



Puget Sound Energy  
P.O. Box 97034  
Bellevue, WA 98009-9734  
PSE.com

UE-120636-SI

April 30, 2012

Via WUTC Web Portal and Courier

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

RECEIVED  
RECORDS MANAGEMENT  
2012 APR 30 PM 4:06  
STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

Re: Annual Report of Essential Utilities Services Contracts

Dear Mr. Danner:

Pursuant to WAC 480-90-268, and 480-100-268, enclosed are an original and twelve copies of the Annual Report of Essential Utilities Services Contracts for Puget Sound Energy, Inc. (the "Company") filed for the twelve-month period ending December 31, 2011.

Under the provisions of WAC 480-07-160, the Company requests this filing be accorded confidential treatment. Vendor specific information and other commercially sensitive financial data are included in this report. As required by WAC 480-07-160(3)(b)(i), the Company has properly identified all pages containing proprietary information. As required by WAC 480-07-160, the Company identifies itself, its customers, its shareholders and the vendors identified in the enclosed report as the entities that might be directly affected by disclosure of the confidential information. In accordance with WAC 480-07-160, the report submitted herewith has been marked "CONFIDENTIAL per WAC 480-07-160", printed on yellow paper and sealed in an envelope clearly marked Confidential. Also enclosed is a redacted version of the report.

Please contact Julie Waltari at (425) 456-2945 for additional information about this report. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,

*Katherine Bancard*  
for Tom DeBoer  
Director, Rates & Regulatory Affairs

Enclosures

cc: Simon J. ffitich  
Sheree Strom Carson

2011 Annual Report of Essential Utilities Services Contracts

Essential Service Vendor <sup>(1)</sup>	Annual Budget	Actual Payments	Type of Contract(s)	Essential Obligations	Length of Contract
BONNEVILLE POWER ADMINISTRATION (BPA)			Transmission Capacity Ownership Rights	PSE purchased capacity ownership rights in the Alternating Current (AC) Intertie into California from BPA in 1996 and pays its allocated operation and maintenance costs to BPA.	1996 - life of facilities
			Transmission	PSE purchases rights to use BPA transmission and BPA receives power from PSE at the Points of Integration or Receipt and delivers power to PSE at the Points of Delivery.	Various - termination dates through 2035
			Transfer	BPA serves PSE loads and PSE delivers replacement power to BPA.	09/1974 - BPA three years notice to terminate, PSE one year notice to terminate
			Transfer	Parties commit to build transmission and provide excess capability to the other party. Each party commits to operate and maintain certain facilities.	Various - termination dates through 2018
			Operations & Maintenance	BPA operates and maintains PSE facilities in BPA substations.	Various from 04/1968 - life of facilities
			WNP-3 Settlement Exchange Agreement	PSE receives exchange energy based on the average availability and cost of several surrogate nuclear units similar in design to the WNP-3 Nuclear Unit. BPA may request power from PSE during certain months, if available.	12/1986 - 6/2018
			Long-term, Take-or-Pay, Purchase Power Agreement	The PUD operates and maintains the Rock Island Hydro Project and delivers to PSE, at specified points of delivery, PSE's contractual percentage share of the output of the Project. PSE pays the PUD on a "cost of service" basis.	06/1974 - 06/2012
			Long-term, Take-or-Pay, Purchase Power Agreement	The PUD operates and maintains the Rocky Reach Hydro Project and delivers to PSE, at specified points of delivery, PSE's contractual percentage share of the output of the Project. PSE pays the PUD on a "cost of service" basis.	11/1957 - 11/2011
			North American Energy Standards Board (NAESB) Agreement	The NAESB Master Agreement enables short and long-term gas supply purchases to be made under a confirmation process. Each transaction terminates upon completion of delivery.	08/2004 - various lengths

**REDACTED**

**REDACTED**

CHELAN COUNTY PUBLIC UTILITY DISTRICT NO. 1

CONOCOPHILLIPS CANADA LIMITED

(1) In each case the parties to the contract are the Vendor and Puget Sound Energy.

