



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

March 20, 2007

BY HAND DELIVERY

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

Re: Power Cost Only Rate Case ("PCORC") Filing of Puget Sound Energy, Inc.

Dear Ms. Washburn:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105, and the Power Cost Adjustment Mechanism ("PCA Mechanism") set forth in Exhibit A to the Settlement Stipulation approved by the Commission in its Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (consolidated), Puget Sound Energy, Inc. ("PSE" or "the Company") hereby seeks the Commission's approval to revise its Power Cost Rate, Schedule 95, (including Schedule 95A) to reflect increases in the Company's overall normalized power supply costs.

The Company submits its proposed revised tariff sheets in Addendum A to this letter. In support of this PCORC Filing, PSE also submits the original, 19 copies, and the requisite electronic copies of the testimonies and exhibits listed below. The Company is also providing an original and three copies of the redacted version of the confidential and highly confidential testimony, and three copies of supporting workpapers with this filing.

The Purpose of This Filing

The power cost baseline rate that is currently embedded in PSE's electric rates was established through the Commission's final orders in PSE's last general rate case in Docket Nos. UE-060266 and UG-060267 (consolidated). The Company's PCORC Filing submitted with this letter seeks approval of a new, adjusted Power Cost Rate based upon projected normalized power costs for the proposed rate year for this PCORC: the 12-month period beginning September 1, 2007. Overall, PSE proposes in this filing to increase electric rates by \$64,680,804, an average of approximately 3.7%, in order to recover additional power costs the Company is facing during the rate year. Increases in electrical load, increases in natural gas prices, and changes in other Company resources in the Company's energy portfolio are responsible for much of the upward pressure on PSE's power costs.

In addition, PSE is seeking in this PCORC Filing to obtain approval and recovery in rates of its acquisition of a 277 MW natural-gas fired plant in Goldendale, Washington, that uses combined-cycle technology to generate electricity using both a natural-gas cycle and a steam cycle (the

“Goldendale Generating Station”). PSE completed its acquisition of the Goldendale Generating Station on February 21, 2007, and the facility has been in PSE’s power portfolio since that date.

In support of this PCORC filing, PSE respectfully submits the following testimonies, exhibits, tariff sheets, and motions:

1. Prefiled Direct Testimony of Eric M. Markell, with 11 exhibits;
2. Prefiled Direct Testimony of Don Gaines, with 1 exhibit;
3. Prefiled Direct Testimony of Roger Garratt, with 18 exhibits;
4. Prefiled Direct Testimony of W. James Elsea, with 26 exhibits;
5. Prefiled Direct Testimony of David E. Mills, with 5 exhibits;
6. Prefiled Direct Testimony of John H. Story, with 7 exhibits;
7. Prefiled Direct Testimony of David W. Hoff, with 4 exhibits, including:

WN U- 60, Tariff G - (Electric Tariff):

Thirtieth Revision of Sheet No. 95 – Schedule 95 Power Cost Adjustment Clause
Fifth Revision of Sheet No. 95-a - Power Cost Adjustment Clause (Continued)
Seventh Revision of Sheet No. 95-b - Power Cost Adjustment Clause (Continued)
Sixth Revision of Sheet No. 95-c - Power Cost Adjustment Clause (Continued)
Fifth Revision of Sheet No. 95-d - Power Cost Adjustment Clause (Continued)
Fifth Revision of Sheet No. 95-e - Power Cost Adjustment Clause (Continued)
Second Revision of Sheet No. 95-f –Schedule 95A Production Tax Credit Rider
Second Revision of Sheet No. 95-g - Production Tax Credit Rider (Continued)
Third Revision of Sheet No. 95-h - Production Tax Credit Rider (Continued)
Third Revision of Sheet No. 95-i - Production Tax Credit Rider (Continued)
Second Revision of Sheet No. 95-j - Production Tax Credit Rider (Continued)
Second Revision of No. 95-k - Production Tax Credit Rider (Continued)

Please note that the revised Schedules 95 and 95A are designed to work together, and one cannot go into effect without the other.

