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May 1, 2007

**VIA E-MAIL RECORDS@WUTC.WA.GOV  
VIA OVERNIGHT COURIER**

Ms. Carole J. Washburn, Executive Secretary  
Washington Utilities and  
Transportation Commission  
1300 S. Evergreen Park Dr. S.W.  
P.O. Box 47250  
Olympia, Washington 98504-9022

**Re: Docket No. UE-070565: Replacement Pages to Exhibit No. \_\_\_\_ (EMM-5HC),  
Exhibit No. \_\_\_\_ (EMM-8HC, Exhibit No. \_\_\_\_ (EMM-10HC), and  
Exhibit No. \_\_\_\_ (EMM-11HC)**

Dear Ms. Washburn:

Enclosed for filing in the above-referenced proceeding, please find the following replacement pages:

- (i) pages 8, 42, 43, 93-103, 105, 203, 204, 205, 206 and 208 of Exhibit No. \_\_\_\_ (EMM-5HC);
- (ii) page 16 of Exhibit No. \_\_\_\_ (EMM-8HC);
- (iii) pages 9 and 22 of Exhibit No. \_\_\_\_ (EMM-10HC); and
- (iv) pages 4, 5, 9, and 10 of Exhibit No. \_\_\_\_ (EMM-11HC).

Puget Sound Energy, Inc. ("PSE") originally filed these pages under the highly confidential designation provided for in WAC 480-07-160. At the request of Industrial Customers of Northwest Utilities ("ICNU"), an intervenor in this proceeding, PSE has reconsidered the highly confidential designation for these pages.

07771-0053/LEGAL13203969.1

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Perkins Coie LLP (Perkins Coie LLC in Illinois)

**A. Pages 8, 42, 43, 93-103, 105, and 203, 204, 205, 206 and 208 of Exhibit No. \_\_\_\_ (EMM-5HC)**

Exhibit No. \_\_\_\_ (EMM-5HC) is a copy of the Goldendale Energy Center Report, dated November 3, 2006, provided to the Board of Directors by Eric Markell, PSE's Senior Vice President Energy Resources Group.

**1. Pages 8, 42, 203, 204-206 and 208 of Exhibit No. \_\_\_\_ (EMM-5HC)**

Pages 8, 42, 203, 204, 205, 206 and 208 of Exhibit No. \_\_\_\_ (EMM-5HC) contain a discussion of previously confidential negotiations and potential transaction between PSE and Public Utility District No. 1 of Snohomish County, Washington ("Snohomish PUD"), pursuant to which PSE would purchase surplus gas transportation capacity from Snohomish PUD. PSE recently and successfully completed this transaction on Friday, April 20, 2007. Therefore, the discussion of the negotiations and the acquisition need not remain highly confidential.

**2. Page 43 of Exhibit No. \_\_\_\_ (EMM-5HC)**

Portions of page 43 of Exhibit No. \_\_\_\_ (EMM-5HC) discuss PSE's acquisition of gas transportation from Snohomish PUD. Now that PSE has finalized this acquisition, those portions of page 43 that identify Snohomish PUD as the counterparty to, and the details of, such acquisition can be redesignated as public.

PSE also marked the projected gas costs and projected levelized costs for the Goldendale Generating Station as highly confidential on page 43 of Exhibit No. \_\_\_\_ (EMM-5HC). PSE will redesignate the projected gas costs as confidential per the protective order in this proceeding. The projected gas costs are valuable commercial information for which PSE has a right to seek protection under RCW 42.56.270(1), RCW 42.56.330(1), RCW 80.04.095 and WAC 480-07-160. Moreover, the projected gas costs are based in part on data that PSE receives from third-party vendors, and PSE's agreement with those vendors require that PSE seek protection for such data.

Finally, PSE also marked the projected levelized costs for the Goldendale Generating Station on page 43 of Exhibit No. \_\_\_\_ (EMM-5HC) as highly confidential. The projected levelized cost of the Goldendale Generating Station, however, requires the additional protections afforded by the highly confidential designation. This information, if made available to bidders or potential bidders to PSE's resource acquisition processes, could adversely affect the competitive nature of such process because bidders would know the projected levelized cost of PSE's most recent acquisition and modify their bids accordingly. Such a scenario could (i) cause competitive harm to bidders that do not have access to such information and (ii) result in higher resource prices to PSE because the projected levelized cost of PSE's most recent acquisition may likely become the

lowest price acceptable to bidders in acquisitions currently being negotiated or solicited in the future. For these reasons, PSE has consistently marked projected levelized costs of potential resource acquisitions as highly confidential in this proceeding and the two previous general rate cases and power cost only rate cases.

