

Exhibit B
Proposed Order

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Accounting Order Authorizing Deferred Accounting Treatment for the fixed cost component of the Company's newly acquired Goldendale Generating Station pending approval of the Company's 2007 Power Cost Only Rate Case

Docket No. _____

ORDER (PROPOSED)

MEMORANDUM

1. On March 14 2007, Puget Sound Energy, Inc. ("PSE" or "the Company") submitted a Petition for an order that authorizes deferred accounting treatment related to the fixed cost component of the Company's newly acquired Goldendale Generating Station, pending entry of a final Commission order in the Company's 2007 Power Cost Only Rate Case ("PCORC"), filed on March __, 2007.

A. Background

2. The Goldendale Generating Station, formerly known as the Goldendale Energy Center, is a modern, 277-megawatt (MW) natural gas-fired combined cycle plant. The facility

was constructed by the Calpine Corporation at an estimated cost of \$334 million and achieved commercial operation in September 2004. The station includes gas delivery facilities, an electrical switchyard, certain nearby real property, and other facilities. The plant's turbines, fired by natural gas, employ "combined-cycle" technology that generates electricity using both a natural gas cycle and a steam cycle. The process provides higher operating efficiencies, lower fuel costs, and lower air emissions. The 250 MW plant can generate up to 277 MWs of power with duct-firing capacity. On February 21, 2007, PSE acquired the plant for \$120 million under a bankruptcy proceeding and bid auction process. The acquisition stems from the request for outside proposals ("RFP") process and PSE's need to secure about 1,500 average MWs of new power supply by 2015 to meet the energy needs of its steadily growing customer base across the Puget Sound region. In its petition, PSE asserts that when compared to the other short-listed projects in the RFP review process, the Goldendale Generating Station was identified as having superior portfolio benefit and was also recognized as having an attractive levelized cost and benefit ratio.

3. PSE's Petition states that output from the Goldendale Generating Station is expected to represent a significant part of the backbone of PSE's resource base and will be utilized to meet base-load, daily and seasonal peaking requirements and to integrate existing and incremental wind or other variable production resources into PSE's supply portfolio. PSE also represents that the new facility will provide increased certainty related to modeling and determination of PSE's future resource needs and supply alternatives and is an important component of PSE's long-term electric portfolio management strategy.

B. Proposed Accounting Treatment

4. PSE requested in its Petition that the Commission approve: (1) deferred accounting treatment for the fixed cost component of operation and maintenance expense, depreciation, taxes and cost of capital invested in rate base, resulting from the acquisition of the Goldendale Generating Station, for the period commencing with the filing date of this petition and ending with the effective date of new rates going into effect as a result of the Commission's Order in the Company's 2007 PCORC, expected to be issued in late August 2007; (2) the monthly booking of carrying charges on that deferral at PSE's approved net of tax rate of return until amortization begins; and (3) amortization of the total deferred balance including carrying charges over three years commencing with the earlier of January 1, 2009 or the effective date of new rates as a result of the Company's next General Rate Case ("GRC"). PSE is required to file a GRC within three months after the conclusion of a PCORC that results in an increase to general rates, unless the Company requests and the Commission approves a waiver.

5. PSE states that the accounting treatment is necessary in order for it to recover the Goldendale Generating Station fixed costs that are not included in the Power Cost Adjustment Mechanism ("PCA"). These costs would not otherwise be recovered absent the Commission approval of the requested cost deferral. Under the PCA, the Company can only include the variable costs in the PCA true up that are less than or equal to the current power cost rate for new Company owned resources. Due to the circumstances surrounding the purchase of the Goldendale plant the Company was unable to predict whether it would be the successful bidder

or what the closing date would be for this purchase. This uncertainty created the regulatory lag that the Company is requesting the Commission provide financial relief for with the approval of its Petition. PSE is not requesting in its Petition that the Commission address: (1) the prudence of PSE's acquisition of the Goldendale Generating Station from Calpine Corporation; or (2) the final rate treatment for recovery of PSE's related revenue requirement deferral and carrying charges. PSE will present its case on this first issue in the 2007 PCORC filed on March __, 2007, and on the latter issue in a future GRC. Thus, the Commission will have before it in the 2007 PCORC proceeding and future GRC proceeding, the evidence and arguments necessary to address the prudence and rate treatment issues and will be able to rule upon the prudence portion of the acquisition prior to the end of 2007.

6. PSE states that the prudence of this electric resource acquisition should be examined by the Commission in the 2007 PCORC proceeding. PSE also states that the Commission should consider in PSE's future general rate case PSE's proposal to amortize over three years the deferred amounts, plus accrued interest, as well as PSE's proposal regarding rate base treatment of such amounts.

7. PSE's Petition states that deferring the operating and carrying costs until recovery can be provided for, assures that the customers receiving the benefit of the new power station are the ones required to pay for its costs. Inclusion of PSE's carrying costs is appropriate because, under the bankruptcy bid process, the Company had limited control over the timing of the acquisition and was required to immediately borrow the large amount of funds necessary to

secure the Goldendale Generating Station opportunity for its customers well in advance of enabling recovery methods.

8. In any event, PSE asserts that it is appropriate that the Commission now authorize the proposed deferred accounting treatment and the booking of carrying charges on the deferred amount since PSE must incur these operating costs well before the next power cost only rate case or general rate case will be concluded and the Company will be unable to recover these costs, absent deferred accounting treatment, even though its customers are receiving the benefits..

FINDINGS

9. PSE is engaged in the business of furnishing electric and gas service within the state of Washington as a public service company, and is subject to the jurisdiction of this Commission.

10. On March 14, 2007, PSE filed with the Commission a Petition for an order regarding accounting treatment related to PSE's newly acquired Goldendale Generating Station pending approval of the Company's 2007 Power Cost Only Rate Case.

11. The accounting treatment requested in the Petition is reasonable and in the public interest and should be approved.

12. The prudence of PSE's acquisition of the Goldendale Generating Station and PSE's proposed ratemaking treatment are to be addressed in the Company's 2007 PCORC and future general rate case.

ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

13. Approval is hereby given for the accounting treatment requested in PSE's Petition dated March 14, 2007, related to PSE's newly acquired Goldendale Generating Station, pending entry of a final Commission order in the Company's 2007 Power Cost Only Rate Case, as described in PSE's Petition.

14. PSE is hereby authorized to defer (1) the fixed cost component of operation and maintenance expense, depreciation, taxes and cost of capital invested in rate base, resulting from the acquisition of the Goldendale Generating Station, for the period commencing March __, 2007 and ending with the effective date of new rates going into effect as a result of the Commission's Order in the Company's 2007 PCORC, (2) the monthly booking of carrying charges on that deferral at PSE's approved net of tax rate of return until amortization begins; and (3) amortization of the total deferred balance including carrying charges over three years commencing with the earlier of January 1, 2009 or the effective date of new rates as a result of the Company's next General Rate Case ("GRC").

15. This order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.

16. The Commission retains jurisdiction over the subject matter of the Petition and PSE to effect the provisions of this order.

DATED at Olympia, Washington, and effective this ____ day of _____, ____.

MARK SIDRAN, Chairman

PATRICK OSHIE, Commissioner

PHILLIP JONES, Commissioner