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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

February 15, 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 are an original and two copies of 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) 456-2797 if you have any questions.

Sincerely,

Karl R. Karzmar
Director, Regulatory Regulations

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

Jim Russell WUTC
Bob Cedarbaum WUTC

All parties to UE-011570

**Puget Sound Energy
Power Cost Adjustment Summary**

Yr/Mo	Actuals		Baseline		Difference (A)		Wholesale Customer		Imbalance as recorded through the FCA Mechanism		Company per PCA		Customer per PCA		Interest on Customer		Total Customer per PCA			
	Actuals	Cumulative	Baseline	Cumulative	Difference	Cumulative Difference	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
1 Jul-02	\$ 58,033,261	\$ 58,033,261	\$ 61,616,393	\$ 61,616,393	(\$ 3,583,132)	(\$ 3,583,132)	\$ 1,449	1,449	(\$ 3,581,683)	(\$ 3,581,683)	(\$ 3,581,683)	(\$ -)	(\$ -)	(\$ -)	(\$ -)	(\$ -)	(\$ -)	(\$ -)	(\$ -)	(\$ -)
1 Aug-02	60,995,923	119,029,184	62,377,208	123,993,601	(\$ 1,387,624)	(\$ 4,970,756)	559	2,008	(3,580,728)	(4,962,409)	(4,962,409)	0	0	0	0	0	0	0	0	0
1 Sep-02	70,522,655	189,551,839	67,807,435	191,799,036	(\$ 2,714,783)	(\$ 7,685,539)	1,092	3,100	(6,900,862)	(11,586,369)	(11,586,369)	0	0	0	0	0	0	0	0	0
1 Oct-02	70,070,119	259,621,958	67,275,655	259,073,391	(\$ 536,304)	(\$ 12,121,863)	1,498	4,598	(6,900,862)	(18,482,231)	(18,482,231)	0	0	0	0	0	0	0	0	0
1 Nov-02	62,232,237	321,854,195	62,232,237	321,854,195	0	(\$ 12,121,863)	948	(2,654)	3,004,857	(15,477,388)	(15,477,388)	0	0	0	0	0	0	0	0	0
1 Dec-02	86,653,486	408,507,681	64,596,358	386,457,853	(\$ 222,146)	(\$ 15,699,534)	812	(2,126)	2,253,225	(13,224,163)	(13,224,163)	0	0	0	0	0	0	0	0	0
1 Jan-03	80,417,625	488,925,306	61,723,960	448,181,813	(\$ 126,965)	(\$ 15,826,500)	528	(1,600)	1,705,516	(11,518,647)	(11,518,647)	0	0	0	0	0	0	0	0	0
1 Feb-03	89,191,674	578,117,000	75,416,275	523,598,088	(\$ 102,725)	(\$ 15,929,225)	326	(8,226)	5,001,373	(6,517,274)	(6,517,274)	0	0	0	0	0	0	0	0	0
1 Mar-03	86,985,417	665,098,417	77,553,816	601,151,904	(\$ 83,982)	(\$ 16,013,207)	635	(6,326)	5,501,373	(8,018,647)	(8,018,647)	0	0	0	0	0	0	0	0	0
1 Apr-03	81,314,180	746,412,600	89,473,916	690,625,820	(\$ 46,104)	(\$ 16,060,311)	635	(6,326)	(1,568,669)	(9,587,316)	(9,587,316)	0	0	0	0	0	0	0	0	0
1 May-03	85,191,996	831,604,596	85,191,996	775,433,824	(\$ 56,791)	(\$ 16,117,102)	635	(6,326)	(1,568,669)	(11,155,981)	(11,155,981)	0	0	0	0	0	0	0	0	0
1 Jun-03 (B)	50,937,002	882,541,598	60,655,557	836,089,381	(\$ 11,842)	(\$ 16,129,944)	4,987	(13,285)	(10,633,451)	(21,793,435)	(21,793,435)	0	0	0	0	0	0	0	0	0
2 Jul-03	65,156,883	947,701,481	64,630,576	900,719,957	(\$ 526,307)	(\$ 16,656,241)	(213)	(10,433)	528,094	(16,028,341)	(16,028,341)	0	0	0	0	0	0	0	0	0
2 Aug-03	64,642,085	1,012,343,566	63,110,328	963,830,285	(\$ 152,257)	(\$ 16,808,498)	(619)	(11,052)	4,328,298	(15,590,043)	(15,590,043)	0	0	0	0	0	0	0	0	0
2 Sep-03	67,927,742	1,080,271,308	67,927,742	1,031,758,027	(\$ 48,513)	(\$ 16,856,961)	(1,731)	(12,783)	4,328,298	(13,917,745)	(13,917,745)	0	0	0	0	0	0	0	0	0
2 Oct-03	74,897,335	1,155,168,643	68,971,649	1,100,729,676	(\$ 65,918)	(\$ 16,922,879)	(1,731)	(14,514)	4,328,298	(15,346,043)	(15,346,043)	0	0	0	0	0	0	0	0	0
2 Nov-03	85,167,054	1,240,335,697	82,160,751	1,182,890,427	(\$ 28,583)	(\$ 16,951,396)	(1,296)	(16,810)	2,985,097	(17,331,135)	(17,331,135)	0	0	0	0	0	0	0	0	0
2 Dec-03	92,943,205	1,333,278,902	89,484,104	1,272,374,531	(\$ 34,101)	(\$ 16,985,497)	(1,296)	(18,106)	3,457,704	(16,677,431)	(16,677,431)	0	0	0	0	0	0	0	0	0