8. PSE’s Motion for Amended Protective Order with Highly Confidential Provisions supported by the Declaration of Eric M. Markell in Support of PSE’s Motion for Amended Protective Order with Highly Confidential Provision;
9. PSE’s Motion for Expedited Procedural Schedule; and

10. PSE's Motion for Extension of Time to File General Rate Case

Confidentiality Protections and Procedural Matters

As listed above, PSE is filing three motions along with this PCORC Filing. First, PSE requests that the Commission issue a protective order with highly confidential provisions. As is evident from PSE's filing, the Company has marked many pages "**confidential**" or "**highly confidential**." These documents are currently protected from any further disclosure by the Commission or the Office of the Attorney General pursuant to RCW 80.04.095 and WAC 480-07-160. However, in order to permit appropriate review of the materials by experts for the Commission Staff and/or Public Counsel, a protective order should be entered in this proceeding as soon as possible.

In addition, as detailed in PSE's motion for protective order, some of the information related to the Company's resource acquisition process should not be viewed at all by persons involved in development of energy projects or resources. PSE has designated such material as "highly confidential" because it reflects confidential information that PSE received from project owners and developers that is commercially sensitive and/or because it reveals aspects of PSE's analysis or strategies that is commercially sensitive with respect to PSE's negotiations with such project owners or developers. To the extent any such persons or entities seek to intervene in this matter, they should not thereby be permitted access to "highly confidential" information. PSE, PSE's customers, and/or the project owners and developers that submitted commercially sensitive information to PSE would be harmed by release of the confidential or highly confidential information.

Second, PSE's Motion for Expedited Procedural Schedule requests that the Commission quickly convene a prehearing conference and establish a procedural schedule in this proceeding that will permit the proposed changes to its Power Cost Rate to become effective on September 1, 2007. This request is consistent with the timeline contemplated in the PCA Mechanism that PCORC cases are to be completed within four months. It is also consistent with the expedited proceedings the Commission conducted in PSE's PCORC filing under the PCA Mechanism, in Docket No. UE-031725 and Docket No. UE-050870.

Third, PSE seeks an extension of time to file its general rate case following the completion of this PCORC. Although the PCA Settlement requires PSE to file a general rate case within three months of the effective date of any rate increase resulting from a PCORC, the final order in PSE's last general rate was entered less than three months ago, and PSE has filed three general rate cases and three PCORC cases in the past six years. Given this history, PSE requests an extension to file its next general rate case to a date no later than April 15, 2008.

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In addition to these motions, on March 15, 2007, PSE filed a Petition for an Accounting Order authorizing deferred accounting treatment related to the fixed cost component of the Goldendale Generating Station, commencing with the filing date of the accounting petition (March 15, 2007) and ending with the date new rates go into effect as a result of the Commission's order in this PCORC. One objective of the PCA Mechanism is to allow PSE to promptly adjust its Power Cost Rate when new generation resources go into service. Due to the circumstances surrounding the purchase of the Goldendale Generating Station, the Company was unable to predict whether it would be the successful bidder in the bankruptcy sale or what the closing date would be for the purchase. The accounting petition allows the Company to defer the fixed cost component during the course of the PCORC proceeding, which is consistent with the stated objective of the PCA Mechanism. The Company requests that the Commission promptly approve this Petition for an Accounting Order that was filed March 15, 2007.

Notice of PCORC Filing

The tariff sheets described herein reflect issue dates of March 20, 2007, and effective dates of April 20, 2007. As PSE expects that this filing will result in an adjudicative proceeding where public testimony will be taken, notice of the tariff change will be provided in accordance with WAC 480-100-197. PSE will work with Commission Staff to develop the notice to customers. In accordance with 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.

In addition, as noted below, the Company is providing copies of this PCORC filing to counsel for the parties and intervenors who actively participated in the Company's PCORC in Docket No. UE-050870: Commission Staff, Public Counsel and the Industrial Customers of Northwest Utilities.

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

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We look forward to working with the Commission, Commission Staff, Public Counsel, our customers, and other interested parties in this important matter.

Very truly yours,



Tom DeBoer
Director, Rates & Regulatory Affairs

Enclosures

cc: Robert D. Cedarbaum, Office of the Attorney General (via hand delivery)
Counsel for the Commission Staff
Simon ffitch, Office of the Attorney General (via overnight delivery)
Public Counsel
S. Bradley Van Cleve (nonconfidential versions only, via overnight delivery)
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