

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
PUGET SOUND ENERGY, INC.  
  
For Approval of its March 2007 Power  
Cost Adjustment Mechanism Report

DOCKET NO. UE-07 \_\_\_\_\_  
  
PETITION OF PUGET SOUND  
ENERGY, INC. FOR APPROVAL OF ITS  
MARCH 2007 POWER COST  
ADJUSTMENT MECHANISM REPORT

1           1.       This Petition is brought by Puget Sound Energy, Inc. ("PSE" or the  
2 "Company"). PSE's representative for purposes of this proceeding is:

3                   Karl R. Karzmar  
4                   Director of Regulatory Relations  
5                   Puget Sound Energy, Inc.  
6                   10885 N.E. Fourth Street  
7                   Bellevue, WA 98004

8           and its legal counsel for purposes of this proceeding is:

9                   Sheree Strom Carson  
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18           2.       This Petition brings into issue: WAC 480-07-370(1)(b).

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**I. BACKGROUND**

**A. The Company's PCA Mechanism Requires Annual True-Up Filings**

3. In the Commission's Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 ("Twelfth Supplemental Order"), the Commission approved the parties' Settlement Stipulation for Electric and Common Issues for PSE's 2001 general rate case ("Stipulation"). Among other things, the Twelfth Supplemental Order authorized a Power Cost Adjustment Mechanism (PCA). Exhibit A to the Stipulation, which is attached to the Twelfth Supplemental Order, sets forth details regarding the PCA, and is hereinafter referred to and cited as the "PCA Settlement."

4. Following verification of certain numbers set forth in the exhibits to the PCA Settlement, the Commission ordered that revised pages of Exhibits A, B, D and F be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Settlement. The Commission further ordered that the resulting adjusted calculations be used for purposes of the PCA accounting required by the PCA Settlement beginning July 1, 2002. *See* Fifteenth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (May 13, 2003). A copy of the PCA Settlement, as revised, is attached to this Petition as Exhibit A.

5. The PCA Settlement describes the PCA as:  
  
a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances . . . .

1 PCA Settlement, ¶ 2. The PCA Settlement sets forth the various levels of costs and  
2 benefits sharing between the Company and its customers, and provides that "[t]he  
3 customer's share of the power cost variability will be deferred as described below. . . ."

4 *Id.* at ¶ 3.

5 6. In order to implement its sharing provisions, the PCA Settlement requires  
6 an annual true-up of actual power costs (versus the normalized level set in rates) and an  
7 accounting of sharing amounts. To accomplish this, the PCA Settlement provides that  
8 "[i]n August of 2003 and each year thereafter, the Company shall file an annual report  
9 detailing the power costs included in the deferral calculation, in a form satisfactory to the  
10 Commission, for Commission review and approval." PCA Settlement, ¶ 4.

11 7. In its Sixteenth Supplemental Order, the Commission authorized a change  
12 in the annual PCA period to a calendar year period. Beginning January 2007, annual  
13 PCA true up filings are due by the end of each March for the prior PCA calendar year.  
14 For the 2007 PCA filing, the report covers the six-month period of July 1, 2006 through  
15 December 31, 2006, and the Commission authorized a 50 per cent cut in the sharing  
16 bands for this six-month period. *See* Sixteenth Supplemental Order (Amending Twelfth  
17 Supplemental Order), Docket No. UE-011570 and UG-011571, ¶ 4.

## 18 **II. PSE'S 2007 PCA REPORT**

19 8. In compliance with the PCA Settlement and the Sixteenth Supplemental  
20 Order (Amending the Twelfth Supplemental Order), this Petition presents to the

1 Commission PSE's Power Cost Adjustment Mechanism Annual Report for the Six Month  
2 Time Period July 1, 2006 through December 31, 2006—PCA Period Five ("2007 PCA  
3 Report") for the Commission's review and approval. The 2007 PCA Report is being filed  
4 along with this Petition. Accompanying workpapers are being provided to the  
5 Commission Staff and Public Counsel with this filing. As described below, PSE requests  
6 that the Commission approve the 2007 PCA Report as filed.

7 9. As detailed in PSE's 2007 PCA Report, PSE's actual power costs were  
8 nearly equal to the amounts recovered through the Power Cost Baseline Rate during PCA  
9 Period 5. In total, actual power costs were lower by \$57,848 (after adjustment for Firm  
10 Wholesale).

11 10. With respect to the deferral balance, as of June 30, 2006, the Company had  
12 deferred \$5,101,727 of under-recovered power costs. There were no additional deferrals  
13 required at the end of PCA Period 5. Therefore, the deferred balance remains at  
14 \$5,101,727. Interest of \$1,143,882 had been accrued at the end of PCA Period 4, and  
15 additional interest of \$111,206 has accrued for PCA Period 5 as allowed by the PCA  
16 Mechanism. Adding the total accrued interest of \$1,255,088 to the deferred balance of  
17 \$5,101,727, results in a total customer deferral balance under the PCA mechanism at  
18 December 31, 2006 of \$6,356,815.

19 11. The Company is not requesting any rate increase as part of this filing as  
20 the deferral balance is not at a level where an increase is warranted.

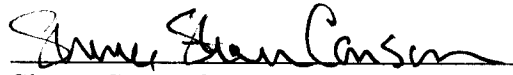
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**III. REQUESTED ACTION**

12. PSE respectfully requests that the Commission issue an order approving PSE's 2007 PCA Report, as filed.

DATED: March 30, 2007.

**PERKINS COIE LLP**

By   
Sheree Strom Carson, WSBA #25349  
Jason Kuzma, WSBA #31830  
Attorneys for Puget Sound Energy, Inc.