

NOTICE OF INQUIRY by the COMMISSION of PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY FOR PUBLIC COMMENT ON FUEL SOURCE DIVERSITY and FOSSIL FUEL GENERATION EFFICIENCY STANDARDS PROPOSED FOR CONSIDERATION UNDER THE PUBLIC UTILITY REGULATORY POLICIES ACT.

TO INTERESTED PERSONS

Pursuant to sections 1251 of the Energy Policy Act of 2005 (EPAAct), the Board of Commissioners of the Chelan County PUD (Commission) hereby gives notice that it will consider establishing a standard to govern the fuel source diversity of electric energy the District sells to consumers. The District also hereby gives notice that it intends to not adopt, due to its inapplicability to the District, a standard to develop and implement a 10-year plan to increase the efficiency of fossil fuel generation.

The Commission intends to hold a public proceeding to consider whether it is appropriate to adopt, in whole or in part, or not adopt a fuel source diversity standard. Per this notice, the Commission invites written public comments and proposals. Based upon comments or proposals received, the Commission will schedule a workshop or hearing pursuant to subsequent public notice. Initial comments and proposals are due by November 7, 2007. The public is invited to view an evaluation by the District's Energy Resources staff at www.chelanpud.org/FuelSourceDiversity.html.

BACKGROUND

Energy Policy Act of 2005

On August 8, 2005, the President signed the Energy Policy Act of 2005 (EPAAct 2005). Section 1251 of EPAAct amends section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA) to require utilities to consider adoption of standards for fuel source diversity (Section 111(d)(12) and fossil fuel generation efficiency (Section 111(d)(13)). By law, electric utilities must begin considering the fuel source diversity and fossil fuel generation efficiency standards by August 8, 2007 and, by August 8, 2008, make a determination as to whether it is appropriate to adopt standards, in whole or in part, or not adopt the standards.

Public Utility Regulatory Policies Act

PURPA is intended to encourage 1) the conservation of energy supplied by electric utilities; 2) the optimization of the efficiency of use of facilities and resources by electric utilities; and 3) equitable rates to electric consumers (Section 101). The Commission will consider whether a proposed standard for fuel source diversity meets these purposes of PURPA.

Under PURPA, electric utilities with total annual retail sales of 500 million kilowatt-hours must consider the new standards (Section 102(a)). However, electric utilities can choose whether it is appropriate to adopt the new standards, in whole or in part, or not adopt the standards. In addition, nothing under PURPA prohibits this Commission from modifying or adopting, or not adopting, a different standard or rule pursuant to State law (Section 117(b)).

Energy Independence Act of 2006

In 2006, ballot initiative 937 passed in the state of Washington and became RCW 19.285 - or the Energy Independence Act of 2006. Under the new law, utilities like the District with a retail load of more than 25,000 customers are required to use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to serve 3 percent of retail load by January 1, 2012; 9 percent by January 1, 2016; and 15 percent by January 1, 2020. The Washington State Department of Community, Trade and Economic Development (CTED) is undergoing a rulemaking for implementing the new law. The District is participating in the rulemaking process and beginning to assess how it will meet the renewable portfolio standard.

Integrated Resource Planning

In 2006, HB 1010 (RCW 19.280) passed the Washington State legislature. It requires investor-owned and consumer-owned electric utilities with more than 25,000 customers to develop integrated resource plans (IRP). Among other things, this IRP must include a range of load forecasts, assessments of commercially-available, utility scale renewable and nonrenewable generating technologies and a comparative evaluation of renewable and nonrenewable generating resources and conservation and efficiency resources. The District must hold a public hearing prior to submitting its first IRP, which is due to CTED by September 1, 2008.

COMMISSION INQUIRY

The Commission will consider the inter-relationship among PURPA and recent renewable energy legislation passed in the State of Washington before deciding whether to adopt a standard on fuel source diversity.

COMMENTS FROM THE PUBLIC

The Commission initiates this consideration process by inviting written comments or proposals on this topic. Comments and proposals in written or electronic form may be provided to Chelan County PUD's Public Information Officer at P.O. Box 1231, Wenatchee, WA 98807 or emailed to kimberlee.craig@chelanpud.org by November 7, 2007. Proposals must address the three PURPA purposes and the cost-effective long range benefits described above. All comments and proposals will be posted at www.chelanpud.org. Based on comments and proposals received, the Commission may establish an official service list for the proceeding. The Commission will schedule a workshop or hearing to consider the comments and proposals received at a future date.