



PUGET
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

November 10, 2004

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

Subject: Settlement Stipulation, Exhibit A, Settlement Terms for the Power Cost Adjustment Mechanism (PCA), Docket No. UE-011570

Dear Ms. Washburn:

Attached is Puget Sound Energy's ("the Company") quarterly report of the power cost deferral calculation.

In the Commission's Third Supplemental Order in Docket No. UE-011570, the Company received approval of the Settlement Stipulation which resolved all electric issues and common electric-natural gas issues in the consolidated proceeding, as well as some natural gas issues. Included in the Stipulation was Exhibit A to the Stipulation, Settlement Terms for the PCA, which contained detail of the agreement regarding a power-cost adjustment mechanism. The quarterly report is required by the PCA Settlement, Exhibit A, paragraph 4 (third bullet).

Please contact me at (425) 462-3885 if you have any questions.

Sincerely,

John H. Story
Director, Cost and Regulation

cc Simon J. ffitc
Assistant Attorney General
Public Counsel Section
900 4th Ave., Suite 2000
Seattle, WA 98164-1012

Roger Braden WUTC
Jim Russell WUTC
Bob Cedarbaum WUTC

All parties to UE-011570

Schedule B: Monthly Power Costs
Derived from Original PCA Exhibit B
Subject to PCA Sharing
UE-011570

Row		Jul-04	Aug-04	Sep-04	Period to Date
6					
7	Return on Fixed RB	\$ 6,428,336	\$ 6,292,516	\$ 6,360,426	\$ 19,081,278
8	Other Fixed Costs	10,492,391	10,492,391	10,485,176	31,469,957
9	Subtotal Fixed Costs	\$ 16,920,727	\$ 16,784,907	\$ 16,845,602	\$ 50,551,235
10	Total Variable Component Actual				
	FERC Acct.				
11	Steam Oper. Fuel	501 \$ 3,288,599	\$ 3,480,552	\$ 3,610,969	\$ 10,380,120
12	Other Pwr Gen Fuel	547 5,284,453	5,992,443	3,634,557	14,911,453
13	Other Elec Revenues	45600012,18,35,36 (332,534)	(834,237)	(426,827)	(1,593,598)
14	Purchase Power	555 48,883,934	45,829,621	42,885,051	137,598,606
15	Sales to Other Util	447 (5,830,696)	(6,542,999)	(4,184,103)	(16,557,798)
16	Wheeling	565 3,410,410	3,571,738	3,572,097	10,554,245
17	Transmission Revenue	45600017 (120,482)	(118,471)	(129,934)	(368,887)
18	Subtotal Variable Components	\$ 54,583,684	\$ 51,378,647	\$ 48,961,811	\$ 154,924,142
19					
20	Regulatory Assets (Return on RB portion only)	2,385,405	2,385,405	2,385,405	\$ 7,156,215
21					
22	SUBTOTAL before Adjustments	\$ 73,889,816	\$ 70,548,959	\$ 68,192,817	\$ 212,631,591
23					
24	Adjustments:				
25	Prudence from UE-921262	\$ (213,970)	\$ (210,798)	\$ (301,918)	\$ (726,686)
26	Contract price adjustment	(12,111)	(11,977)	8,933	(15,155)
27	Colstrip availability adjustment	-	-	-	-
28	Frederickson #1 True-up Adjustment	-	3,126.83	1,563.42	4,690
29	Tenaska Disallowance (prior month adj)	-	-	-	-
30	Tenaska Disallowance (current month adj)	\$ (945,641)	\$ (945,641)	\$ (945,641)	\$ (2,836,923)
31					
32	Subtotal Adjustments	\$ (1,171,722)	\$ (1,165,289)	\$ (1,237,063)	\$ (3,574,074)
33	Total allowable cost (line 28/line 30) (Before Tenaska adj)	\$ 72,718,094	\$ 69,383,669	\$ 66,955,755	\$ 209,057,518
34					
35					
36	PCA period delivered load (Kwh)	1,505,672,925	1,518,220,896	1,438,527,629	4,462,421,450
37	Baseline Power Cost	\$ 69,717,173	\$ 70,298,182	\$ 66,608,145	\$ 206,623,500
38	5/24/04 - 2/28/05				
39	Imbalance for Sharing	0.046303 \$ 3,000,920	\$ (914,513)	\$ 347,610	\$ 2,434,017
40	positive is potential customer surcharge, negative is potential customer credit	\$ 3,000,920	\$ (914,513)	\$ 347,610	\$ 2,434,017
41					
42					
43	Less Firm Wholesale	0.04044% \$ 2,999,706	\$ (914,143)	\$ 347,469	\$ 2,433,033
44	Gross PCA	\$ 2,999,706	\$ (914,143)	\$ 347,469	\$ 2,433,033
45	Gross PCA Contra	\$ (2,999,706)	\$ 914,143	\$ (347,469)	\$ (2,433,033)
46					
47	Cumulative Gross PCA	\$ 2,999,706	\$ 2,085,563	\$ 2,433,033	\$ 2,433,033
48	Cumulative Gross PCA Contra	\$ (2,999,706)	\$ (2,085,563)	\$ (2,433,033)	\$ (2,433,033)
49					
50					
51	Note: This schedule was derived from original PCA collaborative exhibit B				
52	per summary tab ytd				
53	per summary tab ytd				
54	per GL Balance				

