



PUGET
SOUND
ENERGY

Power Cost Adjustment Mechanism Annual Report

PCA Period Seven

Twelve Months Ended December 31, 2008

REDACTED VERSION

Puget Sound Energy, Inc.
Power Cost Adjustment Mechanism
2008 Annual Report – PCA Period Seven
Twelve Months Ended December 31, 2008

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Puget Sound Energy, Inc.

Power Cost Adjustment Mechanism Annual Report

PCA Period Seven

Twelve Months Ended December 31, 2008

Exhibits

**In Support of Updated Power Cost Rate
From January 1 through December 31, 2008**

POWER COST ADJUSTMENT SUMMARY

	12 mo end 6.30.03	12 mo end 6.30.04	12 mo end 6.30.05	12 mo end 6.30.06	6 mo end 12.31.06	12 mo end 12.30.07	12 mo end 12.30.08	Cumulative
	PCA Period One	PCA Period Two	PCA Period Three	PCA Period Four	PCA Period Five	PCA Period Six	PCA Period Seven	PCA Periods
Power Costs								
Actual	\$ 845,405,696	\$ 903,001,659	\$ 959,718,871	\$ 1,064,701,272	\$ 597,031,702	\$ 1,226,485,250	\$ 1,331,075,943	\$ 6,927,420,393
Baseline	\$ 843,126,410	\$ 872,785,985	\$ 949,412,459	\$ 1,075,227,683	\$ 597,089,567	\$ 1,253,089,187	\$ 1,329,880,671	\$ 6,920,611,962
Difference	\$ 2,279,286	\$ 30,215,674	\$ 10,306,412	\$ (10,526,410)	\$ (57,865)	\$ (26,603,938)	\$ 1,195,272	\$ 6,808,430
Wholesale Customers	\$ (10,220)	\$ (12,220)	\$ (4,225)	\$ 3,643	\$ 18	\$ 9,891	\$ (498)	\$ (13,611)
Total Cost Over Baseline	\$ 2,269,066	\$ 30,203,454	\$ 10,302,187	\$ (10,522,768)	\$ (57,848)	\$ (26,594,047)	\$ 1,194,774	\$ 6,794,819
Allocation of Power Costs								
Company	\$ 2,269,066	\$ 25,101,727	\$ 10,302,187	\$ (10,522,768)	\$ (57,848)	\$ (23,297,023)	\$ 1,194,774	\$ 4,990,116
Customers	\$ -	\$ 5,101,727	\$ -	\$ -	\$ -	\$ (3,297,024)	\$ -	\$ 1,804,703
Total Cost Allocated	\$ 2,269,066	\$ 30,203,454	\$ 10,302,187	\$ (10,522,768)	\$ (57,848)	\$ (26,594,047)	\$ 1,194,774	\$ 6,794,819
Customer Share Including Interest								
Customer Share	\$ -	\$ 5,101,727	\$ -	\$ -	\$ -	\$ (3,297,024)	\$ -	\$ 1,804,703
Interest	\$ -	\$ 61,868	\$ 345,776	\$ 736,238	\$ 111,206	\$ 54,352	\$ 12,273	\$ 1,321,713
Total Customer Share Including Interest	\$ -	\$ 5,163,595	\$ 345,776	\$ 736,238	\$ 111,206	\$ (3,242,672)	\$ 12,273	\$ 3,126,416

Exhibit A-1 Power Cost Rate Updated: January 1, 2008 - December 31, 2008

Row				
3	Regulatory Assets (Variable) (Note 1)	\$	208,492,804	
4	Transmission Rate Base (Fixed) (Note 2)		107,766,865	
5	Production Rate Base (Fixed) (Note 3)		1,078,801,023	
6		\$	1,395,060,693	
7				
8	Net of tax rate of return		7.06% & 7.00%	
9	Blended net of tax rate of return (7.06% for 305 days and 7.00% for 61 days)		7.0500%	
10				
11			\$/MWH	
12	Regulatory Asset Recovery (on Row 3)	\$	21,948,369	\$ 0.997 (c)
13	Fixed Asset Recovery Other (on Row 4) - (Line 4 X Line 9 / 65%)		11,688,560	\$ 0.531 (a)
14	Fixed Asset Recovery-Prod Factored (on Row 5) - (Line 5 X Line 9 / 65%)		117,008,419	\$ 5.313 (a)
15	501-Steam Fuel		58,909,074	\$ 2.675 (c)
16	555-Purchased power		792,293,871	\$ 35.976 (c)
16.a	Commission Disallowance for Tenaska & March Point 2		(9,645,094)	\$ (0.438) (c)
17	557-Other Power Exp		13,097,804	\$ 0.595 (a)
18	547-Fuel		151,139,354	\$ 6.863 (c)
19	565-Wheeling		68,720,457	\$ 3.120 (c)
20	Variable Transmission Income		(6,648,600)	\$ (0.302) (c)
21	Hydro and Other Pwr.		86,923,371	\$ 3.947 (a)
22	447-Sales to Others		(84,715,507)	\$ (3.847) (c)
23	456-Subaccounts 00012 & 00018 and 00035 & 00036		(15,804,884)	\$ (0.718) (c)
24.a	Transmission Exp - 500KV		1,322,370	\$ 0.060 (a)
24.b	New Resource Pricing Adjustment		(364,700)	\$ (0.017) (c)
25	Depreciation-Production (FERC 403)		68,919,874	\$ 3.130 (a)
26	Depreciation-Transmission		4,944,939	\$ 0.225 (a)
27	Amortization - Regulatory Assets		35,249,272	\$ 1.601 (c)
28	Property Taxes-Production		12,307,528	\$ 0.559 (a)
29	Property Taxes-Transmission		3,463,060	\$ 0.157 (a)
30	Hedging Line of Credit		318,409	\$ 0.014 (c)
31	Subtotal & Baseline Rate	\$	1,331,075,944	\$ 60.441 (b)
32	Revenue Sensitive Items		0.9559032	
33		\$	1,392,479,849	
34	DELIVERED Load (MWH's) <i>January - December 2008</i>		22,022,595	<-- includes Firm Wholesale
35				
36				
37	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline)			\$ 63.230
38	sum of (a) = Fixed Rate Component	\$	14.516	\$ 15.185
39	(b) = Power Cost Rate	\$	60.441	\$ 63.230
40	sum of (c) = Variable Power Rate Component	\$	45.926	\$ 48.044
41				
42				
43	(Note 1) Regulatory Assets and Liabilities are detailed on Exhibit D (JHS-3 page 7)			
44				
45	(Note 2) During the PCA period, the authorized rate of return and the transmission rate base changed. The amount shown on line 4 represents the average transmission rate base, taking all of these changes into consideration.			
46				
47				
48	(Note 3) During the PCA period, the authorized rate of return and production rate base changed. Additionally, the production rate base associated with Baker Lake Relicensing included in fixed costs from the 2007 PCORC A-1 were removed and replaced with actual amounts.			
49	The amount shown on line 5 represents the average production rate base, taking all of these changes into consideration.			
50				

PCA MECHANISM ANNUAL REPORT - PCA 7
 TWELVE MONTHS ENDED DECEMBER 31, 2008

Exhibit B: Monthly Power Costs -- PCA PERIOD 7
 Derived from Original PCA Exhibit B
 Subject to PCA Sharing

