

EXHIBIT NO. ___ (JHS-4)
DOCKET NO. _____
2005 POWER COST ONLY RATE CASE
WITNESS: JOHN H. STORY

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-_____

**THIRD EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF
JOHN H. STORY (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JUNE 7, 2005

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE

	Test Year Actual 12 months ended March 31, 2005	Adjustment-1 POWER COST	Adjustment-2 SALES FOR RESALE	Adjustment-3 HOPKINS RIDGE	Adjustment-4 TRANSMISSION INCOME	Adjustment-5 DEPRECIATION & AMORTIZATION	Adjustment-6 PROPERTY TAXES
Power Cost Rate							
Row							
3	\$ 305,122,559		\$ 9,138,350				
4	115,730,840						
5	446,473,198		177,408,108				
6	\$ 867,326,597	\$ -	\$ -	\$ 186,546,458	\$ -	\$ -	\$ -
7							
8							
9	7.01%						
10	\$ 32,906,294	\$ -	\$ -	\$ 985,536	\$ -	\$ -	\$ -
11	12,481,126	-	-	-	-	-	-
12	48,150,417	-	-	19,132,782	-	-	-
13	45,960,060	(4,724,412)					
14	664,778,155	(13,806,973)					
14a		(12,026,890)					
15	13,079,544	(781,007)		126,637			
16	33,154,766	22,733,764					
17	41,347,737	8,105,502		1,505,347	927,996		
18	(4,358,524)						
19	47,963,661	7,338,485		4,409,553			
20	(61,345,930)		53,524,902				
21	(6,042,112)	4,845,229					
22	611,868	(2,637)					
23	40,910,640			9,488,367		281,105	
24	5,109,796					(526)	
24a	22,423,072			1,742,822			
24b	(1,898,425)						
25	7,917,361			1,110,217			578,126
26	4,545,875						(306,152)
28	\$ 947,695,380	\$ 11,681,061	\$ 53,524,902	\$ 38,501,261	\$ 927,996	\$ 280,579	\$ 271,974

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE

Row	Adjustment-7	Adjustment-8	Adjustment-9	Adjustment-10	Adjustment-11	TOTAL	Adjusted	\$/MWh
	MONTANA ENERGY TAX	PROPERTY INSURANCE	FREDRICKSON 1	REGULATORY ASSETS AND LIABILITIES	PRODUCTION ADJUSTMENT	ADJUSTMENT	12 months ended	March 31, 2005
3				\$ (45,590,943)	\$ (1,157,968)	\$ (37,610,561)	\$	267,511,998
4								115,730,840
5			3,366,713		(2,703,439)	178,071,382		624,544,579
6			3,366,713		(3,861,407)	140,460,821		1,007,787,417
7								7.01%
8								
9								
10				\$ (4,916,808)	\$ (124,882)	\$ (4,056,154)	\$	28,850,140
11								12,481,126
12			363,087		(291,555)	19,204,314		67,354,731
13						(4,724,412)		41,235,648
14						(13,806,973)		650,971,182
14a						(12,026,890)		(12,026,890)
15	(135,473)	(40,554)			(16,606)	(847,003)		12,232,541
16						22,733,764		55,888,530
17						9,610,849		50,958,586
18						927,996		(3,430,528)
19					(25,493)	11,722,544		59,686,205
20						53,524,902		(7,821,028)
21						4,845,229		(1,196,883)
22						(2,637)		609,231
23			474,678		(220,477)	10,023,673		50,934,313
24						(526)		5,109,271
24a				1,766,581	(111,769)	3,397,634		25,820,706
24b								(1,898,425)
25					(41,401)	1,646,942		9,564,303
26						(306,152)		4,239,723
28	\$ (135,473)	\$ (40,554)	\$ 837,765	\$ (3,150,227)	\$ (832,184)	\$ 101,867,100	\$	1,049,562,479
								\$ 52,409

