

**PUGET SOUND ENERGY  
POWER COST ONLY RATE CASE  
JULY 2006 THROUGH DECEMBER 2006**

**Docket No. 05-0870  
2005 PCORC Update Filing  
For rates effective July 1, 2002**

**Exhibit A-1 Power Cost Rate**

\*\*\*\*\* TIME PERIOD = 6 MONTHS \*\*\*\*\*

| Row | Test Year   |                           |                             | Production<br>Factor<br>0.99569 |
|-----|---|---------------------------|-----------------------------|---------------------------------|
|     |   | Test Yr<br>\$/MWh         |                             | Rate Year(1)                    |
|     |   | (I)                       |                             | (IV)                            |
| 3   | Regulatory Assets (2) (Variable)  | \$ 262,851,032            |                             |                                 |
| 4   | Transmission Rate Base (Fixed)  | 114,273,211               |                             |                                 |
| 5   | Production Rate Base (Fixed)  | 591,893,771               |                             |                                 |
| 6   |   | \$ 969,018,014            |                             |                                 |
| 7   | Net of tax rate of return   | 7.01%                     |                             |                                 |
| 8   |   |                           |                             |                                 |
| 9   |   |                           |                             |                                 |
| 10  | Regulatory Asset (2) Recovery (on Row 3)  | \$ 14,235,090             | \$ 1.439 (c)                |                                 |
| 11  | Fixed Asset Recovery Other (on Row 4)   | 6,188,636                 | \$ 0.625 (a)                | \$ 6,188,636                    |
| 12  | Fixed Asset Recovery-Prod Factored (on Row 5)   | 32,054,890                | \$ 3.240 (a)                | 32,054,890                      |
| 13  | 501-Steam Fuel  | 24,018,792                | \$ 2.428 (c)                |                                 |
| 14  | 555-Purchased power   | 352,051,994               | \$ 35.582 (c)               |                                 |
| 14a | Rate Disallowances for March Point 2 and Tenaska  | (6,087,225)               | \$ (0.615) (c)              |                                 |
| 15  | 557-Other Power Exp   | 3,458,737                 | \$ 0.350 (a)                | 3,458,737                       |
| 15a | 557-Other Power Expense Adjustments   | 2,663,748                 | \$ 0.269 (a)                |                                 |
| 16  | 547-Fuel  | 40,644,835                | \$ 4.108 (c)                |                                 |
| 17  | 565-Wheeling  | 26,150,678                | \$ 2.643 (c)                |                                 |
| 18  | Variable Transmission Income  | (1,722,689)               | \$ (0.174) (c)              |                                 |
| 19  | Hydro and Other Pwr.  | 30,823,680                | \$ 3.115 (a)                | 30,823,680                      |
| 19a | Hydro and Other Pwr. Adjustment   | (848,139)                 | \$ (0.086) (a)              |                                 |
| 20  | 447-Sales to Others   | (8,707,061)               | \$ (0.880) (c)              |                                 |
| 21  | 456-Subaccounts 00012 & 00018 and 00035 & 00036   | 243,282                   | \$ 0.025 (c)                |                                 |
| 22  | Transmission Exp - 500KV  | 305,934                   | \$ 0.031 (a)                | 305,934                         |
| 23  | Depreciation-Production (FERC 403)  | 25,048,433                | \$ 2.532 (a)                | 25,048,433                      |
| 24  | Depreciation-Transmission   | 2,565,694                 | \$ 0.259 (a)                | 2,565,694                       |
| 24a | Amortization - Regulatory Assets  | 12,952,833                | \$ 1.309 (c)                |                                 |
| 26  | Property Taxes-Production   | 4,782,152                 | \$ 0.483 (a)                | 4,782,152                       |
| 27  | Property Taxes-Transmission   | 2,129,038                 | \$ 0.215 (a)                | 2,129,038                       |
| 28  | Subtotal & Baseline Rate  | \$ 562,953,331            | <b>\$ 56.898</b> (b)        | \$ 107,357,193                  |
| 29  | Revenue Sensitive Items   | 0.9550366                 |                             |                                 |
| 30  |   | \$ 589,457,337            |                             |                                 |
| 31  | DELIVERED Load (MWH's) <i>July - Dec 2006</i>   | 9,894,085                 | <-- includes Firm Wholesale |                                 |
| 32  |   |                           |                             |                                 |
| 33  |   |                           |                             |                                 |
| 34  |   |                           |                             |                                 |
| 35  |   |                           |                             |                                 |
| 36  |   | <u>Before Rev.</u>        | <u>After Rev.</u>           |                                 |
| 37  | Power Cost in Rates with Revenue Sensitive  | <u>Sensitive Items</u>    | <u>Sensitive Items</u>      |                                 |
| 38  | Items (the adjusted baseline)   | <b>Rev Req (Column I)</b> |                             |                                 |
| 39  | sum of (a) = Fixed Rate Component   | \$ 56.898                 | \$ 59.577                   |                                 |
| 40  | (b) = Power Cost Rate   | \$ 11.034                 | \$ 11.554                   |                                 |
| 41  | sum of (c) = Variable Power Rate Component  | \$ 56.898                 | \$ 59.577                   |                                 |
| 42  |   | \$ 45.864                 | \$ 48.023                   |                                 |
| 43  |   |                           |                             |                                 |
| 44  |   |                           |                             |                                 |
| 45  |   |                           |                             |                                 |
| 46  | (1) - Rate Year includes test year amounts plus the impacts of any adjustments to power cost rate. Production related c |                           |                             |                                 |
| 47  | then grossed-up by the production factor of 0.99569 where appropriate.  |                           |                             |                                 |
| 48  |   |                           |                             |                                 |
| 49  |   |                           |                             |                                 |
| 50  |   |                           |                             |                                 |
| 51  | (2) - Regulatory Assets are shown in detail on Exhibit D.   |                           |                             |                                 |