**3. Pages 93-103 and 105 of Exhibit No. \_\_\_\_ (EMM-5HC)**

Pages 93-103 and 105 of Exhibit No. \_\_\_\_ (EMM-5HC) contain projected itemized fixed and variable costs associated with the Goldendale Generating Station. PSE will redesignate the itemized costs on each of these pages as confidential per the protective order in this proceeding. This information is confidential and not public because it is valuable commercial information for which PSE has a right to seek protection under RCW 42.56.270(1), RCW 42.56.330(1), RCW 80.04.095 and WAC 480-07-160. Moreover, certain information contained on these pages is based in part on data that PSE receives from third-party vendors (e.g., projected inflation rates), and PSE's agreements with those vendors require that PSE seek protection for such data.

Additionally, the fuel supply on page 94 of Exhibit No. \_\_\_\_ (EMM-5HC) relates to the purchase of surplus gas transportation capacity from Snohomish PUD. Now that the transaction is consummated, such information does not need to remain highly confidential.

**B. Page 16 of Exhibit No. \_\_\_\_ (EMM-8HC)**

Exhibit No. \_\_\_\_ (EMM-8HC) is a copy of the Energy Resources Progress Report, dated July 13, 2006, provided to the Board of Directors by Eric Markell, PSE's Senior Vice President Energy Resources Group.

Page 16 of Exhibit No. \_\_\_\_ (EMM-8HC) lists certain details and the projected levelized cost of the Goldendale Generating Station. On that page, PSE marked the heat rate, fuel supply and then-projected levelized cost of the Goldendale Generating Station as highly confidential.

The heat rate and fuel supply relate to the purchase of surplus gas transportation capacity from Snohomish PUD. Now that the transaction is consummated, such information does not need to remain highly confidential.

For the reasons set forth above, the projected levelized costs identified on page 16 of Exhibit No. \_\_\_\_ (EMM-8HC) remain highly confidential.

**C. Pages 9 and 22 of Exhibit No. \_\_\_\_ (EMM-10HC)**

Exhibit No. \_\_\_\_ (EMM-10HC) is a copy of the minutes of PSE's Energy Management Committee Meeting, dated October 19, 2006.

Portions of pages 9 and 22 of Exhibit No. \_\_\_\_ (EMM-10HC) discuss PSE's acquisition of gas transportation from Snohomish PUD. Now that PSE has finalized this acquisition, those portions of pages 9 and 22 of this exhibit that identify Snohomish PUD as the counterparty to, and the details of (including, but not limited to, the heat rate and fuel supply), such acquisition can be redesignated as public. Please note that all of page 22 of Exhibit No. \_\_\_\_ (EMM-10HC) is now marked as public.

PSE also marked the projected gas costs and projected levelized costs for the Goldendale Generating Station as highly confidential on page 9 of Exhibit No. \_\_\_\_ (EMM-10HC).

PSE will redesignate the projected gas costs as confidential per the protective order in this proceeding. The projected gas costs are valuable commercial information for which PSE has a right to seek protection under RCW 42.56.270(1), RCW 42.56.330(1), RCW 80.04.095 and WAC 480-07-160. Moreover, the projected gas costs are based in part on data that PSE receives from third-party vendors, and PSE's agreement with those vendors require that PSE seek protection for such data.

For the reasons set forth above, the projected levelized costs remain highly confidential.

**D. Pages 4, 5, 9, and 10 of Exhibit No. \_\_\_\_ (EMM-11HC)**

Exhibit No. \_\_\_\_ (EMM-11HC) is a copy of the Goldendale Acquisition Update, dated January 9, 2007, provided to the Board of Directors by Eric Markell, PSE's Senior Vice President Energy Resources Group.

