



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

June 7, 2005

**VIA HAND DELIVERY**

Ms. Carole J. Washburn, Executive Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

Re: Advice No. 2005-32 – Electric Tariff Filing  
Power Cost Only Rate Case ("PCORC") Filing

Dear Ms. Washburn:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105, and the Power Cost Adjustment Mechanism ("PCA Mechanism") set forth in Exhibit A to the Settlement Stipulation approved by the Commission in its Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (consolidated), Puget Sound Energy, Inc. ("PSE" or "the Company") hereby seeks the Commission's approval of a set of revisions to its Power Cost Rate, Schedule 95, including a new Schedule 95A, to reflect increases in the Company's overall normalized power supply costs.

The Company submits its proposed revised tariff sheets in Addendum A to this letter. In support of this PCORC Filing, PSE also submits the original, 12 copies, and the requisite electronic copies of the testimonies and exhibits listed below and in Addendum B to this letter. The Company is also providing three copies of supporting workpapers with this filing.

**The Purpose of This Filing**

The power cost baseline rate that is currently embedded in PSE's electric rates was established through the Commission's final orders in PSE's last general rate case in Docket Nos. UG-040640, UE-040641, UE-031471 and UE-032043 (consolidated). The Company's PCORC Filing submitted with this letter seeks approval of a new, adjusted Power Cost Rate based upon projected normalized power costs for the proposed rate year for this PCORC: the 12-month period beginning December 1, 2005. Overall, PSE proposes in this filing to increase electric rates by \$55,571,666 (net of the Production Tax Credit Tracker proposed as Schedule 95A), an average of 3.65%, in order to recover additional power costs the Company is facing during the rate year.

Increases in the projected price of natural gas during the rate year are responsible for much of the upward pressure on PSE's power costs. Rate year gas prices are forecast to increase approximately 17% from the level currently set in rates. Other factors driving power costs higher include annual cost increases in PSE's existing long-term power purchase agreements, increased costs related to Mid-Columbia hydropower contracts that PSE is obligated to share, and a full-year's impact of the

Bonneville Power Administration's transmission rate increase discussed in the 2004 general rate case that impacted only the very end of the rate year in that case.

In addition, PSE is seeking in this PCORC Filing to obtain approval and recovery in rates of its acquisition of a wind powered electric generation facility that is being constructed in Columbia County, Washington (the "Hopkins Ridge Project"). PSE anticipates that the Hopkins Ridge Project will be completed and in service by December 1, 2005. While costs related to the Hopkins Ridge acquisition represent only about 10% of the increase the Company is requesting in this case, the structure of the PCA Mechanism makes it important to re-set the Company's power cost baseline rate to reflect this new resource.

My prefiled direct testimony submitted with this PCORC Filing (Exhibit No. \_\_\_\_ (KJH-1T)) presents additional information regarding PSE's case, as well as an overview of the topics covered in the testimonies of PSE's other witnesses.

#### **Documents Submitted With This Filing**

In support of this PCORC filing, PSE respectfully submits the following testimonies, exhibits, tariff sheets, and motions:

1. Prefiled Direct Testimony of Kimberly J. Harris, with one exhibit;
2. Prefiled Direct Testimony of Eric M. Markell, with 30 exhibits;
3. Prefiled Direct Testimony of Roger Garratt, with 11 exhibits;
4. Prefiled Direct Testimony of W. James Elsea, with 15 exhibits;
5. Prefiled Direct Testimony of Julia M. Ryan, with 9 exhibits;
6. Prefiled Direct Testimony of John H. Story, with 8 exhibits;
7. Prefiled Direct Testimony of Sara J. Cardwell, with 5 exhibits, including:

