

Exhibit 3

Wind Energy Avoided Costs Schedules

Below are two cost schedules for 2004 – 2023, corresponding to two forms of proposals: merchant development and transfer to PSE ownership of the wind farm; and a wind energy PPA. The avoided costs are based on generic assumptions about the costs of wind power development which are consistent with assumptions made in the Least Cost Plan.

Note: The avoided cost is only an estimate based on generic assumptions for wind resources in the northwest. Proposals will be evaluated and ranked against each other based on the criteria listed in the RFP.

The PSE ownership estimated generic avoided cost is based on assumptions about the company's capital financing. Table 3-1 lists the financial assumptions, followed by Table 3-2a with the levelized cost and 3-2b which lists the annual costs.

Table 3-1 -- PSE Financing Assumptions

Pre-Tax Cost of Debt	7.2%
Cost of Equity	11.0%
% Debt	52.6%
%Preferred	2.4%
% Equity	45.0%
WACC	7.6%
Pre-Tax WACC	8.9%

Table 3-2a Levelized Cost – PSE Generic Ownership

Generation (\$/MWH)	\$42.89
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Table 3-2b Annual Cost – PSE Generic Ownership (Nominal Dollars)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$/MWH	48.13	44.68	41.92	39.27	36.64	34.74	33.59	32.45	31.32	30.20
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$/MWH	56.79	55.70	54.63	53.56	52.51	51.48	50.46	49.46	48.47	47.50

Table 3-3 lists the independent power producer (IPP) finance assumptions for the generic PPA, followed by Table 3-4a with the levelized generation cost, and Table 3-4b which lists the resulting annual costs.

Table 3-3 – IPP Financing Assumptions

Pre-Tax Cost of Debt	7.5%
Cost of Equity	17.0%
% Debt	70.0%
%Preferred	0.0%
% Equity	30.0%
WACC	7.3%
Pre-Tax WACC	9.4%

Table 3-4a Levelized Cost -- PPA

Generation (\$/MWH)	\$44.32
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Table 3-4b Annual Cost – PPA (Nominal Dollars)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$/MWH	38.00	38.00	38.95	39.92	40.92	41.94	42.99	44.07	45.17	46.30
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$/MWH	47.46	48.64	49.86	51.11	52.38	53.69	55.04	56.41	57.82	59.27

The estimated generic PPA costs do not take into account imputed debt costs, counterparty credit issues and other security and control costs. Those costs will be considered in the proposal evaluation process as described in the RFP.

Both avoided cost schedules listed above were based on generic cost assumptions for all wind projects. Those details are listed in Table 3-5

Table 3-5 Generic Wind Farm Assumptions

All in Cost (\$/kw)	1003
Transmission Loss Percent	1.6%
Forced Outage Rates	70%
FOM (\$/kw-yr)	26.10
Transmission (\$/kw-yr)	14.88
Total FOM (\$/kw-yr)	40.98
New Capex (\$/MW Capacity)	0
Depreciable lives (tax)	5
VOM (\$/MWh)	1
Fixed O&M Escalator	2.5%

Variable O&M Escalator	2.5%
Capex Escalator	2.5%
PPA Escalator	2.5%
Depreciable Lives Wind	20
Property Tax Rate	1.1%
Insurance Premium	0.1%
Conversion Factor	65.0%
Effective Tax Rate	35.0%
Federal Tax Rate	35.0%
Renewable Tax Credit (\$/MWh)	18

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