

EXHIBIT NO. ____ (EMM-11HC)
DOCKET NO. UE-07 ____
2007 PSE PCORC
WITNESS: ERIC M. MARKELL

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

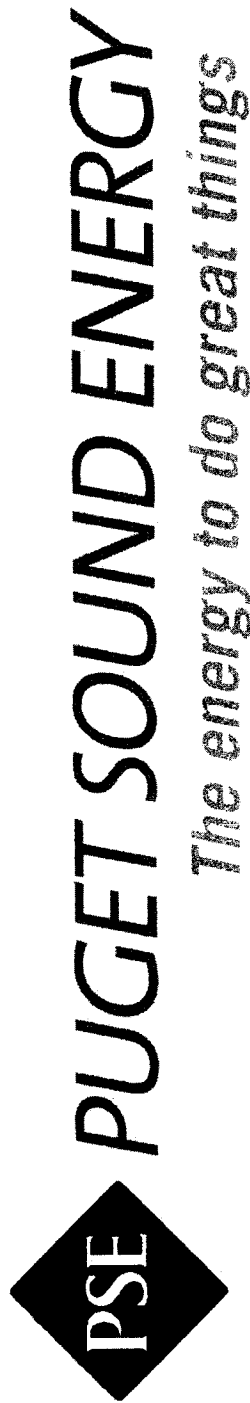
Respondent.

Docket No. UE-07 ____

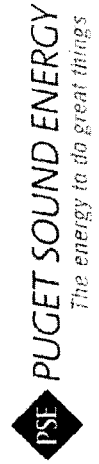
**TENTH EXHIBIT (HIGHLY CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ERIC M. MARKELL
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

MARCH 20, 2007



**Goldendale
Acquisition Update
January 9, 2007**
Eric Markell
Senior Vice President, Energy Resources



Bankruptcy Process Timeline

Purchase agreement executed	November 3, 2006
FERC 203 application filed	December 1, 2006
Bidding procedures approved	December 6, 2006
Initial qualifying bids due	January 29, 2007
Auction (if qualifying bids submitted)	February 5, 2007
Bankruptcy sale hearing	February 7, 2007
FERC approval (estimated)	February 16, 2007
Closing (estimated)	February 23, 2007

Goldendale Auction Process

- Initial Qualifying Bids due by 5:00 p.m. on January 29, 2007
 - ♦ Minimum initial qualifying bid must be greater than \$103.6M
- Calpine to determine if one or more Qualifying Bids have been received and notify PSE no later than 5:00 p.m. on February 2, 2007
- If Qualifying Bids received, Auction currently scheduled to commence at 10:00 a.m. on February 5, 2007
 - ♦ Auction to be held at Calpine's outside counsel's offices
 - ♦ Bidders to appear in person (or through authorized representatives)
 - ♦ Proceeding to be recorded by a stenographer
 - ♦ Auction likely to be conducted in one room with all qualifying bidders present
 - ♦ Starting price will be highest Qualifying Bid received
 - ♦ Minimum Bid Increment is \$500K (bidders may bid in higher increments, although it is common for bidders to only bid up by the minimum increment)
 - ♦ PSE entitled to include credit for \$2.5M break-up fee in any bid PSE makes
 - ♦ Auction continues until only one bidder remains
- Sale hearing to approve sale of Goldendale to winning bidder from the Auction (or to PSE if no auction is held) scheduled for 10:00 a.m. on February 7, 2007.

Bid Limit Update

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	Total All-In \$mm	Transaction, Taxes, Parts & Breakup Credit ¹ \$mm	Max Bid to Calpine \$mm	Max Bid \$/kw (277 MW)	
Nov. 14 th BOD	Redacted				See Exhibit #7 Goldendale Report to BOD November 3, 2006
Redirect BPA Transmission					Increased portfolio benefit from lower fixed cost allocation, and increased dispatch from lower variable cost
Subtotal					
Target Chehalis & Freddy II in 2010 ²					Target comparison with Chehalis offer and [REDACTED]
Target hypothetical turnkey CCCT in 2007					Hypothetical purchase of turnkey plant in Jan 2007 [REDACTED]
Weighted Average					Recommended Bid Limit of [REDACTED] before \$2.5 million credit

¹ Under approved bidding rules, PSE gets a breakup credit of \$2.5 million thus increasing the effective max bid price.

² Comparisons with alternative projects done using benefit ratio metric from PSE's Portfolio Screening Model. Portfolio Benefit Ratio is total portfolio benefit of project divided by total capital and operating cost of project.

