

**EXHIBIT NO. ___(RG-42C)
DOCKET NO. UE-072300/UG-072301
2007 PSE GENERAL RATE CASE
WITNESS: ROGER GARRATT**

**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**

**FORTY-FIRST EXHIBIT (CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

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Exhibit __

Sumas Facility

Stand-Alone Financial Pro Forma Assumptions and Notes

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Facility Stand-Alone Financial Pro Forma

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Facility Description:

The Facility, to be described further herein, consists of the permits, real estate rights, and other necessary rights and agreements to own and operate a 133 MW GE 7EA Combined Cycle Combustion Turbine (the "Facility") located in the City of Sumas, Whatcom County, WA. The all-in cost to acquire the Facility is approximately \$30.1 million.¹

Facility and Transaction: Basic Assumptions and Definitions:

Facility:	The Sumas Energy Center 133 MW Combined Cycle Combustion Turbine Generation Facility located in Whatcom County in the city of Sumas Washington (the "Facility")
Seller:	Sumas Cogeneration Company, L.P. ("SCCLP" or "Seller")
Owner:	PSE (at closing)
Timing and Nature of Acquisition:	PSE is negotiating a binding Membership Interest Purchase and Sale Agreement ("MIPSA") with the Seller. Immediately prior to closing the Seller will form a Project Company and transfer the Facility Assets, including the generation plant and spare parts, into the Project Company. Upon closing, PSE will purchase 100% of the membership interests in the Project Company and Seller and PSE will execute a Settlement Agreement resolving a dispute arising from the Seller's breach of a prior Power Purchase Agreement.
Closing:	July 1, 2008 (estimated date)

¹ The all-in cost of \$30.1 million assumes the Facility purchase price of \$22 million as stated in the LOI, plus additional costs for inventory, improvements, due diligence and transaction costs.

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Description of Facility:

COD: April 1993

Location: In the City of Sumas, WA in Whatcom County, WA.

Output: 133 MW combined cycle plant. The plant produced an output maximum of 136.8 MW following the major overhaul in 2005.

Capacity Factor: Approximately 25%

Technology: One (1) GE 7EA combustion turbine and generator rated at 87.8 MW
One (1) GE SC3 steam turbine generator rated at 37.8 MW
One (1) Vogt Heat Recovery Steam Generator ("HRSG")
Marley three cell counter flow cooling tower system

Heat Rate: Primary Firing: [REDACTED] Btu/kWh (degraded)

Gas Requirements: [REDACTED] MMBtu per day based upon 133 MW. The peak day gas use was [REDACTED] MMBtu per day.

Gas Transportation: Included in the Facility purchase, PSE will acquire a 57.3% interest in an 8-inch diameter natural gas pipeline that extends approximately 3.7 miles from the Westcoast Energy Inc. pipeline at the United States and Canadian border to the generating facility.

Transmission: The Facility is located within PSE's control area and interconnected through the Sumas Substation to the Lynden and Kendall substations.

Water Supply: The Facility has an Agreement for Utility Services with the City of Sumas for water supply for cooling and steam generation. In addition the agreement provides for wastewater and sanitary sewer services. The agreement was signed in July 1991 and has a 50-year term.

Operation to Date: The facility has accumulated 102,135 hours of operation from April 1993 through June 30, 2007. The Facility has been run primarily as a base load unit with some economic displacement primarily on a monthly basis.

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Real Estate: The Facility is located adjacent to a lumber kiln drying operation owned by Socco, Inc. PSE's real estate acquisition is described as Lot A, 5.54 acres, and Lot C, 0.59 acres as shown on the Socco-Cogen Short Plat. The proximity and interconnection of steam and condensate lines with the kiln as well as access requires a number of easements on both PSE and Socco property.

The Projection:

This document and its exhibits (the "Projection") illustrate the projection of financial results to PSE from its investment in the Facility. Included in the Projection are pro forma financial statements illustrating operation of the Facility through the year 2027 and a description of the data and assumptions used. Although the Facility will be acquired and owned by PSE directly, the financial statements are presented for clarity as though the Facility were a wholly-owned subsidiary that would be consolidated on PSE's books.

