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*Via Electronic Mail*

May 30, 2003

Ms. Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Puget Sound Energy's 2003 Least Cost Plan  
Docket No. UE-030594

Dear Ms. Washburn:

On April 30, 2003, Puget Sound Energy (PSE) filed with the Commission its 2003 Least Cost Plan (the Plan). The Cogeneration Coalition of Washington (CCW)<sup>1</sup> requests revisions to the Plan to more fully account for the opportunities and obligations relating to Qualifying Facilities. The existing QFs in PSE's service area offer a ready source of energy to meet the significant shortfalls in PSE's Load-Resource balance. In addition, utilities such as PSE may have an on-going statutory obligation to purchase energy from QFs which should be reflected in the Plan.

### **Cogeneration Technology Benefits the State and Electric Industry**

PSE currently has long-term contracts with each of CCW's members. Collectively, the contracts provide PSE with 22% of its energy supply.<sup>2</sup> As the Plan states, these current contracts will expire in 2011 – 2012, reducing PSE's resources by 498 aMW.<sup>3</sup> PSE assumes in the Plan that these resources are lost upon expiration of the current contracts. Cogeneration offers many benefits to PSE as well as to the State of Washington generally, and the plan should provide for consideration of these existing resources in PSE's future procurement. The Commission should encourage such analysis and consideration.

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<sup>1</sup> CCW is a group of qualifying facilities located in PSE's service area -- the March Point Cogeneration Company, Sumas Cogeneration Company, L.P., and Tenaska, Inc.

<sup>2</sup> See Puget Sound Energy's April 2003 Least Cost Plan, Chapter VII, page 5.

<sup>3</sup> *Ibid.*, Chap. IX, pg. 2.

When the projects came online in the early to mid-1990s, the CCW members' cogeneration facilities were used as an alternative to a coal-fired option that PSE had on the drawing board. These cogeneration resources exist today because they provided a lower cost option to meet PSE's energy needs.

Washington benefits from cogeneration development and operation in numerous ways. Some of these benefits are unique to cogeneration, while other benefits are shared with other forms of independent power generation:

*Cogeneration enables companies to manage and stabilize energy costs.*

Cogeneration, as an alternative to utility or market energy purchases, serves as an important check on market prices. It provides a "hedge" to the company against market volatility and is the financial cushion necessary to keep the business profitable and employing workers.

*Cogeneration efficiently and cleanly uses fuel.* CCW cogeneration projects use natural gas as the fuel to run their turbines. Natural gas is cleaner-burning than coal or oil. By using heat that was formerly considered a waste product, the combined cycle unit results in greater efficiencies. This means more power is produced per unit of fuel. Cogeneration facilities also employ sophisticated air emissions control systems that meet and often exceed local and federal air quality standards.

*Cogeneration increases electricity dedicated to serve Washington.* This supply – unlike other merchant generation – is committed to serve load within the State and reduces reliance on imports.

*Cogeneration enhances the reliability of the State's transmission grid.* The diversity of source and supply location of CCW facilities in Whatcom and Skagit Counties is a significant operating benefit to the electric transmission grid. It relieves congestion on the transmission system and forestalls costly grid expansions. Cogeneration may also provide voltage support to grid operations and reduce transmission line losses that would otherwise result if the power had to be imported from a distant generator. The "distributed" nature of cogeneration results in a more reliable system, compared with a system consisting of a few large generating units.

*Cogeneration results in customer self-sufficiency and creates private investment, jobs and tax revenues for Washington.* When the State relies on out-of-state generation rather than encouraging in-state investment, the opportunities for an increased tax base and employment are lost. The CCW cogeneration facilities support the economic base of the communities in which they are located, paying

taxes, purchasing parts and equipment, hiring labor and using other support services.

*Cogenerators assume the risk.* There are risks in building any generating facility – risks in construction, cost overruns, and operations. Private companies take on this risk, rather than the utility's ratepayers or shareholders. This enhances the financial stability of the utility.

### **Federal Law May Require Renewal of QF Contracts**

In addition to the clear benefits of cogeneration which should be considered in any procurement analysis, federal law also imposes obligations on utilities to procure energy from Qualifying Facilities. This law requires PSE to offer contracts to the Qualifying Facilities. The Public Utility Regulatory Policies Act<sup>4</sup> passed by Congress in 1978, created an obligation for utilities to purchase the output of QFs. It was pursuant to this obligation that PSE entered into the current contracts. The obligation for utilities to purchase QF output under PURPA remains an enforceable and binding obligation for PSE.<sup>5</sup> The Plan should include some recognition that these QF resources may remain available to PSE in the years after 2011.

### **Conclusion**

PSE's Plan should reflect the many benefits of cogeneration to PSE and the State, and adopt a methodology for analysis that prudently considers such benefits. In addition, the Plan should be modified to include the QF resources as potentially available to PSE in the years after 2011.

CCW requests the Commission to either order revisions to the Plan to reflect CCW's comments or to hold hearings to receive further evidence.

Sincerely,

Michael P. Alcantar  
Donald E. Brookhyser

Counsel to the Cogeneration Coalition of Washington

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<sup>4</sup> Pub. L. No. 95-617, 92 Stat. 3117 (codified in U.S.C. Sections 15, 16, 26, 30, 42 and 43).

<sup>5</sup> *Cogen Lyondell, Inc. et al.*, 95 FERC ¶ 61,243 (2001).