

EXHIBIT NO. ____ (DEM-8)
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

**FIRST 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
2007 PCORC Docket UE-070565
Rate Year (Sep07-Aug08) Power Costs
(dollars in thousands)

		AURORA	Not In Models	Prod'n O&M	Disallowance	TOTAL
Per Mar07 As-Filed	3-mo avg gas @ 2.27.07 = \$7.57	\$ 734,209	\$ 229,647	\$ 93,416	\$ (10,249)	\$ 1,047,022
<u>AURORA:</u>						
	Gas Price & Resource Update	21,541			\$	21,541
	Removed Sumas from PSE Resources	(5,022)				(5,022)
	Removed ORMAT from Resources	110				110
	Removed Snoqualmie Powerhouse 1 maintenance	(1,882)				(1,882)
	Updated Coal Costs	2,802				2,802
	Other	-				-
<u>Not In Models:</u>						
	Price Updates (MTM, ST Contracts, etc)		\$ (5,692)		\$	(5,692)
	Transmission		1,547			1,547
	Colstrip cost updates		425			425
	MidC Cost updates		664			664
	Other		(82)			(82)
<u>Production O&M:</u>						
	Fredonia Lease			\$ 261	\$	261
	Goldendale			(837)		(837)
	Other			17	\$ (51)	(33)
Total Changes to Power Costs		\$ 17,549	\$ (3,139)	\$ (559)	\$ (51)	\$ 13,800
Updated Power Costs	3-mo avg gas @ 5.10.07 = 7.90	\$ 751,758	\$ 226,507	\$ 92,857	\$ (10,300)	\$ 1,060,822

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														Updated	As-filed	Change fm
	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08		2007 PCORC	2007 PCORC	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	\$ 2,995
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%														\$ (6,865)	\$ (6,865)	\$ -
Tenaska Prudence Disallowance 1.2%														\$ (2,330)	\$ (2,261)	\$ (69)
March Point 2 Prudence Disallowance 3.0%														\$ (1,105)	\$ (1,123)	\$ 18
Net Power Costs														\$ 967,965	\$ 953,606	\$ 14,359
Production O&M (including ben & p/r tax)														91,505	92,064	(559)
Colstrip 500 KV Expense														1,352	1,352	-
Costs for Revenue Requirement														\$ 1,060,822	\$ 1,047,022	\$ 13,800