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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of
PUGET SOUND ENERGY, INC.
For Approval of 2003 Power Cost
Adjustment Mechanism Report

DOCKET NO. _____

PETITION

1. This Petition is brought by Puget Sound Energy, Inc. ("PSE" or the "Company"), 10885 NE 4th St., WA 98004.

2. This Petition brings into issue the following rules or statutes: WAC 480-09-340.

BACKGROUND AND DISCUSSION

3. In the Commission's Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 ("Twelfth Supplemental Order"), the Commission approved the parties' Settlement Stipulation for Electric and Common Issues for PSE's most recent rate case ("Stipulation"). Among other things, the Twelfth Supplemental Order authorized a Power Cost Adjustment Mechanism (PCA). Exhibit A to the Stipulation, which is attached to the Twelfth Supplemental Order, sets forth details regarding the PCA, and is hereinafter referred to and cited as the "PCA Settlement."

4. Following verification of certain numbers set forth in the exhibits to the PCA Settlement, the Commission ordered that revised pages of Exhibits A, B, D and F be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Settlement. The Commission further ordered that the resulting adjusted calculations be used for purposes of the PCA accounting required by the PCA Settlement beginning July 1, 2002. *See* Fifteenth Supplemental Order in

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Docket Nos. UE-011570 and UG-011571 (May 13, 2003). A copy of the PCA Settlement, as revised, is attached to this Petition as Exhibit A.

5. The PCA Settlement describes the PCA as

a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances, with an overall cap of \$40 million (+/-) over the four year period July 1, 2002 through June 30, 2006. If the cap is exceeded, costs and benefits in excess of \$40 million would be shared at a different level of sharing.

PCA Settlement, ¶ 2. The PCA Settlement sets forth the various levels of costs and benefits sharing between the Company and its Customers, and provides that "[t]he customer's share of the power cost variability will be deferred as described below...." *Id.* at ¶ 3.

6. In order to implement its sharing provisions and overall cap, the PCA Settlement requires an annual true-up of actual power costs (versus the normalized level set in rates) and an accounting of sharing amounts. To accomplish this, the PCA Settlement provides that "[i]n August of 2003 and each year thereafter, the Company shall file an annual report detailing the power costs included in the deferral calculation, in a form satisfactory to the Commission, for Commission review and approval." PCA Settlement, ¶ 4.

7. In compliance with the PCA Settlement and Twelfth Supplemental Order, this Petition presents to the Commission PSE's 2003 Power Cost Adjustment Mechanism Report for the Commission's review and approval, which is attached as Exhibit B.

REQUESTED ACTION

8. PSE respectfully requests that the Commission issue an order approving PSE's 2003 Power Cost Adjustment Mechanism Report, which is attached hereto as Exhibit B.

DATED: August ___, 2003.

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John Story
Director, Cost and Regulation

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EXHIBIT A

Settlement Stipulation, Exhibit A (PCA), as revised

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EXHIBIT B

**Puget Sound Energy, Inc.'s
Power Cost Adjustment Mechanism Annual Report
For The Twelve Months Ended June 30, 2003**