

October 18, 2007

Mr. Mark Walker
Director of Public Affairs
Northwest Power and Conservation Council
851 SW 6th Avenue, Suite 1100
Portland, Oregon 97204-1348

Re: Comments on “Carbon Dioxide Footprint of the Northwest Power System”

Dear Mr. Walker:

Puget Sound Energy (PSE) appreciates the Northwest Power and Conservation Council’s recent work to determine the carbon dioxide footprint of the Northwest power system. As we evaluate the emissions produced by our generation activities, it is very helpful to have a better understanding of the volume of carbon dioxide emissions produced by electricity generators throughout the entire Northwest.

PSE generally agrees with the conclusions reached by the Council in the paper and recommends that the Council regularly update this study and incorporate the results of it into the Council’s next power plan. On behalf of PSE, I offer the following additional policy and technical comments. Our thoughts are designed to help improve the study and the Council’s assessment of carbon dioxide emissions in our region.

Policy-Level Comments

Regional Technical Group – PSE recommends that the Council create a technical work group of regional climate experts and utility resource planning staff to assist the Council in analyzing the region’s current and future carbon dioxide footprint. Establishment of such a group will provide regional stakeholders with the opportunity to work directly with Council staff on the assumptions and construction of the analysis. Further, we recommend that the Council invest in additional technical resources to analyze the impacts of possible state, regional and national caps on Northwest carbon dioxide emissions. The Council should also consider working with other regional experts to evaluate possible climate change impacts on Northwest hydroelectric operations.

Western Climate Initiative – The paper summarizing the results of the carbon dioxide footprint study is relatively silent on the implications associated with the Western Climate Initiative process. While we recognize that two of the Northwest states are not participants in the WCI process, the WCI process could have a significant impact on Northwest electric generation

resources. We believe the paper and subsequent studies should incorporate and recognize WCI targets and goals.

Scenarios – This study evaluates the emissions levels under several important regional generation scenarios. To further enhance the study, we recommend that the Council examine additional scenarios that illustrate how the Northwest and the WECC could meet the targets set forth by WCI and its member states.

Regulatory Matters – Given that Washington state and California have already adopted emission performance standards governing the utilities in these states (i.e. Washington Senate Bill 6001), we believe this analysis should incorporate these new requirements and any subsequent state requirements as they are adopted.

Base Years and Benchmarks – The establishment of the base years and benchmarks for measuring emissions levels is very important to any carbon dioxide footprint study. PSE agrees with the Council that emission levels should be measured back to 1990 and that 1990 should be used as a benchmark for projected future reductions. This practice is consistent with the benchmarks adopted by Washington state and other governing bodies.

Technical Comments

Underlying Data – It is our understanding that much of the data supporting this study came from scenarios included in the Council's 5th Power Plan. Given that this plan is several years old and several utilities have made significant changes to their integrated resource plans since the release of the 5th Power Plan, we recommend that the Council incorporate more current data to ensure that this first study on the Northwest's carbon dioxide footprint be based on the best available information.

Carbon Dioxide Price Assumptions – Similar to the above comment on the study's underlying data, it is our understanding that the study also used a carbon dioxide price forecast that is much lower than the price used in many of the large utility integrated resource plans. We recommend that the Council use figures that are based on recent national studies underpinning many of the federal climate bills as we have done in our utility planning models.

Natural Gas Price Assumptions – We recommend that the natural gas price assumptions used in this study be updated to reflect the increased demand for natural gas as the use of natural gas generation increases under various emission reduction regimes.

Conclusion

Puget Sound Energy recognizes and concurs with the growing concern that increased atmospheric concentrations of greenhouse gases contribute to climate change and that such change can have global adverse economic and social consequences. PSE also believes that climate change is an important issue that requires careful analysis and reasoned responses from policy makers.

To that end, PSE advocates a national strategy that achieves both short-term measures designed to lessen the growth of greenhouse gas emissions and long-term strategies that will ultimately manage greenhouse gas emissions to appropriate levels in a cost-effective, scientifically sound, and sustainable fashion. To further this strategy of reducing near-term growth of greenhouse gases, PSE plans to take cost-effective measures to mitigate and/or offset greenhouse gas emissions from our energy activities while maintaining a dependable, cost-effective and diverse energy portfolio mix that will sustain our customers' needs now and into the future.

To comply with current Washington state policy and serve our growing native load, PSE will likely meet many of its future resource needs by pairing significant investments in wind and natural gas generation with strong energy efficiency commitments. Meeting state, regional or federal climate targets will be challenging and it will have impacts on regional power costs, gas costs and utility customer rates. PSE looks forward to these challenges and we intend to work with our regional utility partners to address them.

Thank you again for the opportunity to comment on this paper. We look forward to working with Northwest Power and Conservation Council and its staff on this issue in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly Harris". The signature is fluid and cursive, with a large initial "K" and "H".

Kimberly Harris
Executive Vice President and
Chief Resource Officer