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Capital Costs – Summary

Facility Purchase Price	
Spare Parts Inventory	
Real Estate Excise Tax (REET) (0%)	
Facility Improvements - IT & Communications	
Computer Maintenance System (CMMS)	
IT Infrastructure	
Plant security	
Storm drain separation (Sumas pays)	
Facility Improvements - Plant	
Fire Control - Control Separation (Sumas pays)	
Insurance Improvements (1st yr expense)	
Mitigate rust particulate at startup	
Potential condensate treatment & valves	
Permits and Improvements	
Air permitting	
Wastewater permitting	
Stormwater Permitting	
Transaction & Due Diligence	
Documentation, FERC 203 Van Ness, Perkins	
Environmental	
Real Estate Due Diligence	
Technical Due Diligence	
PSE Labor	
PSE Expenses	
Hart-Scott Rodino (N/A)	
Title Insurance (Sumas pays)	
Property Taxes Capitalized	
Total Capital Expense	\$ 30,125,113

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Facility Purchase Price: PSE will purchase all assets associated with the Sumas Generation Station.² Included in the purchase price will be shop tools, small tools, miscellaneous plant items, and consumables such as fittings and valves.

Initial Spare Parts PSE will also purchase the spare parts manufactured by General Electric for the GE-7EA including fuel nozzles, flow sleeves, transition pieces, liners, as well as turbine stage 1, stage 2 and stage 3 nozzles and buckets. These spare parts will used in future maintenance and the majority of the inventory value will be installed during the hot gas inspection anticipated to be performed in 2012.

Real Estate The Real Estate Excise Tax ("REET") is a Washington State tax levied

² See footnote 1.

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Excise Tax:	on the portion of property classified as "real" in which a controlling interest of the property is transferred. The combined tax rate for Whatcom and Washington State is 1.78%. Seller will bear 100% of this cost.
Facility Improvements IT and Communications:	Facility improvements for IT and Communications are funds for implementing PSE's computer maintenance and management system ("CMMS"), integration with PSE's IT infrastructure including voice and data communication links, and upgrades to automate plant security.
Facility Improvements Plant:	Facility improvements for Plant are funds for plant improvements to reduce rust particulate emissions and recommended improvements to reduce potential insurance losses. Also included is an estimate for improvements that may be needed for water treatment of return water from Socco or condensate bypass.
Permits and Improvements	Permits and improvements are funds for equipment upgrades required for Title IV and V air permits as well as funds for preparing a storm water permit and consultants to monitor the wastewater separation work by Sumas.
Transaction and Due Diligence:	Transaction and due diligence costs are PSE's internal costs for due diligence and negotiations, title insurance, third party expert consultants and legal fees associated with the transaction.
AFUDC:	Allowance for funds used during construction ("AFUDC") is not applicable in this acquisition.
Property Tax:	In Washington State, property is assessed at the end of each calendar year with taxes paid in April and October of the following year, in arrears. It is customary in real estate transactions in Washington for property taxes to be prorated based on taxes payable in the year of closing. Since PSE utilizes accrual accounting, the property taxes paid by it subject to the proration as well as those taxes in the following calendar year contributable, for the period until one year from closing are capitalized.

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Facility Stand-Alone Financial Pro Forma

Income Statement	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	Redacted									
Annual Capacity Factor										
Annual Energy (GWh)										
Fixed Cost Subtotal										
Fixed Gas Transport										
Fixed Transmission										
General and Administrative										
Fixed Operation Expense										
Fixed Maintenance Expense										
Property Tax										
Insurance										
Upgrades / Tools										
Inventory Carrying Cost										
Variable Costs										
Variable Gas Transport										
Variable Transmission										
Fuel Cost										
Major Maintenance										
Emissions										
Variable Operation Expense										
Total Operating Expenses										
EBITDA										
<i>Gross Margin</i>										
Depreciation & Amortization										
EBIT										
<i>Operating Margin</i>										
Interest Income										
Interest Expense										
<u>Net Interest Expense</u>										
Pre-Tax Income										
<i>Profit Margin</i>										
<u>Taxable Income</u>										
Pre-tax Income										
Plus Depr. & Amort.										
Less Tax Depreciation										
Net Taxable Income										
Current Income Tax										
Deferred Income Tax										
Net Income										

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Income Statement	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue										
Annual Capacity Factor										
Annual Energy (GWh)										
Fixed Cost Subtotal										
Fixed Gas Transport										
Fixed Transmission										
General and Administrative										
Fixed Operation Expense										
Fixed Maintenance Expense										
Property Tax										
Insurance										
Upgrades / Tools										
Inventory Carrying Cost										
Variable Costs										
Variable Gas Transport										
Variable Transmission										
Fuel Cost										
Major Maintenance										
Emissions										
Variable Operation Expense										
Total Operating Expenses										
EBITDA										
<i>Gross Margin</i>										
Depreciation & Amortization										
EBIT										
<i>Operating Margin</i>										
Interest Income										
Interest Expense										
<u>Net Interest Expense</u>										
Pre-Tax Income										
<i>Profit Margin</i>										
<u>Taxable Income</u>										
Pre-tax Income										
Plus Depr. & Amort.										
Less Tax Depreciation										
Net Taxable Income										
Current Income Tax										
Deferred Income Tax										
Net Income										

