



Puget Sound Energy  
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PSE.com

January 2, 2013

Mr. Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Notice of Intent to Defer Costs**

Dear Mr. King:

Pursuant to WAC 480-100-435(3)(a), Puget Sound Energy, Inc. ("PSE") hereby provides notice to the Washington Utilities and Transportation Commission (the "Commission") of its intent to defer costs associated with the Bio Fuels Washington, LLC. ("BioFuels WA") Schedule 91 Power Purchase Agreement ("PPA") in accordance with RCW 80.80.060(6). BioFuels WA completed construction of three 1.5MW landfill gas generators in the fourth quarter of 2013 and commercial operations under the PPA began on December 31, 2013. PSE agreed to purchase the total output of up to 4.5MW of electric generation from BioFuels WA under the Schedule 91 PPA which has a contract date of December 31, 2011.

Per RCW 80.80.060(6) an electrical company may account and defer for later consideration, costs associated with a long-term financial commitment including power purchase agreements with a term of five or more years associated with an eligible renewable resource. "Renewable resource" as defined in RCW 19.285.030 means: "(a) Water; (b) wind; (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or tidal power; (g) gas from sewage treatment facilities; (h) biodiesel fuel as defined in RCW 82.29A.135 that is not derived from crops raised on land cleared from old growth or first-growth forests where the clearing occurred after December 7, 2006; or (i) biomass energy".

PSE will offset the deferral of the payments under the PPA with the cost of market power currently authorized in rates. This market power offset equates to the actual MWh volume purchased for the month priced at the corresponding month's average Mid-C price assumed in rates.

Very truly yours,

Katherine J. Barnard  
Director, Revenue Requirement and Regulatory  
Compliance

cc: Sheree Carson  
Simon fitch