

EXHIBIT NO. ____ (JHS-5)
DOCKET NO. UE-07 ____
2007 PSE PCORC
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-07 ____

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

MARCH 20, 2007

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE

			Adjustment-1	Adjustment-2	Adjustment-3	Adjustment-4	Adjustment-5	Adjustment-6	Adjustment-7	Adjustment-8	Adjustment-9
Test Year Actual 12 months ended December 31, 2006			POWER COST	SALES FOR RESALE	TRANSMISSION INCOME	GOLDENDALE	PROPERTY TAXES	MONTANA ENERGY TAX	PROPERTY INSURANCE	WILD HORSE	BAKER LAKE RELICENSING
Power Cost Rate											
Row											
3	Regulatory Assets (Variable)	\$ 260,628,635									
4	Transmission Rate Base (Fixed)	107,835,081									
5	Production Rate Base (Fixed)	657,706,190				125,780,498				292,941,891	27,776,685
		\$ 1,026,169,907	\$ -	\$ -	\$ -	\$ 125,780,498	\$ -	\$ -	\$ -	\$ 292,941,891	\$ 27,776,685
6											
7	Net of tax rate of return	7.06%									
8											
9											
10	Regulatory Asset Recovery	\$ 28,308,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Fixed Asset Recovery Other	11,712,549	-	-	-	-	-	-	-	-	-
12	Fixed Asset Recovery-Prod Factored	71,437,011	-	-	-	13,661,697	-	-	-	31,817,996	3,016,975
13	501-Steam Fuel	50,018,165	4,506,688								
14	555-Purchased power	820,748,691	(65,642,294)			(83,312,762)					
14a	Rate Disallowances for March Point 2 and Tenaska	-	(9,974,062)								
15	557-Other Power Exp	7,798,027	(815,177)								
15a	Payroll Overheads - Benefits (Incl Worker's Comp)	1,923,098									
15b	Property Insurance	1,789,638				159,201			94,512	42,610	
15c	Montana Electric Energy Tax	1,755,000						(2,713)			
15d	Payroll Taxes on Production Wages	723,944									
16	547-Fuel	48,485,371	(10,122,784)			84,481,220					
17	565-Wheeling	50,788,707	5,770,686			6,798,070					
18	Variable Transmission Income	(4,610,746)			545,355						
19	Hydro and Other Pwr.	65,868,284	11,851,427			9,342,396				-	
20	447-Sales to Others	(85,003,391)		80,273,154		(6,450,053)					
21	456-Subaccounts 00016,18,80,81,130	(16,445,463)	15,452,689								
22	Transmission Exp - 500KV	949,052	366,415								
23	Depreciation/Amortization -Production	51,960,217				4,646,525				14,330,850	633,689
24	Depreciation-Transmission	5,123,147									
25	Amortization - Regulatory Assets	26,324,847									
26	Property Taxes-Production	9,801,722				1,060,966	310,399			990,997	
27	Property Taxes-Transmission	3,342,151					1,225				
28	Hedging Line of Credit	-									
29	Subtotal & Baseline Rate	\$ 1,152,798,301	\$ (48,606,412)	\$ 80,273,154	\$ 545,355	\$ 30,387,261	\$ 311,624	\$ (2,713)	\$ 94,512	\$ 47,182,453	\$ 3,650,664