**Puget Sound Energy
Power Cost Adjustment Summary**

Year	Actuals		Baseline		Difference (A)		Wholesale Customer		Imbalance for Sharing		Company per PCA		Customer per PCA		Interest on Customer		Total Customer per PCA		Customer per Books		
	Actuals	Cumulative	Baseline	Cumulative	Difference	Difference	Monthly	Cumulative	Monthly	PCA Period	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
1 Jul-02	\$ 58,033,261	58,033,261	\$ 61,616,383	\$ 61,616,383	(3,583,122)	(3,583,122)	1,449	(3,581,683)	(3,581,683)	(3,581,683)	(3,581,683)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1 Aug-02	60,995,923	119,029,184	62,377,208	123,993,601	(1,381,265)	(4,964,417)	2,008	(1,380,726)	(4,962,409)	(4,962,409)	(4,962,409)	-	-	-	-	-	-	-	-	-	-
1 Sept-02	66,852,027	185,881,211	60,040,410	184,034,011	6,811,617	1,847,200	(2,755)	6,808,862	1,846,453	1,846,453	6,808,862	-	-	-	-	-	-	-	-	-	-
1 Oct-02	73,027,438	258,908,649	69,523,163	253,557,174	3,504,275	5,351,475	(1,417)	3,502,858	5,349,311	5,349,311	(2,344,354)	-	-	-	-	-	-	-	-	-	-
1 Nov-02	72,020,237	330,938,886	74,375,539	327,932,713	(2,345,302)	3,006,173	948	(2,344,354)	3,004,957	3,004,957	(2,344,354)	-	-	-	-	-	-	-	-	-	-
1 Dec-02	86,853,495	417,792,381	84,599,358	412,532,070	2,254,137	5,260,310	(912)	2,253,225	5,258,182	5,258,182	2,253,225	-	-	-	-	-	-	-	-	-	-
1 Jan-03	80,417,925	498,210,306	81,723,969	494,256,039	(1,306,044)	3,954,266	528	(1,305,516)	3,952,666	3,952,666	(1,305,516)	-	-	-	-	-	-	-	-	-	-
1 Feb-03	80,919,874	579,130,180	75,416,275	569,672,315	5,503,599	9,457,865	(2,226)	5,501,373	9,454,039	9,454,039	5,501,373	-	-	-	-	-	-	-	-	-	-
1 Mar-03	84,985,417	664,115,597	77,553,819	647,226,133	7,431,598	16,889,463	(3,006)	7,428,592	16,882,631	16,882,631	7,428,592	-	-	-	-	-	-	-	-	-	-
1 Apr-03	67,904,413	732,020,010	69,473,916	716,700,049	(1,569,503)	15,319,960	635	(1,568,868)	15,313,763	15,313,763	(1,568,868)	-	-	-	-	-	-	-	-	-	-
1 May-03	63,348,684	795,368,694	65,500,803	782,200,853	(2,242,119)	13,077,841	907	(2,241,212)	13,072,551	13,072,551	(2,241,212)	-	-	-	-	-	-	-	-	-	-
1 Jun-03	50,037,002	845,405,696	60,835,557	843,128,410	(10,798,555)	2,273,286	(4,930)	(10,803,485)	2,269,066	2,269,066	(10,803,485)	-	-	-	-	-	-	-	-	-	(22,984,657)
2 Jul-03	64,053,919	909,459,615	64,630,576	907,756,986	(576,657)	1,702,629	233	(576,424)	1,692,642	1,692,642	(576,424)	-	-	-	-	-	-	-	-	-	9,796
2 Aug-03	63,537,121	972,996,736	63,110,328	970,867,314	426,793	2,129,422	(10,159)	426,621	2,119,263	2,119,263	426,621	-	-	-	-	-	-	-	-	-	9,490
2 Sept-03	65,657,242	1,038,653,978	62,478,495	1,033,345,810	3,178,747	5,308,168	(1,286)	3,177,461	5,296,723	5,296,723	3,177,461	-	-	-	-	-	-	-	-	-	9,183
2 Oct-03	73,892,351	1,112,546,329	68,971,841	1,102,317,650	4,920,510	10,228,679	(1,900)	4,918,520	10,215,244	10,215,244	4,918,520	-	-	-	-	-	-	-	-	-	9,088
