



PUGET SOUND ENERGY

The Energy To Do Great Things

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PSE.com

October 1, 2010

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

Re: Advice No. 2010-24 (Tracker) – Natural Gas Tariff Filing – Filed Electronically

Dear Mr. Danner:

Puget Sound Energy, Inc. (“PSE” or “the Company”) hereby submits a proposed change to the gas cost deferral account adjustment (“Tracker filing”) including proposed revisions to its WN U-2 Tariff. Enclosed, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, is the following proposed revised tariff sheet:

WN U-2 (Natural Gas Tariff)

36th Revision of Sheet No. 1106 – Supplemental Schedule No. 106 – Deferred Account Adjustment

The proposed tariff revision includes an effective date of November 1, 2010. Posting of the proposed tariff change, as required by law and the Commission’s rules and regulations, for inspection and review by the public is being completed immediately prior to or coincident with the date of this transmittal letter, through web, telephone and mail access in accordance with WAC 480-90-193(1). The net effect of this filing is an increase in customer bills, therefore, the Company will provide notice in accordance with WAC 480-90-194(2) through a notice published at least thirty days before the stated effective date of the filing.

Purpose of This Filing

The purpose of this filing is to adjust the Company’s deferral amortization rates, that is, the rates that are designed to true-up prior over or under recoveries of revenue to cover purchased gas expenses. This filing reflects the true-up of actual costs to actual revenue collected through August of 2010 and estimated costs to estimated revenue through October 31, 2010. The Company projects the balance in its 191 account will indicate a \$3.4 million over-collection at the end of October 2010. Of the \$3.4 million net over-collection, \$33.1 million is commodity related over-recovery resulting from the differences between gas market prices and forward prices used in preparation of the 2009 Purchased Gas Adjustment (“PGA”) filing. This over-recovery of commodity costs is offset by \$29.7 million in demand related under-recovery related to differences between actual demand costs and those estimated in preparation of the 2009 PGA filing, and approximately \$47,000 of under-recovered costs in the amortization account.

The Company is proposing to transfer the entire projected balance (\$33.1 million) of over-collected commodity costs and a portion (\$16.1 million) of the under-collected demand costs to the amortization account. Only a portion of the demand balance is transferred to reflect the cyclical nature of demand gas cost recoveries relative to incurrence. When these current costs are combined with the remaining under-recovered balance of \$47,000 in the amortization account, the net effect is \$17.0 million to be credited to customers through Schedule 106 rates over the upcoming PGA period. Because current Schedule 106 rates reflect amortization of a \$63.2 million credit to customers established in the 2009 deferral

amortization filing, the proposed rates result in an increase in the deferral amortization rates even though the rates will still be negative.

Customer Impact

The impact of updating the amortization rate will be a 4.8% increase to residential customers and an average overall increase to customers of 5.0%. The annual dollar amount of the change is \$48.7 million. The proposed amortization rate is estimated to credit customers the full deferral amount of -\$17.0 million over the next year based on estimated sales volumes. As more fully explained in Advice No. 2010-23, PSE has also proposed a PGA rate decrease to recover projected gas costs for the period November 2010 through October 2011. The combined impact of both filings is summarized in that filing.

List of Exhibits

The following exhibits are being submitted to support the revisions requested in this filing:

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| Exhibit ____ (Tracker-1) "CONFIDENTIAL" | FERC Account No. 191 balances by category. |
| Exhibit ____ (Tracker-2) | Calculation of the balance proposed to be collected through Schedule 106 rates during the PGA period. |
| Exhibit ____ (Tracker-3) | Calculation of Schedule 106 rates, by demand and commodity components, based on the balances shown in Exhibit ____ (Tracker-2). |
| Exhibit ____ (Tracker-4) | The calculated effect of the proposed tracker rates on the various customer classes based on the projected volumes for the proposed amortization period. |
| Exhibit ____ (Tracker-5) | The estimated revenue impacts of the tracker filing, by customer class, based on normalized volumes for 2009. |

Please note that Exhibit ____ (Tracker-1) contains commercially sensitive cost information, disclosure of which could adversely affect gas costs for the Company's customers. Therefore, this exhibit has been filed under a separate cover letter requesting confidential treatment.

Conclusion

PSE's request to implement the amortization rates proposed in this filing, along with the PGA rate change, reflects a good balancing of customer impacts with reasonable results for gas utility operations. This filing is closely linked with the Company's PGA filing, so both should be implemented together. Customer notification will address both filings, and is more fully explained in the PGA filing.

Questions regarding this filing can be directed to Janet Phelps at (425) 456-2304. If you have any other questions, or if I can be of any assistance, please contact me at (425) 462-3495.

Sincerely,



Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosures

cc: Simon J. ffitc
Paula Pyron
Sheree Carson