

**EXHIBIT NO. \_\_\_(DEM-20)  
DOCKET NO. UE-060266/UG-060267  
2006 PSE GENERAL RATE CASE  
WITNESS: DAVID E. MILLS**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-060266  
Docket No. UG-060267**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF  
DAVID E. MILLS  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**AUGUST 23, 2006**

**GRC Rebuttal Power Cost Projections**  
**Rate Year AURORA + Non-AURORA Power Costs**  
**8.04.06 AURORA Model run**  
**3-month average gas prices at 5.23.06**

<b>GRC Rate Year: 2007</b>													<b>2006 GRC</b>	<b>Suppl GRC</b>	<b>06 GRC</b>	
	<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>Apr-07</b>	<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>Dec-07</b>	<b>Rebuttal (5.23.06 gas) Rate Year</b>	<b>(5.23.06 gas) Rate Year</b>	<b>Incr/(Decr) Diff</b>	
501 Coal Fuel	\$ 4,507	\$ 4,141	\$ 4,591	\$ 4,107	\$ 3,690	\$ 3,577	\$ 4,590	\$ 4,592	\$ 4,548	\$ 4,676	\$ 4,548	\$ 4,676	\$ 52,244	\$ 52,238	\$ 6	
547 Natural Gas Fuel	\$ 1,555	\$ 1,981	\$ 3,694	\$ 868	\$ (569)	\$ (1,297)	\$ 3,532	\$ 5,444	\$ 7,222	\$ 5,386	\$ 4,549	\$ 3,012	35,376	40,383	(5,006)	
555 Purchase & Interchange	\$ 90,971	\$ 80,419	\$ 72,966	\$ 52,798	\$ 43,601	\$ 48,912	\$ 34,297	\$ 42,954	\$ 44,450	\$ 67,469	\$ 76,119	\$ 96,630	751,585	750,773	812	
557 Other Power Supply	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	7,700	7,700	-	
565 Wheeling	\$ 4,969	\$ 4,964	\$ 4,970	\$ 4,766	\$ 4,768	\$ 4,770	\$ 4,772	\$ 4,773	\$ 4,772	\$ 4,885	\$ 5,092	\$ 5,168	58,668	58,668	-	
447 Secondary Sales	\$ (117)	\$ (16)	\$ (200)	\$ (79)	\$ (8)	\$ (61)	\$ (2,401)	\$ (3,577)	\$ (1,732)	\$ (625)	\$ (328)	\$ (15)	(9,159)	(10,270)	1,111	
<b>Subtotal</b>	<b>\$ 102,527</b>	<b>\$ 92,131</b>	<b>\$ 86,662</b>	<b>\$ 63,101</b>	<b>\$ 52,123</b>	<b>\$ 56,542</b>	<b>\$ 45,432</b>	<b>\$ 54,827</b>	<b>\$ 59,902</b>	<b>\$ 82,432</b>	<b>\$ 90,621</b>	<b>\$ 110,113</b>	<b>\$ 896,414</b>	<b>\$ 899,492</b>	<b>\$ (3,078)</b>	
456 Non-Core Gas	(128)	(26)	(38)	(17)	-	(2)	(29)	(59)	(72)	(65)	(35)	(33)	(504)	(552)	48	
<b>Total Power Costs</b>	<b>\$ 102,398</b>	<b>\$ 92,105</b>	<b>\$ 86,625</b>	<b>\$ 63,084</b>	<b>\$ 52,123</b>	<b>\$ 56,540</b>	<b>\$ 45,404</b>	<b>\$ 54,768</b>	<b>\$ 59,830</b>	<b>\$ 82,367</b>	<b>\$ 90,586</b>	<b>\$ 110,080</b>	<b>\$ 895,910</b>	<b>\$ 898,939</b>	<b>\$ (3,030)</b>	
Load in MWh	2,233,503	1,943,913	2,000,857	1,746,571	1,667,560	1,557,430	1,604,603	1,617,021	1,561,579	1,795,799	1,976,796	2,266,717	21,972,348	21,972,348	(0)	
6.60% Delivered Load	2,086,092	1,815,615	1,868,800	1,631,297	1,557,501	1,454,639	1,498,700	1,510,297	1,458,515	1,677,277	1,846,327	2,117,114	20,522,173	20,522,173	(0)	
<b>Revenue Requirement Adjustments:</b>																
Before adjustment													\$ 895,910	\$ 898,939	\$ (3,030)	
Tenaska Buyout Disallowance 50.0%													\$ 16,645	(8,323)	\$ (8,323)	\$ -
Tenaska Prudence Disallowance 1.2%													\$ 208,983	(2,508)	(2,519)	11
March Point 2 Prudence Disallowance 3.0%													\$ 35,544	(1,066)	(1,070)	3
<b>Net Power Costs</b>													<b>\$ 884,013</b>	<b>\$ 887,028</b>	<b>\$ (3,015)</b>	
<b>Production O&amp;M (including ben &amp; p/r tax)</b>													<b>80,343</b>	<b>80,505</b>	<b>(163)</b>	
<b>Colstrip 500 KV Expense</b>													<b>870</b>	<b>870</b>	<b>-</b>	
<b>Costs for Revenue Requirement</b>													<b>\$ 965,226</b>	<b>\$ 968,404</b>	<b>\$ (3,178)</b>	

