

**EXHIBIT NO. ___(DEM-22)
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**

**THIRD 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

GRC Rate Year: 2007													2006 GRC	Suppl GRC	06 GRC		
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Rebuttal	(5.23.06 gas)	Rate Year	Rate Year	Incr/(Decr)
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		
Subtotal	\$ 102,527	\$ 92,131	\$ 86,662	\$ 63,101	\$ 52,123	\$ 56,542	\$ 45,432	\$ 54,827	\$ 59,902	\$ 82,432	\$ 90,621	\$ 110,113	\$ 896,414	\$ 899,492	\$ (3,078)		
456 Non-Core Gas	\$ (128)	\$ (26)	\$ (38)	\$ (17)	\$ -	\$ (2)	\$ (29)	\$ (59)	\$ (72)	\$ (65)	\$ (35)	\$ (33)	(504)	(552)	48		
Total Power Costs	\$ 102,398	\$ 92,105	\$ 86,625	\$ 63,084	\$ 52,123	\$ 56,540	\$ 45,404	\$ 54,768	\$ 59,830	\$ 82,367	\$ 90,586	\$ 110,080	\$ 895,910	\$ 898,939	\$ (3,030)		
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)		
0.066 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)		
Revenue Requirement Adjustments:																	
													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) \$	
													March Point 2 Prudence Disallowance	3.0% \$ 35,544	(1,066)	(1,070) \$	
													Net Power Costs	\$ 884,013	\$ 887,028	\$ (3,015)	
													Production O&M (including ben & p/r tax)	80,343	80,505	(163)	
													Colstrip 500 KV Expense	870	870	-	
													Costs for Revenue Requirement	\$ 965,226	\$ 968,404	\$ (3,178)	
																-0.3%	

Excluding Wild Horse													2006 GRC	Suppl GRC	06 GRC	
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Rebuttal	(5.23.06 gas)	RY 2007	Diff
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	\$ 93,817	\$ 83,243	\$ 76,403	\$ 54,746	\$ 45,803	\$ 50,966	\$ 36,388	\$ 45,472	\$ 47,467	\$ 71,087	\$ 80,303	\$ 100,051	785,745	785,161	584	
557 Other Power Supply	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	7,700	7,700	-	
565 Wheeling	\$ 4,966	\$ 4,961	\$ 4,968	\$ 4,763	\$ 4,766	\$ 4,767	\$ 4,770	\$ 4,771	\$ 4,769	\$ 4,882	\$ 5,089	\$ 5,166	58,639	58,639	-	
447 Secondary Sales	\$ (78)	\$ (7)	\$ (98)	\$ (44)	\$ (2)	\$ (29)	\$ (1,569)	\$ (2,516)	\$ (979)	\$ (278)	\$ (111)	\$ (3)	(5,715)	(6,437)	722	
Subtotal	\$ 105,409	\$ 94,961	\$ 90,199	\$ 65,082	\$ 54,329	\$ 58,625	\$ 48,353	\$ 58,404	\$ 63,670	\$ 86,395	\$ 95,019	\$ 113,543	\$ 933,989	\$ 937,683	\$ (3,694)	
456 Non-Core Gas	\$ (128)	\$ (26)	\$ (38)	\$ (17)	\$ -	\$ (2)	\$ (29)	\$ (59)	\$ (72)	\$ (65)	\$ (35)	\$ (33)	(504)	(552)	48	
Subtotal with Non-Core G	\$ 105,280	\$ 94,935	\$ 90,161	\$ 65,065	\$ 54,329	\$ 58,623	\$ 48,324	\$ 58,345	\$ 63,597	\$ 86,330	\$ 94,984	\$ 113,510	\$ 933,485	\$ 937,131	\$ (3,646)	
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	1,795,800	1,976,796	2,266,717	21,972,350	21,972,350	(0)	
0.066 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	20,522,175	(2)	
Revenue Requirement Adjustments:																
													Before adjustment	\$ 933,485	\$ 937,131	\$ (3,646)
													Tenaska Buyout Disallowance	50.0% \$ 16,645	(8,323)	(8,323) \$
													Tenaska Prudence Disallowance	1.2% \$ 208,983	(2,508)	(2,519) \$
													March Point 2 Prudence Disallowance	3.0% \$ 35,544	(1,066)	(1,070) \$
													Net Power Costs	\$ 921,588	\$ 925,220	\$ (3,632)
													Production O&M (excluding WH)	70,584	70,584	-
													Colstrip 500 KV Expense	870	870	-
													Costs for Revenue Requirement	\$ 993,042	\$ 996,674	\$ (3,632)
													Cost Decr / (Incr) Without Wild Horse	\$ 27,817	\$ 28,270	\$ (454)

Wild Horse													2006 GRC	Suppl GRC	06 GRC		
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Rebuttal	(5.23.06 gas)	Rate Year	Rate Year	Incr/(Decr)
501 Coal Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
547 Natural Gas Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
555 Purchase & Interchange	\$ 2,846	\$ 2,824	\$ 3,437	\$ 1,949	\$ 2,202	\$ 2,054	\$ 2,091	\$ 2,518	\$ 3,017	\$ 3,618	\$ 4,184	\$ 3,421	34,160	34,388	(228)		
557 Other Power Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-		
565 Wheeling	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	(29)	(29)	-		
447 Secondary Sales	\$ 39	\$ 9	\$ 102	\$ 35	\$ 6	\$ 32	\$ 832	\$ 1,061	\$ 753	\$ 347	\$ 217	\$ 11	3,444	3,833	(389)		
Subtotal	\$ 2,882	\$ 2,830	\$ 3,536	\$ 1,981	\$ 2,206	\$ 2,083	\$ 2,920	\$ 3,577	\$ 3,768	\$ 3,962	\$ 4,398	\$ 3,430	\$ 37,575	\$ 38,192	\$ (616)		
456 Non-Core Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-		
Subtotal with Non-Core G	\$ 2,882	\$ 2,830	\$ 3,536	\$ 1,981	\$ 2,206	\$ 2,083	\$ 2,920	\$ 3,577	\$ 3,768	\$ 3,962	\$ 4,398	\$ 3,430	\$ 37,575	\$ 38,192	\$ (616)		

Load in MWh	(0)	0	0	(0)	0	0	(0)	0	0	1	0	0	2	(0)		
0.066 Delivered Load	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Revenue Requirement Adjustments:																
													Before adjustment	\$ 37,575	\$ 38,192	\$ (616)
													Tenaska Buyout Disallowance	50.0% \$ -	\$ -	\$ -
													Tenaska Prudence Disallowance	1.2% \$ -	\$ -	\$ -
													March Point 2 Prudence Disallowance	3.0% \$ -	\$ -	\$ -
													Net Power Costs	\$ 37,575	\$ 38,192	\$ (616)
													Production O&M (including ben & p/r tax)	\$ (9,921)	\$ (9,921)	\$ -
													Colstrip 500 KV Expense	\$ -	\$ -	\$ -
													Costs for Revenue Requirement	\$ 27,654	\$ 28,270	\$ (616)

Wild Horse {	Decreases Power Costs: Market Net Purchases	(40,197)	(40,813)	616
	Increases Power Costs	\$ 2,593	\$ 2,593	\$ -
	Increases Power Costs: Wheeling Costs	\$ 29	\$ 29	\$ -
	Increases Production O&M	\$ 9,921	\$ 9,921	\$ -
	Benefit of Wild Horse	\$ (27,654)	\$ (28,270)	\$ 616