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ENERGY

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

February 14, 2005

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).

This report is subject to change depending on the Commission decision regarding the PCA-2 compliance filing under Docket No. UE-041570. An updated report will be filed as necessary.

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

Sincerely,

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All parties to UE-011570

**Puget Sound Energy  
Power Cost Adjustment Summary**

Year	Actual Costs and Disallowance as recorded through the PCA Mechanism											
	Actuals Cumulative	Baseline Cumulative	Difference (A) Difference	Wholesale Customer Monthly Cumulative	Inbalance for Sharing PCA Period Cumulative	Company per PCA Monthly Cumulative	Customer per PCA Monthly Cumulative	Total Difference	Interest on Customer Monthly Cumulative	Total Customer per PCA Monthly Cumulative	Customer per Books (F) Monthly Cumulative	
1 Jul-02	\$56,053,261	\$51,616,383	\$ (3,983,132)	\$ 1,449	\$ (3,981,683)	\$ (3,981,683)	\$ -	\$ (3,981,683)	\$ -	\$ -	\$ -	
1 Aug-02	118,062,104	123,993,901	5,931,797	2,008	(4,962,409)	(4,962,409)	-	(4,962,409)	-	-	-	
1 Sep-02	69,865,223	5,931,797	5,931,797	(2,755)	1,846,453	1,846,453	-	1,846,453	-	-	-	
1 Oct-02	73,027,138	69,529,183	3,500,000	(1,940)	5,349,311	5,349,311	-	5,349,311	-	-	-	
1 Nov-02	72,030,237	339,938,886	(2,369,302)	(1,940)	3,302,858	3,302,858	-	3,302,858	-	-	-	
1 Dec-02	89,853,655	417,792,381	(2,254,137)	(912)	2,253,225	2,253,225	-	2,253,225	-	-	-	
1 Jan-03	80,417,925	489,210,306	(1,306,044)	(1,600)	1,305,516	1,305,516	-	1,305,516	-	-	-	
1 Feb-03	80,919,674	81,723,669	804,695	(2,226)	5,901,373	5,901,373	-	5,901,373	-	-	-	
1 Mar-03	84,995,417	75,416,275	9,457,865	(3,026)	16,852,631	16,852,631	-	16,852,631	-	-	-	
1 Apr-03	67,904,413	77,553,819	(9,649,406)	(3,006)	(1,568,868)	(1,568,868)	-	(1,568,868)	-	-	-	
1 May-03	63,348,684	732,020,010	(1,088,503)	807	(2,241,212)	(2,241,212)	-	(2,241,212)	-	-	-	
1 Jun-03	50,037,002	843,726,410	(10,798,555)	(4,930)	(2,269,066)	(2,269,066)	-	(2,269,066)	-	-	-	
2 Jul-03	64,053,919	907,756,986	(576,657)	(9,987)	(576,424)	(576,424)	-	(576,424)	-	-	-	
2 Aug-03	63,537,121	972,566,736	426,793	(10,159)	426,621	426,621	-	426,621	-	-	-	
2 Sep-03	65,657,242	1,036,563,978	3,178,747	(11,445)	3,177,461	3,177,461	-	3,177,461	-	-	-	
2 Oct-03	84,062,090	1,112,546,329	4,920,510	(1,990)	4,918,520	4,918,520	-	4,918,520	-	-	-	
2 Nov-03	91,839,241	1,286,446,660	89,464,104	(824)	1,880,579	1,880,579	-	1,880,579	-	-	-	
2 Dec-03	91,991,933	1,379,428,593	2,354,137	(824)	2,353,185	2,353,185	-	2,353,185	-	-	-	
2 Jan-04	81,221,703	1,454,753,115	(73,971,412)	(17,893)	6,502,689	6,502,689	-	6,502,689	-	-	-	
2 Feb-04	88,592,429	1,586,189,628	(2,566,835)	(1,956)	2,565,371	2,565,371	-	2,565,371	-	-	-	
2 Mar-04	59,914,806	1,674,335,548	(65,152,534)	(2,118)	(5,237,728)	(5,237,728)	-	(5,237,728)	-	-	-	
2 Apr-04	68,059,380	1,742,399,734	64,567,873	(1,412)	64,567,873	64,567,873	-	64,567,873	-	-	-	
3 May-04	72,719,094	1,815,027,827	3,000,920	(2,187)	2,999,706	2,999,706	-	2,999,706	-	-	-	
3 Jun-04	69,383,669	1,864,411,487	(51,476,340)	(2,187)	(51,476,340)	(51,476,340)	-	(51,476,340)	-	-	-	
3 Jul-04	79,271,095	1,951,367,251	86,955,764	(1,411)	86,955,764	86,955,764	-	86,955,764	-	-	-	
3 Aug-04	85,971,025	2,038,461,324	87,094,073	(1,845)	87,094,073	87,094,073	-	87,094,073	-	-	-	
3 Sep-04	85,923,602	2,121,538,923	(96,822,401)	(787)	(96,822,401)	(96,822,401)	-	(96,822,401)	-	-	-	

