Exhibit No. ___ (DWS-15)

Tenaska Gas Management

(Non-confidential portion of PSE's

response to ICNU 2.06)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WUTC Docket No. UE-031725
Puget Sound Energy, Inc.
2003 Power Cost Only Rate Case

ICNU DATA REQUEST NO. 02.06

WUTC STAFF DATA REQUEST NO. 02.06:

With regard to the prefiled testimony of William A. Gaines page 28, lines 12-22, please provide an explanation and any supporting documents of the Company's approach to procuring gas for the Tenaska facility.

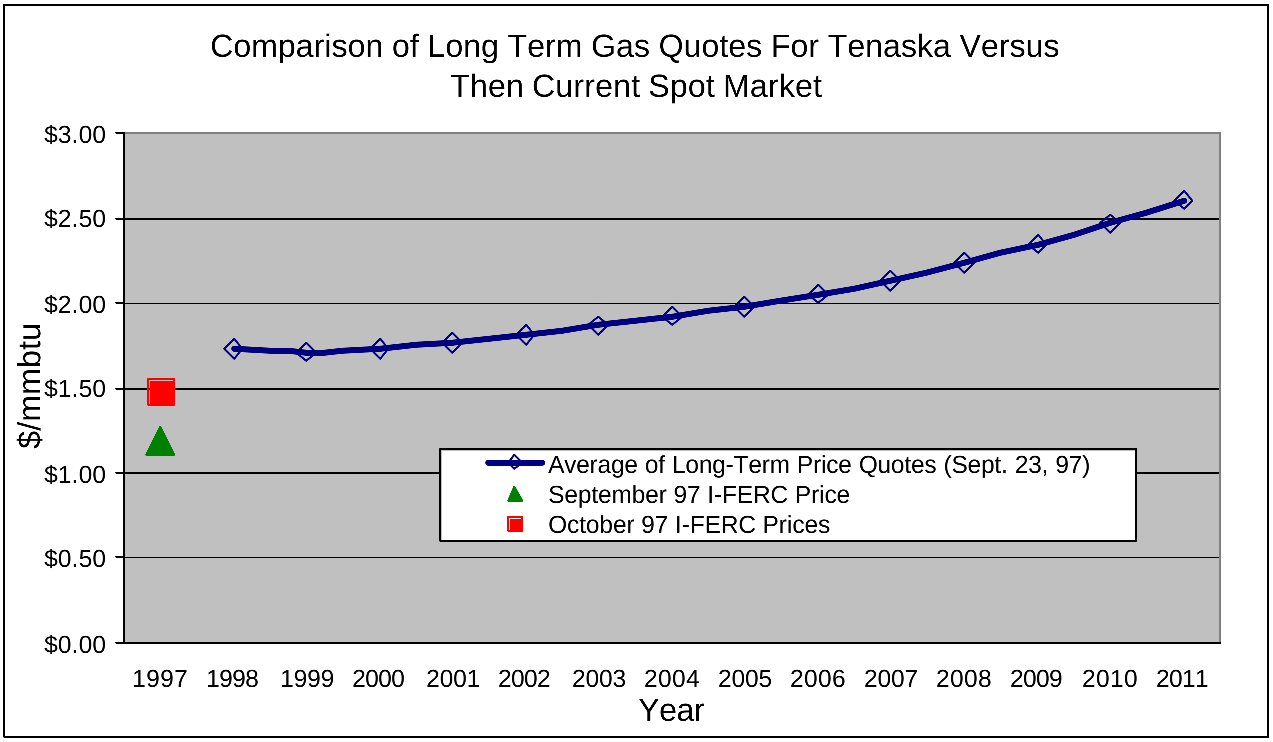
Response:

After the buyout occurred, the Company began to procure gas supply for Tenaska through the wholesale market and its various product offerings. The markets for these types of products for one year and less time duration have been relatively transparent and the products generally have been available. From time to time, PSE has entered into physical index supply contracts, fixed price physical supply contracts, as well as financial fixed price swap derivative contracts. The more typical products have included fixed priced financial hedges or fixed price physical contracts. These purchases were combined to provide a reliable gas supply and to periodically lock in fixed prices in order to reduce the uncertainty associated with market price volatility. PSE has also purchased gas on the spot market. The amount and timing of gas purchases were highly dependent upon the projected amount of consumption of gas for the Tenaska plant and were largely based on the projected market heat rates and expectations regarding forward and potential spot prices. A full discussion of PSE's wholesale market and portfolio management activities is not possible to present in this format, but PSE would be pleased to meet and provide additional information about those topics if requested.

