



Puget Sound Energy  
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PSE.com

December 1, 2010

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

**RE: Advice No. 2010-34  
Natural Gas Tariff Filing – Filed Electronically**

Dear Mr. Danner:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find enclosed for filing the following proposed revisions to the WN U-2 tariff for natural gas service of Puget Sound Energy (the “Company” or “PSE”).

Second Revision of Sheet No. 1132 - Schedule 132 – Merger Rate Credit  
Second Revision of Sheet No. 1132-A - Schedule 132 – Merger Rate Credit (Continued)

The purpose of this filing and the electric tariff filing being submitted coincident with this filing is to implement the annual update to the Merger Rate Credit required as part of the Multiparty Settlement Stipulation in Docket No. U-072375. The Multiparty Settlement Stipulation is Attachment A to Order No. 8 in Docket No. U-072375 (the “Order”). The Merger Rate Credit (Transaction Commitment number 34) is a commitment to provide rate credits of \$100 million over a 10-year period (\$10 million per year for ten years).

As provided in the Order, the rate credits of \$10 million per year are comprised of \$8.8 million that is not offsettable and \$1.2 million that is fully offsettable to the extent that the Company can demonstrate in a rate proceeding that the savings associated with the merger are reflected in the underlying cost of service. This filing reflects a total offset of \$1.2 million. Offsets totaling \$2,483,228,416 were reflected in the cost of service in Docket Nos. UE-090704 and UG-090705, however the amount offsettable is limited to \$1.2 million.

The Order also provides for a true-up of amounts over or under credited during the prior rate year. This filing includes an amount of \$243,919 that was over-credited in 2010. This difference is due to the actual loads varying from projected loads. The \$243,919 has been subtracted from the total revenue requirement for the 2011 rate year.

The conversion factor is applied to the total revenue requirement which is allocated between natural gas and electric customers on the basis of the four-factor allocation. This results in a total natural gas revenue

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requirement of \$3,033,176. Taking into account changes from last year (including changes in the offsettable amount, changes in load and a true-up of last year) the rates in this filing represent an impact on customers that is a 0.1% overall increase in rates resulting from a decrease in the revenue requirement of \$549,718 and changes in load. Work papers supporting the total amount to be passed through for the year ending December 31, 2011, and the spread of this amount to rates are also enclosed.

As stated in the Company's February 4, 2009 filing of this Schedule and as reflected in Section 8 of the schedule (see Sheet 1132-A), the rates filed each year in Schedule 132 are credits and the Company will publish this tariff change in the manner it posts tariffs under WAC 480-90-193, even though this filing results in an overall increase in rates. The filing will be published by posting the change on its web site immediately prior to, or coincident with the date of this transmittal letter and making information available by telephone and mail, all in accordance with WAC 480-90-193(1).

The tariff sheets described herein reflect an issue date of December 1, 2010, and an effective date of January 1, 2011. Posting of proposed tariff change, as required by WAC 480-90-193, 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 in accordance with WAC 480-90-193(1).

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,



for Lynn F. Logen, Tariff Consultant  
Tom DeBoer  
Director, Federal & State Regulatory Affairs

Enclosures

cc: Simon J. Fitch, Public Counsel  
Paula Pyron, NWIGU  
Sheree Carson, Perkins Coie