Redacted

Revenues:

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- Revenue Requirement:** The Projection calculates revenues required to recover Facility costs, including return on assets included in the rate base, as well as fixed and variable operating expenses. Recovery of major maintenance expenses is calculated by dividing the total generation of the Facility by the total nominal cost of maintenance. This rate, calculated at \$ 1.53 /MWh, is multiplied by the annual generation. Thus for the life of the Facility, both the major maintenance expense and the major maintenance recovery equal \$10,625,446, but on a year to year basis, PSE may under collect or over collect. This methodology is consistent with that used on the Frederickson 1 combined cycle plant.
- Annual Capacity Factor:** The Projection uses PSE's Portfolio Screening Model ("PSM") in its "Current Trends" scenario as used in the 2007 Integrated Resource Plan to derive plant capacity factor for years 3 through 20 years in the analysis period. The Projection also uses the AURORA rate case forecast for the Sumas generation in the first two years 2008 and 2009. The 20 year average capacity factor is 30%. The underlying gas price projection for 2008 and 2009 uses a 3 month (August 2007 – October 2007) average of forward market gas prices. The gas price projection in 2010 through 2027 is the same as used in the "Current Trends" scenario of the 2007 Integrated Resource Plan. Dispatch related (variable) costs from the Projection drive the dispatch decision, which compares the marginal cost to fire the plant to the market price for power. If the plant is "in the money" during a given hour, it will dispatch at full capacity. Market power prices are calculated using PSE's Aurora model. PSM also takes into account forced outage projections, estimated at 5%.
- Annual Energy:** Annual Energy is equal to the Net Capacity Factor multiplied by the Capacity multiplied by 8760 (365 x 24) hours.

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Fixed Costs:

Inflation:

Both fixed and variable costs are escalated over time by using Global Insight's projected inflation. Global Insight is a well respected firm providing macro economic data to the power industry and is consistent with PSE's IRP and load growth estimations. Global Insight's inflation projection is as follows:

2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

Redacted

Fixed Gas
Transportation:

The fixed gas transportation cost typically paid to a pipeline company for natural gas delivery is \$0 because the Facility is directly interconnected with the Westcoast Pipeline at Huntingdon, British Columbia.

PSE will be a joint owner of the 3.7 mile, 8 inch, pipeline. With a share of 57.3% PSE will also operate, maintain and schedule gas flows on the pipeline. PSE's share of the estimated cost of maintenance is included in the Fixed Operating section of the Proforma.

Fixed
Transmission:

The fixed transmission cost is \$0 because the Facility is located within PSE's control area and interconnected through the Sumas Substation to the Lynden and Kendall substations. PSE generation facilities located within the control area are not charged fixed or variable transmission fees by PSE's transmission group.

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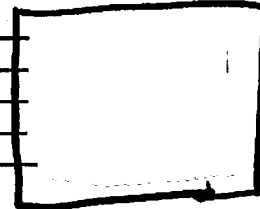
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General and Administrative Expense:

General and administrative expenses are shown below for the first full operating year. These expenses are escalated annually at Global Insight's projected inflation rates. The community relations and contributions were estimated from an average of the 2007 actual and 2008 forecast budget by SCCLP, the previous plant owners.

Community Relations, contributions
Memberships
General and Administrative



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Fixed
Operations
Expense:

Operations expenses are shown below for the first full operating year. These expenses are escalated annually at Global Insight's projected inflation rates. The sources for fixed operations expenses are SCCLP actual and forecast costs, PSE's labor and overhead cost for identified positions, and PSE projections based on specific site conditions and costs at other PSE combined cycle plants.

Consumables, Operations	
Office Machines & Furniture	
Office Supplies	
Recognition	
Telephone Services	
Travel	
Security	
Computers, Hardware	
Computers, Software	
Employee Training & Conferences	
Freight / Postage / Shipping	
Janitorial Services, Landscaping	
Gas Pipeline Maintenance	
Legal Fees	
Hardware, Operations	
Hazardous Waste Disposal	
Lab Supplies	
Licenses & Permits, Operations	
Professional Services - Operations	
Regulatory Expenditures	
Safety Supplies	
Site Equipment	
Site Services (Maintenance of Site)	
Wastewater chemical treatment	
Water Fixed Costs	
Wastewater Fixed Cost	
Sewage Tie-in Capital	
Station Power Variable	
Station Power Fixed	
Sales Tax	
Labor and Benefits	
Fixed Operation Expense	\$ 2,986,843

