Rate Case	Docket	3 mo. Average Prices Ending	Rate Year Beginning	Gas Contract MTM (Gain) / Loss: Short-term Contracts	Gas Contract MTM (Gain) / Loss: Long-term Contracts [2]	Gas Contract MTM (Gain) / Loss: Total	Gas Contract MTM (Gain) / Loss ($ in Millions): Short-term Contracts	Long-term Contracts	Total	Months in Rates	Estimated Customer Benefit
2003 PCORC	UE-031725	9/27/2003	4/1/2004	($0)	($13,646,294)	($13,646,294)	($0.0)	($13.6)	($13.6)	11	$ (12.5)
2004 GRC	UE-040640	9/30/2004	3/1/2005	($24,490)	($22,832,523)	($22,857,013)	($0.0)	($22.8)	($22.9)	9	$ (17.1)
2005 PCORC	UE-050870	4/29/2005	12/1/2005	($1,003,537)	($28,308,271)	($29,311,808)	($1.0)	($28.3)	($29.3)	7	$ (17.1)
2005 PCORC Update	UE-060783	4/28/2006	7/1/2006 [1]	$509,276	($15,967,018)	($15,457,742)	$0.5	($16.0)	($15.5)	6	$ (15.5)
2006 GRC	UE-06266	11/30/2006	1/1/2007	$4,295,714	($33,842,593)	($29,546,879)	$4.3	($33.8)	($29.5)	8	$ (19.7)
2007 PCORC	UE-070565	5/10/2007	9/1/2007	$1,908,869	($30,102,914)	($28,194,046)	$1.9	($30.1)	($28.2)	14	$ (32.9)
2007 GRC	UE-072300	3/11/2008	11/1/2008	($5,165,642)	$0	($5,165,642)	($5.2)	$0.0	($5.2)	17	$ (7.3)
							$ 0.5	$ (144.7)	$ (144.2)		$ (122.1)

[1] The 2005 PCORC Update included power cost updates for the 6-month period beginning July 1, 2006.

[2] Long-term contracts includes the MTM on the following:

- Aquila Contract - physical, fixed price contract which began in July 1993 and expired June 30, 2008
- CanWest Contract - physical, fixed price contract which began October 1991 and ended October 31, 2005
- Aquila/Deutsche Bank Contract - financial, fixed price contract which began January 2004 and ended June 30,2008
- Toronto Dominion Contracts (CanWest Replacement) - two physical, fixed price contracts which began November 2005 and ended June 30,2008
- The amortization of the gain on the CanWest Contract ($316,459/month) from November 2005 throught June 30, 2008

2003 PCORC

	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Rate Year
CT Hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0	0	0	(0)
Encogen (LT Contracts ONLY)	(1,010,093)	(974,844)	(958,159)	(1,036,351)	(1,048,211)	(1,003,642)	(1,059,680)	(1,180,703)	(1,423,018)	(1,510,425)	(1,253,063)	(1,188,105)	(13,646,294)
Total Gas Hedge MTM	(1,010,093)	(974,844)	(958,159)	(1,036,351)	(1,048,211)	(1,003,642)	(1,059,680)	(1,180,703)	(1,423,018)	(1,510,425)	(1,253,063)	(1,188,105)	(13,646,294)

No short-term contracts included in 2003 PCORC.

No gas hedges per 9.26.03 KWI cube.

2004 GRC

	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Rate Year
Freddy 1	($24,490)												($24,490)
Total (Gain)/Loss in 04 GRC	($24,490)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($24,490)
Long-term Physical													
Encogen	($2,437,063)	($1,882,633)	($1,855,610)	($1,811,244)	($1,851,474)	($1,863,030)	($1,795,326)	($1,877,199)	($1,739,855)	($1,925,163)	($1,996,708)	($1,797,217)	($22,832,523)

2005 PCORC

(Gain) / Loss	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Rate Year
Freddy 1	($2,004)	($176,318)	($150,057)	($13,160)	($12,721)	$7,703	$3,252	$57,380	$65,935	$185,090	$0	$0	($34,900)
Tenaska	($812,212)	($86,340)	$22,879	$60,858	$0	$0	$0	$0	$0	$0	$0	$0	($814,816)
Encogen	$0	($74,765)	($49,479)	($29,578)	$0	$0	$0	$0	$0	$0	$0	$0	($153,821)
Total (Gain)/Loss in 05 PCORC	($814,216)	($337,423)	($176,657)	$18,120	($12,721)	$7,703	$3,252	$57,380	$65,935	$185,090	$0	$0	($1,003,537)
Encogen (LT Deals)	($2,994,410)	($3,134,721)	($2,844,539)	($2,960,101)	($2,010,561)	($1,964,142)	($1,931,804)	($2,036,976)	($2,058,087)	($1,992,676)	($2,079,434)	($2,300,820)	($28,308,271)

2005 PCORC Update

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	6-months
Tenaska	$0	$336,459	$115,408	$101,235	$0	$0	$553,102
Freddy 1	$335,845	$182,451	$75,198	($70,863)	($186,045)	($380,412)	($43,826)
Total	**$335,845**	**$518,909**	**$190,606**	**$30,372**	**($186,045)**	**($380,412)**	**$509,276**
Encogen (LT Deals)	($2,105,432)	($2,237,692)	($2,235,125)	($2,373,799)	($3,141,753)	($3,873,216)	($15,967,018)

2006 GRC

(Gain) / Loss	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Rate Year
Tenaska	$769,371	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$769,371
Freddy 1	$1,212,085	$1,249,687	$700,760	$0	$0	$0	($56,956)	($6,273)	$427,040	$0	$0	$0	$3,526,344
Total (Gain)/Loss in 06 GRC	**$1,981,456**	**$1,249,687**	**$700,760**	**$0**	**$0**	**$0**	**($56,956)**	**($6,273)**	**$427,040**	**$0**	**$0**	**$0**	**$4,295,714**
Encogen (LT Deals)	($3,253,759)	($2,993,870)	($3,124,441)	($2,347,382)	($2,386,312)	($2,390,054)	($2,526,611)	($2,617,206)	($2,605,661)	($2,716,355)	($3,136,124)	($3,744,818)	($33,842,593)

Fixed-Price Gas Contracts for Rate Year 2007

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Wednesday, December 13, 2006 5:39:44 PM

2007 PCORC

Transacted Gas Contracts for Rate Year Sep07-Aug08 at 5.10.07

		30	31	30	31	31	29	31	30	31	30	31	31	366
		Sep-07	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Jul-08**	**Aug-08**	**Rate Year**
	Goldendale Fin'l													
	Fixed Contract $	$ 5,532,000	$ 2,292,450	$ 2,370,000	$ 4,109,825	$ 2,840,375	$ 1,316,600	$ 1,356,250	$ -	$ -	$ -	$ 1,136,150	$ -	$ 20,953,650
	Fixed daily MMBtu	25,000	10,000	10,000	15,000	10,000	5,000	5,000	-	-	-	5,000	-	
	Fixed monthly MMBtu	750,000	310,000	300,000	465,000	310,000	145,000	155,000	-	-	-	155,000	-	2,590,000
	Fixed $/MMBtu	$7.38	$7.40	$7.90	$8.84	$9.16	$9.08	$8.75	$0.00	$0.00	$0.00	$7.33	$0.00	$8.09
Sumas	Market $/MMBtu	$7.19	$7.34	$8.30	$8.98	$9.00	$8.97	$8.70	$7.14	$7.08	$7.23	$7.37	$7.55	$7.90
	Difference	$ 0.19	$ 0.06	$ (0.40)	$ (0.14)	$ 0.16	$ 0.11	$ 0.05	$ (7.14)	$ (7.08)	$ (7.23)	$ (0.04)	$ (7.55)	$ 0.19
NIM In 36	MTM Adjustment	$ 141,190	$ 18,494	$ (119,953)	$ (64,917)	$ 50,914	$ 15,748	$ 7,540	$ -	$ -	$ -	$ (6,358)	$ -	$ 42,658
	Gas Fired Resources Financial													
	Fixed Contract $	$ 3,261,000	$ 4,636,825	$ 7,478,250	$ 12,632,500	$ 10,194,350	$ 8,170,750	$ 8,332,025	$ -	$ -	$ -	$ 2,368,400	$ 2,387,000	$ 59,461,100
	Fixed daily MMBtu	15,000	20,000	30,000	45,000	35,000	30,000	30,000	-	-	-	10,000	10,000	18,770
	Fixed monthly MMBtu	450,000	620,000	900,000	1,395,000	1,085,000	870,000	930,000	-	-	-	310,000	310,000	6,870,000
	Fixed $/MMBtu	$7.25	$7.48	$8.31	$9.06	$9.40	$9.39	$8.96	$0.00	$0.00	$0.00	$7.64	$7.70	$8.66
Sumas	Market $/MMBtu	$7.19	$7.34	$8.30	$8.98	$9.00	$8.97	$8.70	$7.14	$7.08	$7.23	$7.37	$7.55	$7.90
	Difference	$ 0.06	$ 0.14	$ 0.01	$ 0.08	$ 0.40	$ 0.42	$ 0.26	$ (7.14)	$ (7.08)	$ (7.23)	$ 0.27	$ 0.15	$ 0.75
	MTM Adjustment	$ 26,514	$ 88,913	$ 8,391	$ 108,274	$ 431,236	$ 365,639	$ 239,763	$ -	$ -	$ -	$ 83,384	$ 46,599	$ 1,398,714
	Gas Fired Resources Physical													
	Fixed daily MMBtu	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-	-	-	-	-	11,639
	Fixed monthly MMBtu	600,000	620,000	600,000	620,000	620,000	580,000	620,000	-	-	-	-	-	4,260,000
	Premium $/MMBtu	$0.085	$0.085	$0.085	$0.085	$0.085	$0.085	$0.085	$0.000	$0.000	$0.000	$0.000	$0.000	$0.085
	MTM Adjustment	$ 51,000	$ 52,700	$ 51,000	$ 52,700	$ 52,700	$ 49,300	$ 52,700	$ -	$ -	$ -	$ -	$ -	$ 362,100
NIM In 29	Gas Fired MTM Adj.	$ 77,514	$ 141,613	$ 59,391	$ 160,974	$ 483,936	$ 414,939	$ 292,463	$ -	$ -	$ -	$ 83,384	$ 46,599	$ 1,760,814
	Other MTM													
	Freddy 1	$ 403,352	$ 19,322	$ (31,476)	$ (60,131)	$ 88,889	$ (59,652)	$ (79,260)	$ -	$ -	$ -	$ -	$ -	$ 281,044
	Tenaska	$ (175,648)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (175,648)
	Total Other	$ 227,705	$ 19,322	$ (31,476)	$ (60,131)	$ 88,889	$ (59,652)	$ (79,260)	$ -	$ -	$ -	$ -	$ -	$ 105,396
Total (Gain) Loss In 2007 PCORC		$ 446,410	$ 179,430	$ (92,038)	$ 35,927	$ 623,738	$ 371,035	$ 220,742	$ -	$ -	$ -	$ 77,025	$ 46,599	$ 1,908,869
	Encogen LT Deals	$ (2,232,549)	$ (2,344,850)	$ (2,851,860)	$ (3,593,022)	$ (3,899,775)	$ (3,711,694)	$ (3,802,526)	$ (2,537,003)	$ (2,557,349)	$ (2,572,286)	$ -	$ -	$ (30,102,914)

