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September 9, 2005

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

Re: *Puget Sound Energy, Inc.'s Power Cost Only Rate Case ("PCORC")*  
Docket No. UE-050870

Dear Ms. Washburn:

### **Evidence in Support of the Proposed Settlement**

Pursuant to WAC 480-07-730(1) and -740(2), please find enclosed an original and twelve copies of the following evidence in support of the Settlement Agreement that all parties executed and filed with the Commission in this proceeding on August 30, 2005:

- The Joint Testimony and Exhibits of Kimberly Harris, John Story, James Russell and Donald Schoenbeck In Support of Settlement Agreement;
- The Testimony of Henry Macintosh Regarding Resource Prudence In Support of the Settlement Agreement; and
- The Testimony of Roger Garratt Regarding the Status of the Hopkins Ridge Wind Facility In Support of the Settlement Agreement.

Please note that the parties to this proceeding have also stipulated that the Commission should admit into evidence the testimony and exhibits that were prefiled by PSE on June 7, 2005, in this proceeding, for the record and as further support for the proposed Settlement.



### **Legal Points that Bear on the Proposed Settlement**

WAC 480-07-740(2) also requires that the parties to a settlement provide "a summary of legal points that bear on the proposed settlement."

The Settlement makes some changes to the existing PCA Mechanism, which was established by the Commission's Twelfth Supplemental Order in PSE's 2000-01 general rate case, Docket Nos. UE-011570 and UG-011571 (consolidated). The Commission has authority under RCW 80.04.210 to amend its prior orders upon notice to the public service company affected. Nevertheless, the parties were concerned that not all of the entities who participated in the 2000-01 rate case settlement on the PCA Mechanism are parties to this 2005 PCORC proceeding.

To address such concerns, the Company informed all parties to its 2001/02 general rate case of the agreed changes to the PCA Mechanism by sending a copy of the Settlement Agreement to the service list for that case, along with a cover letter that alerts these parties to the agreed changes to the PCA Mechanism. The Company did so on September 1, 2005, as shown in Exhibit A to this letter (submitted here without the enclosure).

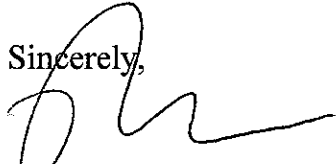
The Parties therefore are asking the Commission to reopen Docket Nos. UE-011570 and UG-011571 only for the limited purpose of amending the Commission's Twelfth Supplemental Order, pursuant to RCW 80.04.210, in order to approve these agreed changes to the PCA Mechanism, and see no legal impediment to doing so.

Generally, the parties believe that the proposed Settlement meets all applicable legal standards with respect to utility ratemaking, including RCW 80.28.010 and RCW 80.28.020 (rates shall be fair, just, reasonable and sufficient and neither unduly preferential nor discriminatory).

Carole Washburn  
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The parties are not aware of any other legal point with respect to the proposed Settlement that requires the Commission's consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Cedarbaum", written over the word "Sincerely,".

Robert D. Cedarbaum  
Senior Counsel

Enclosures

cc: Kirstin S. Dodge  
Robert W. Cromwell, Jr.  
S. Bradley Van Cleve

# **EXHIBIT A**

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September 1, 2005

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ATTY GEN DIV  
WUTC

All Parties to Puget Sound Energy, Inc.'s  
2001-2002 General Rate Case  
WUTC Docket Nos. UE-011570 and UG-011570

**Re: Notice of Proposed Changes to Puget Sound Energy, Inc.'s  
Power Cost Adjustment Mechanism**

Greetings:

This letter is to inform you that on August 30, 2005, all parties to Puget Sound Energy, Inc.'s ("PSE") pending power cost only rate case, WUTC Docket No. UE-050870 ("2005 PCORC"), filed a Settlement Agreement for the Commission's consideration and approval. If approved by the Commission, the Settlement Agreement would, among other things, result in certain amendments to PSE's Power Cost Adjustment ("PCA") Mechanism, which was approved by the Commission in its Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (consolidated).

The provisions amending the PCA Mechanism are found in Section F of the Settlement Agreement, paragraphs 16-19. A copy of the Settlement Agreement is attached for your information.

Specifically, the Settlement Agreement provides that the annual PCA periods under the PCA Mechanism will change from the current July 1 through June 30 period to a calendar year period, beginning January 1, 2007. Annual PCA true up filings will be due by the end of each March for the prior PCA calendar year.

The March 2007 PCA true up filing mentioned in the Settlement Agreement will be for the six-month period from July 1, 2006 through December 31, 2006. During the six-month period from July 1, 2006 through December 31, 2006, the sharing bands

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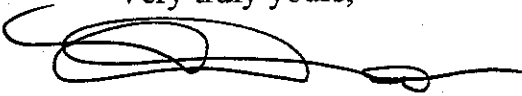
under the PCA Mechanism will be cut in half. For example, rather than a first sharing band in which the Company is at risk of absorbing the first \$20 million in excess power costs, there will be a first sharing band in which the Company is at risk of absorbing only the first \$10 million in excess power costs.

The Parties to the 2005 PCORC have asked the Commission to reopen Docket Nos. UE-011570 and UG-011571 only for the limited purpose of amending the Commission's Twelfth Supplemental Order, pursuant to RCW 80.04.210, in order to approve these agreed changes to the PCA Mechanism.

As part of the Settlement Agreement, PSE agreed to provide notice of these agreed changes to the PCA Mechanism to all parties to PSE's 2001/02 general rate case, Docket Nos. UE-011570 and UG-011571.

Please feel free to contact me or the representatives for the other parties to the Settlement Agreement if you have any questions regarding this matter.

Very truly yours,



Kirstin S. Dodge

cc: Service List

Enclosure

**CERTIFICATE OF SERVICE**

UE-011570 and UG-011571

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding via first class mail to:

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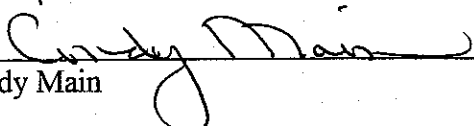
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Dated: September 1 2005.

  
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Cindy Main