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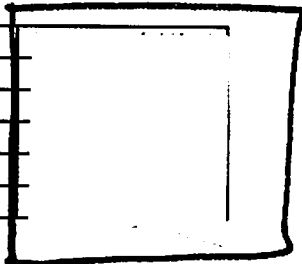
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Fixed
Maintenance
Expense:

Operations expenses are shown below for a typical operating year. These expenses are escalated annually at Global Insight's projected inflation rates. The source of the projections for consumables, contractor services, warehouse and BOP spare parts is approximately one half of the budget for Frederickson 1, a plant that is about twice the capacity of the Sumas Facility. The source for the Other Maintenance line is PSE estimates for annual inspection and maintenance of the heat recovery steam generator tank, the selective catalytic reduction system, the air and water systems as well as testing for the high voltage system.

Consumables, Maintenance	
Contractor Services, Maintenance	
Plant Warehouse	
BOP Spare Parts, Replacement	
Other Maintenance	
Fixed Maintenance Expense	

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Property Tax: The Washington Department of Revenue ("DOR") combines three methods to arrive at PSE's annual tax on personal property, two of which involve evaluating PSE's market value based on stock price and PSE's earnings, respectively. Since it is outside the scope of this proforma to estimate PSE's future financial or stock performance, the method used in the Projection applies DOR's discount factor approach which divides PSE assets' net book value of personal property (original book value minus accumulated depreciation) by the original book value. The result is an annually varying discount factor, set at 50% for personal property in the Projection.

The personal property tax is calculated by multiplying this discount factor by the Whatcom County estimated mil rate of \$14.02 per \$1,000 of assessed value. The real property tax is calculated by multiplying Whatcom County's real property adjustment of 100% by the same mil rate of \$14.02 per \$1,000 of assessed value. The current estimate of appraised value of personal property is \$65,529,082, and the estimate of appraised value of real property is \$591,611.³ In future years, the assessment of personal property may be based on the price paid for the Facility, and property taxes will be proportionally lower.

Property is assessed on January 1st, with payment due the following year in two equal installments, in the months of April and October. The Projection illustrates property taxes on an accrual basis, consistent with PSE's accounting practices.

Cost calculation for a typical year:

Real Property	\$ 591,611
Estimated Real Property Adjustment	100%
Whatcom Cty Prop Tax Mil Rate (\$ / \$1000)	14.02
Real Property Tax	\$ 8,294
Personal Property	\$ 65,529,082
PSE Centrally Assessed Personal Property Discount Factor	50%
Whatcom Cty Prop Tax Mil Rate (\$ / \$1000)	14.02
Personal Property Tax	\$ 459,365
Total Property Tax	\$ 467,659

³ This allocation results from the inclusion of most of the major equipment into the personal-property category as it is currently appraised by Whatcom County.

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Insurance: Four carriers underwrite insurance for PSE. During the year that ends 3/31/2008, 55% of the insurance will be at a premium rate of \$.17 per \$100 replacement and 45% of insurance will be at a premium of \$.0509 per \$100. This combination yields an average premium of \$.1164 per \$100. PSE estimates that premiums will increase 16% on 4/1/2008. Following the 2008 increase, premiums are escalated with Global Insight's predicted inflation. The insured value of \$77.3 million includes the plant and pipeline replacement cost.

Insured Value	\$ 77,294,000
Premium Per \$100 of Insured Value	\$ 0.138
General Excess Liability	\$ -
Total Insurance Expense	\$ 106,689

Upgrades & Tools: Included in the consumable portion of fixed maintenance expense.

Inventory Carrying Cost: Inventory Carrying Cost covers the expense of holding major component parts and Balance of Plant ("BOP") items in inventory.

Personnel: There will be 15 full time employees ("FTEs") and two employees assigned 50% to the plant:

Plant (15 FTEs)

One (1) Plant Manager

One (1) Supervisor - Operations

One (1) Supervisor – Maintenance Asst. Manager

One (1) CT Technician IV

Ten (10) CT Servicemen VI

One (1) Operating Clerk

Part time

Half time (.5) Resource Scientist for environmental compliance

Half time (.5) Warehouse person

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Variable Costs:

Variable Gas Transportation: 1) Variable gas transportation is charged based on the quantity of gas (measured in MMBtu) actually used and has three components. Because the gas is taken into the Facility's pipeline directly from the Westcoast pipeline, the fuel adder and commodity charge are both \$0. The use tax is a Washington State tax charged on the Average Fuel Cost expected to be 3.852% for the life of the Facility.

