



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

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

January 5, 2006

Mr. Jim Russell
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

VIA EMAIL AND HARDCOPY

Re: WUTC Docket No. UE-051314 (PCA Period 3 Compliance Filing)

Dear Mr. Russell:

During audit work performed by Commission Staff in the above-referenced matter, an overall decrease of \$81,550 to the amount of Total Allowable Costs on Schedule B to the filing was identified. The two adjustments were comprised of :

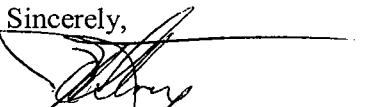
- An increase of \$72,227 to the actual Deferred Income Tax Turnaround for a correction to the way the DFIT Turnaround was attributed to the PCA Period. This amount represents an additional credit to expense, thereby reducing the amount of Total Allowable Costs.
- A decrease of \$9,323 to the Return on Regulatory Assets/Liabilities on Schedule B related to the interest accrual for CanWest Regulatory Liability being adjusted to a 11/01/04 date.

Based on our telephone conversation yesterday, Puget Sound Energy ("the Company") will post the adjustments to PCA Period 4 in the month of December 2005 without restatement of the PCA 3 Compliance Filing. This treatment is consistent with the Methodology for Adjustments of Costs Outside of the PCA Period (JHS-4 in the Original Filing).

Enclosed is the proposed adjustment that will be posted in PCA 4 along with the relevant support. After application of the wholesale percentage, the adjustment results in a \$81,518 decrease to the Imbalance for Sharing. As the Company's Share of the Imbalance at November 2005 exceeds \$40 million, 99% of this adjustment is attributable to the Customer Share of the Imbalance. Accordingly, the customer deferral will decrease by \$80,703. A reduction of \$14 will be recorded for the impact on the interest on the customer deferral.

Please let me know if you have any further questions.

Sincerely,



John H. Story
Director, Cost and Regulation

Enclosure

cc: Kirstin Dodge, Perkins Coie
Simon ffitich, Public Counsel
S. Bradley Van Cleve, Davison Van Cleve PC
Robert D. Cedarbaum, Senior Counsel

DRIG. NOV. CALC.

Puget Sound Energy
Power Cost Adjustment Summary

Account	Actuals	Baseline	Differences (A)	Actuals (B)	Baseline (C)	Differences (D)	Actuals (E)	Baseline (F)	Differences (G)	Actuals (H)	Baseline (I)	Differences (J)	Actuals (K)	Baseline (L)	Differences (M)
10000	40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000	
10100	10,000,000	10,000,000		10,000,000	10,000,000		10,000,000	10,000,000		10,000,000	10,000,000		10,000,000	10,000,000	
10200	20,000,000	20,000,000		20,000,000	20,000,000		20,000,000	20,000,000		20,000,000	20,000,000		20,000,000	20,000,000	
10300	30,000,000	30,000,000		30,000,000	30,000,000		30,000,000	30,000,000		30,000,000	30,000,000		30,000,000	30,000,000	
10400	40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000	
10500	50,000,000	50,000,000		50,000,000	50,000,000		50,000,000	50,000,000		50,000,000	50,000,000		50,000,000	50,000,000	
10600	60,000,000	60,000,000		60,000,000	60,000,000		60,000,000	60,000,000		60,000,000	60,000,000		60,000,000	60,000,000	
10700	70,000,000	70,000,000		70,000,000	70,000,000		70,000,000	70,000,000		70,000,000	70,000,000		70,000,000	70,000,000	
10800	80,000,000	80,000,000		80,000,000	80,000,000		80,000,000	80,000,000		80,000,000	80,000,000		80,000,000	80,000,000	
10900	90,000,000	90,000,000		90,000,000	90,000,000		90,000,000	90,000,000		90,000,000	90,000,000		90,000,000	90,000,000	
11000	100,000,000	100,000,000		100,000,000	100,000,000		100,000,000	100,000,000		100,000,000	100,000,000		100,000,000	100,000,000	