Power Cost Rate

Adjustment 1

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 POWER COST**

LINE NO. DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1 PRODUCTION EXPENSES:			
2 FUEL:			
3 501-STEAM FUEL	\$ 45,960,060	\$ 41,235,648	\$ (4,724,412)
4 547-FUEL	33,154,766	55,888,530	22,733,764
5 PURCHASED AND INTERCHANGED:			
6 555-PURCHASED POWER	664,778,155	650,971,182	(13,806,973)
7 RATE DISALLOWANCES FOR MARCH POINT 2 AND TENASKA	-	(12,026,890)	(12,026,890)
8 557 - OTHER POWER EXPENSE	9,177,172	8,396,165	(781,007)
9 WHEELING	41,347,737	49,453,239	8,105,502
10 HYDRO AND OTHER POWER	47,963,661	55,302,146	7,338,485
11 TRANS. EXP. INCL. 500KV O&M	611,868	609,231	(2,637)
12 SALES FOR RESALE	(61,345,930)	(7,821,028)	53,524,902
13 PURCHASES/SALES OF NON-CORE GAS	(6,042,112)	(1,196,883)	4,845,229
14 WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(4,358,524)	(3,430,528)	927,996
15 INCREASE (DECREASE) EXPENSE	771,246,852	837,380,809	66,133,958
16			
17 LESS: SALES FOR RESALE	61,345,930	7,821,028	(53,524,902)
18 LESS: WHEELING FOR OTHERS	4,358,524	3,430,528	(927,996)
19 SCH. 94 - RES./FARM CREDIT	-	-	-
20 INCREASE(DECREASE) EXPENSE	\$ 836,951,306	848,632,366	\$ 11,681,061
21 TRANS. EXP. INCL. 500KV O&M		(609,231)	
22 PURCHASES/SALES OF NON-CORE GAS		1,196,883	
23 POWER COSTS PER G/L		\$ 849,220,019	

Adjustment 2

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED MARCH 31, 2005
RATE YEAR ENDED NOVEMBER 30, 2006
SALES FOR RESALE**

LINE NO. DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1 SALES FOR RESALE - OTHER UTILITIES	\$ (61,345,930)	\$ (7,821,028)	\$ 53,524,902
2 INCREASE (DECREASE) EXPENSE	\$ (61,345,930)	\$ (7,821,028)	\$ 53,524,902

Adjustment 3

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 HOPKINS RIDGE**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	<u>HOPKINS RIDGE RATE BASE</u>			
2	<u>UTILITY PLANT RATEBASE</u>			
3	PLANT BALANCE	\$ -	\$ 189,767,343	\$ 189,767,343
4	ACCUMULATED DEPRECIATION	-	(4,744,184)	(4,744,184)
5	DEFERRED FIT	-	(7,615,051)	(7,615,051)
6	TOTAL UTILITY PLANT RATEBASE	-	177,408,108	177,408,108
7				
8	<u>REGULATORY ASSET RATEBASE</u>			
9	HOPKINS RIDGE PREPAID TRANSMISSION	-	9,138,350	9,138,350
10	REGULATORY ASSET RATEBASE	-	9,138,350	9,138,350
11				
12	OVERALL INCREASE TO RATEBASE	\$ -	\$ 186,546,458	\$ 186,546,458
13				
14	<u>HOPKINS RIDGE O&M</u>			
15	DEPRECIATION EXPENSE ON UTILITY PLANT	-	9,488,367	9,488,367
16	AMORTIZATION OF PREPAID TRANSM REG ASSET	-	1,742,822	1,742,822
17	PROPERTY INSURANCE	-	126,637	126,637
18	PROPERTY TAXES	-	1,110,217	1,110,217
19	TOTAL O&M	-	12,468,044	12,468,044
20				
21	<u>POWER COST ASSOCIATED WITH HOPKINS RIDGE</u>			
22	565 WHEELING	-	1,505,347	1,505,347
23	PRODUCTION O&M	-	4,409,553	4,409,553
24	TOTAL POWER COSTS	-	5,914,900	5,914,900
25				
26	GRAND TOTAL OF OPERATING EXPENSES	\$ -	\$ 18,382,944	\$ 18,382,944

Adjustment 4

PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 TRANSMISSION INCOME

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1	REVENUE - WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	\$ (4,358,524)	\$ (3,430,528)	\$ 927,996
2	INCREASE (DECREASE) EXPENSE	\$ (4,358,524)	\$ (3,430,528)	\$ 927,996

Adjustment 5

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 PRODUCTION PLANT DEPRECIATION AND AMORTIZATION**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	DEPRECIATION - PRODUCTION	\$ 37,693,961	\$ 37,975,066	\$ 281,105
2	AMORTIZATION - PRODUCTION	3,216,679	3,216,679	-
3		40,910,640	41,191,745	281,105
4				
5	DEPRECIATION-TRANSMISSION	4,861,673	4,861,148	(526)
6	AMORTIZATION - TRANSMISSION	248,123	248,123	-
7		5,109,796	5,109,271	(526)
8				
9	INCREASE (DECREASE) EXPENSES	\$ 46,020,436	\$ 46,301,016	\$ 280,579

Adjustment 6

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED MARCH 31, 2005
RATE YEAR ENDED NOVEMBER 30, 2006
PROPERTY TAXES ON PRODUCTION PLANT**

LINE NO. DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1 RESTATED PROPERTY TAXES-PRODUCTION	\$ 7,917,361	\$ 8,495,487	\$ 578,126
2 RESTATED PROPERTY TAXES-TRANSMISSION	4,545,875	4,239,723	(306,152)
3 INCREASE (DECREASE) EXPENSES	\$ 12,463,236	\$ 12,735,210	\$ 271,974