MTM Calculation on Gas Transportation for Encogen

		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	8.13.09 Rebuttal RY	8.13.09 Update RY	<= price date Difference RY
Encogen		30	31	30	31	31	30	31	30	31	31	28	31			
Occidental Transport w/ PSEG Gas Supply																
Vol of Delivery	MMBtu/Day	16,884	16,884	16,884	16,884	16,884	16,884	16,884	16,884	16,884	16,884	16,884	16,884			
Sumas Gas for MTM	**AURORA INPUT**	[redacted]														
Rockies Gas for MTM	**AURORA INPUT**															
Basis (Gain) / Loss	**Rockies-Sumas**															
PSEG Added																
Net Basis (Gain) / Loss	**$/MMBtu**															
TOTAL MTM (GAIN)/Loss	**to NIM**															

Station 2

MTM Calculation on Gas Transportation for Freddie 1

Freddie 1		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	8.13.09 Rebuttal RY	8.13.09 Update RY	<= price date Difference RY
AECO from AURORA	**AURORA input**	[redacted]														
Exchange rate	US$/CAD$	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815			
Frcsted Station 2 Basis to AECO in CAD/GJ	CAD$/GJ	[redacted]														
Frcsted Station 2 Basis to AECO in US$/GJ	US$/GJ															
Conversion Factor MMBtu->GJ	GJ/MMBtu															
Frcsted Station 2 Basis AECO in US$/MMBtu	US$/MMBtu															
Station 2	$/MMBtu															
Sumas	**AURORA input**															
Station 2 to Sumas Basis	$/MMBtu															
Sumas quantity	MMBtu/Day	21,747	21,747	21,747	21,747	21,747	21,747	21,747	21,747	21,747	21,747	21,747	21,747	260,964	260,964	-
Station 2 quantity in MMBtu/D incl. 2% Fuel loss	2%	22,191	22,191	22,191	22,191	22,191	22,191	22,191	22,191	22,191	22,191	22,191	22,191	266,290	266,290	-
Calculated Basis (gain) loss	**to NIM**	[redacted]														

MTM Calculation on Gas Transportation for Mint Farm (Transport contract with FB Energy starts in 11/1/09)

Mint Farm		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	8.13.09 Rebuttal RY	8.13.09 Update RY	<= price date Difference RY
AECO from AURORA	**AURORA input**	[redacted]														
Exchange rate	US$/CAD$	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815			
Frcsted Station 2 Basis to AECO in CAD/GJ	CAD$/GJ	[redacted]														
Frcsted Station 2 Basis to AECO in US$/GJ	US$/GJ															
Conversion Factor MMBtu->GJ	GJ/MMBtu															
Frcsted Station 2 Basis AECO in US$/MMBtu	US$/MMBtu															
Station 2	$/MMBtu															
Sumas	**AURORA input**															
Station 2 to Sumas Basis	$/MMBtu															
Sumas quantity	MMBtu/Day	25,498	25,498	25,498	25,498	25,498	25,498	25,498	25,498	25,498	25,498	25,498	25,498	305,976	305,976	
Station 2 quantity in MMBtu/D incl. 2% Fuel loss	2%	26,018	26,018	26,018	26,018	26,018	26,018	26,018	26,018	26,018	26,018	26,018	26,018	312,220	312,220	
Calculated Basis (gain) loss	**to NIM**	[redacted]														

MTM Calculation on Gas Transportation for Goldendale (NEW Westcoast Contract)

Goldendale		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	8.13.09 Rebuttal RY	8.13.09 Update RY	<= price date Difference RY
AECO from AURORA	**AURORA input**	[redacted]														
Exchange rate	US$/CAD$	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815	0.815			
Frcsted Station 2 Basis to AECO in CAD/GJ	CAD$/GJ	[redacted]														
Frcsted Station 2 Basis to AECO in US$/GJ	US$/GJ															
Conversion Factor MMBtu->GJ	GJ/MMBtu															
Frcsted Station 2 Basis AECO in US$/MMBtu	US$/MMBtu															
Station 2	$/MMBtu															
Sumas	**AURORA input**															
Station 2 to Sumas Basis	$/MMBtu															
Sumas quantity	MMBtu/Day															
Station 2 quantity in MMBtu/D incl. 2% Fuel loss	2%															
Calculated Basis (gain) loss	**to NIM**															

Total Basis Gain [redacted]

Westcoast Pipeline Fixed Transport Costs (From Fixed Gas Transport UPDATED tab)

	RY
Freddie 1 (21,823 dth/day)	$2,824,062
Mint Farm - FB Energy Contract (25,498 dth/day)	$3,299,743
Goldendale (20,000 dth/day)	$2,591,968
Total Westcoast Fixed Costs	$8,715,772
Mint Farm - FB Energy Reg Asset Amort	($392,150)
Total Westcoast Fixed Costs after FB Energy Reg Asst Amort	$8,323,622

Station 2 - Sumas Basis Gain from Above Calculations

Freddie 1	($1,923,561)
Mint Farm	($2,255,343)
Goldendale	($1,769,035)
Total Station 2 - Sumas Gain	($5,947,939)

Additional Basis Gain to Assume (Difference between Fixed costs and basis gain)

Freddie 1	($900,501)
Mint Farm	($652,250)
Goldendale	($822,932)
Total Difference in Fixed Costs and Basis Gain	($2,375,683)

PUGET SOUND ENERGY

ENERGY MANAGEMENT COMMITTEE MEETING

Thursday, March 19, 2009

2:30 PM – 4:30 PM

(WILD HORSE CONFERENCE ROOM)

* * * AGENDA * * *

Meeting attendees are reminded that the FERC Standards of Conduct prohibit discussion or sharing of non-public transmission information. Specifically, attendees are reminded of the "no conduit" rule that prohibits an employee who has knowledge of non-public transmission information from acting as a conduit to transfer that information to merchant employees.

Past Matters:

Minutes from the February 12, 2009 EMC meeting were distributed via email February 28, 2009 and approved on March 6, 2009.

New Matters:

	Description	Presenter	Item Type
A.	Cabot Asset Management Agreement	Clay Riding	Decision
B.	2009 Clay Basin Storage Capacity Release	Joe Hoerner and Colin Crowley	Decision
C.	Energy Supply Compliance Program	Kelsey Colvin	Informational
D.	Resource Acquisition Update	Roger Garratt and Paul Wetherbee	Informational
E.	Power and Gas Position	David Mills	Informational
F.	Hedging Procedures Manual Updates	Chris Janak	Informational

Next Meetings:
The next EMC Meetings will be

Wednesday, April 22 – 2:30 p.m. (Wild Horse Room)

Wednesday, May 20 – 2:30 p.m. (Wild Horse Room)

Thursday, June 18 – 2:30 p.m. (Wild Horse Room)

All Administrative and Presentation materials are available in the EMC files and are also available on the X Drive secure file location: X:\#EMC_Meetings\[Date] EMC Meeting. Position Reports will be distributed in advance of the regularly scheduled EMC meetings.

Redacted Information

[redacted]

Transacted Gas Contracts for Rate Year Apr10-Mar11 using 3 mo Average ending 8.13.09 gas prices

														8.13.09 Update	3.20.09 As Filed	<=Price Date Difference
		30	31	30	31	31	30	31	30	31	31	28	31	365	365	0
	AT 8.13.09	**Apr-10**	**May-10**	**Jun-10**	**Jul-10**	**Aug-10**	**Sep-10**	**Oct-10**	**Nov-10**	**Dec-10**	**Jan-11**	**Feb-11**	**Mar-11**	**Rate Year**	**Rate Year**	**Rate Year**
Fixed	Sumas Gas Volume	[redacted]														
Fixed	Gas Fixed Cost	[redacted]														
Fixed	Sumas 3 mo. Ave. @8.13.09	[redacted]														
Fixed	Difference	[redacted]														
Fixed	Gas MTM	2,163,942	901,310	694,012	5,660,808	5,216,250	5,004,675	2,957,237	2,937,975	3,677,471	4,137,651	3,764,316	3,893,823	41,009,470	34,484,717	6,524,753
Fixed	Rockies Gas Volume	[redacted]														
Fixed	Gas Fixed Cost	[redacted]														
Fixed	Rockies 3 mo. Ave. @8.13.09	[redacted]														
Fixed	Difference	[redacted]														
Fixed	Gas MTM	447,462	223,324	16,779	464,898	433,903	205,755	(185,494)	(98,837)	365,656	727,051	671,023	621,936	3,893,455	7,090,911	(3,197,456)
Index	Gas Volum	[redacted]														
Index	Premium	[redacted]														
Index	Gas MTM	(4,018)	15,998	15,482	4,652	4,652	4,502	15,998	15,482	15,998	15,998	14,450	15,998	135,192	736,596	(601,404)
	Fixed + Index Total MTM	2,607,386	1,140,631	726,273	6,130,358	5,654,805	5,214,932	2,787,741	2,854,620	4,059,124	4,880,701	4,449,789	4,531,757	45,038,117	42,312,224	2,725,893

As-Filed Contract
New Contract for Update

Redacted Information

A l Books,All De ivery Dates,All Traders,A l Counterparties All Demand Pro ile All Buys/Sales Both Phy-Fin Both Fixed-Float All Commodities Statistic Description All Delivery Regions Forward Regions Curve Date Forward Curve Initiated By FAS Tracking MEASU

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download 09

DEM Page 1 of 6

	RY (Apr/2010 - Mar/2011)					2010/Apr					2010/May					2010/Jun					2010/Jul				
	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU

CT Hedges . Financial . Fixed . Sumas
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F N1016
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F N1019
F N1088
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F N1090
F N1091
F N1107
F N1108
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Gas Hedges Deta l.ppx of Powersimm_33631_081309 (Reporter)
As-Filed Contract
New Contract for Update
Friday, August 14, 2009 11 45 38 AM
8/14/2009 11 45

Redacted Information

A l Books,All De ivery Dates,All Traders,A l Counterparties All Demand Pro ile All Buys/Sales Both Phy-Fin Both Fixed-Float All Commodities Statistic Description All Delivery Regions Forward Regions Curve Date Forward Curve Initiated By FAS Tracking MEASU

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download 0 ... 09

DEM- Page 2 of 6

	RY (Apr/2010 - Mar/2011)					2010/Apr					2010/May					2010/Jun					2010/Jul				
	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU

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CT Hedges
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CT Hedges
Total Fixed Deals

No Strategy . Phy P-BIOE-0001
No Strategy

No Strategy . Phy P-PSEG-0327
No Strategy

No Strategy . Phy P-IGI-0090
P-SHELLC-0096
No Strategy

Total Index Deals

<Back out> P-BIOE-0001 (See No
Adjusted Total Index Deals

[redacted]

Note P-BIOE-0001 is the gas purchase contract with BioEnergy to buy gas produced at Cedar Hi ls faci ity.
The purchase price is the AECO index plus $0.40 premium/mmBTU. This $0.40 premium is captured in separate calculations - please see "Cedar Hills MTM" spreadsheet.

