

**EXHIBIT NO. ___(DWH-3C)
DOCKET NO. UE-07___/UG-07___
2007 PSE GENERAL RATE CASE
WITNESS: DAVID W. HOFF**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-07___
Docket No. UG-07___**

**SECOND EXHIBIT (CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
DAVID W. HOFF
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

DECEMBER 3, 2007

Puget Sound Energy
Electric Cost of Service
Derivation of Peak Credit

PEAK CREDIT METHOD FOR 2008 COST OF SERVICE STUDY
Peak Credit uses a modified version of the UE-920499 Methodology

Combined Cycle Plant (Nominal \$)

Year	Capital Cost \$/MWH Yr	Fixed O&M \$/MWH	Variable O&M \$/MWH	Gas \$/MMBTU	Gas \$/MWH	Total \$/MWH	Annual Inflation
2008	\$16.71	\$6.94	\$3.00	XXXX	XXXX	XXXX	0.00%
2009	\$16.71	\$7.11	\$3.08	XXXX	XXXX	XXXX	2.50%
2010	\$16.71	\$7.29	\$3.16	XXXX	XXXX	XXXX	2.50%
2011	\$16.71	\$7.47	\$3.24	XXXX	XXXX	XXXX	2.50%
2012	\$16.71	\$7.66	\$3.32	XXXX	XXXX	XXXX	2.50%
2013	\$16.71	\$7.85	\$3.40	XXXX	XXXX	XXXX	2.50%
2014	\$16.71	\$8.05	\$3.49	XXXX	XXXX	XXXX	2.50%
2015	\$16.71	\$8.25	\$3.58	XXXX	XXXX	XXXX	2.50%
2016	\$16.71	\$8.46	\$3.67	XXXX	XXXX	XXXX	2.50%
2017	\$16.71	\$8.67	\$3.76	XXXX	XXXX	XXXX	2.50%
2018	\$16.71	\$8.89	\$3.85	XXXX	XXXX	XXXX	2.50%
2019	\$16.71	\$9.11	\$3.95	XXXX	XXXX	XXXX	2.50%
2020	\$16.71	\$9.34	\$4.05	XXXX	XXXX	XXXX	2.50%
2021	\$16.71	\$9.57	\$4.15	XXXX	XXXX	XXXX	2.50%
2022	\$16.71	\$9.81	\$4.25	XXXX	XXXX	XXXX	2.50%
2023	\$16.71	\$10.06	\$4.36	XXXX	XXXX	XXXX	2.50%
2024	\$16.71	\$10.31	\$4.47	XXXX	XXXX	XXXX	2.50%
2025	\$16.71	\$10.57	\$4.58	XXXX	XXXX	XXXX	2.50%
2026	\$16.71	\$10.83	\$4.69	XXXX	XXXX	XXXX	2.50%
2027	\$16.71	\$11.10	\$4.81	XXXX	XXXX	XXXX	2.50%
2028	\$16.71	\$11.38	\$4.93	XXXX	XXXX	XXXX	2.50%
2029	\$16.71	\$11.66	\$5.05	XXXX	XXXX	XXXX	2.50%
2030	\$16.71	\$11.95	\$5.18	XXXX	XXXX	XXXX	2.50%
2031	\$16.71	\$12.25	\$5.31	XXXX	XXXX	XXXX	2.50%
2032	\$16.71	\$12.56	\$5.44	XXXX	XXXX	XXXX	2.50%
2033	\$16.71	\$12.87	\$5.58	XXXX	XXXX	XXXX	2.50%
2034	\$16.71	\$13.19	\$5.72	XXXX	XXXX	XXXX	2.50%
2035	\$16.71	\$13.52	\$5.86	XXXX	XXXX	XXXX	2.50%
2036	\$16.71	\$13.86	\$6.01	XXXX	XXXX	XXXX	2.50%
2037	\$16.71	\$14.21	\$6.16	XXXX	XXXX	XXXX	2.50%

