

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003**

Docket Number UE-031725
Exhibit ___ (JMR-3)
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Power Cost Rate (UE-031725)

Row		Test Year		Adjustment			Rate Year(1)
			Test Yr	to Power	Baseline		
			\$/MWh	Cost Rate	Rate		
1	Regulatory Assets (Variable)	\$	257,882,750				
2	Transmission Rate Base (Fixed)		115,844,514				
3	Production Rate Base (Fixed)		538,025,904				
4		\$	911,753,168				
5	Net of tax rate of return		7.30%				
6							
7							
8							
9	Regulatory Asset Recovery	\$	28,962,216	\$ 1.503	\$ 1.503	(c)	
10	Fixed Asset Recovery-Prod Factored		60,424,448	\$ 3.135	\$ 3.215	(a)	\$ 62,520,552
11	Fixed Asset Recovery Other		13,010,230	\$ 0.675	\$ 0.717	(a)	13,808,681
12	501-Steam Fuel		36,186,931	\$ 1.878	\$ 1.878	(c)	
13	555-Purchased power		491,041,232	\$ 25.480	\$ 25.480	(c)	
14	557-Other Power Exp		12,562,608	\$ 0.652	\$ 0.652	(a)	12,676,566
15	547-Fuel		84,132,003	\$ 4.366	\$ 4.366	(c)	
16	565-Wheeling		41,908,728	\$ 2.175	\$ 2.175	(c)	
17	Variable Transmission Income		(3,739,245)	\$ (0.194)	\$ (0.194)	(c)	
18	Hydro and Other Pwr.		52,113,275	\$ 2.704	\$ 2.704	(a)	52,586,008
19	447-Sales to Others		(22,797,861)	\$ (1.183)	\$ (1.183)	(c)	
	456-Subaccounts 00012 &						
20	00018 and 00035 & 00036		(213,070)	\$ (0.011)	\$ (0.011)	(c)	
21	Transmission Exp - 500KV		486,083	\$ 0.025	\$ 0.025	(a)	490,492
22	Depreciation-Production		41,619,829	\$ 2.160	\$ 2.178	(a)	42,353,445
23	Depreciation-Transmission		4,858,427	\$ 0.252	\$ 0.265	(a)	5,106,987
24	Property Taxes-Production		9,294,422	\$ 0.482	\$ 0.482	(a)	9,378,735
25	Property Taxes-Transmission		4,603,036	\$ 0.239	\$ 0.239	(a)	4,603,036
26	Subtotal & Baseline Rate	\$	854,453,292	\$ 44.337	\$ 0.152	\$ 44.489	(b) \$ 203,524,501
27	Revenue Sensitive Items		0.9554723				
28		\$	894,273,221				
29	Test Year Load (MWH's)		19,271,717	<-- includes Firm Wholesale			
30			<u>Before Rev. Sensitive Items</u>	<u>After Rev. Sensitive Items</u>			
	Power Cost in Rates with						
	Revenue Sensitive Items (the						
	adjusted baseline			46.563			
31	sum of (a) = Fixed Rate Component		10.477	10.965			
32	(b) = Power Cost Rate		44.489	46.563			
33	sum of (c) = Variable Power Rate		34.013	35.598			
34	Component						
35							

(1) - Rate Year includes test year amounts plus the impacts of any adjustments to power cost rate. The result is then grossed up for the production factor of 0.991010280642004 where appropriate.

Exhibit A-2 Transmission Rate Base (UE-031725)