Redacted Information

A l Books,All De ivery Dates,All Traders,A l

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download 0 1 09

DEM- Page 3 of 6

	2010/Aug					2010/Sep					2010/Oct					2010/Nov					2010/Dec				
	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU

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Redacted Information

A l Books,All De ivery Dates,All Traders,A l

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download

DEM- Page 4 of 6

	2010/Aug					2010/Sep					2010/Oct					2010/Nov					2010/Dec				
	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU

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CT Hedges
Total Fixed Deals

No Strategy . Phy: P-BIOE-0001
No Strategy

No Strategy . Phy: P-PSEG-0327
No Strategy

No Strategy . Phy: P-IGI-0090
P-SHELLC-0096
No Strategy

Total Index Deals

<Back out> P-BIOE-0001 (See Not
Adjusted Total Index Deals

[redacted]

Note P-BIOE-0001 is the gas purchase c
The purchase price is the AECO index plu

Redacted Information

A l Books,All De ivery Dates,All Traders,A l

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download 0...09

	2011/Jan					2011/Feb					2011/Mar				
	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU	Contract $	MTM $	mmBTU	Contract $ / mmBTU	MTM $ / mmBTU
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Redacted Information

A l Books,All De ivery Dates,All Traders,A l

Copy of DEM-25 Gas Purchases.xls Gas - Pwrsm Download 0... 09

		2011/Jan					2011 Feb					2011/Mar				
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	P-SHELLC-0096															
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Total Index Deals																
<Back out>	P-BIOE-0001 (See Not															
Adjusted Total Index Deals																

Note P-BIOE-0001 is the gas purchase co
The purchase price is the AECO index plu

On June 29, 1989, the Company executed a 20-year contract to purchase 70 average MW of energy and 80 MW of capacity, beginning October 11, 1991, from the March Point Cogeneration Company ("March Point"), which owns and operates a natural gas-fired cogeneration facility known as March Point Phase I, located at the Equilon refinery in Anacortes, Washington. On December 27, 1990, the Company executed a second contract (having a term coextensive with the first contract) to purchase an additional 53 average MW of energy and 60 MW of capacity, beginning in January 1993, from another natural gas-fired cogeneration facility owned and operated by March Point, which facility is known as March Point Phase II and is located at the Equilon refinery in Anacortes, Washington. A dispute, currently being litigated, exists between the Company and March Point over the PURPA status of and the Company's obligations to buy the output of Phase II.

On February 24, 1989, the Company executed a 20-year contract to purchase 108 average MW of energy and 123 MW of capacity, beginning in April 1993, from Sumas Cogeneration Company, L.P., which owns and operates a natural gas-fired cogeneration project located in Sumas, Washington.

On September 26, 1990, the Company executed a 15-year contract to purchase 141 average MW of energy and 160 MW of capacity, beginning in July 1993, from Encogen Northwest L.P. ("Encogen") (a limited partnership having a general partner that is a subsidiary of Enserch Development Corp.), which owned and operated a natural-gas fired cogeneration facility located at the Georgia Pacific mill near Bellingham, Washington. The contract had obligated the Company to pay Encogen fixed and escalating fees well above current and projected future market prices through mid-2008 for the output of the plant. On November 1, 1999, the Company purchased the 160 megawatt plant from Encogen. The Company paid $55 million in cash and assumed $109 million in debt to acquire the partnership, which owned no significant assets other than the plant. Pursuant to an October 27, 1999 order from the Washington Commission approving the purchase, the Company will depreciate the original owner's net book value of the plant over the remaining 23 year useful life of the project. The difference between the purchase price and the net book value of the plant (approximately $72.5 million) will be amortized over 9 years (the remaining term of the power purchase contract). The purchase is expected to reduce the net cost of power from the co-generation project by approximately 17% annually.

In December 1999, the Company bought out the remaining 8.5 years of one of the natural gas supply contracts serving Encogen from Cabot Oil & Gas Corporation which provided approximately 60% of the plant's natural gas requirements. The Company will become the replacement gas supplier to the project for 60% of the supply under the terms of the Cabot Agreement and expects the agreement will reduce this portion of gas costs by 5% to 15% annually. The Washington Commission has issued an order creating a regulatory asset relating to the $12 million payment that requires the Company to accrue carrying costs on the unamortized balance over the first 3 years.

On March 20, 1991, the Company executed a 20-year contract to purchase 216 average MW of energy and 245 MW of capacity, beginning in April 1994, from Tenaska Washington Partners, L.P., which owns and operates a natural gas-fired cogeneration project located near Ferndale, Washington. In December 1997 and January 1998, the Company and Tenaska Washington Partners entered into revised agreements which will lower purchased power costs from the Tenaska project by restructuring its natural gas supply. The Company paid $215 million to buy out the project's existing long-term gas supply contracts, which contained fixed and escalating gas prices that were well above current and projected future market prices for natural gas. The Company became the principal natural gas supplier to the project and power purchase prices under the Tenaska contract were revised to reflect market-based prices for the natural gas supply. The Company obtained an order from the Washington Commission creating a regulatory asset related to the $215 million restructuring payment. Under terms of the order, the Company is allowed to accrue as an additional regulatory asset one-half the carrying costs of the deferred balance over the first five years. These revised arrangements are expected to reduce the Company's power supply costs from the Tenaska project an average of between 15 and 20 percent over the 14 year period from 1998 through 2011, net of the costs of the restructuring payment.

ELECTRIC RATES AND REGULATION

The order approving the merger of the Company, Washington Energy Company

Redacted Information

Calculation of Proposed Rebundled Power Costs

EXHIBIT B
Revision 2

			1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total	
	Current Power Contract Costs				(dollars in thousands)									(dollars in thousands)				
1	Estimated Generation (MWH) (245MW, 98%LF,11mos/yr)		1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	1,928,003	26,992,042	
2	Current Power Contract Rate ($/MWH)		$52 8	$59 6	$62 5	$66 0	$69 9	$72 8	$78 2	$82 6	$87 5	$90 4	$94 3	$98 2	$102 1	$106 3		
3	Current PowerContract Payments ($x1000)		$101,799	$114,909	$120,500	$127,248	$134,767	$140,359	$150,770	$159,253	$168,700	$174,291	$181,811	$189,330	$196,849	$204,947	$2,165,533	
	Gas Cost Savings																	
4	TGC Gas Price ($/MMBtu) ($2 07 in 1993, esc @ 8 5%/yr)		$3 11	$3 37	$3 66	$3 97	$4 31	$4 68	$5 07	$5 51	$5 97	$6 48	$7 03	$7 63	$8 28	$8 98		
5	Repl Gas Price ($/MMBtu) (Forward Market Quotes as of 9/23/97)		$1 73	$1 71	$1 73	$1 77	$1 81	$1 87	$1 92	$1 98	$2 06	$2 13	$2 24	$2 35	$2 47	$2 61		
6	Gas Price Difference ($/MMBtu)		$1 38	$1 66	$1 93	$2 20	$2 50	$2 81	$3 15	$3 53	$3 92	$4 35	$4 79	$5 28	$5 81	$6 37		
	Heat Rate		[redacted]															
7	Annual Gas Burn (MMBtu) (8300Btu/kwh Heat Rate)		16,064,121	16,133,529	15,936,873	16,008,209	16,079,545	16,150,881	16,222,217	16,291,625	15,936,873	16,008,209	16,079,545	16,150,881	16,222,217	16,291,625	225,576,351	
8	Gas Cost Savings ($x1000)		$22,168	$26,812	$30,737	$35,296	$40,159	$45,379	$51,109	$57,430	$62,442	$69,648	$77,048	$85,266	$94,216	$103,801	$801,512	
	Rebundling Prorata Power Cost Recovery																	
9	Current PowerContract Payments ($x1000)		$ 101,799	$ 114,909	$ 120,500	$ 127,248	$ 134,767	$ 140,359	$ 150,770	$ 159,253	$ 168,700	$ 174,291	$ 181,811	$ 189,330	$ 196,849	$ 204,947	$ 2,165,533	
10	Gas Cost Savings ($x1000)		($22,168)	($26,812)	($30,737)	($35,296)	($40,159)	($45,379)	($51,109)	($57,430)	($62,442)	($69,648)	($77,048)	($85,266)	($94,216)	($103,801)	($801,512)	
11	New Power Costs		79,630	88,097	89,763	91,952	94,608	94,979	99,661	101,823	106,258	104,643	104,763	104,064	102,633	101,145	1,364,021	
12	Federal Tax on New Power Costs		(27,871)	(30,834)	(31,417)	(32,183)	(33,113)	(33,243)	(34,881)	(35,638)	(37,190)	(36,625)	(36,667)	(36,422)	(35,922)	(35,401)	(477,407)	
13	Gas Supply Contract Buyout Cost		215,000														215,000	
14	Federal Tax on Buyout Costs	8 00%	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(10,033)	(75,250)	-35%
15	Interest Net of Tax	5 20%	11,389	11,457	11,547	11,534	11,401	11,127	10,700	10,101	9,329	8,352	7,111	5,580	3,717	1,349	124,696	
16	Net Power Costs to be Recovered (deferred charges)		273,132	63,704	64,877	66,286	67,880	67,847	70,463	71,269	73,381	71,354	70,190	68,205	65,412	57,060	1,151,060	
17	Power Cost Recovery Based on % of Original Power Contract		(54,110)	(61,078)	(64,050)	(67,637)	(71,634)	(74,606)	(80,140)	(84,649)	(89,670)	(92,642)	(96,639)	(100,636)	(104,632)	(108,937)	(1,151,060)	
18	Cumulative Unrecovered Deferred Charge		219,022	221,648	222,475	221,123	217,369	210,611	200,935	187,555	171,265	149,976	123,528	91,097	51,877	-	2,288,481	
19	Before Tax Recovery Rates		83,246	93,967	98,539	104,057	110,206	114,778	123,292	130,229	137,954	142,527	148,675	154,824	160,973	167,595	1,770,861	
20	Savings		18,553	20,942	21,961	23,191	24,562	25,581	27,478	29,024	30,746	31,765	33,135	34,506	35,876	37,352	394,672	
21	Net Savings		12,059	13,613	14,275	15,074	15,965	16,627	17,861	18,866	19,985	20,647	21,538	22,429	23,319	24,279	256,537	
22	Current Power Contract Rate ($/MWH)		$52 80	$59 60	$62 50	$66 00	$69 90	$72 80	$78 20	$82 60	$87 50	$90 40	$94 30	$98 20	$102 10	$106 30		
23	Future Power Bundled Rate ($/MWH)		$43 18	$48 74	$51 11	$53 97	$57 16	$59 53	$63 95	$67 55	$71 55	$73 92	$77 11	$80 30	$83 49	$86 93		
24	Savings		$9 62	$10 86	$11 39	$12 03	$12 74	$13 27	$14 25	$15 05	$15 95	$16 48	$17 19	$17 90	$18 61	$19 37		
25	Gross Savings % line #20 / Line #3		18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%	18 2%		

	Total 98-2011	Total '00-2011
Gross Savings	$ 394,672	$ 355,177
Current Contract Payments	$ 2,165,533	$ 1,948,825
Savings %	18.2%	18 2%

Agenda Date: December 29, 1999
Item Number: **2B**

Docket: UE-991918
Company Name: Puget Sound Energy

Staff: Thomas E. Schooley, Policy Research Specialist
Roland C. Martin, Energy Regulatory Consultant

Recommendation:

Staff recommends the Commission approve the accounting petition as amended and described below.