Row		Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Period to Date
6	Return on Fixed RB	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,683,565	\$ 10,930,666	\$ 10,930,666	\$ 128,696,978
7	Other Fixed Costs	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 15,818,659	\$ 16,396,179	\$ 16,396,179	\$ 190,978,945
8	Subtotal Fixed Costs	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 26,502,223	\$ 27,326,844	\$ 27,326,844	\$ 319,675,923
9	Total Variable Component Actual													
10	Stream Oper. Fuel	\$ 5,208,729	\$ 4,971,072	\$ 4,977,254	\$ 5,081,547	\$ 3,935,514	\$ 3,270,837	\$ 5,181,206	\$ 5,520,726	\$ 5,675,403	\$ 4,782,817	\$ 4,610,100	\$ 5,695,869	\$ 58,909,074
11	Other Pwr Gen Fuel	\$ 9,668,470	\$ 12,193,131	\$ 9,998,896	\$ 14,008,389	\$ 3,301,821	\$ 9,205,001	\$ 19,460,000	\$ 20,195,223	\$ 17,127,868	\$ 17,127,868	\$ 11,327,482	\$ 22,340,777	\$ 150,650,846
12	Other Elec Revenues	\$ (677,846)	\$ (646,170)	\$ (1,419,713)	\$ (442,641)	\$ (3,279,151)	\$ (4,601,617)	\$ (5,689,000)	\$ (2,093,605)	\$ 543,465	\$ (260,359)	\$ 2,263,646	\$ 578,107	\$ (15,804,894)
13	Purchase Power	\$ 98,398,538	\$ 75,648,552	\$ 79,394,685	\$ 66,243,686	\$ 51,975,935	\$ 56,709,452	\$ 54,328,111	\$ 52,107,219	\$ 51,323,415	\$ 65,728,200	\$ 69,077,296	\$ 102,717,184	\$ 823,850,575
14	Sales to Other Util	\$ (9,855,410)	\$ (9,022,701)	\$ (3,149,335)	\$ (10,273,293)	\$ (10,429,852)	\$ (3,711,925)	\$ (11,250,104)	\$ (10,125,963)	\$ (9,296,144)	\$ (4,975,924)	\$ (4,314,008)	\$ (5,340,128)	\$ (84,715,345)
15	Wheeling	\$ 5,906,030	\$ 6,009,268	\$ 5,870,729	\$ 5,731,141	\$ 5,771,343	\$ 5,991,681	\$ 5,443,410	\$ 5,657,267	\$ 5,931,929	\$ 6,363,972	\$ 6,232,355	\$ 6,204,660	\$ 70,715,345
16	Transmission Revenue	\$ (603,335)	\$ (434,332)	\$ (573,379)	\$ (952,830)	\$ (969,627)	\$ (1,161,816)	\$ 29,006	\$ (283,066)	\$ (204,866)	\$ (550,638)	\$ (549,772)	\$ (394,103)	\$ (6,648,600)
17	White River Amortization	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 1,494,696
18	Goldendale Amortization	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 124,558	\$ 1,494,696
19	Goldendale Variable Components	\$ 108,263,734	\$ 93,043,298	\$ 95,223,995	\$ 79,520,557	\$ 50,430,241	\$ 68,046,356	\$ 57,071,588	\$ 70,457,176	\$ 77,323,163	\$ 88,340,494	\$ 89,148,505	\$ 132,273,990	\$ 999,143,037
20	Subtotal Variable Components	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 188,263,734	\$ 1,998,337,074
21	Regulatory Assets (Return on RB portion only)	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 1,858,812	\$ 21,948,369
22	Fixed and Interest Costs on Hedging Facility	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 25,337	\$ 318,408
23	42606061 - 43100071 - 4100031	\$ 136,650,106	\$ 121,428,187	\$ 123,503,405	\$ 107,878,158	\$ 78,780,859	\$ 86,397,844	\$ 85,422,558	\$ 98,808,086	\$ 105,657,254	\$ 116,689,958	\$ 118,699,940	\$ 181,169,277	\$ 1,341,085,737
24	SUBTOTAL before Adjustments	\$ (326,424)	\$ (308,098)	\$ (339,216)	\$ (294,611)	\$ (62,480)	\$ (265,118)	\$ (312,552)	\$ (288,972)	\$ (274,205)	\$ (252,142)	\$ (241,294)	\$ (270,933)	\$ (3,236,045)
25	Adjustments:													
26	Prudence from UE-921262													
27	Contract price adjustment - discontinued Jan 13, 2007													
28	Colstrip availability adjustment													
29	New resource pricing adjustment - Sumas (Aug - Oct08)													
30	Tenaska Disallowance (prior month ad)													
31	Tenaska Disallowance (current month ad)													
32														
33														
34														
35	Subtotal Adjustments	\$ (861,269)	\$ (842,943)	\$ (874,061)	\$ (829,456)	\$ (597,325)	\$ (789,863)	\$ (847,397)	\$ (823,817)	\$ (870,808)	\$ (1,089,929)	\$ (771,594)	\$ (601,232)	\$ (10,009,794)
36	Total Allowable Costs	\$ 135,788,637	\$ 120,885,244	\$ 122,629,344	\$ 107,048,702	\$ 78,183,634	\$ 85,587,881	\$ 84,575,161	\$ 97,984,269	\$ 104,788,446	\$ 115,600,029	\$ 117,928,346	\$ 160,368,045	\$ 1,331,075,943
37														
38	PCA period delivered load (kwh)	2,304,651,422	2,021,123,597	1,830,514,031	1,655,945,076	1,585,326,165	1,565,038,010	1,537,765,107	1,537,765,107	1,537,765,107	1,537,765,107	1,537,765,107	1,537,765,107	22,022,594,791
39	Baseline Power Cost	\$ 137,848,116	\$ 117,800,650	\$ 120,849,466	\$ 109,488,536	\$ 99,047,043	\$ 93,626,854	\$ 93,609,618	\$ 95,078,751	\$ 91,978,344	\$ 108,124,950	\$ 114,664,739	\$ 147,723,604	\$ 1,067,492,328
40	11/1/08 - 30/06/241	\$ (2,059,278)	\$ 2,784,594	\$ 1,739,879	\$ (2,439,833)	\$ (20,863,408)	\$ (8,028,972)	\$ (9,034,457)	\$ 2,905,518	\$ 12,808,102	\$ 7,475,079	\$ 3,263,608	\$ 12,644,441	\$ 262,388,343
41a	Imbalance for Sharing	\$ (2,059,278)	\$ 2,784,594	\$ 1,739,879	\$ (2,439,833)	\$ (20,863,408)	\$ (8,028,972)	\$ (9,034,457)	\$ 2,905,518	\$ 12,808,102	\$ 7,475,079	\$ 3,263,608	\$ 12,644,441	\$ 1,195,272
42	positive is potential customer surcharge, negative is potential cust credit													
43	potential customer surcharge													
44	potential customer credit													
45	Less Firm Wholesale	\$ (2,058,547)	\$ 2,783,606	\$ 1,739,261	\$ (2,438,967)	\$ (20,856,002)	\$ (8,026,122)	\$ (9,031,250)	\$ 2,904,487	\$ 12,803,555	\$ 7,472,425	\$ 3,262,434	\$ 12,639,894	\$ 1,194,774
46	Gross PCA	\$ (2,058,547)	\$ 2,783,606	\$ 1,739,261	\$ (2,438,967)	\$ (20,856,002)	\$ (8,026,122)	\$ (9,031,250)	\$ 2,904,487	\$ 12,803,555	\$ 7,472,425	\$ 3,262,434	\$ 12,639,894	\$ 1,194,774
47	Gross PCA Contra	\$ 2,058,547	\$ (2,783,606)	\$ (1,739,261)	\$ 2,438,967	\$ 20,856,002	\$ 8,026,122	\$ 9,031,250	\$ (2,904,487)	\$ (12,803,555)	\$ (7,472,425)	\$ (3,262,434)	\$ (12,639,894)	\$ (1,194,774)
48	Cumulative Gross PCA	\$ (2,058,547)	\$ 725,059	\$ 2,464,320	\$ 25,352	\$ (20,830,649)	\$ (28,856,772)	\$ (37,888,021)	\$ (34,983,535)	\$ (22,179,979)	\$ (14,707,554)	\$ (11,445,120)	\$ 1,194,774	\$ 1,194,774
49	Cumulative Gross PCA Contra	\$ 2,058,547	\$ (725,059)	\$ (2,464,320)	\$ (25,352)	\$ 20,830,649	\$ 28,856,772	\$ 37,888,021	\$ 34,983,535	\$ 22,179,979	\$ 14,707,554	\$ 11,445,120	\$ (1,194,774)	\$ (1,194,774)
50														
51														
52														
53														
54														

Note: This schedule was derived from original PCA collaborative exhibit B

**Exhibit D: Regulatory Assets and Liabilities net of Accumulated Amortization and Deferred Taxes (PCA Periods)
PCA Period 7 (Updated as of December 31, 2008, on January 8, 2009)
(White River Relicensing Expenditures True-up and ROR calc. on Goldendale Deferral and HR Mitigation)**