3 Jan-04	91,074,410	1,424,353,312	88,476,340	1,360,850,871	(\$ 29,640)	(\$ 16,985,497)	(2,421)	(20,527)	597,828	(16,079,603)	(16,079,603)	0	0	0	0	0	0	0	0	0
3 Feb-04	85,195,289	1,509,548,601	85,195,289	1,446,046,160	(\$ 23,312)	(\$ 16,985,497)	(2,678)	(22,149)	6,595,118	(15,424,485)	(15,424,485)	0	0	0	0	0	0	0	0	0
3 Mar-04	81,314,180	1,590,862,781	77,150,686	1,523,200,846	(\$ 117,496)	(\$ 16,985,497)	(1,682)	(23,831)	2,090,908	(13,333,587)	(13,333,587)	0	0	0	0	0	0	0	0	0
3 Apr-04	82,667,008	1,673,529,789	82,667,008	1,605,867,854	(\$ 67,671)	(\$ 16,985,497)	(1,127)	(24,958)	1,383,616	(12,050,971)	(12,050,971)	0	0	0	0	0	0	0	0	0
3 May-04	85,195,289	1,758,725,078	85,195,289	1,691,063,143	(\$ 67,671)	(\$ 16,985,497)	(1,127)	(26,085)	3,484,753	(8,566,218)	(8,566,218)	0	0	0	0	0	0	0	0	0
3 Jun-04	87,730,891	1,846,455,969	84,867,370	1,775,930,513	(\$ 28,521)	(\$ 16,985,497)	(1,302)	(27,387)	18,101,944	(2,464,272)	(2,464,272)	0	0	0	0	0	0	0	0	0
3 Jul-04	72,572,502	1,919,028,471	69,717,173	1,845,650,686	(\$ 28,321)	(\$ 16,985,497)	(1,155)	(28,542)	2,854,174	(2,464,272)	(2,464,272)	0	0	0	0	0	0	0	0	0
3 Aug-04	68,376,891	1,987,405,362	70,266,182	1,915,916,868	(\$ 28,825)	(\$ 16,985,497)	373	(29,915)	(821,008)	(3,286,280)	(3,286,280)	0	0	0	0	0	0	0	0	0
3 Sep-04	70,275,223	2,057,677,585	70,275,223	1,986,141,645	(\$ 71,532)	(\$ 16,985,497)	(1,911)	(31,826)	3,720,914	(3,720,914)	(3,720,914)	0	0	0	0	0	0	0	0	0
3 Oct-04	85,846,148	2,143,523,733	82,160,751	2,068,302,396	(\$ 75,172)	(\$ 16,985,497)	(1,891)	(33,717)	1,634,664	(2,082,559)	(2,082,559)	0	0	0	0	0	0	0	0	0
3 Nov-04	95,783,435	2,239,307,168	93,916,824	2,162,219,220	(\$ 186,613)	(\$ 16,985,497)	(1,733)	(35,450)	4,282,759	(4,282,759)	(4,282,759)	0	0	0	0	0	0	0	0	0
3 Dec-04	86,895,262	2,326,202,430	85,513,123	2,247,732,343	(\$ 173,307)	(\$ 16,985,497)	(1,246)	(36,696)	2,367,240	(4,000,017)	(4,000,017)	0	0	0	0	0	0	0	0	0
3 Jan-05	82,667,008	2,408,869,438	82,667,008	2,330,399,351	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(37,942)	52,238	(3,477,779)	(3,477,779)	0	0	0	0	0	0	0	0	0
3 Feb-05	82,667,008	2,491,536,446	82,667,008	2,413,066,359	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(39,188)	52,238	(4,000,308)	(4,000,308)	0	0	0	0	0	0	0	0	0
3 Mar-05	82,667,008	2,574,203,454	82,667,008	2,495,733,367	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(40,434)	52,238	(4,520,616)	(4,520,616)	0	0	0	0	0	0	0	0	0
3 Apr-05	82,667,008	2,656,870,462	82,667,008	2,578,400,375	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(41,680)	52,238	(5,040,924)	(5,040,924)	0	0	0	0	0	0	0	0	0
3 May-05	82,667,008	2,739,537,470	82,667,008	2,661,067,383	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(42,926)	52,238	(5,561,232)	(5,561,232)	0	0	0	0	0	0	0	0	0
3 Jun-05	82,667,008	2,822,204,478	82,667,008	2,743,734,391	(\$ 78,389)	(\$ 16,985,497)	(1,246)	(44,172)	52,238	(6,081,540)	(6,081,540)	0	0	0	0	0	0	0	0	0
4 Jul-05	68,385,764	2,910,590,242	74,070,384	2,817,804,775	(\$ 68,614)	(\$ 16,985,497)	2,262	(45,418)	(5,682,356)	(11,763,896)	(11,763,896)	0	0	0	0	0	0	0	0	0
4 Aug-05	78,043,104	3,014,933,346	75,877,972	2,893,682,747	(\$ 25,961)	(\$ 16,985,497)	2,73	(46,664)	(6,847,252)	(18,611,148)	(18,611,148)	0	0	0	0	0	0	0	0	0
4 Sep-05	80,417,625	3,115,350,971	78,653,043	2,972,335,790	(\$ 28,583)	(\$ 16,985,497)	2,73	(47,910)	(8,002,108)	(26,613,256)	(26,613,256)	0	0	0	0	0	0	0	0	0
4 Oct-05	82,667,008	3,238,020,979	80,417,625	3,052,753,415	(\$ 21,383)	(\$ 16,985,497)	2,73	(49,156)	(9,162,964)	(35,776,220)	(35,776,220)	0	0	0	0	0	0	0	0	0
4 Nov-05	124,836,337	3,362,857,316	124,836,337	3,177,589,752	(\$ 85,264)	(\$ 16,985,497)	(6,221)	(50,402)	(10,892,369)	(46,668,589)	(46,668,589)	0	0	0	0	0	0	0	0	0
4 Dec-05																				