#### WN U- 60, Tariff G - (Electric Tariff):

Twenty Seventh Revision of Sheet No. 95 – Schedule 95 Power Cost Adjustment Clause	
Second Revision of Sheet No. 95-a-	- Power Cost Adjustment Clause (Continued)
Third Revision of Sheet No. 95-b	- Power Cost Adjustment Clause (Continued)
Second Revision of Sheet No. 95-c	- Power Cost Adjustment Clause (Continued)
Second Revision of Sheet No. 95-d	- Power Cost Adjustment Clause (Continued)
Second Revision of Sheet No. 95-e	- Power Cost Adjustment Clause (Continued)
Original Sheet No. 95-f	- Schedule 95A Production Tax Credit Rider
Original Sheet No. 95-g	- Production Tax Credit Rider (Continued)
Original Sheet No. 95-h	- Production Tax Credit Rider (Continued)
Original Sheet No. 95-i	- Production Tax Credit Rider (Continued)
Original Sheet No. 95-j	- Production Tax Credit Rider (Continued)
Original Sheet No. 95-k	- Production Tax Credit Rider (Continued)

Please note that the revised Schedule 95 and new Schedule 95A are designed to work together, and one cannot go into effect without the other.

8. PSE's Motion for Amended Protective Order with Highly Confidential Provisions supported by the Declaration of Eric M. Markell in Support of PSE's Motion for Amended Protective Order with Highly Confidential Provision; and
9. PSE's Motion for Expedited Procedural Schedule.

### **Confidentiality Protections and Procedural Matters**

As listed above, PSE is filing two motions along with this PCORC Filing. First, PSE requests that the Commission issue a protective order with highly confidential provisions. As is evident from PSE's filing, the Company has marked many pages "**confidential**" or "**highly confidential**". These documents are currently protected from any further disclosure by the Commission or the Office of the Attorney General pursuant to **RCW 80.04.095 and WAC 480-07-160**. However, in order to permit appropriate review of the materials by experts for the Commission Staff and/or Public Counsel, a protective order should be entered in this proceeding as soon as possible.

In addition, as detailed in PSE's motion for protective order, some of the information related to the Company's resource acquisition process should not be viewed at all by persons involved in development of energy projects or resources. PSE has designated such material as "highly confidential" because it reflects confidential information that PSE received from project owners and developers that is commercially sensitive and/or because it reveals aspects of PSE's analysis or strategies that is commercially sensitive with respect to PSE's negotiations with such project owners or developers. To the extent any such persons or entities seek to intervene in this matter, they should not thereby be permitted access to "highly confidential" information. PSE, PSE's customers, and/or the project owners and developers that submitted commercially sensitive information to PSE would be harmed by release of the confidential or highly confidential information.

Second, PSE's Motion for Expedited Procedural Schedule requests that the Commission quickly convene a prehearing conference and establish a procedural schedule in this proceeding that will permit the proposed changes to its Power Cost Rate to become effective on December 1, 2005. This request is consistent with the timeline contemplated in the PCA Mechanism that PCORC cases are to be completed within four months. It is also consistent with the expedited proceedings the Commission conducted in PSE's first PCORC filing under the PCA Mechanism, in Docket No. UE-031725.

### **Notice of PCORC Filing**

The tariff sheets described herein reflect issue dates of June 7, 2005, and effective dates of July 8, 2005. As PSE expects that this filing will result in an adjudicative proceeding where public testimony will be taken, notice of the tariff change will be provided in accordance with WAC 480-100-197. PSE

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will work with Commission Staff to develop the notice to customers. In accordance with WAC 480-100-193(1), the Company will also post the filed tariff sheets for public inspection and review on its website, and will provide access via request by telephone or mail.

In addition, as noted below, the Company is providing copies of this PCORC filing to counsel for the parties and intervenors who actively participated in the Company's 2003 PCORC, Docket No. UE-031725: Commission Staff, Public Counsel, the Industrial Customers of Northwest Utilities, and the Cogeneration Coalition of Washington.

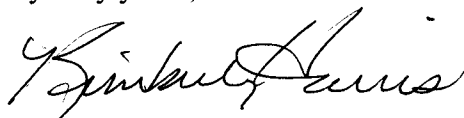
Service and correspondence relating to this filing should be directed to:

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We look forward to working with the Commission, Commission Staff, Public Counsel, our customers, and other interested parties in this important matter.

Very truly yours,



Kimberly Harris  
Vice President of Regulatory and Government Affairs

Enclosures

cc: Robert D. Cedarbaum, Office of the Attorney General (via hand delivery)  
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