



August 29, 2003

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

Re: Puget Sound Energy's 2003 Least Cost Plan

Dear Ms. Washburn,

Enclosed for filing, please find an original and 19 copies of Puget Sound Energy's ("PSE" or "the Company") August 31, 2003 Least Cost Plan Update ("LCP Update"). This document presents information and analysis in compliance with both the electric utility least cost planning requirements under WAC 480-100-238 and the natural gas utility least cost planning requirements under WAC 480-90-238.

**Purpose of the LCP Update**

This report is an update to the Least Cost Plan that PSE issued on April 30, 2003. The April 2003 Least Cost Plan examines PSE's energy resource needs during 2004-2023, addresses key issues that influence resource planning decisions, and uses a new analytical framework to evaluate electric resource adequacy standards and develop the Company's long-term energy resource strategy. The electric portfolio resource strategy set forth in the April 30 Least Cost Plan identifies a diverse mix of new resources to meet the future needs of PSE's retail customers, including renewable resources, conservation resources and thermal generating resources.

The April 2003 Least Cost Plan was based on an assumption that PSE would acquire 15 average megawatts (aMW) per year of new electric conservation resources, resulting in a total of 150 aMW of planned new conservation over the next 10 years. This Least Cost Plan Update report replaces that assumptions with the results of an in-depth assessment of available conservation resources, along with a fully integrated load-resource portfolio analysis that evaluates conservation and supply-side resources on a side-by-side basis. Certain other key assumptions, including projections of customer loads and market prices for natural gas and power have also been updated and included in the load-resource portfolio analysis. As a result of this analysis, PSE has revised its electric resource strategy, including both the amounts and mix of planned new conservation and generation resources.

**Further Conservation Program Planning**

PSE is using the results of its conservation resource assessment and the results of the load-resource portfolio analysis (i.e., the amounts of conservation identified in the updated resource strategy) as key inputs to its conservation program planning for implementation of specific conservation acquisition efforts during 2004 and 2005. As such, this Least Cost Plan Update provides strategic direction for PSE's conservation program planning, but does not commit the Company to acquiring specific conservation measures or specific amounts of such measures. Similar to supply-side resource acquisitions that are based on specific opportunities and near-term considerations, specific determinations about actual conservation acquisitions are made in PSE's conservation program planning process. PSE anticipates filing its 2004-2005 conservation program plan, and associated tariffs, on October 31, 2003.

**Other Revisions Included in the LCP Update**

In addition to the conservation resource assessment, several other revisions have been made for this Least Cost Plan Update. Some of the changes are to key analytical inputs such as long-term forecasts of market prices for natural gas and power. Other changes include revisions to the electric load forecast and updated assumptions about certain existing electric resources in PSE's portfolio.

It should be noted, however, that much of the information and analysis presented in the April 2003 Least Cost Plan remains unchanged. This August 2003 Least Cost Plan Update report is not intended to be comprehensive or to entirely supersede the April 2003 Least Cost Plan report. Rather, it focuses on development of new information about conservation resources and use of the conservation resource assessment in a fully integrated load-resource portfolio analysis that updates the Company's long-term resource strategy.

**Continued Stakeholder Involvement**

PSE has continued to work with WUTC staff and consult with various stakeholders throughout the process the Company has followed in preparing this Least Cost Plan Update. The Company has held several joint meetings of the Least Cost Plan Advisory Group and the Conservation Resource Advisory Group. In addition, various informal meetings and communications have taken place. As was the case during development of the April 2003 Least Cost Plan, these interactions have continued to provide extremely useful information, ideas and perspectives for the August 2003 Least Cost Plan Update, making PSE's integrated resource planning process more effective and its results more useful.

PSE looks forward to making a formal presentation of the Company's 2003 LCP to the Commission and receiving feedback from the Commission as soon as practical, to help the Company continue to improve and refine its resource planning process. If you have questions regarding the Company's LCP, please contact Charlie Black, Resource Planning, at 425-462-3081, and if I can be of any assistance, please contact me at 425-462-3272.

Sincerely,

George Pohndorf  
Director, Regulatory Initiatives