**1. Pages 4 and 5 of Exhibit No. \_\_\_\_ (EMM-11HC)**

Page 4 of Exhibit No. \_\_\_\_ (EMM-11HC) provides a matrix of bidding scenarios used by PSE to structure its bids, and page 5 of Exhibit No. \_\_\_\_ (EMM-11HC) provides the maximum bid PSE was willing to offer for the Goldendale Generating Station and potentially reveals how PSE structures its bids.<sup>1</sup> This information, if made available to bidders or potential bidders to PSE's resource acquisition processes, could adversely affect the competitive nature of such process because bidders would know PSE's bidding strategies. Such a scenario could (i) cause competitive harm to bidders that do not have access to such information and (ii) result in higher resource prices to PSE because bidders would know the process PSE uses to evaluate bids. For these reasons, the majority of the materials on page 4 and 5 remain highly confidential.

Notwithstanding the foregoing, page 4 and page 5 of Exhibit No. \_\_\_\_ (EMM-11HC) each improperly designate some information as highly confidential. In particular, the fourth row of

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<sup>1</sup> PSE notes that the final "all-in" cost of the Goldendale Generating Station is less than the maximum bid PSE was willing to offer.

Ms. Carole J. Washburn, Executive Secretary  
May 1, 2007  
Page 5

the chart on page 4 designates as highly confidential a phrase in the last column that should be public, and the column on page 5 entitled "Current Agreement" should be designated confidential and not highly confidential because such column contains itemized costs that are valuable commercial information for which PSE has a right to seek protection under RCW 42.56.270(1), RCW 42.56.330(1), RCW 80.04.095 and WAC 480-07-160.

**2. Pages 9 and 10 of Exhibit No. \_\_\_\_ (EMM-11HC)**

Finally, pages 9 and 10 of Exhibit No. \_\_\_\_ (EMM-11HC) provide portfolio benefit ratios of multiple bid scenarios. Certain potential bid options (and potential project) indicated on the chart remain highly confidential because such information, if made available to bidders or potential bidders to PSE's resource acquisition processes, could adversely affect the competitive nature of such process because bidders would know PSE's bidding strategies. Such a scenario could (i) cause competitive harm to bidders that do not have access to such information and (ii) result in higher resource prices to PSE because bidders would know the process PSE uses to evaluate bids. For these reasons, the majority of the materials on pages 9 and 10 remain highly confidential. Notwithstanding the foregoing, PSE has narrowed the materials for which it claims highly confidential protection to the extent possible.

Also enclosed are three CD-ROMs that contain replacement electronic versions of these files. PSE is providing copies of the enclosed pages to Administrative Law Judge Moss and the parties to the proceeding that have signed the appropriate protective orders or otherwise are entitled to receive the enclosed pages.

Very truly yours,



Sheree Strom Carson

SSC:JK  
Enclosure

cc: Administrative Law Judge Dennis Moss (C and HC Versions)  
Robert Cedarbaum, Assistant Attorney General (C and HC Versions)  
Simon ffitich, Assistant Attorney General (C and HC Versions)  
Brad Van Cleve, Counsel for ICNU (C Version Only)  
Donald Schoenbeck, Consultant to ICNU (C Version Only)

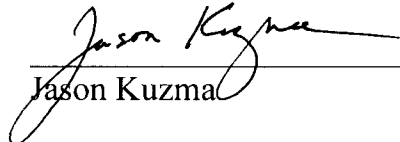
I hereby certify that I have this day served the foregoing, in accordance with WAC 480-07-150(6)(b), to the following persons via overnight mail:

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Carol J. Washburn Secretary Washington Utilities and Transportation Commission 1300 S. Evergreen Park Drive SW Olympia, WA 98504 Phone: (360) 664-1160 Fax: (360) 586-1150	Hon. Dennis J. Moss Administration Law Judge Washington Utilities and Transportation Commission 1300 S. Evergreen Park Drive SW Olympia, WA 98504 Phone: (360) 664-1164 Fax: (360) 664-2654 Email: <a href="mailto:dmoss@wutc.wa.gov">dmoss@wutc.wa.gov</a>

I hereby certify that I have this day served the redacted versions of the foregoing, in accordance with WAC 480-07-150(6)(b), to the following persons via overnight mail:

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Dated at Bellevue, Washington, this 1st day of May, 2007.

  
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Jason Kuzma