Cost calculation for CY 2009:

Variable Fuel Transport Details		2009
A	Pipeline Gas Use (MMBtu / year)	
B	Average Gas Price (\$/MMBtu)	
C	Use Tax on Gas of 3.852% (\$/MMBtu)	\$ 0.32
D	Pipeline Var. Cost Subtotal	

Variable Transmission: The Sumas Facility is located in PSE's control area. PSE generation facilities located within the control are not charged fixed or variable transmission fees by PSE's transmission group.

From 1993 – 2007 the output of the Sumas plant was purchased by PSE through a Power Purchase Agreement. During that time, PSE carried the necessary spinning and operating reserves. There is no change in the reserve requirement with plant ownership.

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Fuel Cost:

Fuel expenses are calculated by multiplying the applicable Facility Output by the applicable Facility Heat Rate by the fuel price and by the hours per year. Fuel prices are based on monthly estimates from the August 2006 Global Insight projection. Fuel expense is a function of plant capacity factor, and the associated annual dispatch rates are calculated using the Portfolio Screening Model. The underlying yearly average gas price forecast and fuel expenses are as follows. The Fuel Cost shown in the following table includes 3.852% Washington State use tax.

2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

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Major
Maintenance:

Major Maintenance expense is the cost of part refurbishment, labor, crane rental and consumable items. The last major inspection was completed in 2005. The Facility includes an existing Contractual Service Agreement with General Electric that provides for service through total operation of approximately 116,000 fired hours expected in 2013. Most of the \$3.9 million of parts acquired as part of the plant inventory will be installed during the hot gas path inspection in 2012. Over the 20 year horizon of the Projection the average major maintenance expense rate is \$1.53 per MWh.

CT Major Maintenance Program				
Major Maintenance	Year	EOY Hours	Capital Addition	Expense
Combustion Inspection 1	2008	105,414		
	2009	106,522		
	2010	108,685		
	2011	111,068		
Hot Gas Path 1	2012	113,955		
	2013	116,927		
Combustion Inspection 2	2014	120,072		
	2015	123,011		
	2016	125,701		
Combustion Inspection 3	2017	128,525		
	2018	131,426		
	2019	134,390		
Major Inspection 1	2020	136,850		
	2021	139,442		
	2022	142,108		
Combustion Inspection 4	2023	144,756		
	2024	147,611		
	2025	150,471		
Combustion Inspection 5	2026	153,382		
	2027	156,441		

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Emissions: Emissions costs reflect the purchase of NO_x and SO₂ allowances and, starting in 2012, CO₂ emission allowances presuming that the Facility is not "grand-fathered" into free allowances. The costs of emissions allowances in 2012 are as follows.

Carbon Dioxide (CO ₂)	
Nitrous Oxides (NO _x)	
Sulfur Dioxide (SO ₂)	
Total Emissions Expense	

Variable Operations: The variable operating costs for a typical year are as follows. The costs are escalated using Global Insight's projected inflation.

Backfeed Power	
Consumables Variable	
Waste Water	
Chemicals	
Total Variable Operations	

EBITDA: Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as revenues less all expenses.

Depreciation and Amortization: The Projection assumes the following depreciable lives for book and tax purposes.

Turbine & Equipment	30	20
Fuel Nozzles / Transition Pieces / Caps	38	20
Liners	20	20
1&2 Stg Shrouds / Nozzles	27	20
3rd Stg Shrouds / Nozzles, All Buckets	27	20
Structures	30	20
Land	NA	NA
Facility IT Communications	10	5

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The table above assumes new equipment. In this Projection the book life of Facility assets acquired is reduced by 15 years, the current age of the

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plant. For the combustion turbine parts installed during the 2005 major inspection overhaul, the book life is reduced by 3 years, the period of time since the overhaul.

EBIT:	Earnings before interest and taxes is equal to EBITDA less Depreciation and Amortization.
Interest Expense:	Interest Expense is calculated based on PSE's mid-year pro forma rate base multiplied by the assumed debt percentage in the capital structure. This method is consistent with conventions used by regulated utilities. The Projection assumes a rate of return of 8.40% and a debt percentage of 56.0% at a weighted pretax cost of 6.82%.
Pretax Income:	Pretax income is equal to EBIT less Interest Expense.
Net Taxable Income:	Net Taxable Income is equal to Pretax Income plus book depreciation and amortization, less Tax Depreciation.
Manufacturing Tax Credit (JOBS Act of 2004):	PSE estimates a negligible impact due to this tax credit, so it is not included in the Projection.
Income Taxes Paid:	Income Taxes paid are calculated as Net Taxable Income multiplied by the Federal corporate income tax rate of 35%.
Deferred Income Taxes:	Deferred Income Taxes are calculated as the difference between book and tax depreciation expenses multiplied by the Federal corporate income tax rate of 35%.

