



PUGET SOUND ENERGY

The Energy To Do Great Things

Puget Sound Energy, Inc.

P.O. Box 97034

Bellevue, WA 98009-9734

October 29, 2010

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

RE: Advice No. 2010-27 – Electric Tariff Filing – Filed Electronically

Dear Mr. Danner:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105 please find enclosed for filing the following proposed revisions to the WN U-60, tariff for electric service of Puget Sound Energy, Inc. (the “Company” or “PSE”):

- 38th Revision of Sheet No. 2-a – Index To Rate Schedules (Continued)
- 5th Revision of Sheet No. 95-f – Schedule 95A – Federal Incentive Tracker
- 5th Revision of Sheet No. 95-g – Schedule 95A – Federal Incentive Tracker (Continued)
- 6th Revision of Sheet No. 95-h – Schedule 95A – Federal Incentive Tracker (Continued)
- 6th Revision of Sheet No. 95-i – Schedule 95A – Federal Incentive Tracker (Continued)
- 5th Revision of Sheet No. 95-j – Schedule 95A – Federal Incentive Tracker (Continued)
- 5th Revision of Sheet No. 95-k – Schedule 95A – Federal Incentive Tracker (Continued)

The purpose of this filing is to implement changes to rates to pass-through an amount the Company has received from a U.S. Treasury Department grant (“Treasury Grant”) as approved by the Commission’s Order No. 01 in Docket No. UE-091570 which was issued December 10, 2009. This proposal represents the pass-through to eligible customers of a credit of \$5,750,205 over the twelve months beginning January 1, 2011. This represents an overall average rate reduction of 0.29%. This filing affects 1,091,059 of the Company’s electric customers.

The Company had passed through Production Tax Credits that it was not able to utilize as it had anticipated and effective July 1, 2010, the rate was set to \$0.0000. In that filing the Company committed to work with Commission staff to modify the Schedule 95A mechanism to eliminate the balance of approximately \$37.2 million that the Company had not been able to realize in recent federal tax filings. The Company has worked with Commission staff and other parties and the order in Docket No. UE-070725 will resolve the above balance, thereby allowing the pass-through of the Treasury Grant amounts in their entirety as proposed in this filing.

The Commission’s Order No. 04 in Docket No. UE-050870 (“Order 04”) provided for Schedule 95A to be filed each October and that it be effective during the following tax year. This filing takes into account changes affecting Schedule 95A since its last regular filing in October of 2009. Order

04 (as discussed in paragraph 18 of Order 04) also adopted the methodology for the Production Tax Credit Tracker as presented in Mr. Story's prefiled direct testimony. That testimony provided for the production tax credits to be passed through to customers as they are generated. This filing proposes to change that methodology. Due to the uncertainty of receiving production tax credits, the Company is proposing changes so that production tax credits will only be passed through to customers following the year in which they are able to be used, rather than in the same year when they are generated. To the extent that this change requires a change in Order 04, the Company respectfully requests that the change be made. To facilitate changes in Order 04 the Company is submitting, concurrently with this tariff filing, a motion to consolidate this filing with Docket No. UE-050870 and modify Order 04 to allow the change in pass-through methodology.

The filing does not change PSE's net revenue, as it is a pass-through of funds received in the form of a Treasury Grant. Work papers supporting this filing are enclosed.

In addition to the change in the pass-through methodology for production tax credits and the change in rates, this filing includes other changes, including a change in title of Schedule 95A from Production Tax Credit Tracker to Federal Incentive Tracker to reflect Treasury Grants and manufacturing tax benefits. The inclusion of Treasury Grants and manufacturing tax benefits is reflected in the two new paragraphs in the Applicability section of the schedule and the change to the Basis section. The Purpose section has also been revised to reflect these changes, and to provide for true-up due to differences between projected loads and actual loads. Finally, rates have been added for Schedule 51, which is a newly added rate schedule, and also for Special Contracts and Schedules 448, 449, 458 and 459 have been added to clarify that the applicable rate under these schedules is zero.

The tariff sheets described herein reflect issue dates of October 29, 2010, and effective dates of January 1, 2011. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, 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. This filing represents a decrease in customer bills, therefore, the Company will provide notice to customers in accordance with WAC 480-100-195(3) in the manner that PSE posts tariffs under WAC 480-100-193.

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,



Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosures

cc: Simon J. Ffitch, Public Counsel
Sheree Carson, Perkins Coie