Exhibit No. ____ (JHS-5)
Page 2 of 17

Exhibit No. ____ (JHS-5)
Page 2 of 17

Adjustment 1

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

POWER COST

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1	PRODUCTION EXPENSES:			
2	FUEL:			
3	501-STEAM FUEL	\$ 50,018,165	\$ 54,524,853	\$ 4,506,688
4	547-FUEL	48,485,371	38,362,588	(10,122,784)
5	PURCHASED AND INTERCHANGED:			
6	555-PURCHASED POWER	820,748,691	755,106,397	(65,642,294)
7	RATE DISALLOWANCES FOR MARCH POINT 2 AND TENASKA	-	(9,974,062)	(9,974,062)
8	557 - OTHER POWER EXPENSE	10,263,800	9,448,623	(815,177)
9	WHEELING	50,788,707	56,559,393	5,770,686
10	HYDRO AND OTHER POWER	65,868,284	77,719,711	11,851,427
11	TRANS. EXP. INCL. 500KV O&M	949,052	1,315,467	366,415
12	SALES FOR RESALE	(85,003,391)	(4,730,237)	80,273,154
13	PURCHASES/SALES OF NON-CORE GAS	(16,445,463)	(992,775)	15,452,689
14	WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(4,610,746)	(4,065,390)	545,355
15	INCREASE (DECREASE) EXPENSE	941,062,470	973,274,567	32,212,098
16				
17	LESS: SALES FOR RESALE (LINE 12)	85,003,391	4,730,237	(80,273,154)
18	LESS: WHEELING FOR OTHERS (LINE 14)	4,610,746	4,065,390	(545,355)
19	SCH. 94 - RES./FARM CREDIT	-	-	-
20	INCREASE(DECREASE) EXPENSE	\$1,030,676,606	982,070,194	\$ (48,606,412)
21	TRANS. EXP. INCL. 500KV O&M (LINE 11)		(1,315,467)	
23	POWER COSTS PER G/L		\$ 981,747,502	

Adjustment 2

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

SALES FOR RESALE

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1	SALES FOR RESALE - OTHER UTILITIES	\$ (85,003,391)	\$ (4,730,237)	\$ 80,273,154
2	INCREASE (DECREASE) EXPENSE	\$ (85,003,391)	\$ (4,730,237)	\$ 80,273,154

Adjustment 3

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

TRANSMISSION INCOME

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED TEST YEAR	ADJUSTMENT
1	REVENUE - WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	\$ (4,610,746)	\$ (4,065,390)	\$ 545,355
2	INCREASE (DECREASE) EXPENSE	\$ (4,610,746)	\$ (4,065,390)	\$ 545,355

Adjustment 4

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

GOLDENDALE

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	<u>NEW PLANT RATEBASE</u>			
2	PLANT BALANCE	\$ -	\$ 130,952,698	\$ 130,952,698
3	ACCUM DEPRECIATION	-	(4,748,367)	(4,748,367)
4	DEFERRED INCOME TAX	-	(423,833)	(423,833)
5	NET GOLDENDALE PLANT RATEBASE	-	125,780,498	125,780,498
6				
7	FIXED ASSETS RECOVERY	-	13,661,697	13,661,697
8				
9	<u>GOLDENDALE OPERATING EXPENSE</u>			
10	GOLDENDALE DEPRECIATION EXPENSE	-	4,646,525	4,646,525
11	GOLDENDALE PROPERTY INSURANCE	-	159,201	159,201
12	GOLDENDALE PROPERTY TAXES	-	1,060,966	1,060,966
13		-	5,866,692	5,866,692
14				
15	<u>POWER COST ASSOCIATED WITH GOLDENDALE (Prod. Factor adjusted in Prod. Adj.)</u>			
16	NATURAL GAS FUEL	-	84,481,220	84,481,220
17	PURCHASE AND INTERCHANGE	-	(83,312,762)	(83,312,762)
18	WHEELING	-	6,798,070	6,798,070
19	SECONDARY SALES	-	(6,450,053)	(6,450,053)
20	INCREASE (DECREASE) POWER COST	-	1,516,476	1,516,476
21				
22	PRODUCTION O&M (Prod. Factor adjusted in Prod. Adj.)	-	9,342,396	9,342,396
23				
24	INCREASE (DECREASE) EXPENSE	\$ -	\$ 30,387,261	\$ 30,387,261

Adjustment 5

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED DECEMBER 31, 2006
RATE YEAR ENDED AUGUST 31, 2008
PROPERTY TAXES ON PRODUCTION PLANT

