EXHIBIT NO. ___(EMM-25HC)
DOCKET NO. _____
2005 POWER COST ONLY RATE CASE
WITNESS: ERIC M. MARKELL

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent.	Docket No. UE-_____

TWENTY-FOURTH EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF ERIC M. MARKELL (HIGHLY CONFIDENTIAL) ON BEHALF OF PUGET SOUND ENERGY, INC.

REDACTED VERSION

JUNE 7, 2005

PUGET SOUND ENERGY

MEMORANDUM

Highly Confidential per WAC 480-07-140

To: Lloyd Pernela

From: Joel Molander

CC: Cara Gudger Kris Olin Ed Schild Kirstin Dodge File

Date: May 20, 2005

Re: Snoqualmie Falls Project – Updated License Economics

The Snoqualmie Falls Project pro forma has been updated to reflect the following changes since license acceptance in July 2004:

1) March 1, 2005 FERC Order on Rehearing and Dismissing Stay Request, which increased the minimum flow over the diversion dam to 1,000-cfs during the months of May and June. Replacement power costs associated with the production loss have been incorporated into the pro forma.

2) License implementation costs have been updated to reflect current overhead rates, revised PSE labor and other cost estimate updates, and construction schedule changes affected since license acceptance and as of May 19, 2005.

3) PSE's WACC has been updated to 8.40% to reflect the outcome of the 2004 GRC.

4) 40-year book depreciation, consistent with the term of the FERC license. Note, however, that the analysis horizon is 30-years, consistent with previous analyses and the FERC methodology.

The all-in levelized cost of implementing the FERC license requirements and normal recurring maintenance and replacement activities is currently estimated at approximately [redacted]/MWh per the attached pro forma. Please contact Cara Gudger or me if you have any questions.

Text in box is Highly Confidential per WAC 480-07-140

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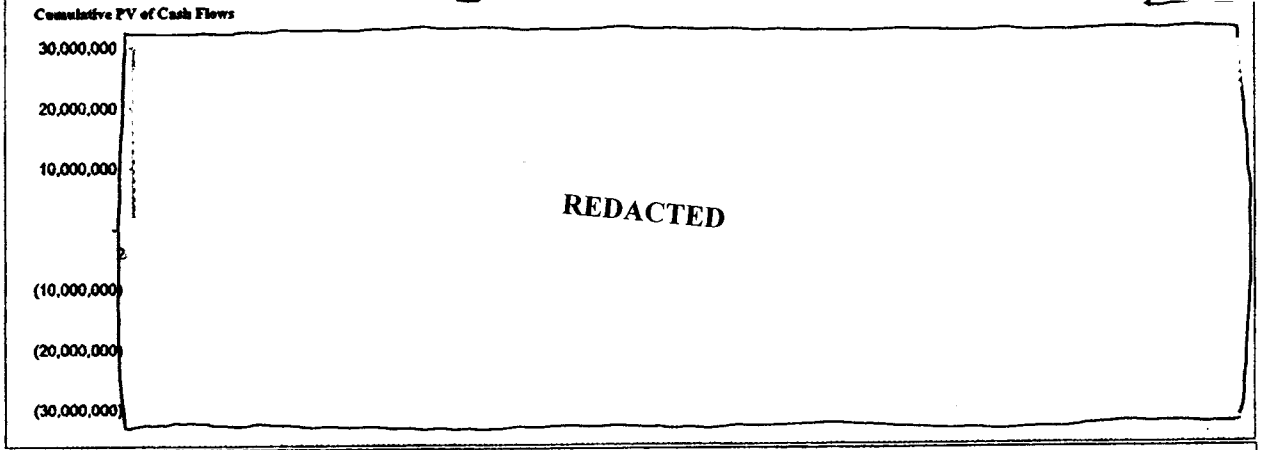
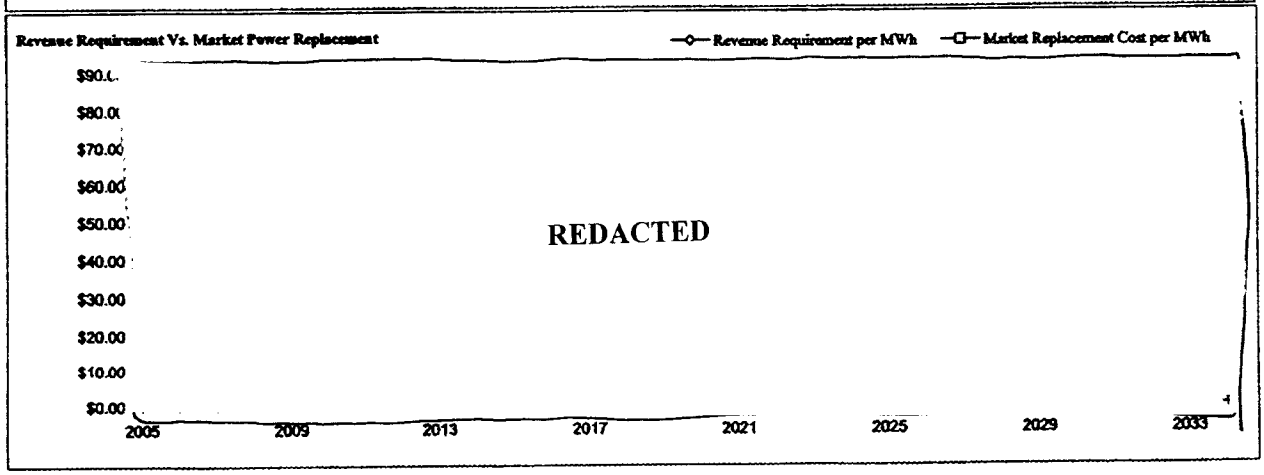
WAC 480-07-140

