



July 16, 2004

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Docket A-021178

Dear Ms. Washburn,

This filing is to convey Puget Sound Energy's ("PSE" or "the Company") comments on the Commission Staff's revised proposed rules dated July 2, 2004, in the above-noted Docket.

PSE continues to have concerns that have not been addressed in the various revisions Staff has made to the draft proposed rules. In addition, PSE was surprised to see that the July 2, 2004, version of the draft rules restores language that was eliminated in prior drafts in response to comments filed by the Company and other parties. However, PSE's comments at this time focus on the one remaining issue that is of most critical importance to the Company. Please note that in making the specific comments below, PSE does not waive any objections or concerns stated in its prior comments.

WAC 480-90/100-272: Issuing securities

The proposed rule would require a utility to file the requested information "[a]t least five business days...before" issuing stocks, bonds, notes, or other evidences of indebtedness. This proposed requirement is highly problematic, in that speed and timing can be important in order to take advantage of financial market opportunities. Once a utility decides that the timing is right for such an issuance and obtains internal approval, delay of the issuance increases the risk that market conditions will change before the issuance can be completed, and such delay generally should be avoided.

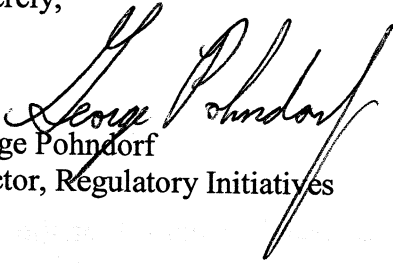
For example, PSE's recent debt issuance was approved by its Board of Directors on Friday, July 9, 2004, was filed with the Commission that day, and was sold the following Monday, July 12, 2004. The five-day advance rule could result in missing a market window and in higher costs of capital. In the case of an equity issuance, an underwriter might offer to pay a less

attractive price for PSE's stock if the issuance will be delayed five days rather than occurring within 24 to 48 hours of the underwritten offer and acceptance because of the additional market risk such delay imposes on the underwriter.

While facing this risk of increasing costs for utilities and their ratepayers, there does not appear to be any reason to require anything more than filing information about an issuance "before such issuance," as required in RCW 80.08.040, since in any event no Commission action would be taken with respect to the filing prior to issuance. In addition, the five-day requirement is not necessary in the notification filing.

Thank you for the opportunity to file these comments. The Company hopes they are helpful to the Commission and other interested parties as we work together to advance the public interest. If you have any questions regarding these comments or if we can be of any other assistance, please contact Karl Karzmar at 425-456-2797.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Pohndorf". The signature is written in black ink and is positioned above the printed name and title.

George Pohndorf
Director, Regulatory Initiatives