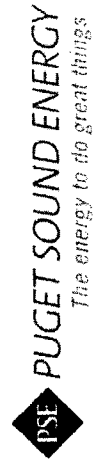
“All-in” Capital Cost of the Facility

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Capital Expenditure	Current Agreement	Max Bid
Facility Purchase Price (i.e. “Potential Auction Price”)	Redacted	Redacted
Break-Up Fee Credit		
Real Estate Excise Tax (REET) (50%)		
Facility Improvements		
Transaction & Due Diligence		
Property Taxes		
AFUDC		
Major Maint. Capital Spares (2007)		
Total Capital Expense		

¹ Under approved bidding rules, PSE gets a breakup credit of \$2.5 million thus increasing the effective max bid price.

Appendix



Goldendale Comparables

Last Updated: 1/6/07

Project	Plant Technology	Year	Seller	Purchaser	Location	Size (MW)	Price (\$/MM)	Price (\$/kW)	Transaction Close
High Desert	CCCT	2003	Constellation	Tenaska	CA*	830	1,635	520	Dec-06
Rio Nogales	CCCT	2002			TX	800			
Holland	CCCT	2002			IL	665			
Big Sandy	CT	2001			WV	300			
Univerty Park	CT	2001			IL	300			
Wolf Hills	CT	2001			VA	250			
Lawrenceburg Energy Center ¹	CCCT	2004	PSEG	AEP	IN	1096	325	297	Q2-07
Lake Road ²	CCCT	2002	Private Investors	BG America, plc	CT	805	685	851	Q1-07
Russell City Project ³	CCCT	2010	Calpine	GE Energy Financial Services	CA*	600/ 210	44.0	210	Sep-06
Ontelaunee Energy Center	CCCT	2002	Calpine	LS Power Equity Partners	PA	584	225.0	385	pending
Aires Energy Center ⁴	CCCT	1999	Calpine	Kelson Holdings LLC	MO	580	233.6	403	Q1-07
Dighton	CCCT	1999	Calpine	BG America, plc	MA	170	90.2	531	Jul-06
Grays Ferry Power Plant ⁵	Cogen	1998	Calpine	Thermal North America, Inc.	PA	175/87.5	37.4	427	pending
Morris Power Plant	Cogen	1998	Calpine	Diamond Generating	IL	156	84.5	542	pending
LS Power's Gen Portfolio ⁶	various	various	LS Power	Dynegy	various	8184	4100.0	470	pending
Griffith	CCCT	2002	PPL Corporation	LS Power Equity Partners	AZ*	300	115.0	383	Jun-06
Arlington Valley	CCCT	2002	Duke Energy	LS Power Equity Partners	AZ*	570	1600.0	254	May-06
Moss Landing	CCCT	2002			CT	490			
Griffith Energy	CCCT	2002			AZ*	300			
Maine Independence	CCCT	2000			CA*	700			
Bridgeport Energy	CCCT	1998			CA*	165			
South Bay	Steam	1960			ME	520			
Morro Bay	Steam	1950/60			CA*	1002			
Oakland Power Plant	CT	1950's			CA*	2511			
COB Energy Facility	CCCT	const.	Peoples Energy	J-Power USA Development	OR*	1150			pending
La Paloma	CCCT	2001	Hedge Funds	Complete Energy Holdings	CA*	1022	580.0	568	Aug-05
Silverhawk ⁷	CCCT	2004	Pinnacle West	Nevada Power Company	NV*	570/427.5	208.0	487	Jun-05
Coyote Springs ⁸	CCCT	2003	Mirant	Avista Corp	OR*	230/80.6	62.5	446	Jan-05

Footnotes on the following page.

Goldendale Comparables

Footnotes:

¹ Purchase of 35% equity interest in 600 MW facility; remaining interest retained by Calpine

² Dual-fuel capability (natural gas and distillate); New England ISO, rapidly tightening reserve margins.

