

**EXHIBIT NO. ___(DEM-10)
DOCKET NO. UE-070565
2007 PSE PCORC
WITNESS: DAVID E. MILLS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-070565

**THIRD EXHIBIT TO THE
PREFILED SUPPLEMENTAL DIRECT TESTIMONY
(NONCONFIDENTIAL) OF DAVID E. MILLS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

May 23, 2007

PUGET SOUND ENERGY
Updated 2007 PCORC Power Cost Projections
Rate Year: AURORA + Non-AURORA Power Costs
5.10.2007 AURORA Model run
3-month average gas prices at 5.10.2007
(dollars are in thousands)

2007 PCORC

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Updated 2007 PCORC	As-filed 2007 PCORC	Change fm As-filed
	501 Coal Fuel	\$ 4,924	\$ 5,061	\$ 4,924	\$ 5,062	\$ 5,141	\$ 4,861	\$ 5,237	\$ 4,789	\$ 4,199	\$ 4,291	\$ 5,265	\$ 5,269	\$ 59,022	\$ 56,027
547 Natural Gas Fuel	\$ 14,391	\$ 12,284	\$ 14,536	\$ 10,836	\$ 8,660	\$ 10,910	\$ 8,982	\$ 8,146	\$ 6,781	\$ 5,720	\$ 14,760	\$ 14,732	\$ 130,738	\$ 123,172	\$ 7,565
555 Purchase & Interchange	\$ 44,827	\$ 59,952	\$ 72,151	\$ 94,957	\$ 83,621	\$ 72,917	\$ 77,433	\$ 52,768	\$ 41,983	\$ 47,838	\$ 33,533	\$ 38,111	\$ 720,089	\$ 723,085	\$ (2,995)
557 Other Power Supply	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 7,332	\$ 7,243	\$ 89
565 Wheeling	\$ 5,621	\$ 5,578	\$ 5,723	\$ 5,782	\$ 5,711	\$ 5,704	\$ 5,738	\$ 5,703	\$ 5,715	\$ 5,706	\$ 5,662	\$ 5,563	\$ 68,206	\$ 66,659	\$ 1,547
447 Secondary Sales	\$ (754)	\$ (205)	\$ (97)	\$ (1)	\$ (7)	\$ (15)	\$ (1)	\$ (23)	\$ (9)	\$ (410)	\$ (3,027)	\$ (1,982)	\$ (6,530)	\$ (11,311)	\$ 4,781
Subtotal	\$ 69,620	\$ 83,282	\$ 97,848	\$ 117,246	\$ 103,737	\$ 94,987	\$ 97,999	\$ 71,994	\$ 59,280	\$ 63,757	\$ 56,804	\$ 62,303	\$ 978,857	\$ 964,875	\$ 13,982
456 Non-Core Gas	\$ (240)	\$ (53)	\$ (61)	\$ (30)	\$ (18)	\$ (38)	\$ (28)	\$ (24)	\$ -	\$ (12)	\$ (40)	\$ (48)	\$ (592)	\$ (1,020)	\$ 428
Total Power Costs	\$ 69,380	\$ 83,229	\$ 97,786	\$ 117,217	\$ 103,719	\$ 94,949	\$ 97,971	\$ 71,970	\$ 59,280	\$ 63,745	\$ 56,764	\$ 62,255	\$ 978,265	\$ 963,855	\$ 14,410

Load in MWh	1,644,217	1,890,833	2,081,408	2,386,672	2,377,585	2,069,314	2,129,932	1,859,242	1,775,133	1,657,899	1,708,116	1,721,334	23,301,685	23,301,685	-
6.7% Delivered Load	1,534,054	1,764,147	1,941,954	2,226,765	2,218,287	1,930,670	1,987,227	1,734,673	1,656,199	1,546,820	1,593,672	1,606,005	21,740,472	21,740,472	-

Revenue Requirement Adjustments:

Before adjustment	\$ 978,265	\$ 963,855	\$ 14,410
Tenaska Buyout Disallowance	50.0%	\$ 13,730	\$ (6,865)
Tenaska Prudence Disallowance	1.2%	\$ 194,136	\$ (2,330)
March Point 2 Prudence Disallowance	3.0%	\$ 36,827	\$ (1,105)