Row		Plant
4	Colstrip Related Transmission Assets	<u>AMA 6/30/2003</u>
5		
6	TRANS - COLSTRIP 1 & 2	
7	E351 Easements	685,927
8	E353 Station Equipment	1,231,131
9	E354 Towers & Fixtures	14,474,343
10	E355 Poles & Fixtures	49,007
11	E356 OH Condcutors & devices	13,158,153
12	E359 Roads & Trails	113,968
13	COLSTRIP 1&2 TRANSMISSION	<u>29,712,529</u>
14	TRANS - COLSTRIP 3 & 4	
15	E351 Easements	1,071,124
16	E352 Structures & Improvements	478,326
17	E353 Station Equipment	17,943,456
18	E354 Towers & Fixtures	20,422,516
19	E355 Poles & Fixtures	88,692
20	E356 OH Conductors & Devices	19,991,226
21	E359 Roads & Trails	341,015
22	COLSTRIP 3&4 TRANSMISSION	<u>60,336,355</u>
23	TRANS - 3RD NW-SW INTERTIE	
24	E352 Structures & Improvements	1,276,264
25	E353 Station Equipment	31,157,075
26	E354 Towers & Fixtures	22,781,417
27	E355 Poles & Fixtures	204,200
28	E356 OH Conductors & devices	23,458,462
29	E359 Roads & Trails	59,215
30	TOTAL 3RD NW-SW INTERTIE	<u>78,936,633</u>
31	TRANS - NORTHERN INTERTIE	
32	E351 Easements - Whatcom	
33	E354 Towers & Fixtures-Whatcom	5,744,097
34	E355 Poles & Fixtures-Whatcom	11,219
35	E356 OH Conductors & Devices-Whatc	7,460,099
36	E355 Poles & Fixtures-Skagit	3,398,685
37	E356 OH Conductors & Devices-Skagit	5,142,699
38	TOTAL NORTHERN INTERTIE	<u>21,756,799</u>
39		
40	Total Transmission	190,742,316
41	Less	
42	Accumulated Depreciation (AMA)	60,081,736
43	Deferred Taxes (EOP)	14,816,066
44		<u>74,897,802</u>
45	Transmission Ratebase	<u><u>\$ 115,844,514</u></u>

Exhibit A-3 Colstrip Fixed Costs (UE-031725)

Row

	Revenue Requirement for Colstrip							
4	Plant	665,037,750						
5	Accumulated Depreciation	(350,886,264)						
6	Deferred Taxes at 6/30/2003	(69,544,352)						
7	Net Plant	<u>244,607,134</u>						
8	Rate of Return (net of Tax)	7.30%						
9	Revenue Requirement after tax	17,856,321						
10	Plant Revenue Requirement	27,471,263	(Adjusted for Federal Tax)					
11	Expenses	<u>51,514,375</u>						
12	Total Revenue Requirement	<u>78,985,638</u>	(before revenue sensitive items)					

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Support for Revenue Requirement - Ratebase

