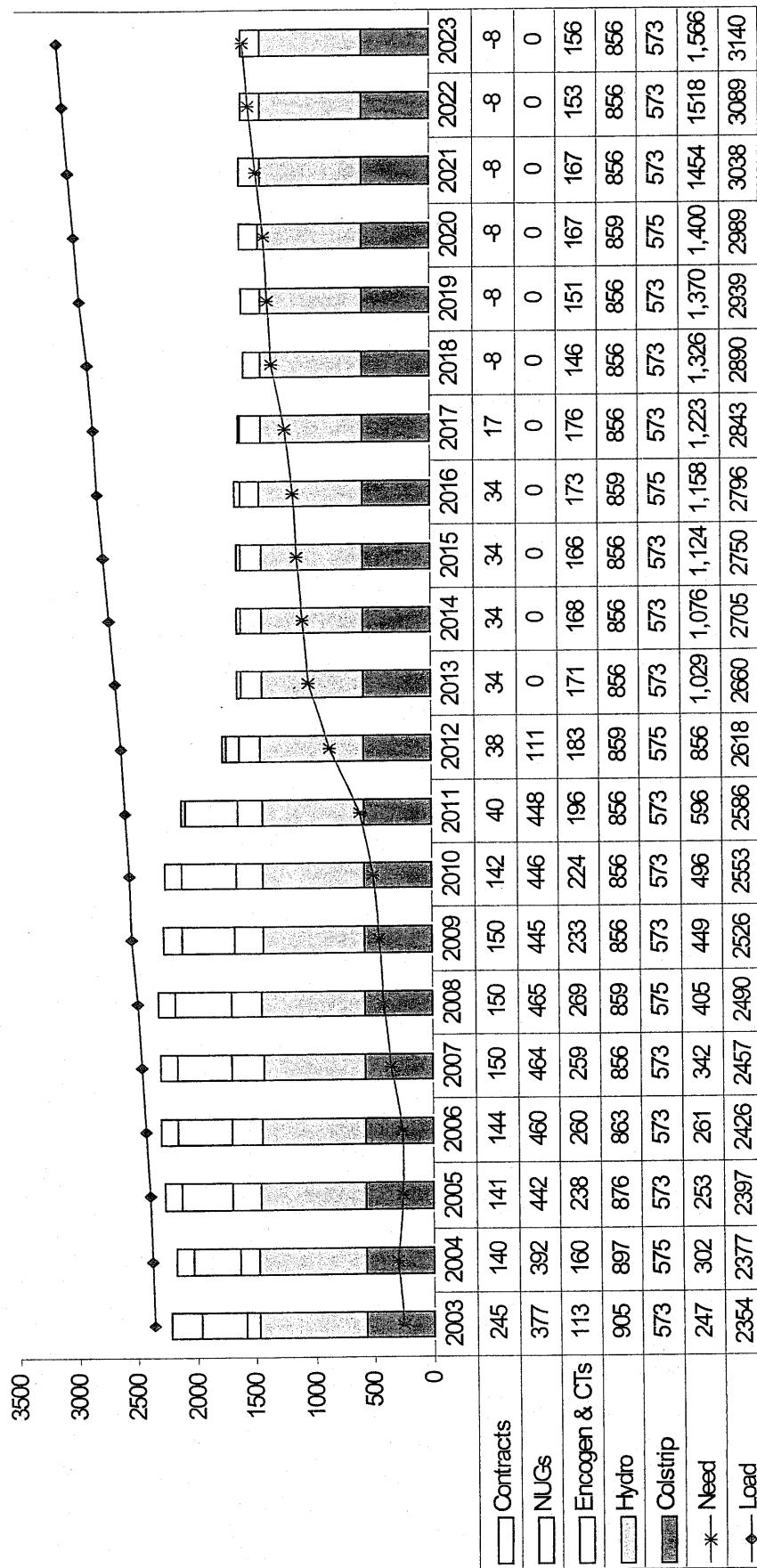
2004



amw

While annual needs increase considerably in the 2009-2010 time frame

Annual Resource Balance



amw

**Projects meeting initial screening criteria are in, and surrounding the
PSE service territory**

**HIGHLY CONFIDENTIAL
INFORMATION REDACTED**

A variety of decision variables affect each project differently

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INFORMATION REDACTED**

Note: Consistent decision criteria applied to resource acquisition, PPA evaluation, self-build evaluation, and LCP portfolio screening

Overview of

Project

**HIGHLY CONFIDENTIAL
INFORMATION REDACTED**

Overview of

projects

**HIGHLY CONFIDENTIAL
INFORMATION REDACTED**

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Overview of

projects

**HIGHLY CONFIDENTIAL
INFORMATION REDACTED**

Overview of

project

INFORMATION NOT RECORDED
HIGHLY CONFIDENTIAL

Overview of

project

**INFORMATION NOT TO BE RELEASED
HIGHLY CONFIDENTIAL**

Overview of

project

INFORMATION REFERENCED
HIGHLY CONFIDENTIAL

Any resource acquisition recommendation will have considered three potential options (buy, build, or contract)

Status of Discussions with Developers

Solicitation letter mailed out September 13, 2002

- 71 recipients
- 39 interested projects
- 13 prioritized project opportunities

Additional face-to-face discussions being held with prioritized project opportunities

- Six projects (four companies) discussed to date
- Four projects (three companies) scheduled week of January 6th ;
- Three project (three companies) scheduled week of January 13th

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INFORMATION REDACTED**

Top ~3 candidate projects should be determined by end of January

- Due diligence would commence thereafter

Status of PPA Solicitation

Solicitation letters mailed out November 27th

Approximately two dozen responses received

Evaluation and prioritization process to be completed by end of January

Status of Evaluation of Self-Build Option

Final report and cost estimate due by mid/late January