PSE has also periodically reviewed the question whether it should procure a long-term fixed price contract to supply gas for Tenaska, as described below.

Long-term fixed price gas contracts are not always available. However, from time to time there have been sellers of long-term fixed price contracts of multiple years, or option structures such as calls, puts, or collars of varying tenure. Unfortunately, the market for these longer-term products and option products is not very transparent. In the time frame from the buy-out of the contract to the present, PSE has looked for these products on a periodic basis, generally during times of lower gas prices following high-priced gas periods.

In the initial period after the buy-out, the Company's strategy was to purchase gas supply for the Tenaska project on a short-term basis. At the time of the Tenaska restructuring, the Sumas gas market exhibited very low spot prices, and had been exhibiting low prices for quite some time. Because PSE was receiving long-term quotes with a significant premium versus current gas prices, in an environment of many years of relatively stable prices, it decided to continue its strategy of purchasing and hedging gas on the short-term market.



While prices rose to an average of $2.15/mmbtu in 1999, the information available at that time estimated declining prices going forward. Relying on the *Northwest Power Planning Council* long-term gas price forecast, the Company's 2000-2001 Gas and Electric Least Cost Plan stated:

> The price estimate of $2.27/mmbtu for the year 2000 is a relatively high price compared to historical Sumas index prices reflecting a significant increase in prices over the past several months. The medium scenario reflects the assumption that prices will go down to 1999 levels in 2001, stabilize at that level until 2006 and then escalate at 3.32%/year. The decline in prices is based on the assumption that gas exploration and development will react to the higher prices by developing additional supplies, bringing supply and demand back into equilibrium.

Because of the aformentioned premium that long term contracts tend to carry, and estimates that prices would decline, PSE chose to continue to purchase supply for Tenaska in the short-term markets during the 1999-2000 period. In addition, the late 1990s was a period of transition for the power industry. California had instituted retail compeition and the expectation was that competitive retail and wholesale markets would develop throughout the U.S. Given the potential for retail access in the Pacific Northwest, and a concern over stranded costs, PSE was conservative about entering into new long term commitments.

The western energy crisis followed in latter part of 2000, and continued into the first half of 2001, and gas and power prices rose dramatically. At that time, the Company determined it would be inappropriate to enter into a long-term fixed price supply arrangement at the time when regional energy prices had hit an extreme price peak.

After power and gas prices moderated from the extreme levels seen in 2000 and 2001, PSE looked on several occasions at procuring long term gas supply for Tenaska, but has not been able to lock in a supply at prices it believes are attractive enough to justify such a step. In the last eighteen months, the Company has also been concerned about the reduced number of credit-worthy market participants.

The other issue that PSE takes into consideration when planning its gas purchasing strategy is the nature of the power and gas market versus the efficiency of the power plant. Since November 2001, the average implied market heat rate for Mid-C/Sumas equaled roughly 8.4 mmbtu/MWh. This is equivalent to the contractual heat rate of the Tenaska plant. Thus, small moves in the market for either power or gas have resulted in short-term changes in the amount of gas that needs to be purchased to run the plant. This is evident upon review of historical production data where there is a sharp decline in production after 2001.

Tenaska Capacity Factor (1998 to Sept. 2003)	
1998	85%
1999	55%
2000	86%
2001	90%
2002	60%
YTD 9/03	60%

This trend in decreased production is projected to continue into the near term. The projected Tenaska capacity factor during the PCORC Rate Year is 59%.

Representative documentation regarding the decisions described above is provided along with the response to this data request, specifically: strategy decision documents from Risk Management Committee (RMC) meetings; minutes of meetings regarding specific Tenaska hedge strategies; and spreadsheets listing transactions labeled specifically as gas hedges for Tenaska.