

Via First Class Mail and Email

January 6, 2004

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

Re: Docket # UE031353; PSE's All Source Request for Proposals

Dear, Ms. Washburn,

This letter is to formalize brief comments forwarded to PSE for the December 8, 2003, public meeting they held on their draft of the All Source RFP. Simply stated, PSE's recent least cost planning process took progressive steps in making their resource choices more transparent and comparable, particularly with regard to integrating demand- and supply-side resources. It is essential that they continue to take those progressive steps.

With regard to this RFP, those steps involve clearing away some of the uncertainties that cloud their decision-making process. While these uncertainties are not new, two of them - the risk of volatile fuel prices and the unreliability of fuel supply - have certainly been amplified by the push for deregulation of the electric industry. The third - the cost of the pollution caused by the generation of electricity- however, is no less present. I have encouraged PSE to require bidders to include those costs in their bids. If that is not a practical approach, I believe it is essential at least that any bids which do not include those costs be downgraded in comparison to resources which do acknowledge those costs and attempt to make them explicit. The more explicitly such devaluing can be done, the more transparent comparisons between different types of resources will be.

It may be a difficult task to quantify precisely the impact of these uncertainties in the evaluation process. It may be that only a range of impact can be estimated. It should be attempted, nevertheless, because it is certain that the costs are not zero and that neither shareholders nor customers wish to shoulder the burden of these costs. With the guidance of the Commission and others, PSE improved the quality of their least cost planning process. They deserve a lot of credit for doing an enormous amount of work in a short time. The same is true of the RFP process they have undertaken. They also deserve our support to do what they must to bring resources to the table on a comparable basis.

Respectfully,

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