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	RESTATED PROPERTY TAXES-PRODUCTION	\$ 9,801,722	\$ 10,112,121	\$ 310,399
2	RESTATED PROPERTY TAXES-TRANSMISSION	3,342,151	3,343,376	1,225
3	INCREASE (DECREASE) EXPENSES	\$ 13,143,873	\$ 13,455,497	\$ 311,624

Adjustment 6

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

MONTANA ELECTRIC ENERGY TAX

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	PROFORMA kWh	5,014,285,714	5,006,534,310	(7,751,404)
2	TAX RATE	0.00035	0.00035	0.00035
3				
4	MONTANA ENERGY TAX EXPENSE	\$ 1,755,000	\$ 1,752,287	\$ (2,713)

Adjustment 7

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

PROPERTY INSURANCE ON PRODUCTION PLANT

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 1,789,638	\$ 1,884,150	\$ 94,512
2	INCREASE(DECREASE) EXPENSE	\$ 1,789,638	\$ 1,884,150	\$ 94,512

Adjustment 8

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

WILD HORSE

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	<u>WILD HORSE RATE BASE</u>			
2	<u>UTILITY PLANT RATEBASE</u>			
3	PLANT BALANCE	\$ 23,371,245	\$ 376,521,615	\$ 353,150,370
4	ACCUMULATED DEPRECIATION	(41,502)	(17,661,327)	(17,619,825)
5	DEFERRED TAX	(668,159)	(43,954,240)	(43,286,081)
6	DEFERRED TAX ASSET	-	697,427	697,427
7	TOTAL UTILITY PLANT RATEBASE	22,661,584	315,603,475	292,941,891
8				
9	OVERALL INCREASE TO RATEBASE	\$ 22,661,584	\$ 315,603,475	\$ 292,941,891
10				
11	<u>WILD HORSE O&M</u>			
12	DEPRECIATION EXPENSE ON UTILITY PLANT	464,746	14,795,596	14,330,850
13	PROPERTY INSURANCE	130,195	172,805	42,610
14	PROPERTY TAXES	723,250	1,714,247	990,997
15	TOTAL O&M	1,318,191	16,682,648	15,364,457
16				
17	GRAND TOTAL OF OPERATING EXPENSES	\$ 1,318,191	\$ 16,682,648	\$ 15,364,457

Adjustment 9

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

BAKER LAKE RELICENSING

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1				
2	<u>BAKER LAKE RATE BASE</u>			
3	<u>UTILITY PLANT RATEBASE</u>			
4	PLANT BALANCE	\$ -	\$ 28,515,988	\$ 28,515,988
5	ACCUMULATED AMORTIZATION	-	(739,303)	(739,303)
6	DEFERRED TAX	-	-	-
7	TOTAL UTILITY PLANT RATEBASE	-	27,776,685	27,776,685
8				
9	OVERALL INCREASE TO RATEBASE	\$ -	\$ 27,776,685	\$ 27,776,685
10				
11				
12	<u>BAKER LAKE O&M</u>			
13	AMORTIZATION OF BAKER LAKE RELICENSING	-	633,689	633,689
14	TOTAL O&M	\$ -	\$ 633,689	\$ 633,689