Snoqualmie Falls Project, FERC No. 2393
FERC License Economic Summary

Summary Results, 30 Years: Snoqualmie Falls
Updated May 20, 2005

Net Present Value of Cash Flows (NPV)	REDACTED	Levelized Revenue Requirement Rate	REDACTED
Present Value of Regulated Revenues		Present Value of Capital Investments	
Present Value of Unregulated Revenues		Capital Recovery Factor	
Present Value of Total Revenues		Annuitized Revenue Requirement	1
Levelized Energy (MWh)		Total Operating Cost per MWh	





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Pernela, Lloyd M

From: Barnes, Robert
Sent: Wednesday, March 02, 2005 1:23 PM
To: Schild, Edward R; Cammermeyer, Kendall J; Krueger, Pamela -Inet; Molander, Joel L; Galloway, Milburn E (Gene); Olin, Kris R; Pernela, Lloyd M
Subject: Impact of Recent FERC Order on Generation at Snoqualmie

The attached document summarizes the increase in lost generation expected as a result of the recent FERC Order. A quick summary is that the Project will lose an additional 20,077 SFD of water per year under the order. This amount of water is equivalent to 10,059 MWh of energy per year. Joel's e-mail pretty much summarized the costs e.g. about [redacted] at an assumed value of [redacted]/MWh. This water loss amounts to about 3.0 % of the available water.

Bob

Snoqualmie Water Loss Memo.doc...

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Recalculation of Water Loss to Generation at
the Snoqualmie Falls Project

The recent FERC Order regarding the Snoqualmie Falls Project stipulates that the minimum instream flows over the Falls be increased from the WDOE WQC requirements to a flat 1000 cfs day and night for the months of May and June for the duration of the License. The analysis below summarizes the impact of this requirement relative to the original conditions contained in the June 28, 2004 license.

	June 2004 License, Total SFD/month	Recent FERC Order, Total SFD/month	Difference in Total SFD
January	1010	1010	
February	1089	1089	
March	1716	1716	
April	1297	1297	
May	1023	11470	10447
June	3810	13440	9630
July	3494	3494	
August	3714	3714	
September	2415	2415	
October	1630	1630	
November	845	845	
December	919	919	
Annual Total	22962	43039	20077

This increase in water loss available for generation is equivalent to a generation loss of 10,059 MWh/yr.