Notes:
 (A) Actual balance represents net recovery of power costs (including the effects of the actual rate) as compared to the actual balance of power costs (based on "best practice" baselines). The difference indicates the net recovery of power costs.
 (B) Includes Electric Price Regulator (EPR) from 1997-2004, and PCA Tariff Distribution.
 (C) Total Tariff Distribution is reflected in the PCA by a \$255,000,000 reduction in the net recovery of power costs. This amount is reflected in the net recovery of power costs for the period 1997-2004. For a full description of the PCA, see the PCA Tariff Distribution.
 (D) PCA period 3 Tariff Distribution is reflected in the net recovery of power costs by a \$100,000,000 reduction in the net recovery of power costs. This amount is reflected in the net recovery of power costs for the period 2005-2006. For a full description of the PCA, see the PCA Tariff Distribution.
 (E) Net 2005 is calculated by the cumulative PCA effect of net recovery of power costs. While this represents a recovery of power costs, it is not a recovery of power costs as it is reflected in the net recovery of power costs.
 (F) In March 2005, PSE accounted for Tariff Distribution of power costs to the extent of the net recovery of power costs for the period July 2002 - December 2003 which was approved by the Washington Commission in its February 2005 order which was previously recorded in its distribution.
 (G) PCA period 4 Tariff Distribution is reflected by net recovery of power costs of \$25,000,000 (orders 1229-1231) as reflected on Schedule B.
 Prepared by: [Name], Date: [Date]

JE 2005 # 00151920
 JE 2006 # 00151921
 JE 2007 # 00151922
 Demand Banking is filed in Energy Accounting for the PCA calculation.
 PCA Now Available Summary

From Susan Free 1/4/06 4pm

Exhibit D: Regulatory Assets and Liabilities net of Accumulated Amortization and Deferred Taxes (PCA Periods)
 PCA Period 3 Annual Report Compliance Filing
 July 2004 through June 2005

12 Months Ended December 31 PCA Period 3 - July 2004 through June 2005

Ref	Description	Balance net of			Return					
		Asset Amort	DFIT	AA & ADFIT	Asset Amort	DFIT Amort	AMA Ratebase as of	A.T. %	Amount	Pre Tax
9										
10	Cabot Buyout									
15	Dec 2003 \$	(1,409,000)	584,000	8,174,000						
16	Dec 2004 \$	(1,768,000)	601,000	7,007,000						
17	Dec 2005 \$	(2,163,000)	620,000	5,464,000						
24										
25	Tenaska									
32	Dec 2003 \$	(11,924,000)	675,000	204,355,000						
33	Dec 2004 \$	(14,744,000)	834,000	190,445,000						
34	Dec 2005 \$	(17,908,000)	1,013,000	173,550,000						
43										
44	BEP									
45	Beginning			54,662,561						
46	Dec 2002 \$	(3,526,620)		51,135,941						
47	Dec 2003 \$	(3,526,620)		47,609,321						
48	Dec 2004 \$	(3,526,620)		44,082,701						
49	Dec 2005 \$	(3,526,620)		40,556,081						
50										
64										
65	White River Relicensing (Note 2)									
66	Beginning \$			20,545,452						
67	Dec 2004 \$			15,194,768						
68	Dec 2005 \$			15,496,378						
76										
77	White River Plant Costs									
78	Beginning \$			43,419,577						
79	Dec 2004 \$	(1,494,702)	131,415	42,052,182						
80	Dec 2005 \$	(1,494,702)	274,805	40,832,283						
81										
88										
89	Canwest Liability									
90	Beginning \$			(977,293)						
91	Dec 2004 \$			(6,170,942)						
92	Dec 2005 \$			(221,521)						
93										
98										
99										

Period	From	To	Return						
			Asset Amort	DFIT Amort	AMA Ratebase as of	A.T. %	Amount	Pre Tax	
PCA #3	Jul-04	Jun-05	(23,312,822)	620,549	307,685,358	6/05	7.3%&7.01	21,421,859	32,956,707
				548,322				21,427,919	32,966,629

Note (1) Amounts in these columns are net of accumulated amortization AND the associated Deferred FIT liability / asset

Note (2) During the 2004 General Rate Case filed under WUTC Docket No. UE-040640, et al., it was agreed that the return of the White River Relicensing costs would be delayed until the sale of White River is complete. At that time, the Commission can make a final determination in a separate proceeding regarding the application of the proceeds against the deferred costs and the disposition of any remaining balance.

