

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For Approval of its March 2010 Power
Cost Adjustment Mechanism Report

DOCKET NO. UE-10____

PETITION OF PUGET SOUND
ENERGY, INC. FOR APPROVAL OF ITS
MARCH 2010 POWER COST
ADJUSTMENT MECHANISM REPORT

1. This Petition is brought by Puget Sound Energy, Inc. ("PSE" or the "Company"). PSE's representative for purposes of this proceeding is:

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and its legal counsel for purposes of this proceeding is:

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2. This Petition brings into issue: WAC 480-07-370(1)(b).

I. BACKGROUND

A. The Company's PCA Mechanism Requires Annual True-Up Filings

3. In the Commission's Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 ("Twelfth Supplemental Order"), the Commission approved the parties' Settlement Stipulation for Electric and Common Issues for PSE's 2001 general rate case ("Stipulation"). Among other things, the Twelfth Supplemental Order authorized a Power Cost Adjustment Mechanism ("PCA Mechanism"). Exhibit A to the Stipulation, which is attached to the Twelfth Supplemental Order, sets forth details regarding the PCA Mechanism, and is hereinafter referred to and cited as the "PCA Settlement."

4. Following verification of certain numbers set forth in the exhibits to the PCA Settlement, the Commission ordered that revised pages of Exhibits A, B, D and F be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Settlement. The Commission further ordered that the resulting adjusted calculations be used for purposes of the PCA accounting required by the PCA Settlement beginning July 1, 2002. *See* Fifteenth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (May 13, 2003). A copy of the PCA Settlement, as revised, is attached to this Petition as Exhibit A.

5. The PCA Settlement describes the PCA Mechanism as

a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances

PCA Settlement, ¶ 2. The PCA Settlement sets forth the various levels of costs and benefits sharing between the Company and its customers, and provides that "[t]he customer's share of the power cost variability will be deferred as described below. . . ."

Id. at ¶ 3.

6. In order to implement its sharing provisions, the PCA Settlement requires an annual true-up of actual power costs (versus the normalized level set in rates) and an accounting of sharing amounts, for Commission review and approval." PCA Settlement, ¶ 4.

II. PSE'S MARCH 2010 PCA REPORT

7. In compliance with the PCA Settlement and the Sixteenth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (changing the annual PCA period to a calendar year rather than a fiscal year and approving an annual submittal date of March 31st), this Petition presents to the Commission PSE's Power Cost Adjustment Mechanism Annual Report for the Twelve Month Time Period January 1, 2009 through December 31, 2009—PCA Period Eight ("PCA Annual Report") for the Commission's review and approval. The PCA Annual Report is being filed along with this Petition. Also being filed with this Petition are the Prefiled Direct Testimony of John H. Story with supporting exhibits, and the Prefiled Direct Testimony of David E. Mills, with supporting

exhibits. Accompanying workpapers are being provided to the Commission Staff and Public Counsel with this filing. As described below, PSE requests that the Commission approve the PCA Annual Report as filed.

8. As detailed in PSE's PCA Annual Report, the average power cost baseline rate during PCA Period 8 was \$64.314 per MWh. As further detailed in PSE's PCA Annual Report, PSE's actual power costs exceeded the average power cost baseline rate during PCA Period 8 by \$32,198,328 (after adjustment for Firm Wholesale).

9. With respect to the deferral balance, as of December 31, 2008, the Company had deferred for future recoveries \$1,804,703 of under-recovered power costs, before revision for the Tenaska Displacement Tax Refund, as discussed in the Prefiled Direct Testimony of John H. Story. After revisions were made pursuant to the Methodology for Adjustments of Costs Outside of the PCA Period, the revised customer deferral balance was \$1,170,089. During PCA Period 8 the customers' share of power cost under-recovery was \$6,099,164. Therefore, the deferred balance at December 31, 2009 is \$7,269,253. Interest of \$1,229,577 (revised to reflect the impacts of the Tenaska Displacement Tax Refund discussed in the Prefiled Direct Testimony of John H. Story) had been accrued at the end of PCA Period 7. PCA Period 8 interest was \$30,536. Adding the total accrued interest of \$1,260,113 to the deferred balance of \$7,269,253, results in a total customer deferral balance under the PCA mechanism at December 31, 2009 of \$8,529,366.

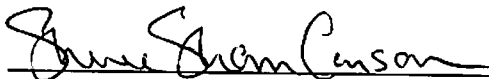
10. The Company is not requesting any rate increase as part of this filing because the deferral balance is not at a level where an increase is warranted.

III. REQUESTED ACTION

11. PSE respectfully requests that the Commission issue an order approving PSE's PCA Annual Report, as filed.

DATED: March 31, 2010.

PERKINS COIE LLP

By 
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