Net Power Costs

Production O&M (including ben & p/r tax)	\$ 967,965	\$ 953,606	\$ 14,359
Colstrip 500 KV Expense	\$ 91,505	\$ 92,064	\$ (559)
	\$ 1,352	\$ 1,352	\$ -

Costs for Revenue Requirement

Value copy to check	\$ 1,060,822	\$ 1,047,022	\$ 13,800
	\$ 1,060,822	\$ 1,047,022	\$ -

Excluding Goldendale

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Updated	As-filed	Change from As-filed
	501 Coal Fuel	\$ 4,924	\$ 5,061	\$ 4,924	\$ 5,062	\$ 5,141	\$ 4,861	\$ 5,237	\$ 4,789	\$ 4,199	\$ 4,291	\$ 5,265	\$ 5,269	\$ 59,022	\$ 56,027
547 Natural Gas Fuel	\$ 6,442	\$ 4,532	\$ 5,517	\$ 2,421	\$ 444	\$ 2,454	\$ 546	\$ 1,703	\$ 343	\$ 361	\$ 7,347	\$ 6,960	\$ 39,069	\$ 38,691	\$ 378
555 Purchase & Interchange	\$ 54,154	\$ 68,740	\$ 83,076	\$ 103,807	\$ 91,665	\$ 82,233	\$ 85,866	\$ 58,949	\$ 47,124	\$ 51,575	\$ 39,390	\$ 45,602	\$ 812,183	\$ 806,397	\$ 5,785
557 Other Power Supply	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 611	\$ 7,332	\$ 7,243	\$ 89
565 Wheeling	\$ 5,054	\$ 4,992	\$ 5,130	\$ 5,210	\$ 5,141	\$ 5,128	\$ 5,162	\$ 5,133	\$ 5,146	\$ 5,150	\$ 5,078	\$ 4,977	\$ 61,301	\$ 59,861	\$ 1,440
447 Secondary Sales	\$ (122)	\$ (24)	\$ (5)	\$ -	\$ (1)	\$ (1)	\$ (0)	\$ (1)	\$ (1)	\$ (160)	\$ (1,367)	\$ (805)	\$ (2,487)	\$ (4,861)	\$ 2,373
Subtotal	\$ 71,064	\$ 83,912	\$ 99,254	\$ 117,110	\$ 103,001	\$ 95,286	\$ 97,422	\$ 71,184	\$ 57,423	\$ 61,829	\$ 56,323	\$ 62,613	\$ 976,420	\$ 963,359	\$ 13,061
456 Non-Core Gas	\$ (240)	\$ (53)	\$ (61)	\$ (30)	\$ (18)	\$ (38)	\$ (28)	\$ (24)	\$ -	\$ (12)	\$ (40)	\$ (48)	\$ (592)	\$ (1,020)	\$ 428
Total Power Costs	\$ 70,824	\$ 83,860	\$ 99,192	\$ 117,081	\$ 102,983	\$ 95,248	\$ 97,394	\$ 71,160	\$ 57,423	\$ 61,817	\$ 56,283	\$ 62,565	\$ 975,827	\$ 962,339	\$ 13,489

Load in MWh	1,644,217	1,890,833	2,081,408	2,386,672	2,377,585	2,069,314	2,129,932	1,859,242	1,775,133	1,657,899	1,708,116	1,721,334	23,301,685	23,301,685	-
6.7% Delivered Load	1,534,054	1,764,147	1,941,954	2,226,765	2,218,287	1,930,670	1,987,227	1,734,673	1,656,199	1,546,820	1,593,672	1,606,005	21,740,472	21,740,472	-

Revenue Requirement Adjustments:

Before adjustment	\$ 975,827	\$ 962,339	\$ 13,489
Tenaska Buyout Disallowance	50.0%	\$ 13,730	\$ (6,865)
Tenaska Prudence Disallowance	1.2%	\$ 194,136	\$ (2,330)
March Point 2 Prudence Disallowance	3.0%	\$ 36,827	\$ (1,105)

