



SHEREE S. CARSON
Direct: (425) 635-1422
Internet: SCarson@perkinscoie.com

The PSE Building
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
PHONE: 425.635.1400
FAX: 425.635.2400
www.perkinscoie.com

August 31, 2006

VIA HAND DELIVERY

Carole J. Washburn
Office of the Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**Re: Petition of Puget Sound Energy, Inc. For Approval of its
2006 Power Cost Adjustment Mechanism Report**

Dear Ms. Washburn:

Enclosed for filing are an original and 19 copies of the Petition of Puget Sound Energy, Inc. ("PSE" or "the Company") For Approval of its 2006 Power Cost Adjustment Mechanism Report.

This Petition presents for the Commission's review and approval PSE's Power Cost Adjustment Mechanism Annual Report for the Twelve Months Ended June 30, 2006—PCA Period Four ("2006 PCA Report"). The Petition is filed in compliance with the Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 and the Power Cost Adjustment Mechanism (PCA) approved therein. The PCA requires that "[i]n August of 2003 and each year thereafter, the Company shall file an annual report detailing the power costs included in the [PCA] deferral calculation."

In support of its Petition, the Company presents the prefiled direct testimony and accompanying exhibits of: Mr. David E. Mills, PSE's Director of Power and Gas Supply Operations, and Mr. John H. Story, PSE's Director of Cost and Regulation.

Please note that the materials submitted in support of the Company's Petition include information and documents that are **CONFIDENTIAL PURSUANT TO WAC 480-07-160**. These materials include extensive, current information regarding the Company's risk management analyses and strategies, details regarding specific hedging transactions, and other information that is commercially sensitive and would

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harm the Company, its customers and shareholders if released. Some of the information may not be publicly released due to restrictions placed on PSE by third parties who provided or are identified in the materials and would be harmed by public release of the information.

We have provided an electronic copy of this filing on the enclosed confidential and redacted CDs.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink that reads "Sheree Strom Carson". The signature is written in a cursive, flowing style.

Sheree Strom Carson

SSC:cgm
Enclosures