**Rebuttal 2006 GRC**  
**Rebuttal 2006 GRC vs 2005 PCORC power cost projections**

LN	FERC a/c	Contract/Resource	2005 PCORC (Dec'05-Nov'06) (costs in '000s)			2006 GRC (Jan'07-Dec'07) (costs in '000s)			Increase / (Decrease) Costs (costs in '000s)			2005PCORC	Rebuttal	Incr/(Decr) MWhs	
			AURORA	Other	Total	AURORA	Other	Total	AURORA	Other	Total	MWH	2006 GRC	Rebuttal-05PCORC	
1															
2	501	Colstrip 1&2	16,594	3,184	19,778	21,498	3,505	25,003	4,904	321	5,225	2,147,415	2,344,526	197,110	
3	501	Colstrip 3&4	17,195	4,441	21,636	22,368	4,873	27,241	5,173	432	5,605	2,542,662	2,588,069	45,407	
4	547	Encogen	31,079	(19,830)	11,249	20,554	(34,508)	(13,954)	(10,525)	(14,677)	(25,202)	489,107	252,919	(236,188)	
5	547	Fred 1	30,914	5,460	36,374	37,836	6,763	44,598	6,922	1,303	8,225	624,665	575,224	(49,441)	
6	547	Frederickson 1&2	211	0	211	424	0	424	213	0	213	2,463	3,863	1,400	
7	547	Fredonia 1&2	1,008	1,368	2,375	1,428	791	2,219	420	(577)	(157)	12,578	13,821	1,243	
8	547	Fredonia 3&4	199	204	404	753	791	1,544	554	587	1,140	2,467	8,040	5,574	
9	547	Whitehorn 2&3	116	181	297	364	181	545	249	0	249	1,247	3,219	1,972	
10	555	Baker Replacement	0	0	0	0	0	0	0	0	0	7,009	7,009	0	
11	555	BC Hydro Point Roberts	1,314	0	1,314	1,478	0	1,478	164	0	164	19,610	19,678	68	
12	555	BPA Firm - WNP #3 Exchange	11,021	0	11,021	11,964	0	11,964	943	0	943	407,507	390,807	(16,701)	
13	555	BPA Snohomish Conservation	3,754	0	3,754	4,426	0	4,426	672	0	672	90,128	92,864	2,736	
14	555	Canadian EA	0	0	0	0	0	0	0	0	0	(325,463)	(293,355)	32,108	
15	555	Market Purchase	193,304	1,134	194,438	297,163	(2,102)	295,061	103,859	(3,236)	100,623	3,642,250	4,212,471	570,221	
16	447	Market Sale	(7,855)	0	(7,855)	(9,159)	0	(9,159)	(1,304)	0	(1,304)	(229,486)	(186,045)	43,442	
17	555	Mid Columbia	0	76,456	76,456	0	86,811	86,811	0	10,355	10,355	5,769,271	5,714,970	(54,301)	
18	555	MPC Firm Contract	3,521	34,254	37,775	4,566	35,865	40,431	1,046	1,611	2,657	690,117	698,228	8,111	
19	555	Nooksack Hydro	1,154	(57)	1,097	1,418	(71)	1,347	263	(14)	250	24,528	21,900	(2,628)	
20	555	PG&E Exchange	0	0	0	0	0	0	0	0	0	(462)	2,044	2,505	
21	555	PR Displacement Product	0	5,055	5,055	8,568	0	8,568	8,568	(5,055)	3,513	228,819	255,406	26,587	
22	555	Puget's Hydro	0	0	0	0	0	0	0	0	0	1,121,654	1,136,080	14,426	
23	555	QF Koma Kulshan Hydro	3,046	0	3,046	3,047	0	3,047	1	0	1	39,799	39,799	0	
24	555	QF March Point Cogen Phase1	38,016	0	38,016	38,338	0	38,338	322	0	322	698,627	698,627	0	
25	555	QF March Point Cogen Phase2	25,567	0	25,567	23,280	0	23,280	(2,287)	0	(2,287)	377,970	378,559	589	
26	555	QF Port Townsend Hydro	117	0	117	161	(8)	153	44	(8)	36	2,545	2,545	0	
27	555	QF Puyallup Energy Recovery Co. (PERC)	616	340	956	848	340	1,187	231	0	231	12,970	12,970	0	