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Balance Sheet – Assumptions

Balance Sheet	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
----------------------	------	------	------	------	------	------	------	------	------	------

Retained Earnings
Opening Balance
Plus Net Income
Less Dividend Paid
Retained Earnings

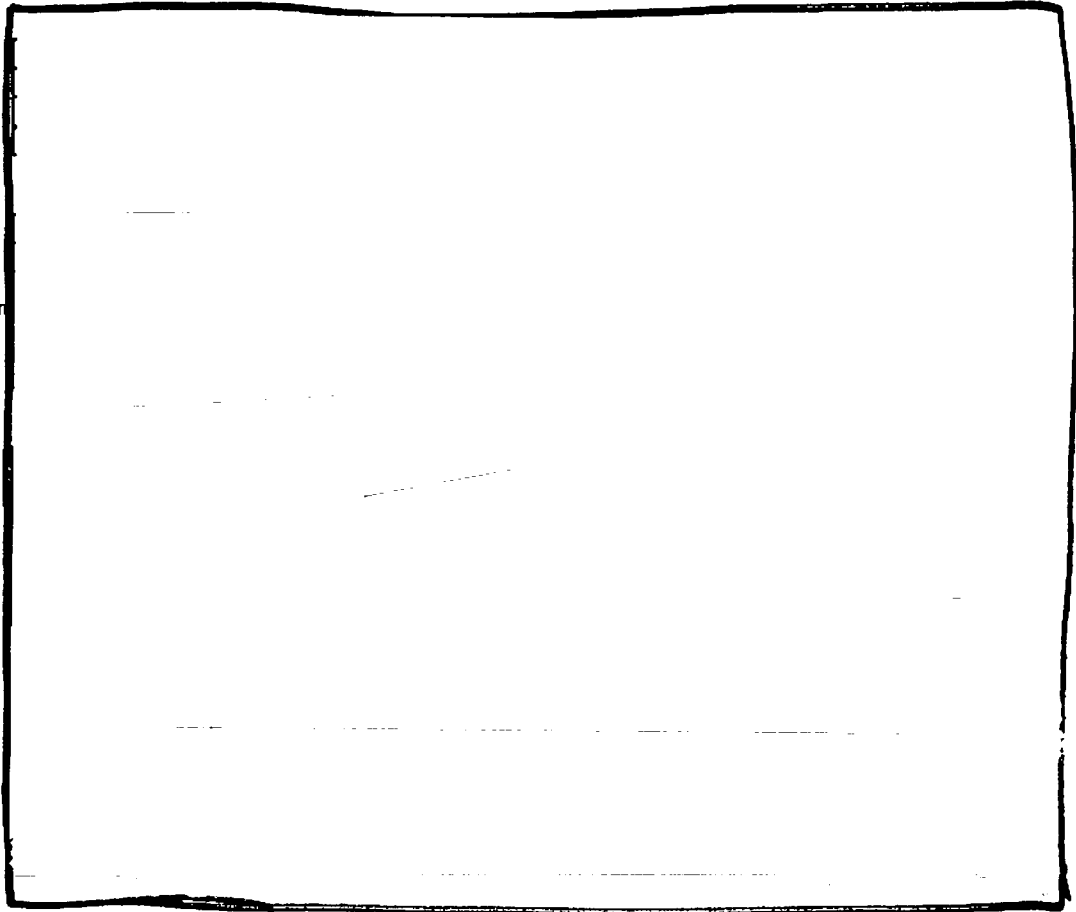
Assets
PPE
Inventory

Accumulated Depreciation
Net PPE
Total Assets

Liabilities
Accounts Payable
LT Debt
Debt Principal Paid
Accumulated Deferred Tax
Total Liabilities