		12 Months Ended December 31			PCA Period				
Ref	Description	Asset Amort	AA & ADFIT	Asset Amort	AMA Ratebase as of	A.T. %	Return		
							Amount	Amount	Pre Tax
				Balance					
				net of					
				(Note 1)					
10									
11	Cabot Buyout				G/L Accts #18230171, #19000121, and #28300461 and Order #54756012				
22	Dec 2008 \$	(1,410,000)	-	691,208	12/08	7.06%&7.00%	48,730	74,970	
25									
26	Tenaska				G/L Accts #18230001 and #28300451 and Order #55500423				
39	Dec 2008 \$	(28,272,000)	104,886,000	118,181,042	12/08	7.06%&7.00%	8,331,763	12,818,098	
45									
46	BEP				G/L Accts #18230071, #18230081, and #28300431 and Order #55500007				
55	Dec 2008 \$	(3,526,620)	20,409,483	21,608,793	12/08	7.06%&7.00%	1,523,420	2,343,723	
67									
68	White River Relicensing				G/L Accts #18230641, 691, #18236021, 6031, 6041, 6051, 6061, 6071, #18230971, #19000021 and #28300011				
75	Dec 2008 \$		19,459,947	-	19,914,187	12/08	7.06%&7.00%	1,403,950	2,159,923
80									
81	White River Plant Costs				G/L Accts #18220011, #18220021, #18220031, #18220041 and #18220051 and Order #40700015				
88	Dec 2008 \$	(1,494,702)	34,112,846	35,041,392	12/08	7.06%&7.00%	2,470,418	3,800,643	
93									
94	Canwest Liability				G/L Accts #25400021, #14300061 and #19000451 and Order #547 / #456				
101	Dec 2008 \$	1,898,751	(0)	(308,547)	12/08	7.06%&7.00%	(21,753)	(33,465)	
104									
105	Hopkins Ridge Prepaid Transm				G/L Accts #18230231, #18230371, Orders #56500011 and #56500021				
111	Dec 2008 \$	(1,992,888)	4,727,174	6,016,809	12/08	7.06%&7.00%	424,185	652,592	
117									
118	Goldendale Fixed Cost Deferral				G/L Accts #18230381, 391, #28300541 and #28300551 and Order #40730041				
119	Dec 2008 \$	(693,692)	7,665,067	7,812,601	12/08	7.06%&7.00%	91,147	140,226	
124									
125	Hopkins Ridge Mitigation Credit				G/L Accts #25400171 and #19000561 and Order #55500017				
126	Dec 2008 \$	241,917	(1,729,704)	(464,682)	12/08	7.06%&7.00%	(5,421)	(8,340)	
129									

Period	From	To	Asset Amort	AMA Ratebase as of	A.T. %	Return		
						Amount	Pre Tax Monthly	
PCA #7	Jan 2008	Dec 2008	(35,249,234)	208,492,804	12/08	7.06%&7.00%	14,266,440	21,948,369
							(Annualized)	1,829,031

Note (1) Amounts in these columns are net of accumulated amortization AND the associated Deferred FIT liability / asset.

Exhibit G - New Resource Adjustment

For New Resources with a Terms Longer than 2 Years

Name	Klondike
Description	Wind PPA
In-service date	12.1.2007, 20yr term

80104.6721

PCA Period PCA 7 Calendar 2008
 (includes Dec07 fr PCA 6)

Row	Description	Actual Dec-07	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Dec07-Oct08 Total
13	Total Variable Component Actual												
14	Steam Oper. Fuel												
15	Other Pwr Gen Fuel												
16	Other Elec Revenues												
17	Purchase Power												
18	Sales to Other Util												
19	Wheeling												
20	Transmission Revenue												
21													
22													
23	PCA Period Generation												
24	Actual Variable Cost												
25	Compare with Baseline Rate												
26													
27	Baseline Power Cost Rate												
28													
29													
30													
31													
32													
33	Adjustment Needed?												
34	Adjustment needed if Baseline rate is lower than actual variable cost												
35													
36	Adjustment Rate												
37	Adjustment volume												
38	Adjustment Amount	(18,249.0)	(47,130)								(76,826)	(91,533)	

To Exhibit B line 24

Note: Per Rates Dept. Exhibit G should be the average cost of the unit for the period it is in service until it is included in rates. So need all costs, even those outside PCA 7.

Exhibit G - New Resource Adjustment

PUGET SOUND ENERGY
PCA MECHANISM ANNUAL REPORT - PCA 7
TWELVE MONTHS ENDED DECEMBER 31, 2008

Row

3 For New Resources with a Terms Longer than 2 Years

Name	Sumas
Description	Combined Cycle Cogeneration Turbine
	In-service date: August 2008

PCA Period PCA 7 Calendar 2008

Total Variable Component Actual

14	Steam Oper. Fuel	501					
15	Other Pwr Gen Fuel	547					
16	Other Elec Revenues	45600012, 18					
17	Purchase Power	555					
18	Sales to Other Util	447					
19	Wheeling (None for Sumas)	565					
20	Transmission Revenue	45600017					
21			\$ 1,568,875	\$ 5,377,506	\$ 3,268,324	\$ 10,214,705	\$ 10,214,705

22	PCA Period Generation	(MWh)	24,510	87,365	52,805	164,680	164,680
23	Actual Variable Cost	(\$/MWh)	\$64.010	\$61.552	\$61.894	\$62.028	\$62.028
24	Compare with Baseline Rate						
25	Baseline Power Cost Rate	(\$/MWh)	\$59.813	\$59.813	\$59.813	\$59.813	\$59.813

26	Lesser of Actual Cost or Baseline Rate		\$59.813	\$59.813	\$59.813	\$59.813	\$59.813
27	#REF!						

Adjustment Needed?

Adjustment needed if Baseline rate is lower than actual variable cost

28	Adjustment Rate	(\$/MWh)	-\$4.197	-\$1.739	-\$2.081	-\$2.215	-\$2.215
29	Adjustment volume	(MWh)	24,510	87,365	52,805	164,680	164,680
30	Adjustment Amount	(\$)	\$ (102,858)	\$ (151,943)	\$ (109,899)	\$ (364,700)	\$ (364,700)
31			\$ (54,280)	\$ (193,478)	\$ (116,942)	\$ (364,700)	\$ (364,700)

to Exhibit B line 24

Puget Sound Energy, Inc.

Power Cost Adjustment Mechanism Annual Report

PCA Period Seven - A

Twelve Months Ended December 31, 2008

Exhibits

**From January 1 through October 31, 2008
Docket No. UE-070565, 2007 PCORC**

Exhibit A-1 Power Cost Rate: 1/1/2008 - 10/31/2008

Row	Test Year	Test Yr \$/MWh (I)	Adjustment to Power Cost Rate (II)	Baseline Rate (III)	Production Factor 0.97319 Rate Year (IV)	Monthly
3	Regulatory Assets (1) (Variable)	\$ 209,854,425	\$ 1,077	\$ 1,077		
4	Transmission Rate Base (Fixed)	107,835,081	\$ 0.554	\$ 0.554	\$ 11,712,549	976,045.74
5	Production Rate Base (Fixed)	1,072,051,983	\$ 5.504	\$ 5.504	\$ 119,649,132	9,970,760.98
6		\$ 1,389,741,490	\$ 7.06%	\$ 7.06%		
7	Net of tax rate of return					
8						
9						
9A						
10	Regulatory Asset Recovery (on Row 3)	\$ 22,793,419	\$ 1,077	\$ 1,077		
11	Fixed Asset Recovery Other (on Row 4)	11,712,549	\$ 0.554	\$ 0.554	\$ 11,712,549	976,045.74
12	Fixed Asset Recovery-Prod Factored (on Row 5)	116,441,338	\$ 5.504	\$ 5.504	\$ 119,649,132	9,970,760.98
13	501-Stream Fuel	57,439,461	\$ 2.715	\$ 2.715		
14	555-Purchased power	660,899,180	\$ 31.237	\$ 31.237		
14a	Rate Disallowances for March Point 2 and Tenaska	(10,023,555)	\$ (0.474)	\$ (0.474)		
15	557-Other Power Exp	6,534,148	\$ 0.309	\$ 0.309	6,714,155	559,512.90
15a	Payroll Overheads - Benefits (Inc. Worker's Comp)	1,918,238	\$ 0.091	\$ 0.091	1,971,083	164,256.91
15b	Property Insurance	1,694,912	\$ 0.080	\$ 0.080	1,741,604	145,133.69
15c	Montana Electric Energy Tax	1,705,103	\$ 0.081	\$ 0.081	1,752,076	146,006.31
15d	Payroll Taxes on Production Wages	723,944	\$ 0.034	\$ 0.034	743,888	61,990.64
16	547-Fuel	130,399,129	\$ 6.163	\$ 6.163		
17	565-Wheeling	64,865,736	\$ 3.066	\$ 3.066		
18	Variable Transmission Income	(4,065,390)	\$ (0.192)	\$ (0.192)		
19	Hydro and Other Pwr.	86,202,400	\$ 4.074	\$ 4.074	88,577,153	7,381,429.44
20	447-Sales to Others	(6,462,987)	\$ (0.305)	\$ (0.305)		
21	456-Subaccounts 00012 & 00018 and 00035 & 00036	(576,422)	\$ (0.027)	\$ (0.027)		
22	Transmission Exp - 500KV	1,315,467	\$ 0.062	\$ 0.062	1,351,706	112,642.17
23	Depreciation-Production (FERC 403)	69,578,600	\$ 3.289	\$ 3.289	71,495,391	5,957,949.26
24	Depreciation-Transmission	5,123,147	\$ 0.242	\$ 0.242	5,123,147	426,928.96
25	Amortization - Regulatory Assets (1)	32,113,880	\$ 1.518	\$ 1.518		
26	Property Taxes-Production	11,418,820	\$ 0.540	\$ 0.540	11,733,392	977,782.71
27	Property Taxes-Transmission	3,448,641	\$ 0.163	\$ 0.163	3,448,641	287,386.75
28	Hedging Line of Credit	299,791	\$ 0.014	\$ 0.014		
29	Subtotal & Baseline Rate	\$ 1,265,499,550	\$ 59.813	\$ 59.813	\$ 326,013,917	
30	Revenue Sensitive Items	0.9548744				
31		\$ 1,325,304,742				
32	Test Year DELIVERED Load (MWH's)	21,157,569				
33						
34						
35						
36	Power Cost in Rates with Revenue Sensitive					
37	Items (the adjusted baseline)	\$ 59.813	\$ 62.640	\$ 59.813	\$ 62.640	
38	sum of (a) = Fixed Rate Component	\$ 15.021	\$ 15.731	\$ 15.021	\$ 15.731	
39	(b) = Power Cost Rate	\$ 59.813	\$ 62.640	\$ 59.813	\$ 62.640	
40	sum of (c) = Variable Power Rate Component	\$ 44.792	\$ 46.908	\$ 44.792	\$ 46.908	