28	555	QF Spokane MSW	12,633	0	12,633	12,700	0	12,700	67	0	67	142,148	142,148	0	
29	555	QF Sumas	78,935	0	78,935	54,482	0	54,482	(24,453)	0	(24,453)	891,712	814,516	(77,196)	
30	555	QF Sygitowicz	42	0	42	44	0	44	2	0	2	717	717	0	
31	555	QF Tenaska	122,779	20,389	143,168	135,974	24,343	160,317	13,195	3,954	17,149	791,336	809,027	17,692	
32	555	QF Twin Falls	5,247	0	5,247	5,247	0	5,247	0	0	0	69,955	69,955	0	
33	555	QF Weeks Falls	943	0	943	943	0	943	0	0	0	12,569	12,569	0	
34	555	Wasco Hydro	2,451	0	2,451	2,465	0	2,465	15	0	15	38,054	37,994	(60)	
35	565	Hopkins Ridge Wind	0	3,248	3,248	0	3,182	3,182	0	(66)	(66)	443,409	460,940	17,531	
36	555	Wild Horse Wind	0	0	0	0	2,593	2,593	0	2,593	2,593	0	630,244	630,244	0
37	555	APS	34,420	0	34,420	0	0	0	(34,420)	0	(34,420)	744,600	0	(744,600)	
38	547	Oil for CT	0	4,000	4,000	0	0	0	0	(4,000)	(4,000)	0	0	0	
39	555	QF Hutchinson	0	0	0	0	0	0	0	0	0	0	0	0	
40	557	Other Power Costs	0	6,935	6,935	0	7,700	7,700	0	765	765	0	0	0	
41	565	Wheeling	0	49,667	49,667	0	55,882	55,882	0	6,215	6,215	0	0	0	
42	555	Douglas Settlement	0	(3,218)	(3,218)	0	(8,215)	(8,215)	0	(4,997)	(4,997)	0	0	0	
43	555	Capacity	0	1,785	1,785	0	996	996	0	(788)	(788)	0	0	0	
44	555	Powerex	0	(838)	(838)	0	0	0	0	838	838	0	0	0	
45	456	(Gain) / Loss on Sale of Excess Gas	0	(1,202)	(1,202)	0	(504)	(504)	0	698	698	0	0	0	
46	555	BEP Amort	0	3,527	3,527	0	3,527	3,527	0	0	0	0	0	0	
47			628,339	196,483	824,822	703,176	192,734	895,910	74,837	(3,750)	71,088	21,534,496	21,972,348	437,851	
48						0.000306					0		0	0	
49	501	Coal Fuel	33,789	7,625	41,414	43,866	8,378	52,244	10,077	753	10,830	4,690,078	4,932,595	242,518	
50	547	Natural Gas Fuel	63,527	(8,617)	54,909	61,359	(25,982)	35,376	(2,168)	(17,365)	(19,533)	1,132,526	857,086	(275,440)	
51	555	Purchase & Interchange	538,878	138,827	677,705	607,110	144,079	751,189	68,232	5,252	73,484	15,497,970	15,907,771	409,801	
52	557	Other Power Supply	0	6,935	6,935	0	7,700	7,700	0	765	765	0	0	0	
53	565	Wheeling	0	52,915	52,915	0	59,064	59,064	0	6,149	6,149	443,409	460,940	17,531	
54	447	Secondary Sales	(7,855)	0	(7,855)	(9,159)	0	(9,159)	(1,304)	0	(1,304)	(229,486)	(186,045)	43,442	
55	456	Non-Core Gas	0	(1,202)	(1,202)	0	(504)	(504)	0	698	698	0	0	0	
56			628,339	196,483	824,822	703,176	192,734	895,910	74,837	(3,750)	71,088	21,534,496	21,972,348	437,851	
		Tenaska Buyout Disallowance			(8,901)			(8,323)			579				
		Tenaska Prudence Disallowance			(2,135)			(2,508)			(373)				
		March Point 2 Prudence Disallowance			(1,043)			(1,066)			(24)				
		Production O&M (including ben & p/r tax)			61,647			80,343			18,695				
		Colstrip 500 KV Expense			612			870			258				
		<b>Power Costs for Revenue Requirement</b>			<u>875,002</u>			<u>965,226</u>			<u>90,223</u>				