Notes:
 (A) A debit balance represents an overrecovery of power costs (baseline rate was greater than actual rate). A credit balance represents an underrecovery of power costs (actual rate was greater than baseline rate). The differences exclude any adjustments for Firm Wholesale Customers.
 (B) Includes Costcap Price Reopener of \$2,624,732 per Western Energy Invoice July 7, 2004, plus PCA Tenaska Disallowances of (\$25,013,650).
 (C) Total Tenaska disallowance is reflected in the PCA by a \$25,013,650 reduction to Jun-03 Power Costs and a monthly reduction of \$1,012,488 for the last six months of the PCA 2 period (\$1,012,488 * 6 = \$6,074,928), for a total reduction of \$71,688,578 during the PCA2 period.
 (D) PCA period 3 Tenaska disallowance is reflected by a monthly reduction of \$945,641 through Feb 2005, \$694,124 for March 2005, and \$887,270 from April 2005 on, totaling \$11,111,062 in accordance with Docket No. UC-04-0640, et al. (consolidated), as reflected on Schedule B.
 (E) Jan 2005 is adjusted by the cumulative PCA3 effect of settlement of PCA 2 issues regarding White River accounting as a Regulatory Asset, displacement MW's effecting Schedule X adjustments, and timing and calculation of the costs of the Friedman 1 generating plant in the PCA mechanism.
 (F) In March 2005, PSE recorded the Tenaska Regulatory Asset Return for the period July 2003 - December 2003 which was approved by the Washington Commission in its February 23, 2005 order which was previously recorded as a disallowance.
 (G) PCA period 4 Tenaska Disallowance is reflected by monthly reduction of \$778,427, totaling \$9,341,134, as reflected on Schedule B.

Schedule B: Monthly Power Costs -- PCA PERIOD 4
Derived from Original PCA Exhibit B
Subject to PCA Sharing
UE-011570