**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 includes any adjustments for Firm Wholesale Customers.  
 (B) Includes Colstrip Price Recoverer of \$2,624,722 per Western Energy Invoices 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 (5/1/02-6/30/02) = \$12,146,956, for a total reduction of \$37,763,506 during the PCA 2 period.  
 (D) PCA period 3 Tenaska disallowance is reflected by a monthly reduction of \$46,541 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 25-00001 to bring the balance to zero for generally accepted accounting principles.  
 (F) The Tenaska Disallowance Reserve before the offset of the PCA deferral was \$ (5,268,809) at December 31, 2004. \$ (5,268,809) is the difference between what the cumulative company deferral would have been if the May 24, 2004 Tenaska had not occurred, \$40,291,338, and the cumulative company deferral with the disallowance, \$35,022,529. The net Tenaska disallowance after offset of the PCA deferral was:  
 Tenaska Disallowance Reserve \$5,268,809  
 PCA Deferral (2,115,927)  
 Tenaska Disallowance Reserve \$3,152,882

**Schedule B: Monthly Power Costs -- PCA PERIOD 3**  
**Derived from Original PCA Exhibit B**  
**Subject to PCA Sharing**  
**UE-011570**

Row		Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Period to Date
6								
7	Return on Fixed RB	\$ 6,428,336	\$ 6,292,516	\$ 6,360,426	\$ 6,360,426	\$ 6,360,426	\$ 6,360,426	\$ 38,162,556
8	Other Fixed Costs	10,492,391	10,492,391	10,485,176	10,489,986	10,489,986	10,489,986	62,939,913
9	Subtotal Fixed Costs	\$ 16,920,727	\$ 16,784,907	\$ 16,845,602	\$ 16,850,412	\$ 16,850,412	\$ 16,850,412	\$ 101,102,469
10	Total Variable Component Actual							
	FERC Acct.							
11	Steam Oper. Fuel	\$ 3,288,599	\$ 3,480,552	\$ 3,610,969	\$ 3,463,020	\$ 3,325,277	\$ 3,476,529	\$ 20,644,947
12	Other Pwr Gen Fuel	5,284,453	5,992,443	3,634,557	2,772,513	3,579,636	4,022,996	25,286,598
13	Other Elec Revenues	(332,534)	(834,237)	(426,827)	(1,496,649)	(1,338,366)	(3,047,856)	(7,476,469)
14	Purchase Power	48,883,934	45,829,621	42,885,051	57,063,867	64,223,110	79,463,886	338,349,470
15	Sales to Other Util	(5,830,696)	(6,542,999)	(4,184,103)	(3,607,314)	(4,871,974)	(9,239,491)	(34,276,577)
16	Wheeling	3,410,410	3,571,738	3,572,097	3,532,623	3,416,831	3,671,000	21,174,699
17	Transmission Revenue	(120,482)	(118,471)	(129,934)	(473,842)	(451,927)	(517,107)	(1,811,763)
18	Subtotal Variable Components	\$ 54,583,684	\$ 51,378,647	\$ 48,961,811	\$ 61,254,219	\$ 67,882,588	\$ 77,829,957	\$ 361,890,905
19								