Adjustment 10

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED DECEMBER 31, 2006
RATE YEAR ENDED AUGUST 31, 2008
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	\$ 5,558,533	\$ 1,231,500	\$ (4,327,033)
3	TENASKA	164,055,798	126,839,375	(37,216,423)
4	BEP	26,483,884	22,408,333	(4,075,551)
5	WHITE RIVER PLANT COSTS	40,306,337	38,299,445	(2,006,892)
6	WHITE RIVER RELICENSING & CWIP	18,913,136	21,307,241	2,394,105
7	CANWEST	(4,938,003)	(857,075)	4,080,928
8	HOPKINS RIDGE	10,248,951	6,406,798	(3,842,153)
9				
10	TOTAL REGULATORY ASSETS	260,628,635	215,635,616	(44,993,019)
11				
12				
13	<u>AMORTIZATION OF REGULATORY ASSET/LIABILITY</u>			
14	CABOT BUYOUT	\$ 2,614,000	\$ 2,436,000	\$ (178,000)
15	TENASKA	20,615,004	26,962,333	6,347,329
16	BEP	3,526,620	3,526,620	-
17	WHITE RIVER PLANT COSTS	1,494,702	1,494,702	(0)
18	WHITE RIVER RELICENSING & CWIP	-	-	-
19	CANWEST	(3,797,508)	(3,164,586)	632,922
20	HOPKINS RIDGE	1,872,029	1,743,503	(128,527)
21				
22	TOTAL AMORTIZATION OF REGULATORY ASSET/LIAB	26,324,847	32,998,572	6,673,724

Adjustment 11

PUGET SOUND ENERGY			
POWER COST ONLY RATE CASE			
TWELVE MONTHS ENDED DECEMBER 31, 2006			
RATE YEAR ENDED AUGUST 31, 2008			
PRODUCTION ADJUSTMENT			
LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION FACTOR 2.681% NET AMOUNT
1	<u>O&M ON PRODUCTION PROPERTY</u>		
2	PRODUCTION O&M INCLUDED IN 557:		
3	WORKER'S COMPENSATION	\$ 181,269	\$ (4,860) \$ 176,409
4	PROPERTY INSURANCE	2,085,961	(55,925) 2,030,036
5	ELECTRIC ENERGY TAX	1,752,287	(46,979) 1,705,308
6	TOTAL PRODUCTION O&M	4,019,517	(107,763) 3,911,754
7			
8	GOLDENDALE POWER COSTS AND PRODUCTION O&M	10,858,872	(291,126) 10,567,745
9			
10	HEDGING LINE OF CREDIT	308,050	(8,259) 299,791
11			
12	DEPRECIATION AND AMORTIZATION ON PRODUCTION		
13	PROPERTY	71,571,281	(1,918,826) 69,652,455
14			
15	PROPERTY TAXES ON PRODUCTION PROPERTY	12,164,084	(326,119) 11,837,965
16			
17	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	\$ 98,921,804	\$ (2,652,094) \$ 96,269,710
18			
19	<u>PRODUCTION RATE BASE:</u>		
20	PRODUCTION PROPERTY	\$ 1,900,669,577	\$ (50,956,951) \$ 1,849,712,626
21	COLSTRIP COMMON FERC ADJUSTMENT	6,366,303	(170,681) 6,195,622
22	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,496,283	(66,925) 2,429,358
23	ENCOGEN ACQUISITION ADJUSTMENT	43,330,708	(1,161,696) 42,169,012
24	LESS PRODUCTION PROPERTY ACCUM DEPR.	(710,173,291)	19,039,746 (691,133,546)
25	LESS PRODUCTION PROPERTY ACCUM AMORT.	(3,644,751)	97,716 (3,547,035)
26	NET PRODUCTION PROPERTY	1,239,044,829	(33,218,792) 1,205,826,037
27			
28	DEDUCT:		
29	LIBR. DEPREC. PRE 1981 (AMA)	(435,114)	11,665 (423,449)
30	LIBR. DEPREC. POST 1980 (AMA)	(130,778,826)	3,506,180 (127,272,645)
31	OTHER DEF. TAXES (AMA)	(3,625,625)	97,203 (3,528,422)
32	ADJUSTMENT TO RATE BASE	(134,839,565)	3,615,049 (131,224,516)
33			
34	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	\$ 1,104,205,264	\$ (29,603,743) \$ 1,074,601,521
35			
36			
37	<u>O&M ON REGULATORY ASSETS</u>		
38	AMORTIZATION OF REGULATORY ASSETS	32,998,572	(884,692) 32,113,880
39			
40	TOTAL REGULATORY ASSET ADJUSTMENT TO BASELINE RATE	\$ 32,998,572	\$ (884,692) \$ 32,113,880
41			
42	<u>REGULATORY ASSETS RATE BASE:</u>		
43	BPA POWER EXCHANGE INVESTMENT	\$ 22,408,333	\$ (600,767) \$ 21,807,566
44	TENASKA REGULATORY ASSET	126,839,375	(3,400,564) 123,438,811
45	CABOT OIL REGULATORY ASSET	1,231,500	(33,017) 1,198,483
46	WHITE RIVER PLANT COSTS	38,299,445	(1,026,808) 37,272,637
47	WHITE RIVER RELICENSING & CWIP	21,307,241	(571,247) 20,735,994
48	CANWEST	(857,075)	22,978 (834,097)
49	HOPKINS RIDGE PREPAID TRANSMISSION	6,406,798	(171,766) 6,235,032
50			
51	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 215,635,616	\$ (5,781,191) \$ 209,854,425