Discussion:

On December 8, 1999, Puget Sound Energy (PSE) filed a petition for an order regarding the accounting and rate making treatment of the assignment of a gas purchase agreement with Cabot Oil and Gas Marketing Corporation (Cabot). The Gas Purchase Agreement relates to the gas supply at the Encogen cogeneration project from which PSE purchases the electrical output. PSE recently purchased the generating plant from Encogen where it received an accounting order in Docket UE-991498, October 27, 1999. This gas purchase agreement represents about 60% of the natural gas used by the plant. PSE's accounting and rate making proposal is structured such that the purchase price and financing costs are ratably spread forward in proportion to the original contract costs.

PSE states in the petition that assignment of the gas purchase agreement will allow the Company to lower the gas costs at the electric plant, thereby producing significant savings for customers. These savings are estimated to be $7.4 million over the remaining 8.5 years of the gas contract. Under the Assignment and Assumption Agreement, PSE pays to Cabot $12.0 million and receives from Cabot the Gas Purchase Agreement. PSE estimates transaction costs of $906,000. Upon completion of the assignment, PSE will retire the current Gas Purchase Agreement and replace it with new gas supplies purchased under its normal gas market activities. Gas cost savings are significant, based on forward market prices available today. Total savings are reduced by the net purchase price, federal income taxes, and three years of capitalized interest resulting in savings available to customers of about $7.4 million. PSE claims that the savings in power costs resulting from this transaction are substantial and that delay of the transaction lessens the value to customers. This transaction deals with only one gas supply contract of the facility, of which there are three.

To achieve targeted earnings, the Company requires an accounting order that obtains desired rate making treatment and satisfies financial reporting and accounting needs. The Company seeks authorization to:

(a) Capitalize, for recovery in rates, the purchase price paid for the gas supply contract;

(b) Begin amortization of the purchase price immediately;

(c) Capitalize the interest costs at a rate of 8% on the net regulatory assets for three years;

(d) Commence amortization of the deferred balance based on the gas cost savings less interest in each of the remaining years;

(e) Flow through the straight line tax amortization of the purchase price; and

(f) Include the unamortized balance for rate making purposes for recovery in any future proceedings at the then-authorized rate of return.

Staff reviewed PSE's petition and identified two minor concerns underlying the accounting and rate making proposal. Staff appreciates the Company's pursuit of its power stretch goals which is consistent with the expectations of the Commission as embodied in the order approving the merger of Puget Power with Washington Natural Gas in Docket No. UE-960195.

Affiliated Interest Concerns

PSE owns preferred stock in Cabot. This came about through a series of transactions beginning with the merger of Puget with Washington Energy (WECO). Cabot Oil acquired subsidiary of WECO in exchange for common and preferred stock of Cabot. PSE acquired this Cabot stock when it merged with WECO. Subsequently PSE sold the common, but continues to hold the preferred stock. While PSE does not have voting power to influence Cabot decision-making, it does receive a six percent dividend on the preferred. As a side transaction PSE has an agreement to sell the preferred stock back to Cabot for about book value. This sale must take place before November 2000.

Staff does not suggest that a specific affiliate relationship currently exists, however we are concerned that there is an appearance of potential self-dealing.

The Petition

The accounting petition contains four basic requests.

1. Permission to book the contract buy-out cost as a regulatory asset;

2. Permission to capitalize interest on the regulatory asset for three years;

3. Authorization to amortize the regulatory assets at predetermined percentages per year based on the relative savings per year of the original contract;

4. Authorization for straight-line amortization of the federal income tax benefit associated with the buy-out cost.

These requests roughly follow the plan authorized in the Tenaska gas contract buy-out. Staff's concerns revolve around the capitalized interest and the straight-line amortization of the FIT benefit.

The principle behind amortizing the $12.9 million buy-out cost in the manner proposed is to match this cost to the savings of future years. The current gas contract contains escalating gas prices which result in unit costs in the ninth year that are 44% greater than today. PSE could today purchase replacement gas at firm prices which start out 6% lower and move up by only 21% over the next nine years. To look at this another way, since about 20% of the gas savings are in the year 2007, then about 20% of the buy-out cost should occur in 2007. Staff accepts this in principle.

PSE desires capitalized interest to keep its income statement whole and rationalizes that this was allowed in the Tenaska deal. PSE and Cabot will dissolve the preferred stock within the next year taking about $3.0 million of net dividend income off PSE's income statement. The capitalized interest helps make up this shortfall. Staff does not believe the Commission should necessarily concern itself with PSE's unregulated earnings picture, however we concede the point in order to ensure the company moves forward with its restructured gas agreement.

Our other concern is the request for straight-line amortization of the FIT benefit. This "benefit" is the tax avoided by spending the $12.9 million. Staff feels this should be amortized at the same rate as the cost. PSE desires straight-line amortization because this improves their near-term earnings. Again, staff concedes this argument to the company.

Overall, Staff concludes the accounting petition is in the public interest. Our concerns on sections of the petition are overshadowed by the need to facilitate the revision of PSE's gas supply contracts for the Encogen plant in order to obtain the benefit of lowered future power costs for ratepayers.

Therefore, we recommend approval.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

WUTC STAFF DATA REQUEST NO. 241

WUTC STAFF DATA REQUEST NO. 241:

Data Requests Directed to David E. Mills
With regard to Exhibit No. DEM-12CT, Table 3 on page 19, please explain why PSE has not included the revenue requirement associated with the Tenaska contract restructuring in 1997 and the Encogen contract restructuring of 1999 under the long-term contracts mark-to-market column.

Response:

The Table 3 included on page 19 of the Prefiled Rebuttal Testimony of David Mills, Exhibit No. DEM-12CT, reflects the rate year mark-to-market gains and losses associated with short- and long-term gas contracts for each of Puget Sound Energy, Inc.'s ("PSE") last five rate case proceedings, and is shown below. These mark to markets are power cost expenses or benefits and do not represent revenue requirement amounts.

				Gas Contract MTM (Gain) / Loss ($ in Millions)				
Rate Case	Docket	3 mo. Average Prices Ending	Rate Year Beginning	Short-term Contracts	Long-term Contracts	Total	Months in Rates	Estimated Customer Benefit
2003 PCORC	UE-031725	9/27/2003	4/1/2004	($0.0)	($13.6)	($13.6)	11	$ (12.5)
2004 GRC	UE-040640	9/30/2004	3/1/2005	($0.0)	($22.8)	($22.9)	9	$ (17.1)
2005 PCORC	UE-050870	4/29/2005	12/1/2005	($1.0)	($28.3)	($29.3)	7	$ (17.1)
2005 PCORC Update	UE-060783	4/28/2006	7/1/2006 [1]	$0.5	($16.0)	($15.5)	6	$ (15.5)
2006 GRC	UE-06266	11/30/2006	1/1/2007	$4.3	($33.8)	($29.5)	8	$ (19.7)
2007 PCORC	UE-070565	5/10/2007	9/1/2007	$1.9	($30.1)	($28.2)	14	$ (32.9)
2007 GRC	UE-072300	3/11/2008	11/1/2008	($5.2)	$0.0	($5.2)	17	$ (7.3)
				$ 0.5	$ (144.7)	$ (144.2)		$ (122.1)

1 The 2005 PCORC Update included power cost updates for the 6-month period beginning July 1, 2006.

Credit = Customer Benefit

Exhibit No. DEM-12CT, section IV.A.1., discusses the gas for power mark to market calculation and specifically notes that the calculation is for, "natural gas hedges that have been transacted for the rate year as of the...cut-off date". The Tenaska and

Encogen restructuring transactions do not fall under this definition, and have appropriately not been included in this table.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

WUTC STAFF DATA REQUEST NO. 242

<u>WUTC STAFF DATA REQUEST NO. 242:</u>

Data Requests Directed to David E. Mills

Please provide a table indicating the revenue requirement associated with the 1997 Tenaska restructuring in the same format as Table 3 on page 19 of Exhibit No. DEM-12CT, but with additional rows for indicating the revenue requirement for proceedings prior to the 2003 PCORC and the revenue requirement for each proceeding subsequent to the 2007 GRC (including the instant docket).

<u>Response:</u>

Please see Puget Sound Energy, Inc.'s Response to WUTC Staff Data Request No. 241 for information regarding revenue requirement related to Tenaska. It is not appropriate to include the revenue requirement associated with the 1997 Tenaska restructuring in Table 3 of the Prefiled Rebuttal Testimony of David E. Mills, Exhibit No. DEM-12CT.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

WUTC STAFF DATA REQUEST NO. 243

WUTC STAFF DATA REQUEST NO. 243:

Data Requests Directed to David E. Mills

Please provide a table indicating the revenue requirement associated with the 1999 Encogen restructuring in the same format as Table 3 on page 19 of Exhibit No. DEM-12CT, but with additional rows for indicating the revenue requirement for proceedings prior to the 2003 PCORC and the revenue requirement for each proceeding subsequent to the 2007 GRC (including the instant docket).

Response:

Please see Puget Sound Energy, Inc.'s Response to WUTC Staff Data Request No. 241 for information regarding revenue requirement related to Encogen. It is not appropriate to include the revenue requirement associated with the 1999 Encogen restructuring in Table 3 of the Prefiled Rebuttal Testimony of David E. Mills, Exhibit No. DEM-12CT.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

ICNU DATA REQUEST NO. 02.28

ICNU DATA REQUEST NO. 02.28:

With regard to the AURORA modeling of PSE's load forecast reduction, why did PSE choose to just reduce the Company load while leaving the PNW aggregate load at the same level as the original filing? Why does PSE believe there will be greater load growth for the other PNW entities than was reflected in the May filing?

Response:

The difference in Puget Sound Energy, Inc.'s ("PSE") rate year loads between the original (As-filed) power cost forecast and the 2009 Supplemental filing power cost forecast was a reduction of 932,382 MWhs or about 106 aMWs. The Pacific Northwest ("PNW") aggregate load for the rate year period is about 18,634 aMWs. Thus, the reduction in PSE's load amounts to about 0.57% of the aggregate region's load. The PNW loads were not reduced by the same amount because it is PSE's opinion that this minor change would probably not make a material difference to PSE's projected power costs. Further, PSE did not have updated load forecasts or accurate economic trend data that would enable updating the load forecasts for other PNW areas or entities.