FERC	DESCRIPTION	30-Jun-02	30-Jun-03	13 MONTH AMA	ANNUITY RATE	ANNUALIZED DEPRECIATION	ACUMM. DEPR. 06/30/2003
	COLSTRIP #1						
E311	Structures & Improvements	7,097,390	7,157,382	7,135,175	3.03%	216,196	(4,073,980)
E312	Boiler Plant Equipment	52,251,546	51,604,239	53,435,969	3.12%	1,667,202	(33,602,708)
E314	Turbo Generating Units	12,421,401	12,205,320	12,358,594	3.29%	406,598	(8,483,528)
E315	Accessory Electric Equipment	7,043,604	7,093,003	7,068,427	2.71%	191,554	(4,794,950)
E316	Misc. Power Plant Equipment	<u>426,565</u>	<u>428,726</u>	<u>427,582</u>	<u>3.87%</u>	<u>16,547</u>	<u>(246,688)</u>
	TOTAL	79,240,506	78,488,671	80,425,747	3.11%	2,498,097	(51,201,855)
	COLSTRIP #2						
E311	Structures & Improvements	5,573,640	5,633,364	5,611,347	3.06%	171,707	(3,653,230)
E312	Boiler Plant Equipment	40,460,296	44,542,327	42,353,547	3.05%	1,291,783	(28,806,599)
E314	Turbo Generating Units	12,498,428	13,438,753	12,959,997	3.26%	422,496	(8,235,807)
E315	Accessory Electric Equipment	4,592,474	5,261,104	4,900,558	2.69%	131,825	(3,043,974)
E316	Misc. Power Plant Equipment	<u>427,379</u>	<u>453,511</u>	<u>439,382</u>	<u>3.61%</u>	<u>15,862</u>	<u>(247,499)</u>
	TOTAL	63,552,217	69,329,060	66,264,831	3.07%	2,033,673	(43,987,109)
	COLSTRIP 1 & 2 COMMON						
E311	Structures & Improvements	31,949,738	31,473,984	31,895,590	3.16%	1,007,901	(20,395,759)
E312	Boiler Plant Equipment	8,221,831	8,246,037	8,232,926	3.18%	261,807	(5,767,278)
E314	Turbo Generating Units	3,918,858	3,918,858	3,918,858	3.31%	129,714	(2,622,147)
E315	Accessory Electric Equipment	2,420,179	2,420,179	2,420,179	3.07%	74,299	(1,470,405)
E316	Misc. Power Plant Equipment	<u>6,492,144</u>	<u>6,492,144</u>	<u>6,492,144</u>	<u>3.82%</u>	<u>248,000</u>	<u>(3,559,040)</u>
	TOTAL	53,002,750	52,551,201	52,959,697	3.25%	1,721,721	(33,814,629)
	COLSTRIP 3						
E311	Structures & Improvements	28,882,948	28,905,637	28,893,929	2.45%	707,901	(15,568,775)
E312	Boiler Plant Equipment	118,273,982	119,674,187	118,840,689	2.68%	3,184,930	(63,482,913)
E314	Turbo Generating Units	33,180,681	33,121,620	33,167,019	2.97%	985,060	(15,966,099)
E315	Accessory Electric Equipment	6,401,615	6,401,615	6,401,615	2.47%	158,120	(3,183,989)
E316	Misc. Power Plant Equipment	<u>456,965</u>	<u>456,965</u>	<u>456,965</u>	<u>2.86%</u>	<u>13,069</u>	<u>(224,109)</u>
	TOTAL	187,196,191	188,560,024	187,760,217	2.69%	5,049,080	(98,425,884)
	COLSTRIP 4						
E311	Structures & Improvements	26,483,797	26,509,978	26,495,797	2.54%	672,993	(12,902,625)
E312	Boiler Plant Equipment	100,508,440	102,000,003	101,198,037	2.75%	2,782,946	(49,488,910)
E314	Turbo Generating Units	28,602,598	28,969,515	28,782,740	2.94%	846,213	(12,387,935)
E315	Accessory Electric Equipment	5,596,707	5,596,057	5,596,517	2.52%	141,032	(2,441,024)
E316	Misc. Power Plant Equipment	<u>654,568</u>	<u>654,568</u>	<u>654,568</u>	<u>2.79%</u>	<u>18,262</u>	<u>(305,486)</u>
	TOTAL	161,846,110	163,730,121	162,727,659	2.74%	4,461,446	(77,525,980)
	COLSTRIP 3 & 4 COMMON						
E311	Structures & Improvements	71,867,029	70,746,760	71,734,897	2.33%	1,671,423	(37,638,359)
E312	Boiler Plant Equipment	20,298,808	20,321,829	20,309,359	2.48%	503,672	(11,249,994)
E314	Turbo Generating Units	274,553	277,420	275,867	2.62%	7,228	(139,868)
E315	Accessory Electric Equipment	7,748,971	7,748,971	7,748,971	2.31%	179,001	(3,776,971)
E316	Misc. Power Plant Equipment	<u>4,722,721</u>	<u>4,739,216</u>	<u>4,730,281</u>	<u>2.79%</u>	<u>131,975</u>	<u>(2,132,955)</u>
	TOTAL	104,912,083	103,834,196	104,799,375	2.38%	2,493,299	(54,938,148)
	COLSTRIP 1-4 COMMON						
E316	Misc. Power Plant Equip.	<u>251,534</u>	<u>251,534</u>	<u>251,534</u>	<u>2.46%</u>	<u>6,188</u>	<u>(135,747)</u>
	TOTAL	251,534	251,534	251,534	2.46%	6,188	(135,747)
	COLSTRIP COMMON FERC ADJ.	7,607,644		7,607,644			
	COLSTRIP DEF DEPR FERC ADJ.	<u>2,241,046</u>		<u>2,241,046</u>			
	Total Plant and Acc. Deprec.	659,850,079		665,037,750		18,263,504	(360,029,352)
					AMA Adj.	<u>9,143,088</u>	
					AMA Acum Depr	<u>(350,886,264)</u>	

