

XVII. 2005 ACTION PLAN

The following is the two-year Action Plan to implement PSE's recommended long-term resource strategy. This Action Plan includes, but is not limited to, specific steps to acquire new demand-side and supply resources. Also listed are least cost planning actions related to maintaining access to existing energy resources, enhancing analytical methods, improving risk management, promoting energy policy and regulatory initiatives, and improving system planning methods. For convenience, the Action Plan is organized by topic area.

A. Electric Resource Acquisition Strategy

This section is divided into activities for resources expected to come on-line in the near-term (2006-2011) and in the long-term (2012-2025).

A.1. Near-Term (2006-2011) Resource Acquisition Activities

Energy Efficiency

Develop new electric and gas energy efficiency savings targets for 2006-2007 informed by Least Cost Plan analyses, and file new program tariffs with the Washington Utilities and Transportation Commission (WUTC) by the end of 2005.

Initiate an energy efficiency resource acquisition Request for Proposal (RFP) process that complies with regulatory requirements. This RFP will address the following: 1) long lead times due to 2006-2007 targets and program commitments needing to be made before the RFP process can be completed; and 2) development of a "targeted" RFP, focused on specific markets and/or technologies that complement PSE's programs.

Fuel Conversion

Complete evaluation of single-family and multi-family fuel choice pilots, and explore the feasibility of further developing fuel conversion programs, with input from regulators and stakeholders.

Demand Management

Explore the feasibility of implementing one or more demand-response pilots, with input from regulators and stakeholders.

Green Power Program and Community Renewable Generation

By the end of 2005, develop a two-year goal for the Green Power program covering the 2006-2007 period.

Continue to encourage small-scale solar or other renewable energy demonstration projects.

New Electric Resources

Initiate a competitive solicitation process for new electric energy resources by filing a draft RFP and accompanying materials with the WUTC within 90 days following submittal of this Least Cost Plan.

Complete contractual arrangements and construct the Wild Horse and Hopkins Ridge wind projects.

Implement the Colstrip turbine upgrade to increase project efficiency (PSE's share of the additional project generation is 25 aMW).

A.2. Long-Term (2012-2025) Resource Acquisition Activities

New Electric Resources

Explore contract renewal discussions with expiring cogeneration projects to maintain resource availability.

Explore feasibility, partnering opportunities, and transmission alternatives for remote-located coal-fueled and renewable generation.

Seek opportunities for emergent technologies including biomass, geothermal, and integrated gasification combined cycle (IGCC).

B. Natural Gas Resource Acquisition Activities

Energy Efficiency

Develop new gas energy efficiency savings targets for 2006-2007, informed by Least Cost Plan analyses, and file new program tariffs with the WUTC by the end of 2005.

New Natural Gas Resources

Work with Jackson Prairie co-owners to explore deliverability expansion, and work with Northwest Pipeline on related seasonal transportation.

Investigate specific locations for possible conventional and satellite liquefied natural gas (LNG) storage facilities and refine cost estimates for these facilities.

Consider acquisition of delivered bridging peak-supply resources and (discounted) long-term Northwest Pipeline transportation capacity.

Continue monitoring developments at the Sumas, Station 2 and AECO markets, and investigate upstream transportation alternatives.

Continue to monitor development and opportunities related to imported LNG in the region.

C. Existing Electric Resource Activities

Conduct plant engineering, environmental studies, geotechnical exploration, and preliminary construction to implement the terms of the Baker Hydroelectric Project Settlement Agreement.

Prepare environmental and historic resource management plans; conduct engineering for plant improvements; consult with resource agencies; and begin construction activities, all to implement the terms of the 2004 Snoqualmie Falls Hydroelectric Project license.

Continue contract renewal discussions with the Mid-Columbia PUDs.

D. Analytical and Process Improvements

Demand Forecasting

Refine the long-term geographic area energy and peak load with weather sensitivity, and other key economic factors.

Electric Resource Analytics

Explore modifications to PSE's electric portfolio analysis tool to increase flexibility.

Include appropriate consideration of imputed debt, credit requirements, and risk management in evaluating potential new resource acquisitions.

Gas Resource Analytics

Incorporate refinements to Sendout/Vector Gas to analyze fixed, banded and market priced gas supply pricing options to support development of long-term hedging strategies.

Conduct additional studies of the potential efficiency of joint LDC/generation fuel planning, including Monte Carlo analysis.

Re-examine design day planning criteria based on updated demand forecast and resource cost assumptions.

E. Portfolio Operations and Risk Management

Expand long-term gas-for-power risk management capability.

Develop operation and analytic methods for integrating wind into PSE's electric portfolio.

Complete development and implementation of the Long-Term Energy Cost Risk Management Strategy to address the risks of both long-term power cost and long-term PGA gas cost.

As part of developing the Long-Term Energy Cost Risk Management Strategy, study the value placed by PSE customers on lowering energy price volatility in retail power and gas bills.

Enhance and better integrate portfolio and risk management systems.

F. Policy, Regulatory, and Legislative Initiatives

Energy Efficiency

Participate in 2007-2009 Bonneville Power Administration (BPA) Rate Case process to secure a fair share of BPA conservation funding for PSE and other investor-owned utilities.

Work to address regulatory and financial disincentives to utilities for implementing demand-side management.

Develop a recommended approach to address key issues related to demand-response programs, including a cost effectiveness methodology and a cost recovery mechanism.

New Electric Resources

Participate in ongoing regional efforts to evaluate the costs and risks of transmission for new resources located outside PSE's service territory.

Continue to participate in the development and determination of the benefits of a regional transmission organization as well as explore other opportunities to improve transmission availability and access in the region.

Remain active in appropriate regional initiatives like the Puget Sound Climate Protection Advisory Committee.

Explore the development of a corporate greenhouse gas (GHG) policy for shareholders and customers.

Actively participate in legislative discussions about a Renewable Portfolio Standard for Washington.

Continue to participate in regional initiatives exploring transmission and resource adequacy standards.

Pursue, as necessary, regulatory mechanisms to address financial impediments and disincentives associated with resource acquisitions that are consistent with the Least Cost Plan.

G. System Planning

Evaluate opportunities for lower-cost, innovative solutions, which facilitate an appropriate level of system performance at the best long-term cost (such as the TreeWatch and Silicone Injection initiatives).

Continue to evaluate distributed resources technologies and consider their impact to both gas and electric distribution systems.

Continue to evaluate how aging assets are likely to impact system performance and develop remediation plans.

Continue to develop system models and other technologies that facilitate more accurate, customer- and time-sensitive system evaluations regarding system performance (i.e. Stoner SynerGEE implementation, supervisory control and data acquisition (SCADA), and Automated Meter Reading).