



Puget Sound Energy, Inc.  
P.O. Box 97034  
Bellevue, WA 98009-9734

May 12, 2006

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

**RE: Advice No. 2006-13  
Subsequent Electric Tariff Filing – Filed Electronically**

Dear Ms. Washburn:

**The Purpose of This Filing:**

This is a subsequent filing pursuant to WAC 480-07-880(2) and -885 that was authorized and required by the Commission's Order No. 04 in Docket No. UE-050870, Puget Sound Energy, Inc.'s ("PSE" or "the Company") 2005 power cost only rate case ("2005 PCORC").

In that Order, the Commission required PSE to file by May 15, 2006, a revised Schedule 95 reflecting a new power cost baseline rate with an effective date of July 1, 2006. The purpose of requiring the Company to update the power cost baseline rate as part of the resolution of the 2005 PCORC proceeding was to satisfy the Company's obligation to reset its power cost baseline effective July 1, 2006, as set forth in the Order No. 06 in Docket Nos. UG-040640 *et al.* at Paragraph 100. It was also intended to ensure that PSE's power cost baseline rate will be updated when the current \$40 million PCA Mechanism cap expires. Order No. 04 at ¶ 15.

Pursuant to Order No. 04 in the 2005 PCORC proceeding, as well as RCW 80.28.060, WAC 480-80-101 and -105, PSE hereby files revisions to its Power Cost Rate, Schedule 95, to reflect updated projected power costs for the period July 1, 2006, through December 31, 2006.

Please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of PSE:

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|--------------------------------|--|
| 28th Revision of Sheet No. 95  | - Power Cost Adjustment Clause             |
| 3rd Revision of Sheet No. 95-a | - Power Cost Adjustment Clause (Continued) |
| 4th Revision of Sheet No. 95-b | - Power Cost Adjustment Clause (Continued) |
| 3rd Revision of Sheet No. 95-c | - Power Cost Adjustment Clause (Continued) |
| 3rd Revision of Sheet No. 95-d | - Power Cost Adjustment Clause (Continued) |
| 3rd Revision of Sheet No. 95-e | - Power Cost Adjustment Clause (Continued) |

The Company is also providing a new Exhibit A-1 for Commission approval showing the calculation of the baseline rate that will be used for determining the over or under recovery during the July through December 2006 PCA period.

The Company will also be providing three copies of supporting work papers which, due to size, will be delivered separately from this electronic filing.

The parties to the 2005 PCORC proceeding agreed to support Commission approval of this power cost baseline rate update without suspension; *provided that* Commission Staff and the other parties may conduct an expedited examination of PSE's proposed revised tariff sheets so that the updated rate becomes effective July 1, 2006. Consistent with that examination and Order No. 04, PSE may be submitting substitute tariff sheets prior to July 1, 2006, to reflect any changes to its proposed revisions to Schedule No. 95 resulting from the other parties' examination of this filing. *See* Order No. 04, Settlement Agreement at ¶ 22, found at Appendix A to Order No. 04.

#### **Overview of PSE's Updated Power Cost Baseline Rate and Resulting Rate Increase:**

Order No. 04 requires PSE to propose revisions to Schedule 95 that flow through an updating of PSE's projected power costs for the period July 1, 2006, through December 31, 2006, that is based on: (i) a run of the AURORA model that was used for PSE's June 7, 2005, PCORC filing, except that the run must include December 2006 and certain updated inputs, and (ii) an updating of power costs not in AURORA, all as detailed in Attachment A to the Settlement Agreement that was approved and provided as Appendix A to Order No. 04. The updated inputs required to be used in the AURORA model run include use of the three-month average natural gas price method approved in Order No. 06 in Docket Nos. UG-040640, *et al.* for the three months ending April 30, 2006. *See* Order No. 04 at ¶ 15.

The Company has performed the required update of its projected power costs for the period July 1, 2006, through December 31, 2006. This results in an updated power cost baseline rate of \$59.577/MWh, which is \$4.601/MWh higher than the current power cost baseline rate of \$54.975/MWh. The result is a need to increase electric rates by \$45.3 million, an average of 5.95%, in order to recover additional power costs the Company is facing to serve its electric customers during the July 1, 2006, through December 31, 2006 period.

Much of the upward pressure on PSE's power costs is a result of projected prices of natural gas that are higher than the projections that were incorporated into the rates set as a result of the 2005 PCORC proceeding. For example, the projected average price of natural gas at the Sumas trading hub that was incorporated into the 2005 PCORC power cost baseline rate (using the 3-month method referenced above) was \$6.54/MMBtu for the rate year (Dec. 2005 – Nov. 2006) and \$6.28/MMBtu for the six-month period incorporated within this filing. By contrast, the projected average price of natural gas at the Sumas trading hub as of the three months ending April 30, 2006, increased \$0.44/MMBtu to \$6.98/MMBtu for the rate year and \$0.85/MMBtu to \$7.13/MMBTU for the six-month period incorporated within this filing.

In addition, as agreed upon in the 2005 PCORC Settlement, power costs were updated to reflect the most recent maintenance schedules, hydro regulation, variable coal costs and contract costs.

**Notice of Filing:**

The tariff sheets described herein reflect issue dates of May 12, 2006, and effective dates of July 1, 2006. In accordance with WAC 480-100-885(1)(b) and WAC 480-100-193(1), the Company will also post the filed tariff sheets for public inspection and review on its website, and will provide access via request by telephone or mail. Pursuant to WAC 480-100-194, the Company will be providing notice to customers through a published notice in accordance with WAC 480-100-194(2) a minimum of thirty days prior to the requested effective date.

In addition, in accordance with WAC 480-07-885(1)(c), the Company is serving copies of this PCORC filing and related workpapers on counsel for the parties and intervenors in the 2005 PCORC, Docket No. UE-050870: Commission Staff, Public Counsel, and the Industrial Customers of Northwest Utilities. The Company has also scheduled a technical workshop with these parties to help expedite their examination of this filing.

Service and correspondence relating to this filing should be directed to:

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Thank you for your assistance.

Very truly yours,



Tom DeBoer  
Director, Rates & Regulatory Affairs

**Enclosures**

- cc: Robert D. Cedarbaum, Office of the Attorney General, Counsel for Commission Staff (tariff filing via email, work papers provided separately on CD)
- Simon ffitch, Judith Krebs, Don Schoenbeck, Office of the Attorney General, Public Counsel (tariff filing via email, work papers provided separately on CD)
- Jim Lazar and S. Bradley Van Cleve, Industrial Customers of Northwest Utilities and their Counsel (tariff filing via email, work papers provided separately on CD)

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing letter and enclosures via delivery by a commercial parcel delivery company in accordance with WAC 480-07-150(6)(c).

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Dated at Bellevue, Washington, this 12th day of May, 2006.



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Deb Sifferman  
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PSE Rates & Regulatory Affairs Dept.