Row **Exhibit A-3 Colstrip Fixed Costs (UE-031725)**

67			
68			
69			
70	Support for Revenue Requirement - Expenses		
71			Amount before
72	Order	Description	Prod. Adj.
73	50004011	1&2 Sup & Eng - Steam Ope	\$ 154,359
74	50004012	1&2 Sup & Eng - Steam Ope	-
75	50005011	3&4 Sup & Eng - Steam Ope	91,158
76	50005012	3&4 Sup & Eng - Steam Ope	408
77	50204001	1&2 Steam Exp - Steam Gen Op	2,442,639
78	50205001	3&4 Steam Exp - Steam Gen Op	1,462,735
79	50504001	1&2 Elec Exp - Steam Gen	66,930
80	50505001	3&4 Elec Exp - Steam Gen	(321,323)
81	50604001	1&2 Misc Exp - Steam Gen	678,093
82	50605001	3&4 Misc Exp - Steam Gen	2,510,641
83	50605002	3&4 Steam - Housing	-
84	50704001	1&2 Rents - Steam Gen Oper	(4,566)
85	50705001	3&4 Rents - Steam Gen Oper	34,871
86	51004001	1&2 Maint Supv - Steam Gen	202,672
87	51005001	3&4 Maint Supv - Steam Gen	318,282
88	51104001	1&2 Maint of Struct - Stm Gen	416,254
89	51105001	3&4 Maint of Struct - Stm Gen	558,734
90	51204001	1&2 Maint of Boiler - Stm Gen	5,307,367
91	51205001	3&4 Maint of Boiler - Stm Gen	5,059,679
92	51304001	1&2 Maint of E Plant - Stm G	502,756
93	51305001	3&4 Maint of E Plant - Stm G	2,305,731
94	51404001	1&2 Maint of Misc - Stm Gen	819,435
95	51405001	3&4 Maint of Misc - Stm Gen	572,297
96		Property Taxes-Montana	8,348,335
97		Electric Energy Tax	1,723,385
98	403xxxxx	Depreciation	18,263,504
99			<u>\$ 51,514,375</u>

Exhibit A-4 Production Adjustment (UE-031725)

Adjustment 11

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
PRODUCTION ADJUSTMENT**

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 0.899%	NET AMOUNT
1	PRODUCTION O&M INCLUDED IN 557:			
2	WORKER'S COMPENSATION	\$ 294,503	\$ (2,647)	\$ 291,856
3	PROPERTY INSURANCE	2,308,274	(20,751)	2,287,523
4	ELECTRIC ENERGY TAX	1,723,385	(15,493)	1,707,892
5	TOTAL PRODUCTION O&M	4,326,162	(38,891)	4,287,271
6				
7	INCREASE TO O&M EXPENSE ASSOC W/ NEW RESOURCE	4,690,637	(42,168)	4,648,469
8				
9	DEPRECIATION AND AMORTIZATION ON PRODUCTION			
10	PROPERTY	41,997,374	(377,545)	41,619,829
11				
12	PROPERTY TAXES ON PRODUCTION PROPERTY	9,378,735	(84,312)	9,294,422
13				
14	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	\$ 60,392,907	\$ (542,915)	\$ 59,849,992
15				
16	PRODUCTION RATE BASE:			
17	PRODUCTION PROPERTY	\$ 1,179,246,771	\$ (10,601,098)	\$ 1,168,645,674
18	COLSTRIP COMMON FERC ADJUSTMENT	7,607,644	(68,391)	7,539,253
19	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,241,046	(20,146)	2,220,900
20	ENCOGEN ACQUISITION ADJUSTMENT	52,615,858	(473,002)	52,142,856
21	LESS PRODUCTION PROPERTY ACCUM DEPR.	(586,759,653)	5,274,805	(581,484,848)
22	LESS PRODUCTION PROPERTY ACCUM AMORT.	(1,836,831)	16,513	(1,820,319)
23	NET PRODUCTION PROPERTY	653,114,835	(5,871,319)	647,243,516
24				
25	DEDUCT:			
26	LIBR. DEPREC. PRE 1981 (EOP)	(946,743)	8,511	(938,232)
27	LIBR. DEPREC. POST 1980 (EOP)	(83,233,990)	748,250	(82,485,740)
28	OTHER DEF. TAXES (EOP)	(26,027,621)	233,981	(25,793,640)
29	ADJUSTMENT TO RATE BASE BEFORE CWIP	(110,208,354)	990,742	(109,217,612)
30	SNOQUALMIE RELICENSING CWIP	-	-	-
31				
32	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	\$ 542,906,481	\$ (4,880,577)	\$ 538,025,904
33				
34	REGULATORY ASSETS RATE BASE:			
35	BPA POWER EXCHANGE INVESTMENT	\$ 44,964,313	\$ (404,217)	\$ 44,560,096
36	TENASKA REGULATORY ASSET	205,562,854	(1,847,952)	203,714,902
37	CABOT OIL REGULATORY ASSET	9,694,906	(87,154)	9,607,752
38				
39	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 260,222,073	\$ (2,339,323)	\$ 257,882,750

Exhibit A-5 Power Costs (UE-031725)