Schedule B: Monthly Power Costs - PCA PERIOD 4
 Derived from Original PCA Exhibit B
 Subject to PCA Sharing
 UE-011570

Row	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05
6					
7	\$ 6,352,302	\$ 6,352,302	\$ 6,352,302	\$ 6,352,302	\$ 5,270,121
8	10,524,785	10,524,785	10,524,785	10,524,785	10,759,848
9	\$ 15,877,087	\$ 15,877,087	\$ 15,877,087	\$ 15,877,087	\$ 16,029,969
10					
11					
12	\$ 4,230,535	\$ 3,869,132	\$ 3,763,413	\$ 3,453,767	\$ 3,615,449
13	2,642,559	5,515,048	1,216,594	(435,159)	447,485
14	(724,475)	(5,581,050)	(4,823,686)	(6,339,238)	(1,655,041)
15	69,664,665	85,771,458	78,577,468	80,597,468	82,656,284
16	(15,282,088)	(18,716,221)	(8,570,560)	(9,653,719)	(9,993,891)
17	3,501,522	3,627,252	3,164,044	4,015,815	4,417,383
18	(185,103)	(23,239)	(162,699)	(297,819)	(1,353)
19	\$ 51,120,001	\$ 57,913,308	\$ 60,684,260	\$ 68,710,188	\$ 65,916,895
20					
21	2,431,305	2,431,305	2,578,947	2,480,419	2,480,419
22					
23	\$ 69,426,903	\$ 76,281,710	\$ 79,150,004	\$ 87,070,715	\$ 102,356,057
24					
25					
26					
27	\$ (251,336)	\$ (287,973)	\$ (329,045)	\$ (351,157)	\$ (316,458)
28	(13,376)	(11,346)	(368)	(1,746)	(188,361)
29					
30					
31					
32					
33	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (778,427)	\$ (778,427)
34					
35	\$ (1,043,139)	\$ (1,057,766)	\$ (1,106,840)	\$ (1,131,330)	\$ (1,282,246)
36	\$ 68,385,764	\$ 76,183,914	\$ 78,043,164	\$ 85,839,385	\$ 101,072,812
37					
38	1,507,579,253	1,644,390,047	1,478,731,635	1,653,226,368	1,929,876,314
39					
40	\$ 74,070,384	\$ 76,878,972	\$ 72,853,043	\$ 80,243,630	\$ 101,324,973
41					
42	\$ (6,684,821)	\$ (685,056)	\$ 5,380,121	\$ 5,685,755	\$ (262,162)
43	\$ (6,684,821)	\$ (685,056)	\$ 5,380,121	\$ 5,685,755	\$ (262,162)
44					
45	\$ (5,682,358)	\$ (694,785)	\$ 5,387,976	\$ 5,693,488	\$ (252,081)
46	\$ (5,682,358)	\$ (694,785)	\$ 5,387,976	\$ 5,693,488	\$ (252,081)
47	\$ 5,682,358	\$ 694,785	\$ (5,387,976)	\$ (5,693,488)	\$ 252,081
48					
49	\$ (5,682,358)	\$ (6,387,143)	\$ (679,169)	\$ 4,714,321	\$ 4,482,259
50	\$ 5,682,358	\$ 6,387,143	\$ 679,169	\$ (4,714,321)	\$ (4,482,259)
51					
52					
53					
54					
55					

= 124,558 - 72,227
 Processed PCA3 Audit Adj.

Notes: This schedule was derived from original PCA collaborative exhibit B
 Note 1: White River and DT turnaround for all reg assets (per K Chandler and J Stoy memo 6/7/05)

Schedule B Backup for Power Costs
PCA Period 1: July 1, 2005 through June 30, 2006

Row	FERC/Account	Total	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05
Actual Power Costs:							
11	Steam Oper. Fuel 501	18,732,986	4,230,525	3,669,132	3,763,113	3,453,767	3,616,449
12	Other Pwr Gen Fuel (excl. amort.)	7,244,191	2,682,319	5,135,739	1,036,254	(616,686)	287,315
13	Cabot Regulatory Amort	2,163,000	180,250	180,250	180,250	180,250	180,250
14	Other Pwr Gen Fuel Total	9,407,191	2,862,569	5,315,989	1,216,504	(435,436)	447,565
15	Other Elec Revenues 45600012, 18, 35, 36, 80, 81, 87	(16,676,488)	(724,475)	(3,561,050)	(4,828,688)	(6,039,235)	(1,503,041)
16	Purchase Power (excl. amort.) 45600130, 131	326,421,585	54,878,467	63,891,430	62,225,452	74,111,248	85,072,016
17	BEP Regulatory Amort	3,526,620	293,885	293,885	293,885	293,885	293,885
18	Tenaska Regulatory Amort	19,281,488	1,492,333	1,492,333	1,492,333	1,492,333	1,492,333
19	Purchase Power Total	348,209,703	56,664,685	65,777,648	64,011,670	75,897,466	86,868,234
20	White River Amortization and DIT turnaround	757,705	32,864	32,864	(190,827)	(41,633)	52,331
21	Sales to Other Util	(59,056,007)	(15,262,086)	(16,785,220)	(8,579,054)	(8,623,716)	(9,905,931)
22	Wheeling	21,009,985	3,501,522	3,537,265	5,464,040	4,689,805	4,417,353
23	Transmission Revenues	(923,005)	(185,103)	(23,320)	(162,698)	(287,819)	(164,065)
24	Total	323,162,069	51,120,501	57,943,308	60,694,260	68,713,199	83,818,895