Date of Response: October 27, 2009
Person who Prepared the Response: Jay Jacobsen
Witness Knowledgeable About the Response: David E. Mills

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

ICNU DATA REQUEST NO. 02.29

ICNU DATA REQUEST NO. 02.29:

With regard to the AURORA modeling of PSE's load forecast reduction, why did PSE choose to not reduce any other WECC load from what was reflected in the May filing?

Response:

Puget Sound Energy, Inc. ("PSE") updated the load forecast to reflect economic and demographic trends in its service territory.

There are 30 individual areas encompassing all or parts of eleven states, two Canadian provinces and part of Baja, Mexico included within the Western Electricity Coordinating Counsel ("WECC") region modeled in the AURORA database used in this proceeding. PSE did not have updated load forecasts or accurate economic trend data that would enable updating all WECC loads.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

WUTC STAFF DATA REQUEST NO. 259

"CONFIDENTIAL" Table of Contents

DR NO.	"CONFIDENTIAL" Material
259	Attachment A to PSE's Response to WUTC Staff Data Request No. 259 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-090704 and UG-090705.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

WUTC STAFF DATA REQUEST NO. 259

WUTC STAFF DATA REQUEST NO. 259:

Please provide a copy of the Company's petition and all attachments in Docket UE-991918.

First Revised Response:

Please see Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to WUTC Staff Data Request No. 259 for a copy of the Petition for an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement from Cabot Oil & Gas Marketing Corporation, WUTC Docket No. UE-991918, with supporting exhibits. PSE's original Response to Data Request No. 259 inadvertently referred to Attachment A to PSE's Response to ICNU Data Request No. 7.01 for such material.

PUGET SOUND ENERGY

December 6, 1999

Ms. Carole J.Washburn , Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Petition for an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement from Cabot Oil & Gas Marketing Corporation

Dear Ms. Washburn:

Enclosed for filing are an original and nineteen (19) copies of a petition whereby Puget Sound Energy (PSE or the "Company") is requesting authority for specific accounting and ratemaking treatment of the Company's assignment of a gas purchase agreement from Cabot Oil & Gas Marketing Corporation. The transaction provides PSE with the opportunity to reduce purchased gas costs at its Encogen facility, thereby producing significant savings for customers. The cost reductions are estimated to produce net savings of approximately $7.4 million. To accommodate the scheduled closing date of December 31, 1999, the Company respectfully requests issuance of the requested Commission order on or before December 30, 1999.

In accordance with WAC 480-09-015 (4), confidential Exhibits A, B, C, and Workpaper to Exhibit B submitted herewith have been sealed in an envelope clearly marked "confidential" and the first page and each specific page containing confidential information have been so marked.

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY, INC.

By Manager, Revenue Requirements
for: Christy A. Omohundro
Director, Rates & Regulatory Policy

Enclosures

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of PUGET SOUND ENERGY, INC. For an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement from Cabot Oil & Gas Marketing Corporation	Docket No. UE-99__________ PETITION

In accordance with WAC 480-09-420(7), Puget Sound Energy, Inc. ("PSE" or "the Company") respectfully petitions the Washington Utilities & Transportation Commission (the "Commission") for an order regarding the accounting and ratemaking treatment of the Company's assignment of a gas purchase agreement from Cabot Oil & Gas Marketing Corporation ("Cabot").[1] The Gas Purchase Agreement relates to the gas supply at the Encogen cogeneration project, from which PSE purchases the electrical output. Assignment of the Gas Purchase Agreement will allow the Company to lower the purchased gas costs at the Encogen facility, thereby producing significant savings for customers. The net savings from this transaction are estimated at $7.4 million, as shown on Exhibit B, line 12. The order requested by this Petition, which allows the Company to spread the costs associated with the

[1] The Gas Purchase Agreement between Encogen Northwest, L.P. and Cabot Oil & Gas Marketing Corporation (as successor-in-interest to Washington Energy Exploration, Inc.), dated November 27, 1991, as amended by the First Amendment to Gas Purchase Agreement, dated October 1, 1992 (collectively, the "Gas Purchase Agreement").

Assignment over the remaining term of the Gas Purchase Agreement, is necessary to enable the Company to enter into the transaction.

BACKGROUND

1. PSE is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.

2. In its order issued on October 27, 1999 in Docket No. UE-991498, the Commission approved PSE's proposed accounting and ratemaking treatment for PSE's acquisition of the Encogen cogeneration project.

3. In connection with its acquisition of the Encogen project, PSE also commenced discussion with the project's gas suppliers to attempt to reduce the gas supply costs of the facility. These discussions resulted in the letter of intent between PSE and Cabot – included as Exhibit A to this Petition – and the accompanying Assignment and Assumption Agreement. Under the Assignment and Assumption Agreement, PSE will pay to Cabot $12.0 million, in return for which Cabot will assign to PSE the Gas Purchase Agreement. PSE will also incur expenses estimated to be $906,000 related to the transaction.

OVERVIEW

4. The Company's objective in entering into the Assignment and Assumption Agreement is to drive the gas cost element of the Gas Supply Agreement toward market, at a price and at a time that provides overall benefit to the Company and its customers. After the assignment, the Gas Purchase Agreement will be replaced with a new gas supply agreement with market pricing. The net savings from the Encogen facility as a result of this transaction are estimated at $7.4 million, as shown on line 12 of Exhibit B.

5. This proposal is structured such that the purchase price and other costs associated with the transaction are amortized in proportion to the gas cost savings over the original costs under the Gas Purchase Agreement, net of interest, thereby allocating a reasonable portion of the net savings in each of the remaining years under the Gas Purchase Agreement. Net savings achieved are passed on to customers as shown on line 12 of Exhibit B.

PROPOSED ACCOUNTING TREATMENT

Restructuring of Gas Supply Costs

6. The purchase of the Gas Purchase Agreement by PSE is expected to result in an effective reduction in the gas supply costs for the Encogen project in the future. The Company's proposal results in the economics approximating those shown in Exhibit B ("Expected Impact of Proposed Order"). The assignment to the Company of the Gas Purchase Agreement will result in a reduction in gas costs from the amounts shown on line 32 to the amounts shown on line 33, producing a gas price difference as shown on line 34. The amounts shown on line 33 are estimates of the cost of replacement gas, based on current forward market gas price quotes. The gas costs savings, given the annual gas burn at the cogeneration facility, are shown on line 36.

7. PSE proposes to effect a restructuring of the gas costs based on the contract price under the existing Gas Supply Agreement (as shown on line 32) less the current forward market gas price quotes (as shown on line 33), resulting in the gas cost savings (as shown on line 36). The new gas costs (including the cost to achieve the savings) would be spread over the remaining term of the Gas Purchase Agreement in a manner to achieve results approximating those set forth in Exhibit B. This spreads the gas cost reduction benefits over

the remaining term of the Gas Purchase Agreement, thereby making the buyout reasonable and economically attractive.

8. The cost of money for purposes of calculating the interest on deferrals is assumed to be 8.0%. This is the same rate used in the Tenaska power cost restructuring.

Accounting Order

9. To achieve the savings, the Company requires an accounting order that obtains the desired effect for ratemaking purposes and satisfies the Company's financial reporting and accounting needs. It is proposed that the order authorize the Company to do the following for accounting and ratemaking purposes:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the Gas Purchase Agreement;[2]

(b) Commence amortization of the purchase price immediately;

(c) Capitalize the interest costs at a rate of 8% on the net regulatory assets for three years;

(d) Commence amortization of the deferred balance (including the capitalized interest and the capitalized purchase price) based on the gas cost savings less interest expense in each of the remaining years as set forth in Exhibit B, lines 27 and 28. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings at the then-authorized rate of return; and

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[2] The purchase price would include the $12.0 million paid to Cabot for the assignment, as well as transaction costs incurred by PSE in connection with the assignment.

(e) For ratemaking purposes, amortize the tax deduction associated with the purchase price on a straight line basis over the remaining nine years of the contract;

The anticipated financial and operating results produced by such an order are shown in Exhibit B. The methodology set forth above and in Exhibit B would be used in future filings with the Commission.

REQUESTED ORDER

10. The Company seeks an order in the form shown on Exhibit D that would allow the Company to enter into the transaction with Cabot. By this Petition, the Company requests that the Commission authorize the Company to:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the Gas Purchase Agreement (including transaction costs incurred by the Company);

(b) Commence amortization of the purchase price immediately;

(c) Capitalize the interest costs at a rate of 8% on the net regulatory assets for three years;

(d) Commence amortization of the deferred balance (including the capitalized interest and the capitalized purchase price) based on the gas cost savings less interest expense in each of the remaining years as set forth in Exhibit B, lines 27 and 28. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings at the then-authorized rate of return; and

(e) For rate making purposes, amortize the tax deduction associated with the purchase price on a straight line basis over the remaining nine years of the contract;

11. The letter of intent between PSE and Cabot contemplates that the transaction be closed on or before December 31, 1999. In order to enable the Company to enter into the transaction, the Company respectfully requests that the Commission issue its order in this matter on a schedule that will permit a closing on or before December 31, 1999.

WHEREFORE, PSE respectfully requests that the Commission enter an order in the form attached as Exhibit D approving PSE's proposed accounting treatment of the assignment to the Company of the Gas Purchase Agreement.

DATED this 6th day of December, 1999.

PUGET SOUND ENERGY, INC.

By ______________________
Karl R. Karzmar
Manager, Revenue Requirements

[Sea3023601]

VERIFICATION

KARL R. KARZMAR, being first duly sworn, on oath deposes and says:

That he is Manager, Revenue Requirements, of Puget Sound Energy, Inc., that he has read the foregoing Petition for an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement, that he knows the contents thereof, and that he believes the same to be true and the best of his knowledge and belief.

KARL R. KARZMAR

SUBSCRIBED AND SWORN to before me this 6 day of December, 1999.

