

**EXHIBIT NO. ___(WJE-20C)
DOCKET NO. UE-072300/UG-072301
2007 PSE GENERAL RATE CASE
WITNESS: W. JAMES ELSEA**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-072300
Docket No. UG-072301**

**NINETEENTH EXHIBIT (CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
W. JAMES ELSEA
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

REVISED DECEMBER 21, 2007

Redacted

CONFIDENTIAL
Per WAC 480-07-160

SUMMARY TERM	BID #1 June 14, 2007	Bid #2 June 14, 2007	#3 Hedge Energy plus Displ. & Tx.	SUMAS PPA
(1) Energy Price (matrix line #12)				
(2) Market Purchases (matrix line #3)				
(3) Call Option Q2				
(4) Displacement Option (matrix lines #10 & #11)				
(5) Delivery Point (matrix line #7)				
(6) Benefit of Displacement				
(7) Total Cost (Nominal \$)				
(8) Total Cost (Present Value @ 8.4%)				
(9) Difference from SUMAS PPA Nominal \$				
(10) Difference from SUMAS PPA Present Value \$				

In addition to direct damages,
Sumas owes to PSE
[Redacted Box]
for displacement during March
through June 2007

Note Assumptions:

- (1) Bid #1 is 125 MW flat. Bid#2 and #3 is same energy as Sumas PPA.
- (2) Bid#1 requires additional energy in winter months to equal Sumas PPA energy
- (3) #3 Actual hedges in 2009 - 2013 include only 75 MW in Q2. Call option provides price cap on remaining 50 MW.
- (4) As bid for #1 and #2. The #3 hedge uses monthly displacement option pricing from Bid #1 (until #2 is updated for monthly)
- (5) Delivery Point: #1 based upon bid of [Redacted] kw-month; #2 is BPA tariff ~\$1.50 / kw-month;
#3 is average of #2 and monthly PTP (8 months) and locational exchange of [Redacted] MWh for 4 months
- (6) Monthly displacement assumes power and gas prices based on market average from May 5th - July 23rd
- (7) Sum of (1) through (6)
- (8) Present value of (7) assuming June 30, 2007 PV date
- (9) Difference from SUMAS PPA Nominal \$
- (10) Difference from SUMAS PPA Present Value \$

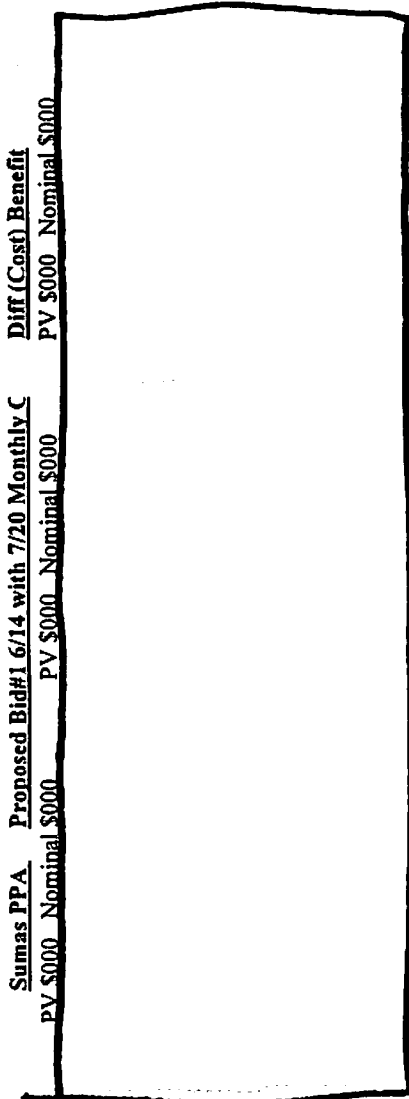
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PSE
Replacement with Identical PPA from
Bid#1 6/14 with 7/20 Monthly Option

0	\$000 (Cost) Benefit			
1	PV discount	8.40%		
2	Contract Payments			
3	Market purchases			
4	Displacement Option			
5	Transmission & Losses			
6	Displacement			
7	Total			
8				
9	conditional firm + exchange			
10	TOTAL w Revised Tx			



(a) Based on forward market prices for MidC power and Sumas natural gas as of Avg Marks May 7 - Jul 23

SUMMARY TERM	BID #1	SUMAS PPA
Power Price (#12)		
Market Purchases (#3)		
Displacement Option (#10,11)		
Delivery Point (#7)		
Benefit of Displacement		
Total Cost (Nominal \$)		
Total Cost (Present Value @ 8.4%)		
Difference from SUMAS PPA Nominal \$		
Difference from SUMAS PPA Present Value \$		

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PSE

Replacement with Identical PPA from
Bid#2 6-18-07

Redacted

\$000 (Cost) Benefit
PV discount 8.40%

	<u>Sumas PPA</u>	<u>Proposed Bid#2 6-18-07</u>	<u>Diff (Cost) Benefit</u>
	<u>PV \$000 Nominal \$000</u>	<u>PV \$000 Nominal \$000</u>	<u>PV \$000 Nominal \$000</u>
0			
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

(a) Based on forward market prices for MidC power and Sumas natural gas as of Avg Marks May 7 - Jul 23

SUMMARY TERM	BID #2	SUMAS PPA
Power Price (#12)		
Market Purchases (#3)		
Displacement Option (#10,11)		
Delivery Point (#7)		
Benefit of Displacement		
Total Cost (Nominal \$)		
Total Cost (Present Value @ 8.4%)		
Difference from SUMAS PPA Nominal \$		
Difference from SUMAS PPA Present Value \$		

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DECEMBER 21, 2007



Exhibit No. (WJE-20HC)
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Replacement with Hedge Energy and Options to mimic PPA Terms

1 Components:

- 2 Energy Q3 2007 Purchased daily index plus  premium
- 3 Q4 '07 - Q4 '08 Programmatic Hedges purchased 
- 4 2009-2013 Q1 Long term hedges purchased July 9th and July 23rd
- 5 Balance of energy Forward marks used to value the balance of energy to equal Sumas PPA
- 6 Q2 price cap Call Option for 50 MW to protect price upside in Q2 2009 - 2012

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8 Displacement - Two bids for displacement option similar to Sumas PPA

- 9 Bid #1 June 14, 2007 July 2007 through March 2013
- 10 Bid #2 June 14, 2007 July 2007 through March 2013

12 Transmission - three methods

- 13 Tx #1 PSE estimate of BPA Tariffs - assumes that transmission capacity is available
- 14 Tx #2 Estimate provided by Bid #1 of using BPA transmission and assuring delivery to PSE
- 15 Tx #3 Monthly conditional firm transmission 8 months Mar - Oct. & \$5/MWh locational exchange for Nov - Feb

17 \$000 (Cost) Benefit

18 PV discount 8.40%

Sumas PPA

PV \$000 Nominal \$000 PV \$000 Nominal \$000




Diff (Cost) Benefit

PV \$000 Nominal \$000

22 Contract/Hedge Payments

24 Call option 50 MW Q2 2009 - 2012

25 Displacement Options:


- 26 Bid #1  included
- 27 Bid #2 
- 28 Average 


30 Transmission & Losses:


- 31 Tx #1  included
- 32 Tx #3 
- 33 Average 


35 Displacement Benefit

36 Total PV \$000 Nominal \$000

37 Max (Damages) 

38 Min (Damages) 

39 Average (Damages) 

PV difference of energy only using market hedges is about  million.

(a) Based on forward market prices for MidC power and Sumas natural gas as of AVG market day 7 - Jul 23