Row		Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Period to Date
6	Return on Fixed RB	\$ 5,352,302	\$ 5,352,302	\$ 5,352,302	\$ 5,352,302	\$ 5,272,121	\$ 6,451,157	\$ 33,132,483
7	Other Fixed Costs	10,524,795	10,524,795	10,524,795	10,524,795	10,792,946	11,760,173	64,652,299
8	Subtotal Fixed Costs	\$ 15,877,097	\$ 15,877,097	\$ 15,877,097	\$ 15,877,097	\$ 16,065,066	\$ 18,211,330	\$ 97,784,782
9	Total Variable Component Actual							
	FERC Acct.							
11	Steam Oper. Fuel	\$ 4,230,525	\$ 3,669,132	\$ 3,763,113	\$ 3,453,767	\$ 3,616,449	\$ 4,028,583	\$ 22,761,569
12	Other Pwr Gen Fuel	2,862,569	5,315,989	1,216,504	(435,436)	447,565	7,807,709	17,214,900
13	Other Elec Revenues	(724,475)	(3,581,050)	(4,828,688)	(6,039,235)	(1,503,041)	(4,307,958)	(20,984,447)
14	Purchase Power	56,664,685	65,777,648	64,011,670	75,897,466	86,856,234	105,715,174	454,924,877
15	Sales to Other Util	(15,262,086)	(16,785,220)	(8,579,054)	(8,523,716)	(9,905,931)	(12,779,405)	(71,835,412)
16	Wheeling	3,501,522	3,537,265	5,464,040	4,689,805	4,417,353	5,134,399	26,744,384
17	Transmission Revenue	(185,103)	(23,320)	(162,698)	(287,819)	(164,065)	(137,500)	(960,505)
18	WR Amort and DIT turnaround for Reg Assets	32,864	32,864	(190,627)	(41,633)	124,558	52,331	10,357
19	Subtotal Variable Components	\$ 51,120,501	\$ 57,943,308	\$ 60,694,260	\$ 68,713,199	\$ 83,891,122	\$ 105,513,333	\$ 427,875,723
20	Regulatory Assets (Return on RB portion only)	2,431,305	2,431,305	2,578,647	2,480,419	2,480,419	2,471,096	29,765,030
21								
22	SUBTOTAL before Adjustments	\$ 69,428,903	\$ 76,251,710	\$ 79,150,004	\$ 87,070,715	\$ 102,436,607	\$ 126,195,759	\$ 555,425,536
23								
24	Adjustments:							
25	Prudence from UE-921262	\$ (251,336)	\$ (267,973)	\$ (328,045)	\$ (351,157)	\$ (315,458)	\$ (384,211)	\$ (1,898,180)
26	Contract price adjustment	(13,376)	(11,396)	(368)	(1,746)	(188,361)	(197,785)	(413,032)
27	Colstrip availability adjustment	-	-	-	-	-	-	-
28	Frederickson #1 True-up Adjustment	-	-	-	-	-	-	-
29	Tenaska Disallowance (prior month adj)	-	-	-	-	-	-	-
30	Tenaska Disallowance (current month adj)	-	-	-	-	-	-	-
31								
32								
33	Subtotal Adjustments	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (4,670,561)
34	Total allowable cost (line 28/line 30) (Before Tenaska adj)	\$ (1,043,139)	\$ (1,057,796)	\$ (1,106,840)	\$ (1,131,330)	\$ (1,282,246)	\$ (1,360,423)	\$ (6,981,773)
35		\$ 68,385,764	\$ 75,193,914	\$ 78,043,164	\$ 85,939,385	\$ 101,154,362	\$ 124,835,337	\$ 548,443,763
36	PCA period delivered load (Kwh)	1,507,579,263	1,544,390,047	1,478,731,635	1,633,225,388	1,929,875,314	2,175,645,704	10,269,447,351
37	Baseline Power Cost	\$ 74,070,384	\$ 75,878,972	\$ 72,653,043	\$ 80,243,630	\$ 101,324,973	\$ 114,228,749	\$ 302,846,029
38		\$ (5,684,621)	\$ (685,058)	\$ 5,390,121	\$ 5,695,755	\$ (170,612)	\$ 10,606,588	\$ 215,553,722
39	Imbalance for Sharing	\$ (5,684,621)	\$ (685,058)	\$ 5,390,121	\$ 5,695,755	\$ (170,612)	\$ 10,606,588	\$ 30,044,013
40	positive is potential customer surcharge, negative is potential customer credit							
41								
42								
43								
44								
45	Less Firm Wholesale	\$ (5,682,358)	\$ (684,785)	\$ 5,387,976	\$ 5,693,488	\$ (170,544)	\$ 10,602,366	\$ 15,146,143
46	Gross PCA	\$ (5,682,358)	\$ (684,785)	\$ 5,387,976	\$ 5,693,488	\$ (170,544)	\$ 10,602,366	\$ 15,146,143
47	Gross PCA Contra	\$ 5,682,358	\$ 684,785	\$ (5,387,976)	\$ (5,693,488)	\$ 170,544	\$ (10,602,366)	\$ (15,146,143)
48								
49	Cumulative Gross PCA	\$ (5,682,358)	\$ (6,367,143)	\$ (979,168)	\$ 4,714,321	\$ 4,543,777	\$ 15,146,143	\$ 15,146,143
50	Cumulative Gross PCA Contra	\$ 5,682,358	\$ 6,367,143	\$ 979,168	\$ (4,714,321)	\$ (4,543,777)	\$ (15,146,143)	\$ (15,146,143)
51								
52								
53	Note: This schedule was derived from original PCA collaborative exhibit B							