2011 Annual Report of Essential Utilities Services Contracts

Essential Service Vendor <sup>(1)</sup>	Annual Budget	Actual Payments	Type of Contract(s)	Essential Obligations	Length of Contract
EQUILON ENTERPRISES LLC			Cogeneration Power Purchase Agreement	PSE pays the operator, formerly March Point 1 and March Point 2, a two-part price for energy actually delivered to PSE's system. The energy rate is not seasonally differentiated. There is no capacity charge. PSE and the power supplier share the savings of displacing the units when power prices are below the PPA price.	11/1991 – 12/2011
JP MORGAN VENTURES ENERGY CORP			North American Energy Standards Board (NAESB) Agreement	The NAESB Master Agreement enables short and long-term gas supply purchases to be made under a confirmation process. Each transaction terminates upon completion of delivery.	11/2002 – various lengths
MORGAN STANLEY & CO INC			Western System Power Pool (WSPP) Purchase Power Agreement	The WSPP Agreement is a standardized contract among members of the WSPP for electric power sales and physical power options. Members enter into numerous individual power transactions using standard schedules under the Agreement. A confirmation process follows the transactions. Each transaction terminates upon completion of delivery	1996 – until a notice is given
			Western System Power Pool (WSPP) Purchase Power Agreement	The WSPP Agreement is a standardized contract among members of the WSPP for electric power sales and physical power options. Members enter into numerous individual power transactions using standard schedules under the Agreement. A confirmation process follows the transactions. Each transaction terminates upon completion of delivery.	1996 – until a notice is given
			International Swaps and Derivatives Master Agreement (ISDA)	The ISDA is a standard industry contract enabling agreement for any financially derived transaction but is usually limited to specific commodities or products that are relevant to the intended business of the counterparties.	4/2007 – various lengths
NORTHWEST PIPELINE GP			Long-term Transportation Contracts	Northwest Pipeline provides firm transportation capacity and storage service to PSE on the gas pipeline under long term contracts. PSE pays fixed monthly demand charges for the right, but not the obligation, to transport specified quantities of gas from receipt points to delivery points on the pipeline each day.	Predating 1989 - various termination dates through 2044

**REDACTED**

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Essential Service Vendor <sup>(1)</sup>	Annual Budget	Actual Payments	Type of Contract(s)	Essential Obligations	Length of Contract
PPL-MONTANA, LLC			Operations & Maintenance	PSE reimburses PPL-Montana for PSE's share of operation and maintenance expenses for Unit Nos. 1, 2, 3 and 4 of the Colstrip steam-electric-generating plant.	Various from 07/1971 - as long as any part of the units are used or useful for the generation of electricity or the end of the period permitted by applicable law
		<b>REDACTED</b>	Capital Additions	PSE reimburses PPL-Montana for PSE's share of capital additions made to Unit Nos. 1, 2, 3 and 4 of the Colstrip steam-electric-generating plant.	Various from 07/1971 - as long as any part of the units are used or useful for the generation of electricity or the end of the period permitted by applicable law
QUANTA SERVICES INC			Electric/Gas Engineering and Construction Services	PSE pays per contract/services provided for engineering and construction on the company's electric and gas systems.	02/2007 - 01/2013
RES AMERICA CONSTRUCTION INC			Balance of Plant Agreement	RES serves as the Lower Snake River Wind Project, Phase I contractor responsible for civil construction of all roads, site grading, wind turbine foundations, underground electrical collection systems, substations, project transmission lines, and the O&M building.	04/2010 - until final completion milestone is achieved (expected by 2012)
SHELL ENERGY NORTH AMERICA (CANADA) INC		<b>REDACTED</b>	North American Energy Standards Board (NAESB) Agreement	The NAESB Master Agreement enables short and long-term gas supply purchases to be made under a confirmation process. Each transaction terminates upon completion of delivery.	01/2004 - various lengths
SIEMENS ENERGY INC			Wind Turbine Supply Agreement	Contracted to supply, deliver, erect, test, commission, and complete 149 wind turbine generators for PSE's Lower Snake River Wind Project, Phase I.	05/2010 - until final completion milestone is achieved (expected by 2012)
SUNCOR ENERGY MARKETING INC			North American Energy Standards Board (NAESB) Agreement	The NAESB Master Agreement enables short and long-term gas supply purchases to be made under a confirmation process. Each transaction terminates upon completion of delivery.	12/2003 - various lengths

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Essential Service Vendor (1)	Annual Budget	Actual Payments	Type of Contract(s)	Essential Obligations	Length of Contract
TENASKA WASHINGTON PARTNERS LP			Cogeneration Power Supply	PSE pays the developer a two-part price for energy actually delivered to PSE's system. The energy rate is not seasonally differentiated. There is no capacity charge. PSE and the power supplier share the savings of displacing the units when power prices are below the PPA price.	04/1994 - 12/2011
TD ENERGY TRADING INC			North American Energy Standards Board (NAESB) Agreement	The NAESB Master Agreement enables short and long-term gas supply purchases to be made under a confirmation process. Each transaction terminates upon completion of delivery.	07/2003 – various lengths
WESTERN ENERGY COMPANY			Coal Supply Agreement	PSE pays for its share of coal delivered to Colstrip steam-electric-generating Unit Nos. 1, 2, 3 and 4.	Units 1 & 2; 1/2010 – 12/2019 Units 3 & 4; 7/1980 – 12/2019

**REDACTED**

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