DENISE K. SCHROEDER
COMMISSION EXPIRES
NOTARY
PUBLIC
AUGUST 1, 2001
STATE OF WASHINGTON

Denise K Schroeder
Print Name: DENISE K SCHROEDER
Notary Public in and for the State of Washington,
residing at BELLEVUE WA
My commission expires: AUG 1, 2001

LIST OF EXHIBITS

EXHIBIT A	Letter of Intent, including Assignment and Assumption Agreement	CONFIDENTIAL
EXHIBIT B	Expected Impact of Proposed Order	CONFIDENTIAL
EXHIBIT C	Allocation of Gas Cost Savings	CONFIDENTIAL
EXHIBIT D	Proposed Order	

[redacted]

EXHIBIT A

[redacted]

CONFIDENTIAL

[redacted]

CONFIDENTIAL

Exhibit A

[redacted]

[redacted]

CONFIDENTIAL

[redacted]

EXHIBIT B

[redacted]

CONFIDENTIAL

[redacted]

CONFIDENTIAL

[redacted]

[redacted]

[redacted]

CONFIDENTIAL

[redacted]

CONFIDENTIAL

[redacted]

EXHIBIT C

[redacted]

CONFIDENTIAL

Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement from Cabot Oil & Gas Marketing Corporation

EXHIBIT D

EXHIBIT D

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of PUGET SOUND ENERGY, INC. For an Order Regarding the Accounting Treatment for the Assignment of a Gas Purchase Agreement from Cabot Oil & Gas Marketing Corporation	Docket No. UE-99____________ ORDER APPROVING ACCOUNTING TREATMENT (Proposed)

On December 3, 1999, Puget Sound Energy, Inc. ("PSE" or "the Company") filed a petition for an order regarding the accounting and ratemaking treatment of the Company's assignment of a gas purchase agreement from Cabot Oil & Gas Marketing Corporation ("Cabot").[1] The Gas Purchase Agreement relates to the gas supply at the Encogen cogeneration project, from which PSE purchases the electrical output. According to the Petition, assignment of the Gas Purchase Agreement will allow the Company to lower the purchased gas costs at the Encogen facility, thereby producing significant savings for customers. The Company estimates these savings at $7.4 million, as shown on Exhibit B, line 12. The order requested by the Petition would allow the Company to spread the costs associated with the Assignment over the remaining term of the Gas Purchase Agreement. According to the Company, such treatment is necessary to enable the Company to enter into the transaction.

Background

In our order issued on October 27, 1999 in Docket No. UE-991498, we approved PSE's proposed accounting and ratemaking treatment for PSE's acquisition of the Encogen cogeneration project. In connection with its acquisition of the Encogen project, PSE also commenced discussion with the project's gas suppliers to attempt to reduce the gas supply

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[1] The Gas Purchase Agreement between Encogen Northwest, L.P. and Cabot Oil & Gas Marketing Corporation (as successor-in-interest to Washington Energy Exploration, Inc.), dated November 27, 1991, as amended by the First Amendment to Gas Purchase Agreement, dated October 1, 1992 (collectively, the "Gas Purchase Agreement").

costs of the facility. These discussions resulted in the letter of intent between PSE and Cabot, and the accompanying Assignment and Assumption Agreement. A copy of the letter of intent and the Assignment and Assumption Agreement was included as Exhibit A to PSE's Petition. Under the Assignment and Assumption Agreement, PSE will pay to Cabot $12.0 million, in return for which Cabot will assign to PSE the Gas Purchase Agreement. PSE will also incur expenses estimated to be $906,000 related to the transaction.

According to the Petition, the Company's objective in entering into the Assignment and Assumption Agreement is to drive the gas cost element of the Gas Supply Agreement toward market, at a price and at a time that provides overall benefit to the Company and its customers. After the assignment, the Gas Purchase Agreement will be replaced with a new gas supply agreement with market pricing. The net savings in gas costs from the Encogen facility as a result of this transaction are estimated at $7.4 million, according to the Company.

This proposal is structured such that the purchase price and financing costs are amortized in proportion to the gas cost savings over the original costs under the Gas Purchase Agreement, net of interest. According to the Company, this allocates a reasonable portion of the net savings in each of the remaining years under the Gas Purchase Agreement. Net savings achieved are passed on to customers in the manner shown on line 12 of Exhibit B (attached to the Company's Petition).

Proposed Accounting Treatment

The purchase of the Gas Purchase Agreement by PSE will result in an effective reduction in the gas supply costs for the Encogen project in the future. PSE proposes to effect a restructuring of the gas costs based on the contract price under the existing Gas Supply Agreement less the current forward market gas price quotes, resulting in the gas cost savings. The new gas costs (including the cost to achieve the savings) would be spread over the remaining term of the Gas Purchase Agreement. This spreads the gas cost reduction benefits over the remaining term of the Gas Purchase Agreement, thereby making the buyout reasonable and economically attractive, according to the Company. The cost of money for purposes of calculating the interest on deferrals is assumed to be 8.0%.

To achieve the savings , the Company requires an accounting order that obtains the desired effect for ratemaking purposes and satisfies the Company's financial reporting and accounting needs. The Company requests an order which authorizes it to do the following for accounting and ratemaking purposes:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the Gas Purchase Agreement;[2]

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[2] The purchase price would include the $12.0 million paid to Cabot for the assignment, as well as transaction costs incurred by PSE in connection with the assignment.

(b) Commence amortization of the purchase price immediately;

(c) Capitalize the interest costs at a rate of 8% on the net regulatory assets for three years;

(d) Commence amortization of the deferred balance (including the capitalized interest and the capitalized purchase price) based on the gas cost savings less interest expense in each of the remaining years as set forth in Exhibit B, lines 27 and 28. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings at the then-authorized rate of return; and

(e) For ratemaking purposes, amortize the tax deduction associated with the purchase price on a straight line basis over the remaining nine years of the contract;

The anticipated financial and operating results produced by such an order are shown the exhibit attached to the Company's Petition (Exhibit B). According to the Company, the methodology set forth above and in Exhibit B would be used in future filings with the Commission.

FINDINGS

THE COMMISSION FINDS:

1. PSE is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.

2. On December 3, 1999, PSE filed a petition for an order regarding the accounting and ratemaking treatment of the Company's assignment of a gas purchase agreement from Cabot Oil & Gas Marketing Corporation ("Cabot"). The Gas Purchase Agreement relates to the gas supply at the Encogen cogeneration project, from which PSE purchases the electrical output.

3. Assignment of the Gas Purchase Agreement will allow the Company to lower the purchased gas costs at the Encogen facility, thereby producing significant savings for customers. The order requested by the Petition would allow the Company to spread the costs associated with the Assignment over the remaining term of the Gas Purchase Agreement.

ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

1. Approval is hereby given for the accounting treatment proposed in the Company's Petition filed December 3, 1999 with respect to the Company's Assignment of a Gas Purchase Agreement from Cabot.

2. The Company is authorized to:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the Gas Purchase Agreement (including transaction costs incurred by the Company);

(b) Commence amortization of the purchase price immediately;

(c) Capitalize the interest costs at a rate of 8% on the net regulatory assets for three years;

(d) Commence amortization of the deferred balance (including the capitalized interest and the capitalized purchase price) based on the gas cost savings less interest expense in each of the remaining years as set forth in Exhibit B, lines 27 and 28, attached to the Company's Petition. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings at the then-authorized rate of return; and

(e) For ratemaking purposes, amortize the tax deduction associated with the purchase price on a straight line basis over the remaining nine years of the contract;

3. The Company's actions in the transaction for Assignment of the Gas Purchase Agreement are subject to review in future rate proceedings. Any costs determined to be unreasonable or imprudent in such proceedings are subject to disallowance.

4. The Commission retains jurisdiction to effectuate the provisions of this order.

DATED at Olympia, Washington this ___ day of December, 1999.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner

[Sea3023604]

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

ICNU DATA REQUEST NO. 07.01

ICNU DATA REQUEST NO. 07.01:

Please provide all economic analyses prepared by PSE related to the buyout of the Tenaska and Encogen gas supplies.

Response:

Puget Sound Energy, Inc. ("PSE") objects to ICNU Data Request No. 07.01 as overly broad and unduly burdensome. Without waiving such objection, and subject thereto, PSE responds as follows:

Attached as Attachment A to ICNU Data Request No. 07.01, please find a copy of the Tenaska Buyout Accounting Petition, with supporting exhibits, from WUTC Docket No. UE-971619.

Please see PSE's Response to WUTC Data Request No. 259 for a copy of the accounting petition and exhibits for the Cabot Buyout, WUTC Docket No. UE-991918.

PUGET SOUND ENERGY

December 8, 1997

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-971619 Petition for Accounting Order

Dear Mr. McLellan:

Enclosed for filing are an original and nineteen (19) copies of revised pages for Petition for an Order Regarding the Accounting Treatment for the Purchase of a Gas Sales Contract submitted in this proceeding. The revised pages are: pages 1 through 8 and 11 of the Petition and Exhibits B, D, H and I. These amendments are necessary to reflect ratemaking treatment as discussed with Commission Staff on December 5, 1997.

For the reasons set forth in our original filing, the Company requests that confidential treatment be afforded the pages submitted herewith marked "confidential".

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY, INC.

By
Karl R. Karzmar
Manager, Revenue Requirements

KRK:mjs
Enclosures
cc: Robert F. Manifold

PUGET SOUND ENERGY

December 2, 1997

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-971619 Petition for Accounting Order

Dear Mr. McLellan:

Enclosed for filing are an original and nineteen (19) copies of revised pages for Petition for an Order Regarding the Accounting Treatment for the Purchase of a Gas Sales Contract submitted in this proceeding. The revised pages are: pages 6 through 8 of the Petition and Exhibits B, D, F, H and pages 4 through 8 of Exhibit I. These amendments have been discussed with Commission Staff and are necessary to reflect a revised purchase price, variable burn rates and tax amortization corrected to 15 year actual.

For the reasons set forth in our original filing, the Company requests that confidential treatment be afforded the pages submitted herewith marked "confidential".

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY, INC.

By ______________________
Karl R. Karzmar
Manager, Revenue Requirements

KRK:mjs
Enclosures
cc: Robert F. Manifold

PUGET SOUND ENERGY

November 7, 1997

VIA HAND DELIVERY

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Petition for Accounting Order

Dear Mr. McLellan:

Enclosed for filing are an original and nineteen (19) copies of Puget Sound Energy's Petition for an Order Regarding the Accounting Treatment for the Purchase of a Gas Sales Contract.

Please note that the identities of the other parties to the transaction, and the terms of the transaction, are highly confidential. This information is therefore provided only in Exhibits to the Petition, which are marked "Confidential". The Petition itself is not confidential.

Pursuant to WAC 480-09-015, the Company requests that Exhibits A through H submitted with the Petition be accorded confidential treatment. As required by WAC 480-09-015(4)(a), the Company identifies the following entities (other than the Company) which might be directly affected by disclosure of the confidential information: the Owner and the Supplier (as identified in Exhibit A). In accordance with WAC 480-09-015(4), the Exhibits submitted herewith have been sealed in an envelope clearly marked "confidential," and the first page and each specific page containing confidential information have been so marked.

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY, INC.

By
Karl R. Karzmar
Manager, Revenue Requirements

KRK:acs
Enclosures
cc: Robert F. Manifold

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of PUGET SOUND ENERGY, INC. For an Order Regarding the Accounting Treatment for the Purchase of a Gas Sales Contract	Docket No. UE-971619 PETITION

In accordance with WAC 480-09-420(7), Puget Sound Energy, Inc. ("Petitioner" or "the Company") respectfully petitions the Washington Utilities & Transportation Commission (the "Commission") for an order regarding the accounting and ratemaking treatment of the Company's purchase of a gas sales contract and restructuring of the Company's existing power purchase agreement with the owner of a cogeneration facility ("Owner") as identified in Exhibit A. The transaction, which is scheduled to close on or before December 31, 1997, provides the Company with the opportunity to achieve a restructuring of the power purchase agreement for the cogeneration project that will produce significant savings for customers. These savings are shown on Exhibit B, page 2, line 20.

