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January 7, 2004

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

Re: Docket No. UE-031353
Comments on the RFP

Dear Ms Washburn:

TransAlta Energy Marketing (U.S.) Inc. (TransAlta) appreciates the opportunity to submit comments on Puget Sound Energy's ("PSE") All Generation Sources Request for Proposals ("RFP") that was submitted to the Washington Utilities and Transportation Commission ("WUTC") on November 25, 2003. PSE had requested a public comment deadline of January 6, 2004. Due to the weather conditions that existed in the area on that date and the resulting problems of conducting business, we request that you accept TransAlta's delayed comments submitted herewith.

In general TransAlta supports the efforts of PSE in seeking future resources via the RFP process. Our comments are brief and are directed mainly to the draft Power Purchase Agreement and the details required to be submitted in response to the RFP.

Specific Comments:

1. **Draft Power Purchase Agreement ("PPA"):** The draft PPA included as part of the RFP package seems to be written specially around PSE acquiring rights to the total generation capabilities of a generation project. It is hoped that PSE would be able to execute a much simpler PPA for a portion of the output of a facility – such as the purchase of "X" megawatts from the Centralia Coal-fired Facility. A simpler PPA would be in the form of a Western Systems Power Pool ("WSPP") agreement with a confirmation of the transaction. It should not be very difficult to add language to a WSPP confirmation to address specific concerns that might

arise. It may be more difficult to make wholesale changes to the draft PPA to address or eliminate provisions that not applicable to such a sale from Centralia. PSE should make provisions in the RFP for a shorter and simpler contracting process.

2. Data Submission Requirements

- a. Sections 5.1, 5.2, 5.3 and 5.4 require the submission of detailed information that appear to be either (i) not applicable to a power purchase from a facility such as Centralia or (ii) far too confidential or market sensitive to be requested in the Stage I evaluation process.
- b. The requirements of Section 5.8 may be appropriate for facilities that are to be submitted to PSE for ownership or equity participation, but does appear to be appropriate for a simple power purchase arrangement.
- c. In responding to the RFP an entity could address several sections (including those above) of the RFP as “not applicable” and not provide the requested data. However, according to our understanding, PSE then could rule the proposal as “non-responsive” and eliminate the proposal from consideration. It is recommended that PSE include provisions in the RFP that would accommodate a “not applicable” response for proposed sales of power (versus the sale of the asset or an equity position) and also provide for the submission of detailed project information considered confidential or market sensitive during the Stage II Evaluation process.

- 3. Credit Provisions of the PPA:** TransAlta has a number of comments relative to Credit Provisions of the draft PPA, but these can be addressed directly with PSE in the contract development process.

We thank you for the opportunity to submit comments in this process.

Sincerely,

Richard T. Barnette
Marketing Manager, Western Region

Copy to: Roger Garratt, PSE