³ Estimated construction cost of \$640MM

⁴ Initial bid of \$158M by Aquila; acquired by Kelson Holdings in Calpine auction

⁵ Purchase of 50% ownership interest (87.5MW); remaining interest retained by Calpine

⁶ Aggregate value of \$4.1B includes \$1.8B in assumed net debt from LS Power

⁷ Purchase of 75% ownership in 570 MW plant; remaining interest owned by Pinnacle West

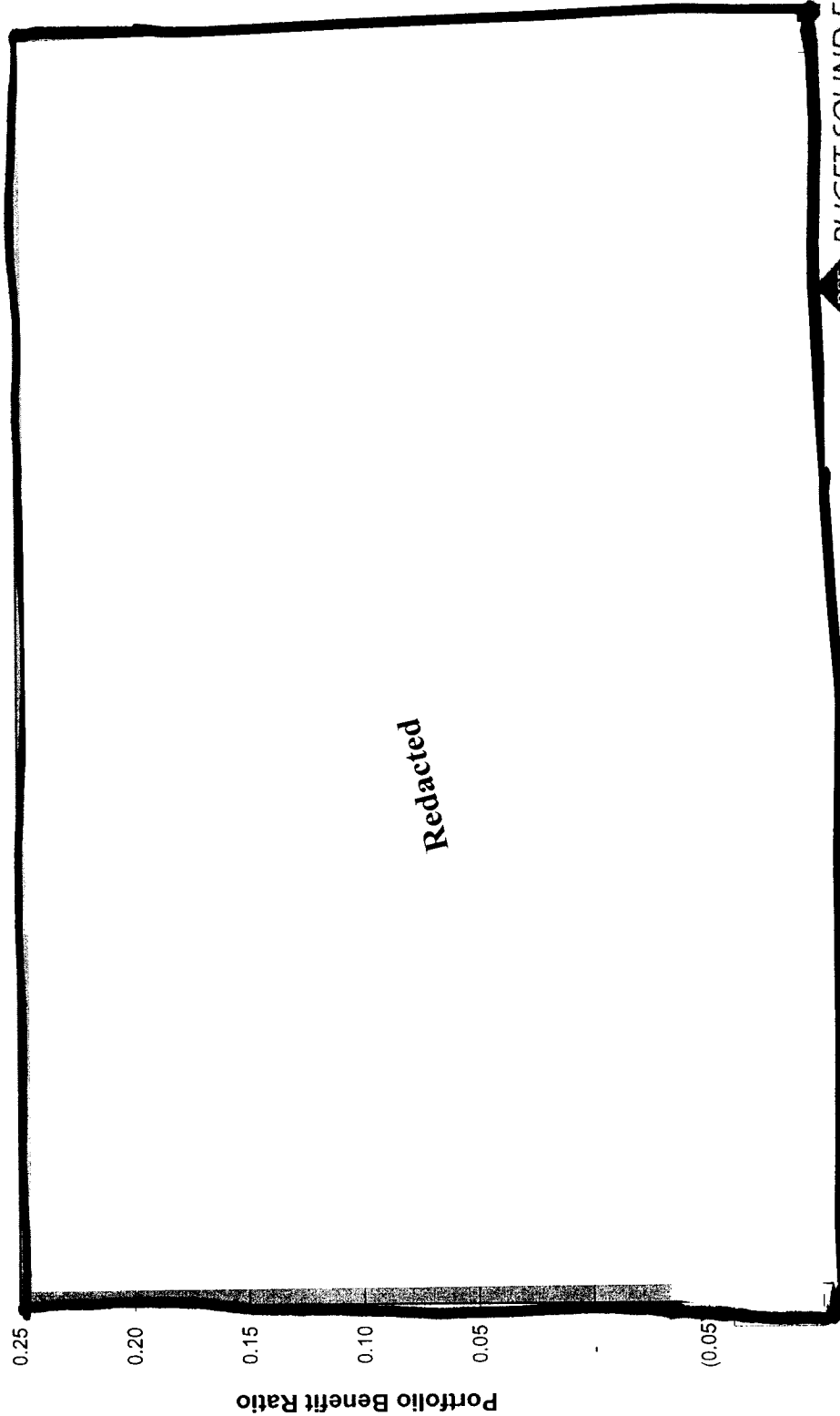
⁸ Purchase of 50% ownership in Coyote 2(280 MW plant); remaining interest owned by Avista

Note: The information gathered is from press releases or other print articles, as well as EIA *Electric Power Monthly*, Plants Sold and Transferred, and may not represent the final transaction information. This list represents projects predominately sold in the WECC region (*) that are CCCT projects 150 MW or greater, selected projects outside the WECC region, and all Calpine sales for 2005-2006.

BPA Redirect and Review of Alternatives Allows Increase in Max All-In Cost from [redacted] to approximately [redacted]

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Comparison based on PSM Portfolio Benefit Ratio



Update of Gas Prices and Model Heat Rates Does Not Change Estimation of All-in Bid

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Updated Model and Gas Prices Does Not Change Recommendation
of [REDACTED] million for Goldendale (Maximum All-in Cost)