(1) - Regulatory Assets are shown in detail on Exhibit D.

Exhibit A-2 Transmission Rate Base: 1/1/2008 - 10/31/2008

Row		Plant AMA 12/31/2006	AMA Accum Deprec/Amort	Net	Annualized Depreciation
6					
7	E350	100428	TRANS - COLSTRIP 1 & 2		
8	E351	100127	Land and Land Rights	\$ 10,247	\$ -
9	E353	100136	Easements	685,927	(349,438)
10	E354	100145	Station Equipment	1,231,131	(852,821)
11	E355	100149	Towers & Fixtures	14,474,343	(7,799,425)
12	E356	100157	Poles & Fixtures	49,007	(44,712)
13	E359	100170	OH Conductors & Devices	13,158,153	(7,605,696)
14			Roads & Trails	113,968	(58,170)
15			TOTAL COLSTRIP 1&2 TRANSMISSION	29,722,775	(16,710,262)
16					
17	E351	100128	TRANS - COLSTRIP 3 & 4		
18	E352	100132	Easements	1,071,124	(532,243)
19	E353	100137	Structures & Improvements	496,711	(250,295)
20	E354	100146	Station Equipment	18,004,864	(9,525,436)
21	E355	100150	Towers & Fixtures	20,513,929	(10,721,999)
22	E356	100158	Poles & Fixtures	88,692	(53,818)
23	E359	100171	OH Conductors & Devices	19,991,226	(11,302,329)
24			Roads & Trails	341,015	(171,112)
25			TOTAL COLSTRIP 3&4 TRANSMISSION	60,507,561	(32,557,232)
26					
27	E350	100430	TRANS - 3RD NW-SW INTERTIE		
28	E352	100134	Land and Land Rights	1,769,178	-
29	E353	100143	Structures & Improvements	1,276,264	(302,813)
30	E354	100147	Station Equipment	31,291,408	(9,236,875)
31	E355	100649	Towers & Fixtures	22,781,417	(5,496,371)
32	E356	100164	Poles & Fixtures	204,200	(47,466)
33	E356	100437	OH Conductors & Devices	23,498,183	(7,658,581)
34	E359	100174	OH Conductors & Devices	206	(39)
35			Roads & Trails	59,215	(7,279)
36			TOTAL 3RD NW-SW INTERTIE	80,880,071	(22,749,425)
37					
38	E350	100881	TRANS - NORTHERN INTERTIE		
39	E354	100879	Land and Land Rights	30,604	-
40	E355	100878	Towers & Fixtures-Whatcom	5,744,097	(1,090,164)
41	E356	100877	Poles & Fixtures-Whatcom	11,219	(3,667)
42	E355	100647	OH Conductors & Devices-Whatcom	7,460,099	(1,915,374)
43	E356	100648	Poles & Fixtures-Skagit	3,398,685	(877,372)
44			OH Conductors & Devices-Skagit	5,142,699	(1,187,275)
45			TOTAL NORTHERN INTERTIE	21,787,403	(5,073,851)
46					
47			Total Transmission	\$ 192,897,810	\$ (77,090,770)
48			Accumulated Depreciation (AMA)	(77,090,770)	\$ 115,807,040
49			Deferred Taxes (AMA)	(12,426,947)	\$ 4,875,025
50			Transmission portion of:		
51			Colstrip Common FERC Adj, net of accum amort	3,834,662	213,630
52			Colstrip Def Depr FERC Adj, net of accum amort	620,326	34,493
53					
54			Total Transmission Rate Base	\$ 107,835,081	\$ 5,123,147

PUGET SOUND ENERGY
 PCA MECHANISM REPORT - PCA 7
 TWELVE MONTHS ENDED DECEMBER 31, 2008

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Exhibit A-3 Colstrip Fixed Costs (Section 2 of 2): 1/1/2008 - 10/31/2008

Support for Revenue Requirement - Expenses

Order	Description	Amount before Prod. Adj.
50004011	Colstrip 1&2 - Supv & Eng'g - Steam Ope	\$ 42,872
50005011	Colstrip 3&4 - Supv & Eng'g - Steam Ope	\$ 38,116
50204001	Colstrip 1&2 - Steam Exp - Steam Gen Op	3,118,098
50205001	Colstrip 3&4 - Steam Exp - Steam Gen Op	2,121,575
50504001	Colstrip 1&2 - Electric Exp - Steam Gen	69,360
50505001	Colstrip 3&4 - Electric Exp - Steam Gen	50,720
50604001	Colstrip 1&2 - Misc Stm Pwr - Steam Gen	4,009,794
50605001	Colstrip 3&4 - Misc Stm Pwr - Steam Gen	2,426,920
50704001	Colstrip 1&2 - Rents - Steam Gen Oper	(2,182)
50705001	Colstrip 3&4 - Rents - Steam Gen Oper	27,838
51004001	Colstrip 1&2 - Supv & Eng'g - Steam Gen	802,862
51005001	Colstrip 3&4 - Supv & Eng'g - Steam Gen	614,429
51104001	Colstrip 1&2 - Structures - Steam Gen M	910,840
51105001	Colstrip 3&4 - Structures - Steam Gen M	700,258
51204001	Colstrip 1&2 - Boiler Plant - Steam Gen	6,073,090
51205001	Colstrip 3&4 - Boiler Plant - Steam Gen	6,768,153
51304001	Colstrip 1&2 - Electric Plant - Steam G	904,028
51305001	Colstrip 3&4 - Electric Plant - Steam G	807,119
51404001	Colstrip 1&2 -Misc Steam Plt -Steam Gen	1,317,438
51405001	Colstrip 3&4 -Misc Steam Plt -Steam Gen	843,290
	Subtotal on Orders	31,644,619
	Property Taxes-Montana	9,191,136
	Electric Energy Tax	1,755,000
403xxxxx	Depreciation	19,735,917
		\$ 62,326,672

Exhibit A-4 Production Adjustment: 1/1/2008 - 10/31/2008

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED DECEMBER 31, 2006
PRODUCTION ADJUSTMENT

