



May 13, 2005

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

RE: Least Cost Planning Rulemaking--Docket No. UG-030312

Dear Ms. Washburn,

This filing sets forth the response of Puget Sound Energy, Inc. ("PSE") to the Notice of Opportunity to File Written Comments dated April 22, 2005 in the above-noted docket. PSE appreciates the work undertaken by Commission Staff in moving this docket forward through circulating the discussion draft provided with the Notice and in scheduling a workshop on June 9, 2005.

Proposed Revisions to Discussion Draft Rules

PSE believes that the discussion drafts improve the current version of WAC 480-90-238. However, PSE recommends that some additional revisions be made, as set forth in the legislative versions of the discussion drafts found in Attachment A to this letter. This document shows PSE's proposed revisions to the clean versions of the discussion drafts that were provided with the Notice. PSE has provided explanatory comments in footnotes to the proposed revisions.

PSE's proposed revisions are generally intended to focus the Integrated Resource Planning (IRP) Rule more closely on the fundamental purpose of an IRP, which is to inform future resource acquisition and development decisions. PSE has suggested several changes in order to promote analyses of loads and resources that can be reasonably anticipated to result in potential acquisitions, and to reduce the potential for IRPs to become tied up in theoretical excursions.

Conclusion

PSE looks forward to discussing the comments and suggestions set forth in this filing, as well as the comments submitted by other stakeholders, at the June 9, 2005, workshop. If you have any questions regarding these comments or if we can be of any other assistance, please contact me at 425-456-2797.

Sincerely,

Karl Karzmar
Director, Regulatory Relations

DRAFT
(Clean Legislative Version Showing
PSE's Comments on Discussion Draft)

Integrated Resource Planning Requirements for Natural Gas Utilities

WAC 480-90-238 Integrated Resource Planning. (1) Purpose. Each gas utility regulated by the commission has the responsibility to meet system demand at the lowest reasonable cost to the utility and its ratepayers. In furtherance of that responsibility, each gas utility must develop an "integrated resource plan" to inform future efficiency and supply resource acquisitions¹.

(2) Definitions.

(a) "Integrated resource plan" or "plan" means a plan describing ~~the~~ strategies for purchasing gas and improving the efficiencies of gas use that will meet current and future needs at the lowest reasonable cost to the utility and its ratepayers consistent with needs for security of supply and future uncertainties that may affect resource costs or availability in the future².

(b) "Lowest reasonable cost" means the lowest cost resulting from an ~~exhaustive and detailed~~ analysis of all reasonable³ alternative sources and mixes of supply, considerations of market-volatility risks, demand-side resource uncertainties, and of the need for security of supply.

(3) Content. At a minimum, integrated resource plans must include:

(a) A range of forecasts of future gas demand in firm and interruptible markets for each customer class that examine the effect of economic forces on the consumption of gas and that address changes in the number, type, and efficiency of gas end-uses.

(b) An assessment for each customer class of the ~~technically-commercially~~⁴ feasible improvements in the efficient use of gas, ~~including load management,~~⁵ as well as an assessment of currently employed efficiency ~~and new policies and programs needed to obtain the efficiency improvements~~⁶.

¹ PSE believes the fundamental purpose of the IRP should be to inform future resource acquisition/development decisions. Stating this in section (1) would help guide interpretation of the rest of the rule.

² Language added here to address risk.

³ The phrase "exhaustive and detailed" is too broad to provide utilities with guidance. Also, extensively analyzing countless resources the utility would not reasonably expect to acquire over the planning horizon would add costs to the process without reaping commensurate benefits for customers. Changing the explanation to "all reasonable" will better support the purpose of the rule, as described in footnote 1, above.

⁴ This edit continues implementing the concept in footnote 4: i.e., the utility should not spend a significant amount of time analyzing resources that are not reasonably anticipated to be acquirable.

⁵ It is not clear what this phrase means for gas utilities but it is probably addressed in "efficient use of gas".

⁶ These edits will help keep the IRP focused on point to inform future resource decisions. While some policy discussion may be appropriate the edits will help the IRP from straying into a document on regulatory policy.

~~(c) An analysis for each customer class of gas supply options.⁷~~

(d) A comparative evaluation of gas purchasing options, with and without explicit consideration of supply and market risks and improvements in the efficient use of gas based on a consistent method for calculating cost-effectiveness.

(e) The integration of the demand forecasts and resource evaluations into a long-range (e.g., of a duration appropriate to the life of the resources considered for acquisition) integrated resource plan describing the strategies designed to meet current and future needs at the lowest reasonable cost to the utility and its ratepayers.

(f) A short-term (e.g., two-year) plan outlining the specific actions to be taken by the utility in implementing the long-range plan.

(4) Timing. Unless otherwise ordered by the Commission, each gas utility must submit an IRP within two years after the date on which the previous plan was filed with the commission. Not later than 16 months prior to the due date of a plan, the utility must provide a work plan for commission review

(5) Work plan. The work plan must outline the content of the integrated resource plan to be developed by the utility and of the method for assessing potential resources. Consultations with commission staff and public participation are essential to the development of an effective plan. The work plan must also outline the timing and extent of public participation and must be conducted in consultation with staff.

(6) All integrated resource plans must include a progress report that relates the new plan to the previously filed plan.

(7) The commission will consider the information reported in the integrated resource plan, along with other available information, at a public hearing on the plan and when it evaluates the performance of the utility in rate and other proceedings.

[Statutory Authority: RCW 80.01.040 and 80.04.160. 01-11-003 (Docket No. UG-990294, General Order No. R-484), § 480-90-238, filed 5/3/01, effective 6/3/01.]

⁷ The intent of this language is not clear—it may be a carry-over from the pre-Order 636 market structure. PSE plans to meet the needs of its sales customers on an integrated basis.