



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, Wa 98009

July 5, 2007

Dear PSE Transmission Customer:

PSE's has recently posted updated draft Designated Network Resources (DNR) business practices on its OASIS website (http://www.oatioasis.com/PSEI/PSEIdocs/Clean_DNR_Business_Practice_9.pdf). Additional responses to customer questions have also been posted and a draft form for request for multiple undesignations of Network Resources will be available shortly. As a result of ongoing regional discussions and FERC staff guidance, PSE's business practices are continuing to develop, please continue to monitor PSE's OASIS website for the most up-to-date information.

Our new postings contain information which directly affects PSE's Schedule 449 transmission customers. In particular, if the network resource that will be designated by July 12, 2007 has the same PSE Primary Transmission Point of Receipt Location as is identified in Exhibit B, Part 2, No. 3 of the customer's most recent Service Agreement, no statement attesting to any commitments regarding availability of the customer's resources will be required. In order for PSE to properly comply with Order 890 OASIS posting and study requirements, a description, pursuant to §29.2(v) of the Order 890 pro forma OATT, of the resource to be designated or that is already designated must be provided to PSE by July 12th. In addition, network customers must make a request for transmission service as described in the Section 1, part (ii) of PSE's draft Designated Network Resources business practices

For an existing network customer, a transmission service request, a description of the resource, pursuant to §29.2(v), and an attestation constitute a request for a DNR. The transmission service request and attestation must match the term of the DNR request. If a network customer uses several suppliers, the customer may aggregate their DNRs under one transmission service request provided all deliveries are to the same delivery point on PSE's system.

Please note PSE's draft business practices contain a special notation which discusses the transmission usage of the MIDC-PSEI.SYSTEM transmission path. The draft text follows:

Special Note:

PSE's merchant function has native load resources at the MIDC in excess of 1100 MWs. Historically, the entire firm capacity of the MIDC-PSEI.SYSTEM path (450 MWs) has been allocated delivering that resource to the native load. PSEM has also established transmission arrangements with BPA to deliver the remaining resources to PSE's system.

In 2000, PSE reached a settlement with certain industrial customers, referred to as 449 customers, known as Washington Utilities and Transportation Commission (WUTC) Schedule 449, Retail Wheeling Service. Under this electric tariff, PSE, from time to time, provides firm transmission capacity from the MIDC (Rocky Reach substation) to the 449 customers' facilities. This arrangement uses OATT transmission services.

Under Order 890, firm network transmission service is awarded to Designated Network Resources. Those 449 customers wishing to use firm network transmission service from the MIDC to their facilities may do so by submitting a DNR application, network transmission service request, and attestation to PSE's transmission provider function by noon of the preschedule day. Because the MIDC-PSEI.SYSTEM path is fully subscribed and typically fully loaded with energy from DNR's, secondary (non-firm) network transmission service is not available on that path for use by any customer. Without a qualified DNR, Puget can not award secondary network transmission service to 449 customers on the MIDC-PSEI.SYSTEM path.

449 customers may also use any of the other PSE paths for importing DNRs or non-DNRs to their facilities.

To receive network transmission service on the MIDC.PSEI.SYSTEM path the network customer must designate a network resource with a delivery point on PSE's transmission system of MIDC. If the network customer chooses to take delivery of their resource on a different path and chooses to designate such resource as a network resource, the customer is entitled to firm network transmission service on that path, if available. If the same customer wishes to take delivery of a resource at the MIDC for delivery to PSE utilizing PSE's transmission system, the network customer must make a request to designate of network resource with a delivery point of MIDC.

Order 890 requires the industry to develop protocols and business practices which will allow network customers to designate and undesignate on OASIS. This development is already underway, but will not be completed until sometime in 2008. Until that time, this process must be completed via fax to ensure the proper accounting and recordkeeping. None of the draft business practices proposed will result in changes to current customer billing.

PSE's business practices are quickly developing as customers begin to exercise the draft forms and provide feedback. Please continue to monitor PSE's OASIS and feel free share the information provided above with your energy supplier as you feel is necessary. Thank you for your interest in helping PSE to fully comply with the requirements of Order 890.

Sincerely,

PSE's Major Accounts Team