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March 12, 2013

Steven V. King, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, Washington 98504-7250

RE: *In the Matter of the Petition of PUGET SOUND ENERGY, INC., For Approval of a Power Purchase Agreement for Acquisition of Coal Transition Power, as Defined in RCW 80.80.010, and the Recovery of Related Acquisition Costs, Docket UE-121373*

In the Matter of the Petition of PUGET SOUND ENERGY, INC. and NW ENERGY COALITION For an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms, Dockets UE-121697/UG-121705

In the Matter of the Petition of PUGET SOUND ENERGY, INC. Expedited Rate Filing WN U-60, Tariff G. Electric Service, Advice No. 2013-01, Docket UE-130137

In the Matter of the Petition of PUGET SOUND ENERGY, INC. Expedited Rate Filing WN U-2, Natural Gas Service, Advice No. 2013-02, Docket UG-130138

Dear Mr. King:

At the March 5, 2013, recessed open meeting, the Commissioners requested that the parties outline lawful procedural options for resolving the pending TransAlta Centralia PPA, decoupling, and ERF matters. This is Commission Staff's response.

PSE FILING DATES

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| 1. TransAlta Centralia PPA: | August 20, 2012 |
| 2. Decoupling dockets (gas and electric): | October 25, 2012 |
| 3. ERF dockets (gas and electric): | February 1, 2013 |



LAWFUL PROCEDURAL OPTIONS

Open Meeting Context (No Settlement):

1. Do not set Decoupling petition for hearing. Devise schedule allowing for discovery, responses, and presentation to Commission.
2. Suspend ERF tariffs, but do not set for hearing. Devise schedule allowing for discovery, responses, and presentation to Commission.
3. Do #1 and #2 above, but do not consolidate the Decoupling and ERF matters.
4. Suspend ERF tariffs, and consolidate with Decoupling petition, but do not set for hearing. Devise an expedited schedule allowing for discovery, responses, and presentation to Commission.
5. Consolidate Decoupling and ERF matters, but do not suspend or set for hearing.

NOTE: Options 2-4 may include temporary ERF rates effective May 1, 2013, subject to revision.

Administrative Procedure Act Context (No Settlement):

1. Call for responses to PSE's Petition for Reconsideration and Motion to Re-open the Record in TransAlta Centralia. Enter Final Order.
2. Set Decoupling petition for hearing. Devise schedule allowing for formal discovery, testimony, hearings and briefs/oral argument.
3. Suspend ERF tariffs and set for hearing. Devise schedule allowing for formal discovery, testimony, and briefs/oral argument.
4. Suspend ERF tariffs, consolidate with Decoupling petition, and set for hearing. Devise an expedited schedule allowing for formal discovery, testimony, and briefs/oral argument. Re-open the TransAlta/Centralia PPA case for the limited purpose of filling in gaps in the Order regarding prudence and deferral.*

NOTE: Options 3 and 4 may include temporary ERF rates effective May 1, 2013, subject to revision.

Settlement Context

1. Unanimous settlement of TransAlta PPA, Decoupling and ERF dockets. File supporting documentation. Schedule hearing or open meeting presentation on settlement. If necessary, allow ERF rates to become effective May 1, subject to revision. Re-open the TransAlta/Centralia PPA case for the limited purpose of filling in gaps in the Order regarding prudence and deferral.

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2. Multiparty or Partial settlement of TransAlta PPA, Decoupling and ERF dockets. File supporting documentation and devise schedule for responses. Schedule hearing or open meeting presentation on Settlement. Issues not addressed by a multiparty or partial settlement will be litigated. Re-open the TransAlta/Centralia PPA case for the limited purpose of filling in gaps in the Order regarding prudence and deferral.

We hope this is of assistance to you.

Sincerely,



SALLY BROWN
Senior Assistant Attorney General

cc: Parties

*Denotes Staff's preferred option, barring unanimous, multiparty, or partial settlement. If necessary, temporary rates could become effective May 1, 2013.