REDACTED
VERSION

Puget Sound Energy
 Electric Cost of Service
 Derivation of Peak Credit

Combustion Turbine

Year	Capital Cost \$/kW Yr	Fixed O&M \$/kW Yr	Variable O&M \$/kW Yr	Gas \$/kW Yr	Total \$/kW Yr	Peak	
						Credit \$/kW Yr	Inflation
2008	\$127.71	\$11.70	\$0.30	XXXX	XXXX	XXXX	0.00%
2009	\$127.71	\$11.99	\$0.31	XXXX	XXXX	XXXX	2.50%
2010	\$127.71	\$12.29	\$0.32	XXXX	XXXX	XXXX	2.50%
2011	\$127.71	\$12.60	\$0.33	XXXX	XXXX	XXXX	2.50%
2012	\$127.71	\$12.92	\$0.34	XXXX	XXXX	XXXX	2.50%
2013	\$127.71	\$13.24	\$0.35	XXXX	XXXX	XXXX	2.50%
2014	\$127.71	\$13.57	\$0.36	XXXX	XXXX	XXXX	2.50%
2015	\$127.71	\$13.91	\$0.37	XXXX	XXXX	XXXX	2.50%
2016	\$127.71	\$14.26	\$0.38	XXXX	XXXX	XXXX	2.50%
2017	\$127.71	\$14.62	\$0.39	XXXX	XXXX	XXXX	2.50%
2018	\$127.71	\$14.99	\$0.40	XXXX	XXXX	XXXX	2.50%
2019	\$127.71	\$15.36	\$0.41	XXXX	XXXX	XXXX	2.50%
2020	\$127.71	\$15.74	\$0.42	XXXX	XXXX	XXXX	2.50%
2021	\$127.71	\$16.13	\$0.43	XXXX	XXXX	XXXX	2.50%
2022	\$127.71	\$16.53	\$0.44	XXXX	XXXX	XXXX	2.50%
2023	\$127.71	\$16.94	\$0.45	XXXX	XXXX	XXXX	2.50%
2024	\$127.71	\$17.36	\$0.46	XXXX	XXXX	XXXX	2.50%
2025	\$127.71	\$17.79	\$0.47	XXXX	XXXX	XXXX	2.50%
2026	\$127.71	\$18.23	\$0.48	XXXX	XXXX	XXXX	2.50%
2027	\$127.71	\$18.69	\$0.49	XXXX	XXXX	XXXX	2.50%
2028	\$127.71	\$19.16	\$0.50	XXXX	XXXX	XXXX	2.50%
2029	\$127.71	\$19.64	\$0.51	XXXX	XXXX	XXXX	2.50%
2030	\$127.71	\$20.13	\$0.52	XXXX	XXXX	XXXX	2.50%
2031	\$127.71	\$20.63	\$0.53	XXXX	XXXX	XXXX	2.50%
2032	\$127.71	\$21.15	\$0.54	XXXX	XXXX	XXXX	2.50%
2033	\$127.71	\$21.68	\$0.55	XXXX	XXXX	XXXX	2.50%
2034	\$127.71	\$22.22	\$0.56	XXXX	XXXX	XXXX	2.50%
2035	\$127.71	\$22.78	\$0.57	XXXX	XXXX	XXXX	2.50%
2036	\$127.71	\$23.35	\$0.58	XXXX	XXXX	XXXX	2.50%
2037	\$127.71	\$23.35	\$0.58	XXXX	XXXX	XXXX	2.50%

**REDACTED
VERSION**

Puget Sound Energy
Electric Cost of Service
Derivation of Peak Credit

	Combustion Turbine	Peak CT	CC CT	Peak Credit
Levelized Cost \$/mWh			95.12	
Levelized Cost \$/kW Yr	162.32	180.89	708.25	26%

Assumptions

1 Fixed Charge Rate CC:	11.85%			
2 Fixed Charge Rate CT:	12.90%			
3 Hours/Year CT Peak Operation	75		Peak Gas Adjustment	16%
4 CCCT Capacity Factor:	85%			
5 Weighted Cost of Capital CC:	8.60%			
6 Weighted Cost of Capital CT:	8.60%			
7 Full Capital & Fixed O&M For CT Used For Peak Credit Cost				

	<u>Plant Costs</u>			
	<u>Capital</u>	<u>Fixed O&M</u>	<u>Var O&M</u>	<u>Heat Rate</u>
	<u>\$/kW</u>	<u>\$/kW/yr</u>	<u>\$/MWH</u>	<u>BTU/kWh</u>
8 Combined Cycle Combustion Turbine Plant	\$1,050	\$51.66	3.00	7,000
9 Simple Cycle Combustion Turbine Plant	\$990	\$11.70	4.00	8,934
10 Reserve margin	12%			
11 Debt	54.97%	6.80%	3.74%	
12 Preferred	0.03%	8.61%	0.00%	
13 Common Equity	45.00%	10.80%	4.86%	
14 TOTAL	100%		8.60%	