124,558 - 72,227 = 52,331

Adjustments for Power Costs Prior to July 1, 2002 - (refer to memo methodology of adjustments):

29	Steam Oper. Fuel 501	-	-	-	-	-	-
30	Other Pwr Gen Fuel 547	-	-	-	-	-	-
31	Other Elec Revenues 45600012, 18, 35, 36, 130, 131	-	-	-	-	-	-
32	Purchase Power 555	-	-	-	-	-	-
33	Sales to Other Util 447	-	-	-	-	-	-
34	Wheeling 565	-	-	-	-	-	-
35	White River Amortization and DIT turnaround 45600017	-	-	-	-	-	-
36	Transmission Revenues	-	-	-	-	-	-
37		-	-	-	-	-	-
38		-	-	-	-	-	-

Power Costs Included in PCA Schedule B for row indicated:

39	Steam Oper. Fuel 501	18,732,986	4,230,525	3,669,132	3,763,113	3,453,767	3,616,449
40	Other Pwr Gen Fuel 547	9,407,191	2,862,569	5,315,989	1,216,504	(435,436)	447,565
41	Other Elec Revenues 45600012, 18, 35, 36, 130, 131	(16,676,488)	(724,475)	(3,561,050)	(4,828,688)	(6,039,235)	(1,503,041)
42	Purchase Power 555	348,209,703	56,664,685	65,777,648	64,011,670	75,897,466	86,868,234
43	Sales to Other Util 447	(59,056,007)	(15,262,086)	(16,785,220)	(8,579,054)	(8,623,716)	(9,905,931)
44	Wheeling 565	21,009,985	3,501,522	3,537,265	5,464,040	4,689,805	4,417,353
45	White River Amortization and DIT turnaround 45600017	757,705	32,864	32,864	(190,827)	(41,633)	52,331
46	Transmission Revenues	(923,005)	(185,103)	(23,320)	(162,698)	(287,819)	(164,065)
47		323,162,069	51,120,501	57,943,308	60,694,260	68,713,199	83,818,895
48		-	-	-	-	-	-
49		-	-	-	-	-	-
50		-	-	-	-	-	-

True-up errors to be corrected:

51	Steam Oper. Fuel 501	-	-	-	-	-	-
52	Other Pwr Gen Fuel 547	-	-	-	-	-	-
53	Other Elec Revenues 45600012, 18, 35, 36, 130, 131	-	-	-	-	-	-
54	Purchase Power 555	-	-	-	-	-	-
55	Sales to Other Util 447	-	-	-	-	-	-
56	Wheeling 565	-	-	-	-	-	-
57	White River Amortization and DIT turnaround 45600017	-	-	-	-	-	-
58	Transmission Revenues	-	-	-	-	-	-
59		-	-	-	-	-	-
60		-	-	-	-	-	-
61		-	-	-	-	-	-
62		-	-	-	-	-	-
63		-	-	-	-	-	-
64		-	-	-	-	-	-
65		-	-	-	-	-	-
66		-	-	-	-	-	-
67		-	-	-	-	-	-