Equity
Common Shares
Retained Earnings
Total Equity

Total Liabilities & Equity



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Balance Sheet	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retained Earnings										
Opening Balance	(7,377)	(8,040)	(8,702)	(9,388)	(10,083)	(10,776)	(11,249)	(11,528)	(11,807)	(12,085)
Plus Net Income	1,226	1,176	(3,669)	1,041	989	(905)	869	827	326	783
Less Dividend Paid	(1,890)	(1,837)	2,983	(1,735)	(1,682)	432	(1,149)	(1,106)	(603)	(1,059)
Retained Earnings	(8,040)	(8,702)	(9,388)	(10,083)	(10,776)	(11,249)	(11,528)	(11,807)	(12,085)	(12,361)
Assets										
PPE	30,125	30,125	31,691	31,691	31,691	31,691	31,691	31,691	31,691	31,691
Inventory	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	(18,873)	(20,523)	(22,228)	(23,933)	(25,638)	(26,577)	(26,845)	(27,112)	(27,379)	(27,647)
Net PPE	11,252	9,602	9,463	7,758	6,053	5,114	4,846	4,579	4,312	4,044
Total Assets	11,252	9,602	9,463	7,758	6,053	5,114	4,846	4,579	4,312	4,044
Liabilities										
Accounts Payable	-	-	-	-	-	-	-	-	-	-
LT Debt	16,870	16,870	17,747	17,747	17,747	17,747	17,747	17,747	17,747	17,747
Debt Principal Paid	(10,233)	(11,075)	(11,948)	(12,832)	(13,715)	(14,316)	(14,672)	(15,027)	(15,380)	(15,733)
Accumulated Deferred Tax	(600)	(746)	(892)	(1,019)	(1,148)	(1,012)	(644)	(278)	86	447
Total Liabilities	6,037	5,049	4,907	3,896	2,884	2,418	2,431	2,442	2,452	2,462
Equity										
Common Shares	13,255	13,255	13,944	13,944	13,944	13,944	13,944	13,944	13,944	13,944
Retained Earnings	(8,040)	(8,702)	(9,388)	(10,083)	(10,776)	(11,249)	(11,528)	(11,807)	(12,085)	(12,361)
Total Equity	5,215	4,553	4,556	3,862	3,168	2,695	2,416	2,137	1,859	1,583
Total Liabilities & Equity	11,252	9,602	9,463	7,758	6,053	5,114	4,846	4,579	4,312	4,044

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Retained Earnings:	Retained Earnings are calculated as the previous year's Retained Earnings balance plus Net Income, less Dividends Paid. The balance sheet contains no line items for cash or short-term debt, and the Projection assumes that any cash shortfalls or surpluses are financed or paid out to debt and equity holders in proportion to the capital ratios allowed by the WUTC in the most recent general rate case.
Property Plant and Equipment:	For book purposes, the value of the plant reflects capitalization of all Facility capital costs. Per IRS regulation, AFUDC is not capitalized for tax purposes, but is for book purposes.
Inventory:	Inventory captures the value of major component parts and Balance of Plant ("BOP") items.
Accounts Payable:	The Projection assumes that vendor accounts will be paid within 30 days, and the balance reflects one month's worth of payables.
Long Term Debt:	Based on a capital structure of debt percentage of 56.0% at a weighted pretax cost of 6.82%, PSE will incur in new long-term debt obligations. Consistent with regulated utility modeling methods, debt is repaid in a fashion that allows the Projection to maintain PSE's equity/debt split on the Balance Sheet throughout the life of the Facility. This is accomplished by equating debt payment to the sum of depreciation, deferred tax, and working capital multiplied by the PSE debt percent.
Accumulated Deferred Taxes:	Accumulated Deferred Taxes is calculated as the deferred tax balance from previous year plus/less the deferred tax balance from current year.
Common Shares:	Common Shares is the cumulative capital contributions from equity holders.
Total Shareholders' Equity:	Total Shareholders' Equity is calculated as the Common Shares balance plus/less Retained Earnings balance.

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Facility Stand-Alone Financial Pro Forma

Cash Flow – Assumptions

Cash Flow	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
------------------	------	------	------	------	------	------	------	------	------	------