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 2.681%	NET AMOUNT
1	PRODUCTION O&M INCLUDED IN 557:			
2	WORKER'S COMPENSATION	\$ 181,269	\$ (4,860)	\$ 176,409
3	PROPERTY INSURANCE	1,875,386	(50,279)	1,825,107
4	ELECTRIC ENERGY TAX	1,752,076	(46,973)	1,705,103
5	TOTAL PRODUCTION O&M	<u>3,808,731</u>	<u>(102,112)</u>	<u>3,706,619</u>
6				
7	INCREASE TO O&M EXPENSE ASSOC W/ NEW RESOURCE	10,942,629	(293,372)	10,649,257
8				
9	HEDGING LINE OF CREDIT	308,050	(8,259)	299,791
10				
11	DEPRECIATION AND AMORTIZATION ON PRODUCTION PROPERTY	71,972,940	(1,929,595)	70,043,346
12				
13	PROPERTY TAXES ON PRODUCTION PROPERTY	<u>12,476,567</u>	<u>(334,497)</u>	<u>12,142,070</u>
14				
15	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	<u>\$ 99,508,917</u>	<u>\$ (2,667,834)</u>	<u>\$ 96,841,083</u>
16				
17				
18	<u>PRODUCTION RATE BASE:</u>			
19	PRODUCTION PROPERTY	\$ 1,897,245,224	\$ (50,865,144)	\$ 1,846,380,080
20	COLSTRIP COMMON FERC ADJUSTMENT	6,366,303	(170,681)	6,195,622
21	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,496,283	(66,925)	2,429,358
22	ENCOGEN ACQUISITION ADJUSTMENT	43,330,708	(1,161,696)	42,169,012
23	LESS PRODUCTION PROPERTY ACCUM DEPR.	(709,856,998)	19,031,266	(690,825,732)
24	LESS PRODUCTION PROPERTY ACCUM AMORT.	(3,454,190)	92,607	(3,361,583)
25	NET PRODUCTION PROPERTY	<u>1,236,127,329</u>	<u>(33,140,574)</u>	<u>1,202,986,756</u>
26				
27	DEDUCT:			
28	LIBR. DEPREC. PRE 1981 (EOP)	(435,114)	11,665	(423,449)
29	LIBR. DEPREC. POST 1980 (EOP)	(130,481,100)	3,498,198	(126,982,901)
30	OTHER DEF. TAXES (EOP)	(3,625,625)	97,203	(3,528,422)
31	ADJUSTMENT TO RATE BASE BEFORE CWIP	<u>(134,541,839)</u>	<u>3,607,067</u>	<u>(130,934,772)</u>
32				
33	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	<u>\$ 1,101,585,490</u>	<u>\$ (29,533,507)</u>	<u>\$ 1,072,051,983</u>
34				
35				
36				
37	<u>O&M ON REGULATORY ASSETS</u>			
38	AMORTIZATION OF REGULATORY ASSETS	<u>32,998,572</u>	<u>(884,692)</u>	<u>32,113,880</u>
39				
40	TOTAL REGULATORY ASSET ADJUSTMENT TO BASELINE RATE	<u>\$ 32,998,572</u>	<u>\$ (884,692)</u>	<u>\$ 32,113,880</u>
41				
42	<u>REGULATORY ASSETS RATE BASE:</u>			
43	BPA POWER EXCHANGE INVESTMENT	\$ 22,408,333	\$ (600,767)	\$ 44,560,096
44	TENASKA REGULATORY ASSET	126,839,375	(3,400,564)	123,438,811
45	CABOT OIL REGULATORY ASSET	1,231,500	(33,017)	1,198,483
46	WHITE RIVER PLANT COSTS	38,299,445	(1,026,808)	37,272,637
47	WHITE RIVER RELICENSING & CWIP	21,307,241	(571,247)	20,735,994
48	CANWEST (NEW)	(857,075)	22,978	(834,097)
49	HOPKINS RIDGE PREPAID TRANSMISSION (NEW)	6,406,798	(171,766)	6,235,032
50				
51	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	<u>\$ 215,635,616</u>	<u>\$ (5,781,191)</u>	<u>\$ 209,854,425</u>

Exhibit A-5 Power Costs: 1/1/2008 - 10/31/2008

PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED DECEMBER 31, 2006
 RATE YEAR ENDED AUGUST 31, 2008
 POWER COST

LINE NO. DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1 PRODUCTION EXPENSES:			
2 FUEL:			
3 501-STEAM FUEL	\$ 50,018,165	\$ 57,439,461	\$ 7,421,296
4 547-FUEL	48,485,371	38,730,922	(9,754,449)
5 PURCHASED AND INTERCHANGED:			
6 555-PURCHASED POWER	820,748,691	752,992,386	(67,756,305)
7 RATE DISALLOWANCES FOR MARCH POINT 2 AND TENASKA	-	(10,023,555)	(10,023,555)
8 557 - OTHER POWER EXPENSE	10,263,800	8,999,921	(1,263,879)
9 WHEELING	50,788,707	57,960,540	7,171,833
10 HYDRO AND OTHER POWER	65,868,284	77,990,870	12,122,586
11 TRANS. EXP. INCL. 500KV O&M	949,052	1,315,467	366,415
12 SALES FOR RESALE	(85,003,391)	(2,420,518)	82,582,873
13 PURCHASES/SALES OF NON-CORE GAS	(16,445,463)	(576,422)	15,869,042
14 WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(4,610,746)	(4,065,390)	545,355
15 INCREASE (DECREASE) EXPENSE	941,062,470	978,343,683	37,281,213
16			
17 LESS: SALES FOR RESALE	85,003,391	2,420,518	(82,582,873)
18 LESS: WHEELING FOR OTHERS	4,610,746	4,065,390	(545,355)
19 SCH. 94 - RES./FARM CREDIT	-	-	-
20 INCREASE(DECREASE) EXPENSE	\$1,030,676,606	984,829,591	\$ (45,847,015)
21 TRANS. EXP. INCL. 500KV O&M		(1,315,467)	
22 PURCHASES/SALES OF NON-CORE GAS		576,422	
23 POWER COSTS PER G/L		\$ 984,090,546	

PUGET SOUND ENERGY
PCA MECHANISM REPORT - PCA 7
TWELVE MONTHS ENDED DECEMBER 31, 2008

Exhibit D: Regulatory Assets and Liabilities net of Accumulated Amortization and Deferred Taxes (PCA Periods)
2007 Power Cost Only Rate Case

Ref	Description	12 Months Ended December 31		PCA Period						
		Balance net of AA & ADFIT		AMA Ratebase as of		Return				
		Asset Amort	AA & ADFIT	Asset Amort	AMA Ratebase as of	A.T. %	Amount	Pre Tax	Monthly	
9										
10	Cabot Buyout									
21	Dec 2008	\$ (1,410,000)	-	G/L Accts #18230171 and #28300461 and Order #54756012 (1,410,000)	691,208	12/08	7.06%	48,799	75,076	6,256
23										
24	Tenaska									
37	Dec 2008	\$ (28,272,000)	104,886,000	G/L Accts #18230001 and #28300451 and Order #55500423 (28,272,000)	118,181,042	12/08	7.06%	8,343,582	12,836,279	1,069,690
42										
43	BEP									
52	Dec 2008	\$ (3,526,620)	20,409,483	G/L Accts #18230071 and #18230081 and Order #55500007 (3,526,620)	21,608,793	12/08	7.06%	1,525,581	2,347,047	195,587
63										
64	White River Relicensing									
71	Dec 2008	\$ 21,307,241		G/L Accts #18230641, #18235021, 6031, 6041, 6051, 6071, #18230691, #19000021 and #28300011 -	21,307,241	12/08	7.06%	1,504,291	2,314,294	192,858
75										
76	White River Plant Costs									
83	Dec 2008	\$ (1,494,702)	37,328,058	G/L Accts #18220011, #18220021, #18220031, #18220041 and #18220051 and Order #40700015 (1,494,702)	37,912,178	12/08	7.06%	2,676,600	4,117,846	343,154
87										
88	Canwest Liability									
95	Dec 2008	\$ 1,898,751	(0)	G/L Accts #25400021, #14300061 and #19000451 and Order #547 / #456 1,898,751	(308,547)	12/08	7.06%	(21,783)	(33,513)	(2,793)
97										
98	Hopkins Ridge Prepaid Transm									
104	Dec 2008	\$ (998,862)	5,730,000	G/L Acct #18230231 and #18230371 and Order #565000011 (998,862)	5,947,900	12/08	7.06%	419,922	646,033	53,836
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110										
111										
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Note (1) Amounts in these columns are net of accumulated amortization AND the associated Deferred FIT liability / asset.

Puget Sound Energy, Inc.