20	Regulatory Assets (Return on RB portion only)	2,385,405	2,385,405	2,385,405	2,385,405	2,385,405	2,385,405	14,312,430
21								
22	<b>SUBTOTAL before Adjustments</b>	\$ 73,889,816	\$ 70,548,959	\$ 68,192,817	\$ 80,490,035	\$ 87,118,404	\$ 97,065,774	\$ 477,305,804
23								
24	<b>Adjustments:</b>							
25	Prudence from UE-921262	\$ (213,970)	\$ (210,798)	\$ (301,918)	\$ (260,818)	\$ (189,871)	\$ (206,738)	(1,384,113)
26	Contract price adjustment	(12,111)	(11,977)	8,933	(8,164)	(13,361)	18,024	(18,656)
27	Colstrip availability adjustment	-	-	-	-	-	-	-
28	Frederickson #1 True-up Adjustment	-	3,127	1,563	1,563	1,563	(7,817)	0
29	Tenaska Disallowance (prior month adj)							
30	Tenaska Disallowance (current month adj)	\$ (945,641)	\$ (945,641)	\$ (945,641)	\$ (945,641)	\$ (945,641)	\$ (945,641)	(5,673,846)
31								
32	Subtotal Adjustments	\$ (1,171,722)	\$ (1,165,289)	\$ (1,237,063)	\$ (1,213,060)	\$ (1,147,310)	\$ (1,142,172)	(7,076,615)
33	<b>Total allowable cost (line 28/line 30) (Before Tenaska adj)</b>	\$ 72,718,094	\$ 69,383,669	\$ 66,955,755	\$ 79,276,975	\$ 85,971,095	\$ 95,923,602	\$ 470,229,189
34								
35								
36	PCA period delivered load (Kwh)	1,505,672,925	1,518,220,896	1,438,527,629	1,613,588,029	1,818,690,442	2,029,607,929	9,924,307,850
37	<b>Baseline Power Cost</b>	\$ 69,717,173	\$ 70,298,182	\$ 66,608,145	\$ 74,713,967	\$ 84,210,824	\$ 93,976,936	\$ 459,525,226
38								
39	Imbalance for Sharing	\$ 3,000,920	\$ (914,513)	\$ 347,610	\$ 4,563,009	\$ 1,760,271	\$ 1,946,666	\$ 10,703,963
40	positive is potential customer surcharge, negative is potential customer credit	\$ 3,000,920	\$ (914,513)	\$ 347,610	\$ 4,563,009	\$ 1,760,271	\$ 1,946,666	\$ 10,703,963
41								
42								
43	Less Firm Wholesale	\$ 2,999,706	\$ (914,143)	\$ 347,469	\$ 4,561,163	\$ 1,759,559	\$ 1,945,879	\$ 10,699,634
44	Gross PCA	\$ 2,999,706	\$ (914,143)	\$ 347,469	\$ 4,561,163	\$ 1,759,559	\$ 1,945,879	\$ 10,699,634
45	Gross PCA Contra	\$ (2,999,706)	\$ 914,143	\$ (347,469)	\$ (4,561,163)	\$ (1,759,559)	\$ (1,945,879)	\$ (10,699,634)
46								
47	Cumulative Gross PCA	\$ 2,999,706	\$ 2,085,563	\$ 2,433,033	\$ 6,994,196	\$ 8,753,755	\$ 10,699,634	
48	Cumulative Gross PCA Contra	\$ (2,999,706)	\$ (2,085,563)	\$ (2,433,033)	\$ (6,994,196)	\$ (8,753,755)	\$ (10,699,634)	
49								
50								
51	<b>Note: This schedule was derived from original PCA collaborative exhibit B</b>							

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document excluding confidential papers upon the following parties of record in this proceeding via first class mail:

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