



PUGET SOUND ENERGY

The Energy To Do Great Things

Puget Sound Energy, Inc.

P.O. Box 97034

Bellevue, WA 98009-9734

October 1, 2008

Mr. David Danner, Secretary and Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**RE: Advice No. 2008-23
Electric Tariff Filing – Filed Electronically**

Dear Mr. Danner:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy (the “Company” or “PSE”):

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

Sixth Revision of Sheet No. 194 - Residential And Farm Energy Exchange Benefit

The primary purpose of this filing is to implement changes to rates to provide a bill credit to pass through benefits that PSE expects to receive under a Residential Purchase and Sale Agreement, Contract No. 08PB-11974 (the “Agreement”) between PSE and the Bonneville Power Administration (“BPA”). A typical residential customer using 1,000 kWh per month will receive a credit of \$10.56 per month which represents a bill reduction of 11.4%.

The Agreement with BPA provides benefits for PSE’s residential and farm customers on rate Schedules 7, 7A, 8, 10, 11, 12, 29, 35, 56, and 59. This proposal represents the pass through to eligible residential and farm customers of benefits equal to a forecasted amount of approximately \$114 million (\$119 million when adjusted for revenue sensitive items) for the twelve months ending September, 30, 2009 (fiscal year 2009) based on (1) forecasted loads, (2) the PF Exchange rate adopted by BPA for PSE in BPA’s 2007 Supplemental Wholesale Power Rate Case (“WP-07S”), (3) the initial Average System Cost (“ASC”) filing submitted by PSE to BPA, and (4) the “Lookback Amount” determined by BPA for PSE in BPA’s WP-07S proceeding.

Under the Agreement, BPA acquires power from PSE at PSE’s ASC and in exchange, sells an equivalent amount of power to PSE at BPA’s Priority Firm Power Exchange (“PF Exchange”) rate. In practice, no actual power deliveries are made by BPA or PSE under the Agreement. Instead, BPA provides the benefits to PSE which PSE then passes through to its residential and small farm customers. The benefits paid by BPA are subject to certain adjustments detailed in the Agreement. (However, BPA may in the

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future choose to acquire "in lieu" power and deliver power to PSE rather than make benefit payments to PSE.)

PSE will accrue interest on the account recording balances of benefit payments received from BPA less amounts credited to customers on a monthly basis as follows. Interest will be accrued based on the average of daily balances within the account for the month calculated at the end of the month. Interest will only be accrued if this end of the month daily average is positive. The interest rate used will be the average for the month of the daily London Interbank Offered Rate (BBA LIBOR).

PSE will submit to BPA PSE's actual eligible loads on a monthly basis and the monthly payment to PSE will be made by BPA following review, generally resulting in PSE receiving the credit during the month following the actual delivery of power and application of credit to customers' accounts.

PSE submitted its initial Average System Cost ("ASC") Appendix 1 filing to BPA on September 30, 2008 for fiscal year 2009 and BPA will review the filing. Following BPA's review (which is expected to be completed in April 2009), PSE will submit its ASC to FERC. BPA's PF Exchange rate and BPA's 2008 ASC Methodology governing the development of PSE's ASC are each subject to FERC review. The ASC filing, the PF Exchange rate and BPA's 2008 ASC Methodology are subject to change as a result of these processes and are also subject possible court review, all of which may result in the amount of credit that PSE receives for fiscal year 2009 being subject to change. Further, PF Exchange rates, including PSE's, are subject to adjustment to reflect the addition by exchanging utilities of certain new resources.

In the WP-07S proceeding, BPA determined the amount it had allegedly overpaid to investor-owned utilities, including PSE, between October 1, 2001, and October 1, 2008. The alleged overpayment by PSE is the "Lookback Amount" that reduces the total amount paid by BPA to PSE. PSE and the other investor-owned utilities have objected, and continue to object, to BPA's determination of any alleged overpayment and BPA's recovery thereof.

In support of this filing enclosed are the Agreement including the cover letter submitting the Agreement to the Federal Energy Regulatory Commission, and the work paper (including supporting documents) calculating the rate per kWh to be credited on customers' bills.

The tariff sheet described herein reflects an issue date of October 1, 2008, and an effective date of November 1, 2008. Posting of proposed tariff change, as required by WAC 480-100-193, is being made by posting the proposed tariff sheet on the PSE web site immediately prior to, or coincident with, the date of this transmittal letter.

This tariff change does not increase recurring charges or restrict access to services. Therefore, notice of proposed tariff change, as required by law and the Commission's rules and regulations (including WAC 480-100-195(3)), is being given to the public immediately prior to, or coincident with, the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-100-193.

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Please contact Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,

E. E. Enft
Manager, Regulatory Initiatives & Tariffs for

Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosures

cc: Simon J. ffitch, Public Counsel
Dick Byers, UTC
Tom Schooley, UTC
Sheree Carson, Perkins Coie