Power Cost Adjustment Mechanism Annual Report

PCA Period Seven - B

Twelve Months Ended December 31, 2008

Exhibits

**From November 1 through December 31, 2008
Docket No. UE-072300, 2007 GRC**

PUGET SOUND ENERGY
 PCA MECHANISM REPORT - PCA 7
 TWELVE MONTHS ENDED DECEMBER 31, 2008

Exhibit A-1 Power Cost Rate: 11/1/2008 - 12/31/2008

Row	Test Year	Test Yr \$/MWh	Production Factor 0.96663	Monthly
3	Regulatory Assets (Variable)	\$ 173,406,226		
4	Transmission Rate Base (Fixed)	107,422,863		
5	Production Rate Base (Fixed)	1,073,506,014		
6	Net of tax rate of return	\$ 1,354,335,102		
7		7.00%		
8				
9	Regulatory Asset Recovery (on Row 3)	\$ 18,674,517	(c)	
10	Fixed Asset Recovery Other (on Row 4)	11,568,616	0.544 (a)	964,051.33
11	Fixed Asset Recovery-Prod Factored (on Row 5)	115,608,340	5.432 (a)	9,966,614.25
12	501-Steam Fuel	54,253,262	2.549 (c)	
13	555-Purchased power	744,150,957	34.963 (c)	
14	Rate Disallowances for March Point 2 & Tenaska	(8,416,594)	(0.395) (c)	
14a	557-Other Power Exp	5,850,444	0.275 (a)	504,367.74
15	Payroll Overheads - Worker's Comp	2,635,277	0.124 (a)	227,187.66
15a	Property Insurance	2,254,735	0.106 (a)	194,381.09
15b	Montana Electric Energy Tax	1,613,206	0.076 (a)	139,074.75
15c	Payroll Taxes on Production Wages	1,152,861	0.054 (a)	99,388.35
15d	547-Fuel	122,267,324	5.745 (c)	
16	565-Wheeling	67,657,484	3.179 (c)	
17	Variable Transmission Income	(4,458,228)	(0.209) (c)	
18	Hydro and Other Pwr.	96,183,223	4.519 (a)	8,291,971.71
19	447-Sales to Others	(14,704,466)	(0.691) (c)	
20	456-Subaccounts 00012 & 00018 and 00035 & 00036	(149,656)	(0.007) (c)	
21	Transmission Exp - 500KV	1,136,455	0.053 (a)	97,974.00
22	Depreciation & Amort -Production (FERC 403)	57,354,748	2.695 (a)	4,944,562.34
23	Depreciation-Transmission	4,053,897	0.190 (a)	337,824.72
24	Amortization-Production Reg Assets	40,316,621	1.894 (c)	
25	Property Taxes-Production	14,671,707	0.689 (a)	1,264,850.33
26	Property Taxes-Transmission	3,535,153	0.166 (a)	294,596.04
27	Hedging Line of Credit	285,295	0.013 (c)	
28	Subtotal & Baseline Rate	\$ 1,337,495,176	\$ 62.841 (b)	327,922,132
29	Revenue Sensitive Items	0.9559032		
30	Test Year DELIVERED Load (MWH's)	\$ 1,399,195,207		
31		21,283,656		
32				
33				
34				
35				
36				
37				
38	Power Cost in Rates with Revenue Sensitive			
39	Items (the adjusted baseline)	\$ 62,841	\$	65,740
40	sum of (a) = Fixed Rate Component	\$ 14,923	\$	15,611
41	(b) = Power Cost Rate	\$ 62,841	\$	65,740
42	sum of (c) = Variable Power Rate Component	\$ 47,918	\$	50,129

<-- includes Firm Wholesale

Before Rev. Sensitive Items	After Rev. Sensitive Items
\$ 62,841	\$ 65,740
\$ 14,923	\$ 15,611
\$ 62,841	\$ 65,740
\$ 47,918	\$ 50,129

Exhibit A-2 Transmission Rate Base: 11/1/2008 - 12/31/2008

Row		Plant AMA 9/30/2007	AMA Accum Deprec/Amort	Net	Annualized Depreciation	
7						
8						
6		TRANS - COLSTRIP 1 & 2				
7	E350	100428	Land and Land Rights	\$ 10,247	\$ -	\$ 10,247
8	E351	100127	Easements	685,927	(360,207)	325,719
9	E353	100136	Station Equipment	1,231,131	(874,485)	356,646
10	E354	100145	Towers & Fixtures	14,474,343	(8,014,007)	6,460,336
11	E355	100149	Poles & Fixtures	49,007	(45,717)	3,290
12	E356	100157	OH Conductors & Devices	13,158,153	(7,836,950)	5,321,203
13	E359	100170	Roads & Trails	113,968	(59,703)	54,265
14		TOTAL COLSTRIP 1&2 TRANSMISSION		29,722,775	(17,191,069)	12,531,705
15						
16		TRANS - COLSTRIP 3 & 4				
17	E351	100128	Easements	1,071,124	(549,247)	521,877
18	E352	100132	Structures & Improvements	496,711	(257,560)	239,152
19	E353	100137	Station Equipment	18,174,239	(9,862,443)	8,311,796
20	E354	100146	Towers & Fixtures	20,520,449	(11,029,237)	9,491,212
21	E355	100150	Poles & Fixtures	88,692	(49,721)	38,970
22	E356	100158	OH Conductors & Devices	19,991,226	(11,651,182)	8,340,044
23	E359	100171	Roads & Trails	341,015	(175,733)	165,282
24		TOTAL COLSTRIP 3&4 TRANSMISSION		60,683,456	(33,575,123)	27,108,333
25						
26		TRANS - 3RD NW-SW INTERTIE				
27	E350	100430	Land and Land Rights	1,769,178	-	1,769,178
28	E352	100134	Structures & Improvements	1,276,264	(319,373)	956,891
29	E353	100143	Station Equipment	31,896,982	(9,756,046)	22,140,936
30	E354	100147	Towers & Fixtures	22,781,417	(5,794,238)	16,987,178
31	E355	100649	Poles & Fixtures	204,200	(52,163)	152,037
32	E356	100164	OH Conductors & Devices	23,498,183	(8,059,225)	15,438,959
33	E356	100437	OH Conductors & Devices	206	(42)	163
34	E359	100174	Roads & Trails	59,215	(7,860)	51,356
35		TOTAL 3RD NW-SW INTERTIE		81,485,645	(23,988,947)	57,496,698
36						
37		TRANS - NORTHERN INTERTIE				
38	E350	100881	Land and Land Rights	30,604	-	30,604
39	E354	100879	Towers & Fixtures-Whatcom	5,744,097	(1,164,837)	4,579,260
40	E355	100878	Poles & Fixtures-Whatcom	11,219	(3,925)	7,295
41	E356	100877	OH Conductors & Devices-Whatcom	7,460,099	(2,042,568)	5,417,530
42	E355	100647	Poles & Fixtures-Skagit	3,398,685	(955,541)	2,443,144
43	E356	100648	OH Conductors & Devices-Skagit	5,142,699	(1,274,958)	3,867,741
44		TOTAL NORTHERN INTERTIE		21,787,403	(5,441,829)	16,345,574
45						
46						
47		Total Transmission		\$ 193,679,280	\$ (80,196,969)	\$ 113,482,310
48		Accumulated Depreciation (AMA)		(80,196,969)		
49		Deferred Taxes (AMA)		(10,328,344)		
50		Transmission portion of:				
51		Colstrip Common FERC Adj, net of accum amort		3,674,439		213,630
52		Colstrip Def Depr FERC Adj, net of accum amort		594,457		34,493
53						
54		Total Transmission Rate Base		\$ 107,422,863		\$ 4,053,897

PUGET SOUND ENERGY
PCA MECHANISM REPORT - PCA 7
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Exhibit A-3 Colstrip Fixed Costs (Section 1 of 2): 11/1/2008 - 12/31/2008