Adjustment 1

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
POWER COST**

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	PRODUCTION EXPENSES:			
2	FUEL:			
3	501-STEAM FUEL	\$ 36,186,931	\$ 32,196,077	\$ 3,990,853
4	547-FUEL	52,921,830	27,644,080	25,277,750
5	PURCHASED AND INTERCHANGED:			
6	555-PURCHASED POWER	536,329,232	724,616,401	(188,287,169)
7	557 - OTHER POWER EXPENSE	8,275,337	8,422,707	(147,370)
8	WHEELING	39,837,334	39,871,180	(33,846)
9	HYDRO AND OTHER POWER	47,464,805	47,990,567	(525,762)
10	TRANS. EXP. INCL. 500KV O&M	486,083	490,492	(4,409)
11	SALES FOR RESALE	(14,311,957)	(166,885,152)	152,573,194
12	PURCHASES/SALES OF NON-CORE GAS	(213,070)	(3,815,282)	3,602,212
13	WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(3,739,245)	(6,992,847)	3,253,602
14	INCREASE (DECREASE) EXPENSE	703,237,279	703,538,224	(300,945)
15				
16	LESS: SALES FOR RESALE	14,311,957	166,885,152	(152,573,194)
17	LESS: WHEELING FOR OTHERS	3,739,245	6,992,847	(3,253,602)
18	SCH. 94 - RES./FARM CREDIT	-	-	-
19	INCREASE(DECREASE) EXPENSE	721,288,481	\$ 877,416,223	\$ (156,127,742)
20	TRANS. EXP. INCL. 500KV O&M	(486,083)		
21	PURCHASES/SALES OF NON-CORE GAS	213,070		
22	POWER COSTS PER G/L	\$ 721,015,469		

Exhibit E - Contract Adjustments (UE-031725)

Row	Note	Limit - Rate or Total Cost per UE-011570	RY Apr04-Mar05	Increase / (Decrease) from UE to RY Apr04- Mar05
7	CONTRACTS			
8	Baker Replacement	Exchange		
9	BC Hydro Point Roberts	Rate Limit	\$ 0.0670	\$ (0.0000)
10	BPA WNP-3 Exchange Power	Rate Limit	\$ 0.0282	\$ 0.0012
11	BPA WNP3 Return	Actual Cost		
12	BPA Snohomish Conservation	Rate Limit	\$ 0.0514	\$ (0.0102)
13	CSPE	N/A		
14	Mid-Columbia	Actual Cost		
15	Canadian Entitlement and CEA-EA	N/A		
16	MPC Firm Contract-Demand	Total Cost	\$ 29,382,000	\$ 2,298,988
17	MPC Firm Contract-Energy	Actual Cost		
18	PPL Contract 15 yr	Actual Cost		
19	Supplemental Entitlement Cap	Actual Cost		
20a	North Wasco Winter	Rate Limit	\$ 0.0783	\$ 0.0004
20b	North Wasco Summer	Rate Limit	\$ 0.0434	\$ 0.0003
		Actual Cost		
21	WWP Contract 15 yr	through 12/31/02		
22	PG&E Exchange Storage Acctg.	Exchange		
23	QF Shipp Hutch. Creek	Actual Cost	\$ 0.0300	
24	QF Koma Kulshan Hydro	Rate Limit	\$ 0.0749	\$ 0.0006
25	QF March Point Cogen 1 Winter	NUG Rate Limit	\$ 0.0610	\$ 0.0004
26	QF March Point Cogen 1 Summer	NUG Rate Limit	\$ 0.0437	\$ 0.0002
27	QF March Point Cogen 2 Winter	NUG Rate Limit	\$ 0.0660	\$ 0.0018
28	QF March Point Cogen 2 Summer	NUG Rate Limit	\$ 0.0553	\$ 0.0015
29	QF Port Townsend Hydro	Actual Cost	\$ 0.0282	
30	QF PERC Puyallup	Actual Cost		
31a	QF Spokane MSW Winter	Rate Limit	\$ 0.1072	\$ 0.0004
31b	QF Spokane MSW Summer	Rate Limit	\$ 0.0636	\$ 0.0003
32	QF Sumas Winter	NUG Rate Limit	\$ 0.0818	\$ 0.0027
33	QF Sumas Summer	NUG Rate Limit	\$ 0.0592	\$ 0.0013
34	QF Sygitowicz	Actual Cost	\$ 0.0514	
35	QF Tenaska (excl. Reg. Amort.)	NUG Rate Limit	\$ 0.0318	\$ 0.0018
36	QF Twin Falls	Rate Limit	\$ 0.0750	\$ (0.0000)
37	QF Weeks Falls	Rate Limit	\$ 0.0750	\$ (0.0000)
38	Skookumchuck	Actual Cost		
39	Nooksack	Actual Cost		

QF Spokane MSW contract rate has been segregated into winter & summer rates as per the contract.