Net Power Costs

Production O&M (excluding Goldendale)	\$ 965,528	\$ 952,090	\$ 13,438
Colstrip 500 KV Expense	\$ 83,000	\$ 82,722	\$ 279
	\$ 1,352	\$ 1,352	\$ -

Costs for Revenue Requirement

	\$ 1,049,879	\$ 1,036,163	\$ 13,716
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Goldendale

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Updated	As-filed	Change from As-filed
	501 Coal Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
547 Natural Gas Fuel	\$ (7,948)	\$ (7,753)	\$ (9,018)	\$ (8,414)	\$ (8,216)	\$ (8,456)	\$ (8,435)	\$ (6,443)	\$ (6,439)	\$ (5,360)	\$ (7,414)	\$ (7,772)	\$ (91,668)	\$ (84,481)	\$ (7,187)
555 Purchase & Interchange	\$ 9,327	\$ 8,788	\$ 10,925	\$ 8,850	\$ 8,044	\$ 9,317	\$ 8,433	\$ 6,181	\$ 5,142	\$ 3,738	\$ 5,857	\$ 7,491	\$ 92,093	\$ 83,313	\$ 8,780
557 Other Power Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
565 Wheeling	\$ (567)	\$ (586)	\$ (593)	\$ (572)	\$ (570)	\$ (576)	\$ (576)	\$ (570)	\$ (569)	\$ (556)	\$ (584)	\$ (586)	\$ (6,905)	\$ (6,798)	\$ (107)
447 Secondary Sales	\$ 632	\$ 181	\$ 93	\$ 1	\$ 5	\$ 14	\$ 1	\$ 22	\$ 8	\$ 250	\$ 1,659	\$ 1,177	\$ 4,042	\$ 6,450	\$ (2,408)
Subtotal	\$ 1,444	\$ 630	\$ 1,406	\$ (136)	\$ (736)	\$ 299	\$ (578)	\$ (810)	\$ (1,858)	\$ (1,928)	\$ (481)	\$ 310	\$ (2,438)	\$ (1,516)	\$ (921)
456 Non-Core Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Power Costs	\$ 1,444	\$ 630	\$ 1,406	\$ (136)	\$ (736)	\$ 299	\$ (578)	\$ (810)	\$ (1,858)	\$ (1,928)	\$ (481)	\$ 310	\$ (2,438)	\$ (1,516)	\$ (921)

Load in MWh	1,644,217	1,890,833	2,081,408	2,386,672	2,377,585	2,069,314	2,129,932	1,859,242	1,775,133	1,657,899	1,708,116	1,721,334	23,301,685	23,301,685	-
6.7% Delivered Load	1,534,054	1,764,147	1,941,954	2,226,765	2,218,287	1,930,670	1,987,227	1,734,673	1,656,199	1,546,820	1,593,672	1,606,005	21,740,472	21,740,472	-

Revenue Requirement Adjustments:

Before adjustment	\$ (2,438)	\$ (1,516)	\$ (921)
Tenaska Buyout Disallowance	50.0%	\$ -	\$ -
Tenaska Prudence Disallowance	1.2%	\$ -	\$ -
March Point 2 Prudence Disallowance	3.0%	\$ -	\$ -

Net Power Costs

Production O&M (Goldendale only)	\$ (2,438)	\$ (1,516)	\$ (921)
Colstrip 500 KV Expense	\$ (8,505)	\$ (9,342)	\$ 837

Costs for Revenue Requirement

	\$ (10,943)	\$ (10,859)	\$ (84)
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Goldendale	Increase Fuel Costs	\$ 91,668	\$ 84,481	\$ 7,187
	Decreases Net Secondary Purchases	\$ (96,136)	\$ (89,763)	\$ (6,373)
	Increase Wheeling Costs	\$ 6,905	\$ 6,798	\$ 107
	Increase Production O&M	\$ 8,505	\$ 9,342	\$ (837)
	Cost of Goldendale	\$ 10,943	\$ 10,859	\$ 84