The order requested by this Petition is necessary to enable the Company to enter into the transaction. Because of the material loss in economic value related to timing, the terms of the Letter of Intent with respect to the transaction provide that it terminates unless the transaction closes by December 31, 1997. The Company respectfully requests issuance of the requested Commission order within 30 days.

BACKGROUND

1. Petitioner is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.

2. In the early 1990s the Company entered into an Agreement for Firm Power Purchase ("Agreement") with the Owner to purchase the output of a cogeneration facility. The project is a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978 ("PURPA").

3. Over the past year, the Company has been in negotiations with the Gas Supplier ("Supplier"), as identified in Exhibit A, regarding the restructuring of the Agreement to achieve a reduction in the power supply costs under the Agreement. These negotiations included investigation of a possible purchase of the underlying gas contract from Supplier.

4. These negotiations resulted in the parties reaching agreement on a Letter of Intent[1] ("LOI") whereby Petitioner would purchase the underlying gas contract of Supplier and restructure the power purchase agreement. A copy of the LOI is included as Exhibit C to this Petition. The purchase price agreed upon by the parties ("Purchase Price") is set forth in paragraph 1 of the LOI.

OVERVIEW

Purpose

5. The Company's objective in entering into this agreement is to drive the gas cost element of a long-term fixed price escalating PURPA power contract toward market, at a

[1] Including Exhibit A to the Letter of Intent.

price and at a time that provides maximum overall benefit to the Company and its customers. After the purchase, the gas supply contract will be replaced with a new supply agreement with market pricing. An amendment to the Agreement will also be executed reflecting the new pricing arrangement. This amendment will be filed as Exhibit J to this Petition when executed. The savings in power contract costs provided as a result of this transaction are substantial as evidenced by the total shown on line 20 of Exhibit B page 2 of 2. Other forms of restructuring this PURPA gas supply contract have been discussed with supplier but provide a smaller level of overall savings.

6. Delaying this transaction into a later time frame materially lessens the value to customers and increases the purchase price for the gas supply contract due to tax consequences to Supplier. It is therefore critical to complete all elements prior to December 31, 1997. This transaction deals only with the gas supply costs of the facility. The Company may have other mitigation possibilities it can pursue related to this cogeneration facility.

Equity Considerations

7. This proposal is structured such that the purchase price, financing costs and new power costs are ratably spread forward in proportion to the original contract costs, thereby achieving an equitable power cost savings in each of the remaining years under the Agreement. As a result, a ratable percentage power cost reduction occurs in each year and approximately twice as much savings is delivered in the later years versus the earlier years. The savings is passed on as shown in Exhibit D.

PROPOSED ACCOUNTING TREATMENT

Restructuring of Power Supply Costs

8. The purchase of the gas supply contract by Petitioner will result in an effective reduction in the power supply costs under the Agreement in the future. Economically, it is the Company's intent to reflect these reductions in cost of service pro-rata based on the amounts in the original power purchase agreement. This results in the amounts approximating those shown in Exhibit B ("Calculation of Proposed Rebundled Power Costs"). The purchase by the Company of the gas supply contract will result in a reduction in gas costs from the amounts shown on line 4 to the amounts shown on line 5, producing a gas price difference as shown on line 6. The amounts shown on line 5 are estimates of the cost of replacement gas, based on current forward market gas price quotes provided by AIG Trading, JP Morgan, J. Aron and Engage Energy. A table of these forward market gas prices is included as Exhibit E. The gas costs savings, given the annual gas burn at the cogeneration facility, are shown on line 8.

9. Petitioner proposes to achieve a restructuring of the power costs under the Agreement based on the contract price under the existing Agreement (as shown on line 2) less the gas cost savings (line 8), as measured by the current forward market gas price quotes. The Rebundled power costs (including the cost to achieve the savings) would be spread over the remaining term of the Agreement in a manner to achieve results approximating those set forth in Exhibit B. This produces an equitable sharing of the power cost reduction benefits over the remaining term of the Agreement. Exhibit F is a graph depicting the effect of this proposal on the power costs paid by customers. "Current power costs" reflect the actual contract rates under the Agreement (line 3 of Exhibit B). "Forward Priced Costs" show the new power costs (line 11) after subtracting the gas cost savings. Net savings (from line 21

on Exhibit B) is the result that would be targeted for ratemaking purposes after equitably spreading the reduced power costs over the remaining life of the contract.

Calculation of Target Recovery Rates

10. For purposes of calculating the targeted amounts and to achieve an equitable spread of new power costs (i.e. ratable to the original contract), the Company's proposal, as shown in Exhibit B, balances the savings, based on forward-priced new power costs, with the restructuring costs.

11. The cost of money for purposes of calculating the interest on deferrals is assumed to be 8.0%. Exhibit G supports the basis for using an 8.0% rate.

Accounting Order

12. To achieve the targeted savings , the Company requires an accounting order that obtains the desired effect for ratemaking purposes and satisfies the Company's financial reporting and accounting needs. It is proposed that the order authorize the Company to do the following for accounting and ratemaking purposes:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the gas supply contract;

(b) Earn a return, at a debt rate, on one half the deferred balance for the first five years;

(c) Commence amortization of the deferred balance (including the debt return and the capitalized purchase price) in the first year based on the proportionate amount of gas cost savings less interest expense in each year as compared to the total amount in all years as set forth in Exhibit H. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings;

(d) Flow through, for tax purposes, the straight line tax amortization of the purchase price.

The anticipated financial and operating results produced by such an order are shown in Exhibit H. These results approximate the economic results set forth in Exhibit B. The methodology set forth above and in Exhibit H would be used in filings with the Commission.

Power Cost Demand Adder

13. The recovery rates are subject to adjustment in the event the restructuring costs are increased by the consequence of the tax indemnification provision provided to Supplier as a result of the transaction. Paragraph 6 of the LOI obligates Petitioner to indemnify Supplier's shareholders for 50% of the actual increased tax liability in the event the gain resulting from this transaction is taxed at ordinary income rates rather than at capital gains rates. There is a maximum aggregate limit on such payments as set forth in paragraph 6 of the LOI.

14. In the event that this Petitioner makes any payments under this indemnification provision, Petitioner proposes that the recovery rates be subject to adjustment, consistent with the pro-rata pricing methodology set forth above, over the remaining years at the time of such adjustment and that the accounting order be revised accordingly.

Regulatory Review of Restructured Agreement

15. Under previous orders issued by the Commission, the Company is required to file all cogeneration agreements with the Commission. (Cause No. U-85-87, Second Supplemental Order) Commission Staff performs a preliminary review, and notifies the Company within thirty (30) days if there is any issue with respect to a particular contract. (Cause No. U-85-877, Seventh Supplemental Order) The Company respectfully submits that

the information and documents filed in connection with this Petition will give Commission Staff an opportunity to conduct its preliminary review with respect to the amendment to the Agreement. The Company therefore requests that the Order issued by the Commission in this proceeding indicate that the preliminary review will have occurred, and any issue identified, prior to the issuance of such Order.

REQUESTED ORDER

16. The Company seeks an order in the form shown on Exhibit I that would allow the Company to enter into the transaction with Supplier and Owner. By this Petition, the Company requests that the Commission authorize the Company to:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the gas supply contract;

(b) Record a return, at a debt rate, on one half the deferred balance for the first five years;

(c) Commence amortization of the deferred balance (including the debt return and the capitalized purchase price) in the first year based on the proportionate amount of gas cost savings less interest expense in each year as compared to the total amount in all years as set forth in Exhibit H. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings;

(d) Flow through, for tax purposes, the straight line tax amortization of the purchase price.

The Company further requests that such Order indicate that Commission Staff has conducted the preliminary review of the amendment to the Agreement required by the Seventh Supplemental Order in Cause No. U-85-87.

17. As noted above, the LOI requires that the Company close the transaction on or before December 31, 1997, or the LOI expires by its own terms. In order to enable the Company to enter into the transaction, the Company respectfully requests that the Commission issue its order in this matter within 30 days.

WHEREFORE, Petitioner respectfully requests that the Commission enter an order in the form attached as Exhibit I approving Petitioner's proposed accounting treatment of the Company's purchase of the gas supply contract and restructuring of the Agreement.

DATED this 7th day of November, 1997.

PUGET SOUND ENERGY, INC.

By______________________
Karl R. Karzmar
Manager, Revenue Requirements

[BA973100.065]

Docket No. UE-971619 Petition for Accounting Order "Tenaska"

LIST OF EXHIBITS

EXHIBIT A	Identification of Owner and Supplier
EXHIBIT B	Calculation of Proposed Rebundled Power Costs
EXHIBIT C	Letter of Intent Between Puget Sound Energy and Supplier
EXHIBIT D	Allocation of Savings
EXHIBIT E	Table of Forward Market Gas Prices
EXHIBIT F	Graph Showing Rebundled Power Costs
EXHIBIT G	Basis for Using 8.0% Interest on Deferrals
EXHIBIT H	Expected Impact of Proposed Order
EXHIBIT I	Proposed Order
EXHIBIT J	Amendment to Agreement

[redacted]

EXHIBIT A

[redacted]

[redacted]

[redacted]

Calculation of Proposed Unbundled Power Costs

[redacted]

CONFIDENTIAL

[redacted]

[redacted]

Redacted Information

EXHIBIT B
Revision 2

[redacted]

CONFIDENTIAL

[redacted]

[redacted]

CONFIDENTIAL

[redacted]

lp/tld

CONFIDENTIAL

[redacted]

CONFIDENTIAL

[redacted]

[redacted]

CONFIDENTIAL

[redacted]

[redacted]

[redacted]

[redacted]

CONFIDENTIAL

EXHIBIT E

[redacted]

[redacted]

[redacted]

Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting Treatment For the Purchase of a Gas Supply Contract

EXHIBIT G

EXHIBIT G

INDICATIVE COSTS OF MONEY
(All assuming a 10.5% Allowed ROE)

Corporate Tax Rate 35%

ALLOWED ELECTRIC RATE OF RETURN (What is Currently in Electric Rates)	**Capital Structure**	**Cost Rate**	**Nominal Weighted Cost**	**Pre-tax Weighted Cost**
Short-term Debt	4%	4.00%	0.16%	0.16%
Long-term Debt	43%	7.91%	3.40%	3.40%
Preferred Stock	8%	8.10%	0.65%	1.00%
Common Equity	45%	10.50%	4.73%	7.27%
Totals	100%		**8.94%**	11.83%