15	FERC	DESCRIPTION	2006 Sep	2007 Sep	13 MONTH AMA	ANNUITY RATE	ANNUALIZED DEPRECIATION	AMA ACCUM. DEPR.
16		COLSTRIP #1						
17	E311	Structures & Improvements	7,435,989	7,473,868	7,442,839	3.91%	290,983	(4,667,186)
18	E312	Boiler Plant Equipment	55,297,743	58,163,161	58,399,565	3.64%	2,135,756	(38,786,593)
19	E314	Turbo Generating Units	19,333,175	23,438,987	21,941,924	5.20%	1,177,923	(10,315,710)
20	E315	Accessory Electric Equipment	7,180,779	7,180,435	7,180,436	1.97%	141,393	(5,497,749)
21	E316	Misc. Power Plant Equipment	563,919	799,296	738,763	4.79%	38,607	(339,996)
22		TOTAL	89,811,604	97,055,746	95,703,527	3.95%	3,784,663	(59,607,233)
23		COLSTRIP #2						
24	E311	Structures & Improvements	5,822,932	5,860,809	5,829,780	2.97%	173,127	(4,308,946)
25	E312	Boiler Plant Equipment	49,622,109	49,788,214	50,336,181	3.83%	1,930,120	(32,467,864)
26	E314	Turbo Generating Units	16,983,271	20,283,196	18,935,759	5.03%	972,784	(9,192,560)
27	E315	Accessory Electric Equipment	5,070,990	5,087,939	5,071,696	2.93%	148,531	(3,300,376)
28	E316	Misc. Power Plant Equipment	588,700	824,074	761,972	4.93%	40,945	(339,989)
29		TOTAL	78,088,002	81,844,232	80,935,388	4.03%	3,265,506	(49,609,735)
30		COLSTRIP 1 & 2 COMMON						
31	E311	Structures & Improvements	31,349,014	31,349,014	31,349,014	2.77%	805,478	(23,933,769)
32	E312	Boiler Plant Equipment	7,804,511	6,485,834	7,639,677	2.66%	200,567	(5,955,725)
33	E314	Turbo Generating Units	3,845,456	3,844,103	3,845,287	2.65%	101,890	(3,018,238)
34	E315	Accessory Electric Equipment	2,375,376	2,375,376	2,375,376	2.41%	57,242	(1,692,849)
35	E316	Misc. Power Plant Equipment	6,363,663	6,289,463	6,354,388	2.82%	179,035	(4,334,267)
36	E317	Asset Retirement Obligation	540,097	540,097	540,097	0.00%	15,431	(419,218)
37		TOTAL	52,278,117	50,883,887	52,103,839	2.61%	1,359,643	(39,354,065)
38		COLSTRIP 3						
39	E311	Structures & Improvements	29,046,399	29,058,976	29,048,700	2.80%	813,340	(18,146,443)
40	E312	Boiler Plant Equipment	120,515,322	123,772,538	121,626,748	2.81%	3,392,494	(77,028,363)
41	E314	Turbo Generating Units	39,218,823	41,474,566	39,609,872	3.77%	1,503,373	(18,601,328)
42	E315	Accessory Electric Equipment	6,468,230	6,460,699	6,467,516	2.50%	161,643	(3,760,031)
43	E316	Misc. Power Plant Equipment	550,709	704,857	667,549	3.69%	26,323	(284,941)
44		TOTAL	195,799,483	201,471,636	197,420,385	2.99%	5,897,173	(117,821,106)
45		COLSTRIP 4						
46	E311	Structures & Improvements	26,588,411	26,600,987	26,590,711	2.75%	731,183	(15,408,741)
47	E312	Boiler Plant Equipment	107,860,241	108,751,249	108,211,291	2.98%	3,229,140	(60,526,081)
48	E314	Turbo Generating Units	36,166,530	37,714,991	37,405,037	3.59%	1,359,090	(16,231,636)
49	E315	Accessory Electric Equipment	5,669,307	5,670,535	5,669,687	2.54%	144,026	(2,976,522)
50	E316	Misc. Power Plant Equipment	748,198	902,346	865,038	3.26%	29,694	(382,886)
51		TOTAL	177,032,686	179,640,108	178,741,764	3.07%	5,493,132	(95,525,866)
52		COLSTRIP 3 & 4 COMMON						
53	E311	Structures & Improvements	70,602,621	70,574,232	70,599,073	2.53%	1,740,035	(43,774,562)
54	E312	Boiler Plant Equipment	18,959,641	18,727,316	18,930,601	2.68%	506,508	(11,564,327)
55	E314	Turbo Generating Units	13,373	10,515	13,016	49.28%	5,746	106,746
56	E315	Accessory Electric Equipment	7,652,070	7,652,070	7,652,070	2.32%	177,507	(4,346,380)
57	E316	Misc. Power Plant Equipment	4,639,637	4,613,132	4,636,324	2.70%	125,011	(2,480,469)
58	E317	Asset Retirement Obligation	333,978	333,978	333,978	0.00%	7,590	(206,204)
59		TOTAL	102,201,321	101,911,244	102,165,062	2.51%	2,562,397	(62,265,196)
60		COLSTRIP 1-4 COMMON						
61	E316	Misc. Power Plant Equip.	251,534	251,534	251,534	2.23%	5,609	(158,412)
62		TOTAL	251,534	251,534	251,534	2.23%	5,609	(158,412)
63								
64		Subtotal before Colstrip FERC Adjustments (Line 63 + 65)	695,462,748	713,058,387	707,321,499	3.16%	22,368,124	(424,341,614)
65		ARO - Electric Colstrip 1-4 (Acct: 23001021 - 1031) Adj (AMA is Net of Accum. Amort.)			(1,903,266)		91,109	
66		Colstrip Common FERC Adj. (AMA is Net of Accum. Amort.)			6,100,301		354,669	
67		Colstrip Def Depr FERC Adj. (AMA is Net of Accum. Amort.)			2,392,180		104,311	
68		Totals			713,910,714	3.21%	22,918,212	(424,341,614)

PUGET SOUND ENERGY
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ROW **Exhibit A-3 Colstrip Fixed Costs (Section 2 of 2): 11/1/2008 - 12/31/2008**

77			
78			
79	Support for Revenue Requirement - Expenses		
80			Amount before
81	Order	Description	Prod. Adj.
82	50004011	Colstrip 1&2 - Supv & Eng'g - Steam Ope	\$ 50,364
83	50005011	Colstrip 3&4 - Supv & Eng'g - Steam Ope	42,184
84	50204001	Colstrip 1&2 - Steam Exp - Steam Gen Op	3,297,477
85	50205001	Colstrip 3&4 - Steam Exp - Steam Gen Op	2,175,561
86	50504001	Colstrip 1&2 - Electric Exp - Steam Gen	71,508
87	50505001	Colstrip 3&4 - Electric Exp - Steam Gen	56,120
88	50604001	Colstrip 1&2 - Misc Stm Pwr - Steam Gen	4,170,512
89	50605001	Colstrip 3&4 - Misc Stm Pwr - Steam Gen	2,444,791
90	50704001	Colstrip 1&2 - Rents - Steam Gen Oper	48
91	50705001	Colstrip 3&4 - Rents - Steam Gen Oper	33,275
92	51004001	Colstrip 1&2 - Supv & Eng'g - Steam Gen	880,470
93	51005001	Colstrip 3&4 - Supv & Eng'g - Steam Gen	692,702
94	51104001	Colstrip 1&2 - Structures - Steam Gen M	829,877
95	51105001	Colstrip 3&4 - Structures - Steam Gen M	763,915
96	51204001	Colstrip 1&2 - Boiler Plant - Steam Gen	5,545,623
97	51205001	Colstrip 3&4 - Boiler Plant - Steam Gen	6,051,077
98	51304001	Colstrip 1&2 - Electric Plant - Steam G	1,123,321
99	51305001	Colstrip 3&4 - Electric Plant - Steam G	1,062,379
100	51404001	Colstrip 1&2 - Misc Steam Plt - Steam Gen	1,052,523
101	51405001	Colstrip 3&4 - Misc Steam Plt - Steam Gen	922,491
102		Subtotal for the test year	31,266,220
103		Adjustment to the rate year	4,701,285
104		Subtotal on Orders	35,967,505
105		Property Taxes-Montana	11,457,814
106		Electric Energy Tax	1,668,897
107	403xxxxx	Depreciation	22,918,212
108			<u>\$ 72,012,429</u>