2 Nov-03	84,052,090	1,196,608,419	82,180,751	1,184,498,401	1,881,339	12,110,018	(761)	1,880,579	12,095,822	12,095,822	1,880,579	-	-	-	-	-	-	-	-	-	8,795
2 Dec-03	91,838,241	1,288,446,660	89,484,104	1,273,982,505	2,354,137	14,464,155	(952)	2,353,185	14,449,007	14,449,007	2,353,185	-	-	-	-	-	-	-	-	-	881,778
2 Jan-04	90,981,933	1,379,428,593	90,476,340	1,364,458,845	505,594	14,966,749	(204)	505,389	14,954,396	14,954,396	505,389	-	-	-	-	-	-	-	-	-	1,514,353
2 Feb-04	85,102,923	1,464,531,416	78,597,503	1,443,056,348	6,505,320	21,475,088	(17,983)	6,502,689	21,457,085	21,457,085	6,502,689	-	-	-	-	-	-	-	-	-	7,456,337
2 Mar-04	81,221,703	1,545,753,119	77,180,686	1,520,207,034	4,071,017	25,545,085	(1,648)	4,068,371	25,526,456	25,526,456	4,068,371	-	-	-	-	-	-	-	-	-	5,073,460
2 Apr-04	68,562,429	1,614,335,548	65,965,594	1,586,192,628	2,596,835	28,142,921	(1,650)	2,595,785	28,122,240	28,122,240	2,595,785	-	-	-	-	-	-	-	-	-	3,629,628
2 May-04	59,914,606	1,674,250,354	65,152,533	1,651,345,161	(5,237,728)	22,905,193	2,118	(5,235,609)	22,886,631	22,886,631	(5,235,609)	-	-	-	-	-	-	-	-	-	(11,061,062)
2 Jun-04	68,210,135	1,742,460,489	64,587,873	1,715,913,034	3,642,262	26,547,455	(1,473)	3,640,789	26,527,421	26,527,421	3,640,789	-	-	-	-	-	-	-	-	-	(343,792)
3 Jul-04	72,716,084	1,815,176,583	69,717,173	1,785,630,207	3,000,920	29,548,375	(1,214)	2,999,706	29,527,127	29,527,127	2,999,706	-	-	-	-	-	-	-	-	-	2,969,709
3 Aug-04	69,383,689	1,884,560,272	70,298,182	1,855,928,390	(914,513)	28,633,863	370	(914,143)	28,612,984	28,612,984	(914,143)	-	-	-	-	-	-	-	-	-	(905,000)
3 Sep-04	66,955,755	1,951,518,007	66,608,145	1,922,536,534	347,610	28,981,473	(141)	347,469	28,960,454	28,960,454	347,469	-	-	-	-	-	-	-	-	-	343,993

Notes:
(A) A credit balance represents an overrecovery of power costs (baseline rate was greater than actual rate). A debit balance represents an underrecovery of power costs (actual rate was greater than baseline rate). The difference excludes any adjustments for Firm Wholesale Customers.

(B) Includes Colstrip Price Recopener of \$2,624,732 per Westem Energy Invoice July 7, 2004, plus PCA Tenaska Disallowance of (\$25,613,650)

(C) Total Tenaska disallowance is reflected in the PCA by a \$25,613,650 reduction to Jun-03 Power Costs and a monthly reduction of \$1,012,488 for each month of the PCA 2 period (\$1,102,488 * 12 = \$12,149,856, for a total reduction of \$37,763,506 (The PCA 2 reduction is reflected on Schedule B)

(D) PCA period 3 Tenaska disallowance is reflected by a monthly reduction of \$945,641 or a total of \$11,347,689 for the entire PCA 3 period. This reduction is reflected on Schedule B.

(E) The PCA deferral for financial reporting purposes is offset by the Tenaska Disallowance Reserve in Account 255-000001 to bring the balance to zero for generally accepted accounting principles.

(F) The Tenaska Disallowance Reserve before the offset of the PCA deferral was \$ (13,722,897) at August 31, 2004.