ALLOWED ELECTRIC CAPITAL STRUCTURE & CURRENT EMBEDDED COSTS	**Capital Structure**	**Cost Rate**	**Nominal Weighted Cost**	**Pre-tax Weighted Cost**
Short-term Debt	4%	5.95%	0.24%	0.24%
Long-term Debt	43%	7.72%	3.32%	3.32%
Preferred Stock	8%	7.99%	0.64%	0.98%
Common Equity	45%	10.50%	4.73%	7.27%
Totals	100%		**8.93%**	11.81%

ACTUAL CAPITAL STRUCTURE & CURRENT EMBEDDED COSTS (Reflects lower equity ratio post merger)	**Capital Structure**	**Cost Rate**	**Nominal Weighted Cost**	**Pre-tax Weighted Cost**
Short-term Debt	4.7%	5.95%	0.28%	0.28%
Long-term Debt	43.3%	7.72%	3.34%	3.34%
Preferred Stock	9.2%	7.99%	0.74%	1.13%
Common Equity	42.8%	10.50%	4.49%	6.91%
Totals	100%		**8.85%**	11.67%

ACTUAL CAPITAL STRUCTURE & ASSUMED MARGINAL COSTS (Reflects lower equity ratio post merger)	**Capital Structure**	**Cost Rate**	**Nominal Weighted Cost**	**Pre-tax Weighted Cost**
Short-term Debt	4.7%	5.80%(1)	0.27%	0.27%
Long-term Debt	43.3%	7.25%(2)	3.14%	3.14%
Preferred Stock	9.2%	5.41%(3)	0.50%	0.77%
Common Equity	42.8%	10.50%	4.49%	6.91%
Totals	100%		**8.40%**	11.09%

NOTES:

(1) Actual cost of short-term debt, September 1997.
(2) Indicative pricing of 20 year no-call life Baa1/BBB+ rated debt as of October 24, 1997.
(3) Actual after-tax cost rate on PSE Capital Securities issued June 6, 1997 ("tax deductable preferred stock").
(4) For reference, the current FERC interest rate used for customer deposits, etc. is 8.5%.

[redacted]

[redacted]

CONFIDENTIAL

[redacted] [redacted]

[redacted]

CONFIDENTIAL

Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting Treatment For the Purchase of a Gas Supply Contract

REVISION 2

EXHIBIT I

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of PUGET SOUND ENERGY, INC. For an Order Regarding the Accounting Treatment for the Purchase of a Gas Sales Contract	Docket No. UE-971619 ORDER (PROPOSED)

On November 7, 1997, Puget Sound Energy, Inc. (Petitioner or Company) filed a petition for an order regarding the accounting and ratemaking treatment of the Company's purchase of a gas sales contract and restructuring of the Company's existing power purchase agreement with the owner of a cogeneration facility (Owner). Such Owner was as identified in Exhibit A to the Petition. According to the Petition, the transaction is scheduled to close on or before December 31, 1997, and provides the Company with the opportunity to achieve a restructuring of the power purchase agreement for the cogeneration project that will produce significant savings for customers. These savings were set forth in Exhibit B to the Petition.

The Petition states that the order requested is necessary to enable the Company to enter into the transaction. Because of the material loss in economic value related to timing, the terms of the Letter of Intent with respect to the transaction provide that it terminates unless the transaction closes by December 31, 1997. The Company therefore requested issuance of the requested Commission order within 30 days.

Background

In the early 1990s the Company entered into an Agreement for Firm Power Purchase (Agreement) with the Owner to purchase the output of a cogeneration facility. The project is a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978, or PURPA. Over the past year, the Company apparently has been in negotiations with the Gas Supplier (Supplier) regarding the restructuring of the Agreement to achieve a reduction in the power supply costs under the Agreement. (The identity of the Supplier was disclosed in Exhibit A to the Petition.) These negotiations included investigation of a possible purchase of the underlying gas contract from Supplier.

According to the Petition, these negotiations resulted in the parties reaching agreement on a Letter of Intent (LOI) whereby Petitioner would purchase the underlying gas contract of Supplier and restructure the power purchase agreement. A copy of the LOI, including Exhibit A to the LOI, was included as Exhibit C to the Company's Petition. The purchase price agreed upon by the parties (Purchase Price) was set forth in paragraph 1 of the LOI.

According to the Petition, the Company's objective in entering into this agreement is to drive the gas cost element of a long-term fixed price escalating PURPA power contract toward market, at a price and at a time that provides maximum overall benefit to the Company and its customers. After the purchase, the gas supply contract was replaced with a new supply agreement with market pricing. An Amendment to the Agreement was also executed reflecting the new pricing arrangement. This agreement was subsequently filed as Exhibit J to the Petition. The Petition states that the savings in power contract costs provided as a result of this transaction are substantial, citing the total shown on Exhibit B. The Company stated that although other forms of restructuring this PURPA gas supply contract were discussed with Supplier, a smaller level of overall savings would be produced. The Company also indicated that delaying this transaction into a later time frame would materially lessen the value to customers and increase the purchase price for the gas supply contract due to tax consequences to Supplier, making it necessary to complete all elements prior to December 31, 1997.

According to the Petition, the Company's proposal is structured such that the purchase price, financing costs and new power costs are ratably spread forward in proportion to the original contract costs thereby achieving an equitable power cost savings in each of the remaining years of the Agreement. As a result, a ratable percentage power cost reduction occurs in each year and approximately twice as much savings is delivered in the later years versus the earlier years.

Proposed Accounting Treatment

The purchase of the gas supply contract by Petitioner will result in an effective reduction in the power supply costs under the Agreement in the future. The Company proposed to reflect these reductions in cost of service pro-rata based on the amounts in the Agreement. A restructuring of the power costs under the Agreement would be based on the contract price under the existing Agreement less the gas cost savings, as measured by the current forward market gas price quotes. The Rebundled power costs (including the cost to achieve the savings) would be spread over the remaining term of the Agreement. According to the Company, this produces an equitable sharing of the power cost reduction benefits over the remaining term of the Agreement. The Company included as Exhibit F to the Petition a graph depicting the effect of this proposal on the power costs paid by customers. For purposes of calculating the targeted amounts and to achieve an equitable spread of new power costs (i.e. ratable to the original contract), the Company's proposal balances the savings, based on forward-priced new power costs, with the restructuring costs. The Company proposed to use 8.0% as the cost of money for purposes of calculating the interest on deferrals, and included Exhibit G to the Petition as support for using that rate.

The Petition states that in order to achieve the targeted savings , an accounting order is necessary which obtains the desired effect for ratemaking purposes and satisfies the Company's financial reporting and accounting needs. The Petition requested that the order authorize the Company to do the following for accounting and ratemaking purposes:

(a) Capitalize, for recovery in rates, the purchase price paid by the Company for the gas supply contract;

(b) Earn a return, at a debt rate, on one half the deferred balance for the first five years;

(c) Commence amortization of the deferred balance (including the debt return and the capitalized purchase price) in the first year based on the proportionate amount of gas cost savings less interest expense in each year as compared to the total amount in all years as set forth in Exhibit H. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings;

(d) Flow through, for tax purposes, the straight line tax amortization of the purchase price.

The Petition states that the requested methodology would be used in filings with the Commission.

The Company further proposed to adjust the recovery rates in the event the restructuring costs are increased by the consequence of the tax indemnification provision provided to Supplier as a result of the transaction. Paragraph 6 of the LOI obligates Petitioner to indemnify Supplier's shareholders for 50% of the actual increased tax liability in the event the gain resulting from this transaction is taxed at ordinary income rates rather than at capital gains rates. There is a maximum aggregate limit on such payments as set forth in paragraph 6 of the LOI. In the event that Petitioner makes any payments under this indemnification provision, the Company proposed that the recovery rates be subject to adjustment, consistent with the pro-rata pricing methodology set forth above, over the remaining years at the time of such adjustment and that the accounting order be revised accordingly.

Regulatory Review of Restructured Agreement

Under previous orders issued by the Commission, the Company is required to file all cogeneration agreements with the Commission. (Cause No. U-85-87, Second Supplemental Order) Commission Staff performs a preliminary review, and notifies the Company within thirty (30) days if there is any issue with respect to a particular contract. (Cause No. U-85-877, Seventh Supplemental Order) According to the Company, the information and documents filed in connection with the Petition gives Commission Staff an opportunity to conduct its preliminary review with respect to the amendment to the Agreement. The Company therefore asked that our Order in this proceeding indicate that the preliminary review will have occurred, and any issue identified, prior to the issuance of such Order.

FINDINGS

THE COMMISSION FINDS:

1. Puget Sound Energy, Inc. is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.

2. On November 7, 1997, the Company filed a petition for an order regarding the accounting and ratemaking treatment of the Company's purchase of a gas sales contract and

restructuring of the Company's existing power purchase agreement with the owner of a cogeneration facility (Owner).

3. The transactions will provide the Company with the opportunity to achieve a restructuring of the power purchase agreement for the cogeneration project that will produce significant savings for customers.

4. The Company's proposed treatment of the purchase price is reasonable. The Company should be allowed to: (a) capitalize, for recovery in rates, the purchase price paid by the Company for the gas supply contract; (b) record a return, at a debt rate, on one half the deferred balance for the first five years; and (c) commence amortization of the deferred balance (including the debt return and the capitalized purchase price) in the first year based on the proportionate amount of gas cost savings less interest expense in each year as compared to the total amount in all years. The unamortized balance should be included for ratemaking purposes for recovery in any future proceedings.

5. The Company's proposal to flow through, for tax purposes, the straight line tax amortization of the purchase price is reasonable and should be approved.

6. The Company also filed the amendment to Agreement with the Commission in accordance with the Second and Seventh Supplemental Orders in Cause No. U-85-87. The information and documents filed in connection with the Petition provide Commission Staff an opportunity to conduct its preliminary review with respect to the amendment to the Agreement.

ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

1. Approval is hereby given for the accounting treatment in the Company's Petition dated November 7, 1997 with respect to the Company's purchase of a gas sales

contract and restructuring of the Company's existing power purchase agreement with the Owner.

2. The Company's proposed treatment of the purchase price is approved, and the Company is authorized to: (a) capitalize, for recovery in rates, the purchase price paid by the Company for the gas supply contract (b) record a return, at a debt rate, on one half the deferred balance for the first five years; and (c) commence amortization of the deferred balance (including the debt return and the capitalized purchase price) in the first year based on the proportionate amount of gas cost savings less interest expense in each year as compared to the total amount in all years. The unamortized balance will be included for ratemaking purposes for recovery in any future proceedings.

3. The Company is authorized to flow through, for tax purposes, the straight line tax amortization of the purchase price.

4. Commission Staff has performed its preliminary review of the amendment to Agreement pursuant to the Seventh Supplemental Order in Cause No. U-85-87, and the thirty day review period shall be deemed to have expired with respect to the amendment.

5. The Company's actions in purchasing the gas sales contract and restructuring the power purchase agreement can be subject to review in future rate proceedings. Any costs shown to be imprudent is such proceedings are subject to disallowance.

6. The Commission retains jurisdiction to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this ___ day of December, 1997.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ANNE LEVINSON, Chair

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner

[BA973110.035]

[redacted]

EXHIBIT J

[redacted]