Exhibit A-4 Production Adjustment: 11/1/2008 - 12/31/2008
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PUGET SOUND ENERGY
PRODUCTION ADJUSTMENT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 3.337%	FIT 35%
1	<u>O&M ON PRODUCTION PROPERTY</u>			
2	PRODUCTION WAGE INCREASE:			
3	PURCHASED POWER	\$ 172,558	\$ (5,758)	\$ 2,015
4	OTHER POWER SUPPLY	813,586	(27,149)	9,502
5	TOTAL PRODUCTION WAGE INCREASE	<u>986,144</u>	<u>(32,908)</u>	<u>11,517</u>
6				
7	ADMIN & GENERAL EXPENSES			
8	PAYROLL OVERHEADS	2,726,252	(90,975)	31,841
9	PROPERTY INSURANCE	2,332,573	(77,838)	27,243
10	TOTAL ADMIN & GENERAL EXPENSES	<u>5,058,825</u>	<u>(168,813)</u>	<u>59,084</u>
11				
12	DEPRECIATION / AMORTIZATION:			
13	DEPRECIATION	53,528,073	(1,786,232)	462,126
14	AMORTIZATION	5,806,675	(193,769)	65,192
15	TOTAL DEPRECIATION AND AMORTIZATION (FERC 403)	<u>59,334,748</u>	<u>(1,980,001)</u>	<u>527,318</u>
16	TAXES OTHER-PRODUCTION PROPERTY:			
17	PROPERTY TAXES - WASHINGTON	6,476,490	(216,120)	75,642
18	PROPERTY TAXES - MONTANA	8,701,714	(290,376)	101,632
19	ELECTRIC ENERGY TAX	1,668,897	(55,691)	19,492
20	PAYROLL TAXES	1,192,660	(39,799)	13,930
21	TOTAL TAXES OTHER	<u>18,039,761</u>	<u>(601,987)</u>	<u>210,696</u>
22				
23	<u>O&M ON REGULATORY ASSETS:</u>			
24	CABOT	\$ -	-	-
25	TENASKA	31,942,000	(1,065,905)	373,067
26	BEP	3,526,620	(117,683)	41,189
27	WHITE RIVER PLANT COSTS	1,494,702	(49,878)	17,457
28	WHITE RIVER RELICENSING & CWIP	-	-	-
29	CANWEST	-	-	-
30	HOPKINS RIDGE PREPAID TRANSMISSION	2,034,455	(67,890)	23,761
31	HOPKINS RIDGE INFILL MITIGATION CREDIT	(1,451,500)	48,437	(16,953)
32	GOLDENDALE FIXED COST DEFERRAL (NEW)	4,162,154	(138,891)	48,612
33	TOTAL ADJUSTMENT TO O&M ON REGULATORY ASSETS	<u>\$ 41,708,431</u>	<u>\$ (1,391,810)</u>	<u>\$ 487,133</u>
34	INCREASE(DECREASE) EXPENSE		(4,175,518)	
35	INCREASE(DECREASE) FIT			1,295,748
36	INCREASE(DECREASE) NOI			<u>\$ 2,879,770</u>
37				
38	<u>PRODUCTION PROPERTY RATE BASE:</u>			
39	DEPRECIABLE PRODUCTION PROPERTY	\$ 2,121,905,426	\$ (70,807,984)	
40	LESS PRODUCTION PROPERTY ACCUM DEPR.	(989,158,909)	33,008,233	
41	NON-DEPRECIABLE PRODUCTION PROPERTY	80,465,857	(2,685,146)	
42	LESS PRODUCTION PROPERTY ACCUM AMORT.	(4,422,650)	147,584	
43	COLSTRIP COMMON FERC ADJUSTMENT	6,100,301	(203,567)	
44	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	1,797,723	(59,990)	
45	ENCOGEN ACQUISITION ADJUSTMENT	41,341,033	(1,379,550)	
46	NET PRODUCTION PROPERTY	<u>1,258,028,782</u>	<u>(41,980,420)</u>	
47	DEDUCT:			
48	LIBR. DEPREC. PRE 1981 (EOP)	(372,848)	12,442	
49	LIBR. DEPREC. POST 1980 (EOP)	(143,794,887)	4,798,435	
50	OTHER DEF. TAXES (EOP)	(3,295,458)	109,969	
51	SUBTOTAL	<u>(147,463,194)</u>	<u>4,920,847</u>	
52				
53	ADJUSTMENT TO PRODUCTION RATE BASE	<u>\$ 1,110,565,588</u>	<u>\$ (37,059,574)</u>	<u>\$ 1,073,506,014</u>
54				
55	<u>REGULATORY ASSETS RATE BASE:</u>			
56	CABOT	21,125	(705)	
57	TENASKA	94,583,875	(3,156,264)	
58	BEP	19,609,943	(654,384)	
59	WHITE RIVER PLANT COSTS	33,499,702	(1,117,885)	
60	WHITE RIVER RELICENSING & CWIP	21,740,384	(725,477)	
61	CANWEST	(0)	-	
62	HOPKINS RIDGE PREPAID TRANSMISSION	4,614,747	(153,994)	
63	HOPKINS RIDGE INFILL MITIGATION CREDIT	(1,440,474)	48,069	
64	GOLDENDALE FIXED COST DEFERRAL (NEW)	6,763,253	(225,690)	
65				
66	ADJUSTMENT TO REGULATORY ASSETS RATE BASE	<u>\$ 179,392,556</u>	<u>\$ (5,986,330)</u>	<u>\$ 173,406,226</u>
67				
68	TOTAL ADJUSTMENT TO RATEBASE (LINE 56 + LINE 67)		<u>\$ (43,045,904)</u>	

Exhibit A-5 Power Costs: 11/1/2008 - 12/31/2008
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PUGET SOUND ENERGY
 POWER COSTS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
 GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1	SALES FOR RESALE	\$ 268,574,887	\$ 14,704,466	\$ (253,870,421)
2				
3	PURCHASES/SALES OF NON-CORE GAS	4,267,784	149,656	(4,118,128)
4	WHEELING FOR OTHERS	10,583,713	9,986,183	(597,530)
5		14,851,497	10,135,839	(4,715,658)
6				
7	TOTAL OPERATING REVENUES	283,426,385	24,840,306	(258,586,079)
8				
9	FUEL	\$ 119,309,169	\$ 176,520,586	\$ 57,211,417
10				
11	PURCHASED AND INTERCHANGED	990,181,182	749,834,601	(240,346,581)
12	HEDGING	-	285,295	285,295
13	RATE DISALLOWANCES FOR MARCH POINT 2	-	(8,416,594)	(8,416,594)
14	SUBTOTAL PURCHASED AND INTERCHANGE	\$ 990,181,182	\$ 741,703,302	\$ (248,477,880)
15	WHEELING	63,827,743	67,657,484	3,829,741
16	SCH. 94 - RES./FARM CREDIT	-	-	-
17	TOTAL PRODUCTION EXPENSES	\$ 1,173,318,094	\$ 985,881,372	\$ (187,436,722)
18	HYDRO AND OTHER POWER	79,069,006	95,396,787	16,327,780
19	TRANS. EXP. INCL. 500KV O&M	1,175,688	1,136,455	(39,233)
20				
21	TOTAL OPERATING EXPENSES	\$ 1,253,562,789	\$ 1,082,414,614	\$ (171,148,175)
22				
23	INCREASE (DECREASE) OPERATING INCOME	\$ (970,136,404)	\$ (1,057,574,309)	\$ (87,437,904)
24				
25	REDUCTION TO STATE UTILITY TAX SAVING	3.85%		(23,005)
26	INCREASE (DECREASE) INCOME			\$ (87,414,899)
27	INCREASE (DECREASE) FIT @	35%		(30,595,215)
28	INCREASE (DECREASE) NOI			<u>\$ (56,819,685)</u>

PUGET SOUND ENERGY
PCA MECHANISM REPORT - PCA 7
TWELVE MONTHS ENDED DECEMBER 31, 2008

Exhibit D: Regulatory Assets and Liabilities net of Accumulated Amortization and Deferred Taxes (PCA Periods)
2007 GRC

Ref	Description	12 Months Ended December 31		PCA Period		Return
		Balance	net of	AMA Ratebase	Return	
		net of	net of	net of	net of	net of
		AA & ADFIT	AA & ADFIT	AA & ADFIT	AA & ADFIT	AA & ADFIT
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
		Asset Amort	Asset Amort	Asset Amort	Asset Amort	Asset Amort
		AA & ADFIT	AA & ADFIT	AA & ADFIT	AA & ADFIT	AA & ADFIT
					A.T. %	Amount
						Pre Tax
						Monthly
9						
10	Cabot Buyout					
21	Dec 2008 \$	(1,410,000)	-	G/L Accts #18230171 and #28300461 and Order #54756012	12/08 7.06%&7.00%	48,864
				(1,410,000)		75,175
24						
25	Tenaska					
38	Dec 2008 \$	(28,272,000)	104,886,000	G/L Accts #18230001 and #28300451 and Order #55500423	12/08 7.06%&7.00%	8,354,590
				(28,272,000)		12,853,216
44						
45	BEP					
54	Dec 2008 \$	(3,526,620)	20,409,483	G/L Accts #18230071 and #18230081 and Order #55500007	12/08 7.06%&7.00%	1,527,594
				(3,526,620)		2,350,144
66						
67	White River Relicensing					
74	Dec 2008 \$		21,740,384	G/L Accts #18230641, #18236021, 6031, 6041, 6051, 6071, #18230691, #19000021 and #28300011	12/08 7.06%&7.00%	1,542,966
				-		2,373,794
79						
80	White River Plant Costs					
87	Dec 2008 \$	(1,494,702)	34,112,846	G/L Accts #18220011, #18220021, #18220031, #18220041 and #18220051 and Order #40700015	12/08 7.06%&7.00%	2,477,186
				(1,494,702)		3,811,056
92						
93	Canwest Liability					
100	Dec 2008 \$	1,898,751	(0)	G/L Accts #25400021, #14300061 and #19000451 and Order #547 / #456	12/08 7.06%&7.00%	(21,812)
				1,898,751		(33,557)
103						
104	Hopkins Ridge Prepaid Transm					
110	Dec 2008 \$	(1,928,714)	5,291,348	G/L Acct #18230231 and #18230371 and Order #56500011	12/08 7.06%&7.00%	442,953
				(1,928,714)		681,466
116						
117	Hopkins Ridge Mitigation Credit					
118	Dec 2008 \$	(241,917)	(1,729,704)			(32,850)
				(241,917)		(50,538)
122						
123	Goldendale Fixed Cost Deferral					
124	Dec 2008 \$	(693,692)	7,665,053			552,297
				(693,692)		849,688
128						
129						
130						
131						
132						
137	PCA #7	Jan 2008	Dec 2008			
				(35,668,893)	210,653,903	14,891,788
						22,910,443
140						
141						
142						

Note (1) Amounts in these columns are net of accumulated amortization AND the associated Deferred FIT liability / asset.