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June 22, 2006

VIA WEB PORTAL AND OVERNIGHT MAIL

Ms. Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-060783

Dear Ms. Washburn:

On May 12, 2006, Puget Sound Energy, Inc. ("PSE" or "the Company") filed tariff sheets and related documents to update its Power Cost Baseline Rate in compliance with the Commission's Order No. 04 in Docket No. UE-050870 (the "2005 PCORC Order"). The parties to the 2005 PCORC proceeding subsequently conducted the expedited review of the May 12, 2006 filing required by the 2005 PCORC Order. Based on that review and consistent with paragraph 22 of the 2005 PCORC Order, PSE hereby submits the following substitute tariff sheets:

28th Revision of Sheet No. 95	-Power Cost Adjustment Clause
3rd Revision of Sheet No. 95-a	-Power Cost Adjustment Clause (Continued)
4th Revision of Sheet No. 95-b	-Power Cost Adjustment Clause (Continued)
3rd Revision of Sheet No. 95-c	-Power Cost Adjustment Clause (Continued)
3rd Revision of Sheet No. 95-d	-Power Cost Adjustment Clause (Continued)
3rd Revision of Sheet No. 95-e	-Power Cost Adjustment Clause (Continued)

These substitute tariff sheets reflect all of the corrections identified by the other parties to date that PSE believes are required to make PSE's filing on May 12, 2006 consistent with the 2005 PCORC Order. The Company is also providing workpapers supporting this substitute filing to the Commission and parties listed in the Certificate of Service.

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The substitute sheets correct an error in PSE's original May 12 filing, in which PSE applied a production factor twice to certain lines in the power cost rate. Correction of this error results in an increase in the revenue requirement deficiency by \$33,594.

Additionally, the Exhibit A-1 filed by PSE on May 12 was missing two numbers from the Rate Year column (lines 15a and 19a) and additional explanatory notes have been added. A substitute Exhibit A-1 is provided with this letter for the Commission's approval in this docket.

In addition to the revenue deficiency change described above, the methodology to spread rates to the rate schedule level was changed for these substitute sheets to address concerns raised by other reviewing parties. The substitute sheets reflect the agreement of all parties to the 2005 PCORC proceeding that the increase to Schedule 95 resulting from this update filing should be allocated between classes in accordance with PSE's proposed rate spread filed in its pending general rate case, proportionally adjusted, with the exception that Transportation Schedules 449/459 will be allocated a 0% increase and Firm Resale will be allocated a 7.36% increase.

The result of these substitute tariff sheets is an updated power cost baseline rate of \$59.580/MWh, which is \$4.605/MWh higher than the current power cost baseline rate of \$54.975/MWh. The result is a need to increase electric rates by \$45.4 million, an average of 5.96%, in order to recover additional power costs the Company is facing to serve its electric customers during the July 1, 2006 through December 31, 2006 period.

Although the electric rate increase resulting from application of the agreed methodology is relatively large, this is the result of power costs having risen far more quickly than the level of costs that customers have been required to pay for the power they consume. The requested electric increase as of July 1, 2006 is reasonable and consistent with the Commission's direction in its order on PSE's 2004 general rate case and in the 2005 PCORC Order that the power cost baseline rate should be updated at the same time that the \$40 million cap in PSE's PCA Mechanism expires. *See* 2005 PCORC Order, Settlement Agreement at ¶ 20; Order No. 06, Docket Nos. UG-040640 et al., ¶¶ 99-100 ("When the PCA cap expires the risk dynamic between PSE's shareholders and PSE's ratepayers will change significantly. In light of this, it is important to reset the PCA power cost baseline effective July 1, 2006.").

PSE looks forward to addressing any questions or concerns the Commission may have regarding this filing in the June 28, 2006 Open Meeting.

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Very truly yours,

Kirstin S. Dodge

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing letter and enclosures and related workpapers via delivery by email and overnight mail in accordance with WAC 480-07-150(6)(c).

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Dated at Bellevue, Washington, this 22nd day of June, 2006.

Kirstin Dodge