Operating Cash Flow

- Net Income
- Depreciation
- Deferred Taxes
- Changes in Current Accounts

Total Operating Cash

Investment Cash Flow

- Capital Investment in Plant

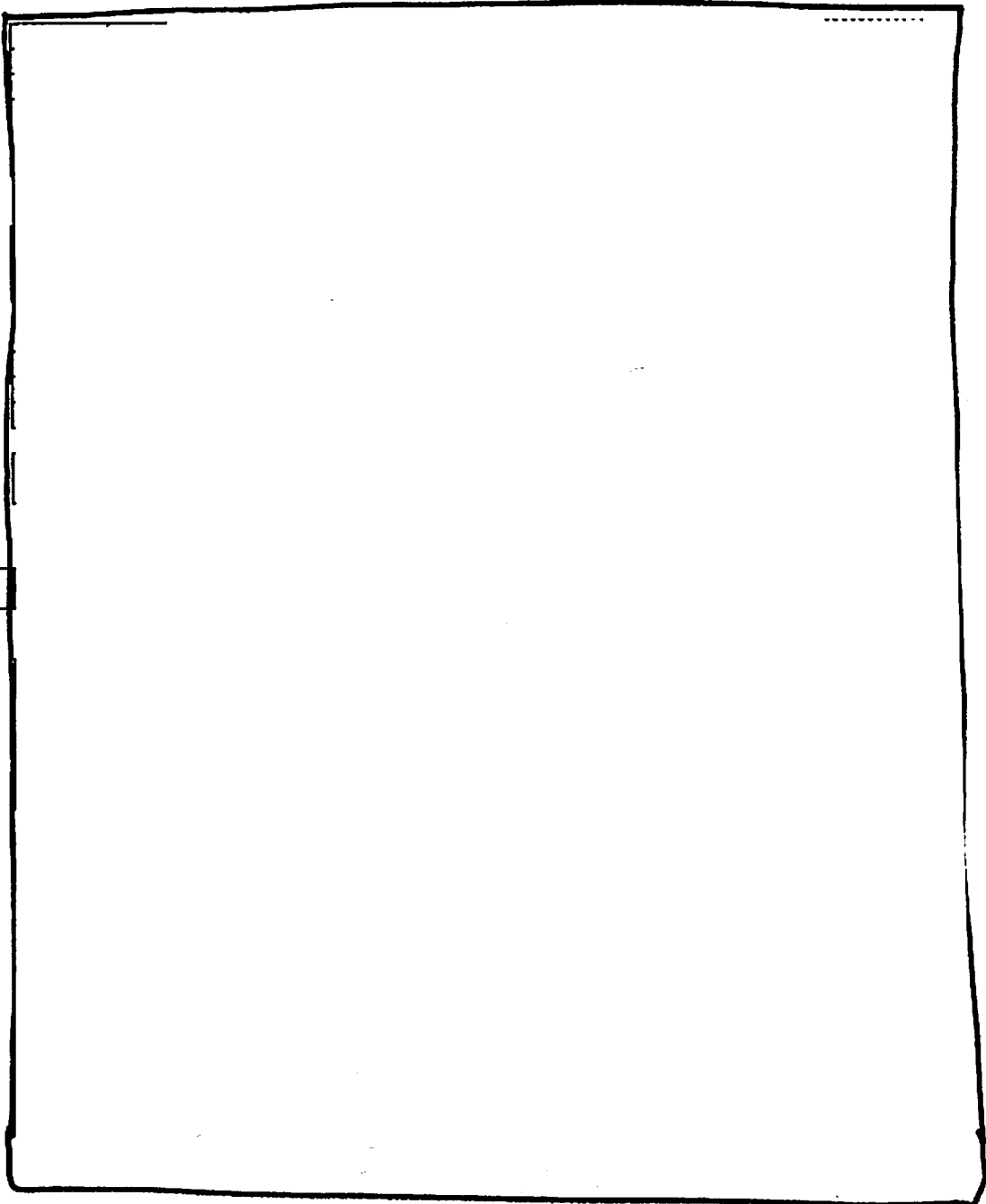
Total Investment Cash

Financing Cash Flow

- New Equity
- New Debt

Total Financing Cash

Net Cash Flow / Max Dividend



Cash Flow

Operating Cash Flow

- Net Income
- Depreciation
- Deferred Taxes
- Changes in Current Accounts

Total Operating Cash

Investment Cash Flow

- Capital Investment in Plant

Total Investment Cash

Financing Cash Flow

- New Equity
- New Debt

Total Financing Cash

Net Cash Flow / Max Dividend

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- Operating Cash Flow:** Operating Cash Flow is calculated as the sum of After Tax Net Income and depreciation from the Income Statement plus the change from the previous year in deferred taxes and working capital balance from the Balance Sheet.
- Investment Cash Flow:** Investment Cash Flow is calculated as the capital expenditures net of any gain/loss on investments.
- Financing Cash Flow:** Cash from Financing is cash received from/paid to debt holders, and cash received from equity holders. Debt is repaid in a fashion that allows the Projection to maintain PSE's capital structure ratio on the balance sheet throughout the life of the Facility. This is accomplished by equating debt payment to the sum of book depreciation, deferred tax, and working capital, multiplied by the debt percent assumed for PSE's capital structure.
- Max Dividend:** All available Cash from Operations is distributed to equity holders net of the debt repayment. This cash distribution methodology results in the Projection showing negative cumulative retained earnings.

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