Adjustment 7

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 MONTANA ELECTRIC ENERGY TAX**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	PROFORMA kWh	5,077,143,000	4,690,078,000	(387,065,000)
2	TAX RATE	0.00035	0.00035	0.00035
3				
4	MONTANA ENERGY TAX EXPENSE	\$ 1,777,000	\$ 1,641,527	\$ (135,473)

Adjustment 8

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED MARCH 31, 2005
RATE YEAR ENDED NOVEMBER 30, 2006
PROPERTY INSURANCE ON PRODUCTION PLANT

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 1,951,230	\$ 1,910,676	\$ (40,554)
2	INCREASE(DECREASE) EXPENSE	\$ 1,951,230	\$ 1,910,676	\$ (40,554)

Adjustment 9

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 FREDRICKSON 1**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	INCREASE TO RATEBASE -FREDRICKSON PLANT			
2	FREDRICKSON PLANT - CCCT			
3	DEPRECIABLE PLANT	\$ 77,393,742	\$ 80,873,589	\$ 3,479,848
4	ACCUM DEPRECIATION	(998,743)	(1,400,662)	(401,919)
5	DEFERRED INCOME TAX	(1,222,720)	(1,482,762)	(260,042)
6	NET FREDRICKSON I PLANT - CCCT	75,172,279	77,990,165	2,817,886
7				
8	FREDRICKSON PLANT - DUCT FIRING			
9	DEPRECIABLE PLANT	-	575,999	575,999
10	ACCUM DEPRECIATION	-	(17,600)	(17,600)
11	DEFERRED INCOME TAX	-	(9,572)	(9,572)
12	NET FREDRICKSON I PLANT - DUCT FIRING	-	548,827	548,827
13				
14	OVERALL INCREASE TO RATEBASE - FREDRICKSON I	\$ 75,172,279	\$ 78,538,992	\$ 3,366,713
15				
16	INCREASE TO DEPRECIATION EXPENSE			
17	FREDRICKSON 1 PLANT - CCCT	\$ 2,237,824	\$ 2,693,302	\$ 455,478
18	FREDRICKSON 1 PLANT - DUCT FIRING	-	19,200	19,200
19	INCREASE TO DEPRECIATION EXPENSE	\$ 2,237,824	\$ 2,712,502	\$ 474,678

Adjustment 10

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 REGULATORY ASSETS AND LIABILITIES**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	<u>AMA OF REGULATORY ASSET/LIABILITY NET OF ACCUM AMORT AND DFIT</u>			
2	CABOT BUYOUT	\$ 7,286,542	\$ 4,640,333	\$ (2,646,208)
3	TENASKA	193,829,792	165,436,333	(28,393,458)
4	BEP	44,964,356	39,086,656	(5,877,700)
5	WHITE RIVER PLANT COSTS	42,447,148	40,323,990	(2,123,157)
6	WHITE RIVER RELICENSING & CWIP	17,106,031	15,186,755	(1,919,276)
7	CANWEST	(511,309)	(5,142,452)	(4,631,143)
8	TOTAL REGULATORY ASSETS	<u>305,122,559</u>	<u>259,531,616</u>	<u>(45,590,943)</u>
9				
10				
11	<u>AMORTIZATION OF REGULATORY ASSET/LIABILITY</u>			
12	CABOT BUYOUT	\$ 1,866,750	\$ 2,576,417	\$ 709,667
13	TENASKA	15,535,000	20,389,417	4,854,417
14	BEP	3,526,620	3,526,620	-
15	WHITE RIVER PLANT COSTS	1,494,702	1,494,702	-
16	WHITE RIVER RELICENSING & CWIP	-	-	-
17	CANWEST	-	(3,797,503)	(3,797,503)
18	TOTAL AMORTIZATION OF REGULATORY ASSET/LIAB	<u>22,423,072</u>	<u>24,189,653</u>	<u>1,766,581</u>