Adjustment 12

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

HEDGING LINE OF CREDIT

LINE NO.	DESCRIPTION	TEST YEAR		ADJUSTED RATE YEAR		ADJUSTMENT
1	HEDGING LINE OF CREDIT	\$	-	\$	308,050	\$ 308,050
2	INCREASE(DECREASE) EXPENSE	\$	-	\$	308,050	\$ 308,050

Adjustment 13

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

TENASKA FLOW THROUGH TAX TRUE-UP

LINE NO.	DESCRIPTION	RATE YEAR		ADJUSTED RATE YEAR	ADJUSTMENT
1	TENASKA FLOW THROUGH TAX TRUE-UP*	\$	-	\$ 4,283,296	\$ 4,283,296
2	INCREASE(DECREASE) EXPENSE	\$	-	\$ 4,283,296	\$ 4,283,296

*Net of Production Adjustment

Adjustment 14

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

TEMPERATURE NORMALIZATION

LINE NO.	DESCRIPTION	ACTUAL GPI MWH	TEMP ADJ GPI MWH	MWH CHANGE	ADJ FOR LOSSES
					6.70%
1	Jan-06	2,190,234	2,327,053	136,819	127,652
2	Feb-06	2,031,682	2,029,308	(2,375)	(2,216)
3	Mar-06	2,072,178	2,046,985	(25,193)	(23,505)
4	Apr-06	1,765,434	1,763,981	(1,453)	(1,356)
5	May-06	1,697,517	1,708,138	10,621	9,909
6	Jun-06	1,606,550	1,602,017	(4,532)	(4,229)
7	Jul-06	1,686,625	1,668,819	(17,806)	(16,613)
8	Aug-06	1,680,862	1,681,595	733	684
9	Sep-06	1,628,039	1,625,480	(2,559)	(2,388)
10	Oct-06	1,845,737	1,826,459	(19,278)	(17,987)
11	Nov-06	2,117,926	2,094,170	(23,757)	(22,165)
12	Dec-06	2,265,270	2,259,678	(5,592)	(5,217)
13	Total	22,588,053	22,633,681	45,628	42,569

Adjustment 15

PUGET SOUND ENERGY

POWER COST ONLY RATE CASE

TWELVE MONTHS ENDED DECEMBER 31, 2006

RATE YEAR ENDED AUGUST 31, 2008

CONVERSION FACTOR

LINE NO.	DESCRIPTION	RATE
1	BAD DEBTS	0.0045727
2	ANNUAL FILING FEE	0.0019000
3	STATE UTILITY TAX ((1 - LINE 1) * 3.873%)	3.873% <div>0.0385529</div>
4		
5	SUM OF TAXES OTHER	0.0450256
6		
7	CONVERSION FACTOR (1 - LINE 5)	0.9549744