53	Dec 2007	\$	(3,526,620)	33,502,841	(3,526,620)	37,029,461	6/07	7.01%	2,595,765	3,993,485	332,790	
65												
66												
67	White River Refueling (Note 3)											
68	Beginning	\$		20,545,452								
69	Dec 2004	\$		15,194,768								
70	Dec 2005	\$		15,496,378								
71	Dec 2006	\$		15,496,378								
72	Dec 2007	\$		15,496,378								
77												
78												
79	White River Plant Costs											
80	Beginning	\$		43,419,577								
81	Dec 2004	\$	(1,494,702)	42,052,182								
82	Dec 2005	\$	(1,494,702)	40,832,283								
83	Dec 2006	\$	(1,494,702)	39,612,381								
84	Dec 2007	\$	(1,494,702)	38,496,626								
89												
90												
91	Canwest Liability											
92	Beginning	\$										
93	Dec 2004	\$		(977,293)								
94	Dec 2005	\$	632,917	(6,170,942)								
95	Dec 2006	\$	3,797,503	(3,702,565)								
96	Dec 2007	\$	3,797,503	(1,234,188)								
99												
100												
101	Hopkins Ridge Prepaid Transmission (Note 4)											
102	Beginning	\$		10,000,000								
103	Dec 2005	\$	(137,504)	9,862,496								
104	Dec 2006	\$	(1,755,152)	8,107,344								
105	Dec 2007	\$	(1,908,883)	6,198,462								
110												
111												
112												
113												
114												
115												
116	PCA #3			Jun-05	23,312,822	548,322	307,685,358	6/05	7.3%&7.01%	21,427,919	32,966,029	2,747,169
117	PCA #4			Jun-06	(25,143,131)	664,768	275,995,287	6/06	7.01%	19,347,270	2,480,419	
118	PCA #5			Jun-07	(28,379,820)	-	253,640,483	6/07	7.01%	17,780,198	27,354,151	2,279,513
124												
125												

Exhibit D: Regulatory Assets and Liabilities net of Accumulated Amortization and Deferred Taxes (PCA Periods)
PCA Period 4

12 Months Ended December 31											
Ref	Description	Asset Amort	AA & AD FIT	Asset Amort	DFIT Amort	AMA Ratebase as of	A.T. %	Amount	Return	Pre Tax	Monthly
10											
11	Cabot Buyout										
12	Beginning	\$ 12,588,000									
13	Dec 2000	\$ (312,000)									
14	Dec 2001	\$ (741,000)									
15	Dec 2002	\$ 9,144,000									
16	Dec 2003	\$ (1,070,000)									
17	Dec 2004	\$ (1,409,000)									
18	Dec 2005	\$ (1,768,000)									
19	Dec 2006	\$ (2,163,000)									
20	Dec 2007	\$ (2,614,000)									
24		\$ (3,078,000)									
25											
26	Tenaska										
27	Beginning	\$ 215,000,000									
28	Dec 1998	\$ (1,952,000)									
29	Dec 1999	\$ (3,863,000)									
30	Dec 2000	\$ (5,463,000)									
31	Dec 2001	\$ (7,382,000)									
32	Dec 2002	\$ (9,494,000)									
33	Dec 2003	\$ (11,924,000)									
34	Dec 2004	\$ (14,744,000)									
35	Dec 2005	\$ (17,908,000)									
36	Dec 2006	\$ (20,615,000)									
37	Dec 2007	\$ (24,343,000)									
44											
45											
46	BEP										
47	Beginning	\$ 54,662,561									
48	Dec 2002	\$ (3,526,620)									
49	Dec 2003	\$ (3,526,620)									
50	Dec 2004	\$ (3,526,620)									
51	Dec 2005	\$ (3,526,620)									
52	Dec 2006	\$ (3,526,620)									

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Note (1) Amounts in these columns are net of accumulated amortization AND the associated Deferred FIT liability / asset.

Note (2) Amortization of DFIT was incorrectly included in the Power Cost Baseline Rate in UE-040641. Because amortization of Deferred FIT is an offset to current taxes payable, which are not part of the PCA mechanism, amortization of DFIT should likewise not be included in the expense side of the PCA mechanism. Accordingly, amortization of DFIT was removed from the Power Cost Baseline Rate effective November 1, 2005 as agreed upon in UE-050870. Therefore, the amount of amortization of DFIT included in this column for PCA 4 represents 4/12th of the annual amount expected at June 30, 2006 and \$166,192 per month should be recognized in July through October of PCA 4.

Note (3) During the 2004 General Rate Case filed under WUTC Docket No. UE-040640, et al., it was agreed that the return of the White River Relicensing costs would be delayed until the sale of White River is complete. At that time, the Commission can make a final determination in a separate proceeding regarding the application of the proceeds against the deferred costs and the disposition of any remaining balance.

Note (4) Because Hopkins Ridge Prepaid Transmission regulatory asset was projected to the entire 12 months of the rate year in UE-05870, a full year's return is allowed for PCA 4 when the Power Cost Baseline Rate is in effect from UE-05870.