Adjustment 11

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 PRODUCTION ADJUSTMENT**

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION FACTOR 0.431%	NET AMOUNT
1	<u>O&M ON PRODUCTION PROPERTY</u>			
2	PRODUCTION O&M INCLUDED IN 557:			
3	WORKER'S COMPENSATION	\$ 174,142	\$ (751)	\$ 173,391
4	PROPERTY INSURANCE	2,037,313	(8,781)	2,028,533
5	ELECTRIC ENERGY TAX	1,641,527	(7,075)	1,634,452
6	TOTAL PRODUCTION O&M	3,852,983	(16,606)	3,836,376
7				
8	HOPKINS RIDGE POWER COSTS AND PRODUCTION O&M	5,914,900	(25,493)	5,889,406
9				
10	DEPRECIATION AND AMORTIZATION ON PRODUCTION			
11	PROPERTY	51,154,790	(220,477)	50,934,313
12				
13	PROPERTY TAXES ON PRODUCTION PROPERTY	9,605,704	(41,401)	9,564,303
14				
15	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	\$ 70,528,376	\$ (303,977)	\$ 70,224,398
16				
17	<u>PRODUCTION RATE BASE:</u>			
18	PRODUCTION PROPERTY	\$ 1,338,829,468	\$ (5,770,355)	\$ 1,333,059,113
19	COLSTRIP COMMON FERC ADJUSTMENT	6,986,973	(30,114)	6,956,859
20	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,739,190	(11,806)	2,727,384
21	ENCOGEN ACQUISITION ADJUSTMENT	47,973,283	(206,765)	47,766,518
22	LESS PRODUCTION PROPERTY ACCUM DEPR.	(633,007,012)	2,728,260	(630,278,752)
23	LESS PRODUCTION PROPERTY ACCUM AMORT.	(650,193)	2,802	(647,391)
24	NET PRODUCTION PROPERTY	762,871,710	(3,287,977)	759,583,733
25				
26	DEDUCT:			
27	LIBR. DEPREC. PRE 1981 (EOP)	(666,413)	2,872	(663,541)
28	LIBR. DEPREC. POST 1980 (EOP)	(86,079,859)	371,004	(85,708,855)
29	OTHER DEF. TAXES (EOP)	(48,877,419)	210,662	(48,666,757)
30	ADJUSTMENT TO RATE BASE	(135,623,691)	584,538	(135,039,153)
31				
32	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	\$ 627,248,019	\$ (2,703,439)	\$ 624,544,580
33				
34				
35	<u>O&M ON REGULATORY ASSETS</u>			
36	AMORTIZATION OF REGULATORY ASSETS	25,932,475	(111,769)	25,820,706
37				
38	TOTAL REGULATORY ASSET ADJUSTMENT TO BASELINE RATE	\$ 25,932,475	\$ (111,769)	\$ 25,820,706
39				
40	<u>REGULATORY ASSETS RATE BASE:</u>			
41	BPA POWER EXCHANGE INVESTMENT	\$ 39,086,656	\$ (168,463)	\$ 38,918,193
42	TENASKA REGULATORY ASSET	165,436,333	(713,031)	164,723,303
43	CABOT OIL REGULATORY ASSET	4,640,333	(20,000)	4,620,333
44	WHITE RIVER PLANT COSTS	40,323,990	(173,796)	40,150,194
45	WHITE RIVER RELICENSING & CWIP	15,186,755	(65,455)	15,121,300
46	CANWEST (NEW)	(5,142,452)	22,164	(5,120,288)
47	HOPKINS RIDGE PREPAID TRANSMISSION (NEW)	9,138,350	(39,386)	9,098,964
48				
49	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 268,669,966	\$ (1,157,968)	\$ 267,511,998

Adjustment 12

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED MARCH 31, 2005
 RATE YEAR ENDED NOVEMBER 30, 2006
 TEMPERATURE NORMALIZATION**

LINE NO.	DESCRIPTION	ACTUAL GPI MWH	TEMP ADJ GPI MWH	MWH CHANGE	ADJ FOR LOSSES 6.60%
1	Apr-04	1,602,778	1,642,817	40,039	37,396
2	May-04	1,564,343	1,573,903	9,560	8,929
3	Jun-04	1,532,418	1,527,643	(4,774)	(4,459)
4	Jul-04	1,608,271	1,593,740	(14,531)	(13,572)
5	Aug-04	1,632,235	1,626,072	(6,162)	(5,756)
6	Sep-04	1,541,101	1,537,686	(3,416)	(3,190)
7	Oct-04	1,726,793	1,734,542	7,748	7,237
8	Nov-04	1,948,493	1,943,481	(5,012)	(4,681)
9	Dec-04	2,173,168	2,218,535	45,367	42,373
10	Jan-05	2,211,893	2,231,342	19,448	18,165
11	Feb-05	1,930,914	1,907,855	(23,059)	(21,537)
12	Mar-05	1,885,214	1,942,076	56,862	53,109
13		21,357,621	21,479,691	122,070	114,014

Adjustment 13

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED MARCH 31, 2005
RATE YEAR ENDED NOVEMBER 30, 2006
CONVERSION FACTOR**

LINE NO.	DESCRIPTION		RATE
1	BAD DEBTS		0.0045080
2	ANNUAL FILING FEE		0.0019000
3	STATE UTILITY TAX ((1 - LINE 1) * 3.873%)	3.873%	<u>0.0385554</u>
4			
5	SUM OF TAXES OTHER		0.0449634
6			
7	CONVERSION FACTOR (1 - LINE 5)		0.9550366