

Calculation of Peak Credit using 100% of CT Capital and Fixed O&M Costs

Combined Cycle Plant (Nominal \$)

Year	Capital Cost \$/MWh-Yr	Fixed O&M \$/MWh	Ins. / Prop. Tax \$/MWh	Variable O&M \$/MWh	Gas \$/MMBtu	Gas ¹ \$/MWh	Total \$/MWh	Total \$/MWh	Annual Inflation
2004	\$8.91	\$5.70	\$1.20	\$2.00	\$3.86	\$26.63	\$44.44	\$44.44	0%
2005	\$8.91	\$5.84	\$1.23	\$2.05	\$4.46	\$30.80	\$48.83	\$44.66	2.5%
2006	\$8.91	\$5.99	\$1.26	\$2.10	\$4.63	\$31.94	\$50.20	\$49.06	2.5%
2007	\$8.91	\$6.14	\$1.29	\$2.15	\$4.55	\$31.38	\$49.87	\$50.43	2.5%
2008	\$8.91	\$6.29	\$1.32	\$2.20	\$4.54	\$31.35	\$50.07	\$50.1	2.5%
2009	\$8.91	\$6.45	\$1.35	\$2.26	\$3.58	\$24.68	\$43.65	\$50.32	2.5%
2010	\$8.91	\$6.61	\$1.38	\$2.32	\$3.51	\$24.20	\$43.42	\$43.9	2.5%
2011	\$8.91	\$6.78	\$1.41	\$2.38	\$4.55	\$31.41	\$50.89	\$43.68	2.5%
2012	\$8.91	\$6.95	\$1.45	\$2.44	\$5.18	\$35.76	\$55.51	\$51.16	2.5%
2013	\$8.91	\$7.12	\$1.49	\$2.50	\$5.49	\$37.86	\$57.88	\$55.78	2.5%
2014	\$8.91	\$7.30	\$1.53	\$2.56	\$5.94	\$41.01	\$61.31	\$58.16	2.5%
2015	\$8.91	\$7.48	\$1.57	\$2.62	\$5.74	\$39.63	\$60.21	\$61.59	2.5%
2016	\$8.91	\$7.67	\$1.61	\$2.69	\$5.32	\$36.67	\$57.55	\$60.51	2.5%
2017	\$8.91	\$7.86	\$1.65	\$2.76	\$5.92	\$40.86	\$62.04	\$75.85	2.5%
2018	\$8.91	\$8.06	\$1.69	\$2.83	\$5.95	\$41.08	\$62.57	\$62.35	2.5%
2019	\$8.91	\$8.26	\$1.73	\$2.90	\$6.21	\$42.87	\$64.67	\$62.88	2.5%
2020	\$8.91	\$8.47	\$1.77	\$2.97	\$6.26	\$43.18	\$65.30	\$64.99	2.5%
2021	\$8.91	\$8.68	\$1.81	\$3.04	\$6.47	\$44.62	\$67.06	\$65.62	2.5%
2022	\$8.91	\$8.90	\$1.86	\$3.12	\$6.63	\$45.74	\$68.53	\$67.41	2.5%
2023	\$8.91	\$9.12	\$1.91	\$3.20	\$6.79	\$46.88	\$70.02	\$68.88	2.5%
2024	\$8.91	\$9.35	\$1.96	\$3.28	\$6.96	\$48.06	\$71.56	\$70.38	2.5%
2025	\$8.91	\$9.58	\$2.01	\$3.36	\$7.14	\$49.26	\$73.12	\$71.92	2.5%
2026	\$8.91	\$9.82	\$2.06	\$3.44	\$7.32	\$50.49	\$74.72	\$73.49	2.5%
2027	\$8.91	\$10.07	\$2.11	\$3.53	\$7.50	\$51.75	\$76.37	\$75.11	2.5%
2028	\$8.91	\$10.32	\$2.16	\$3.62	\$7.69	\$53.04	\$78.05	\$76.76	2.5%
2029	\$8.91	\$10.58	\$2.21	\$3.71	\$7.84	\$54.11	\$79.52	\$78.45	2.5%
2030	\$8.91	\$10.84	\$2.27	\$3.80	\$8.00	\$55.19	\$81.01	\$79.93	2.5%
2031	\$8.91	\$11.11	\$2.33	\$3.90	\$8.16	\$56.29	\$82.54	\$81.44	2.5%
2032	\$8.91	\$11.39	\$2.39	\$4.00	\$8.32	\$57.42	\$84.11	\$82.98	2.5%
2033	\$8.91	\$11.67	\$2.45	\$4.10	\$8.49	\$58.57	\$85.70	\$84.55	2.5%

Note 1: PSE's calculation uses the 2004 gas price in both 2004 & 2005 and the previous year's gas price for each year thereafter (e.g. 2005 gas price in 2006).
 This column corrects this discrepancy.

Capital \$/kW	Fixed O&M \$/kW/yr	Ins. / Prop. Tax \$/kW/yr	Var. O&M \$/MWh	Heat Rate Btu/kWh
\$728	\$42.47	\$8.95	2.0	6,900

Combined Cycle CT Plant
 Source: PSE Least Cost Plan Appdx J (Escalated 2.5%)
 Fixed Charge Rate CCCT 9.12%
 CCCT Capacity Factor 85%
 Weighted Cost of Capital CCCT 9.12%

Weighted Cost of Capital	Levelized Costs at Weighted Cost of Capital	Levelized Cost (\$/MWh)	Levelized Cost (\$/kW-yr)
Debt	\$60.85	\$59.80	\$59.80
Preferred	\$453.10	\$445.26	\$445.26
Common Equity			
Total			

Calculation of Peak Credit using 100% of CT Capital and Fixed O&M Costs

Year	Capital Cost \$/KW-Yr	Fixed O&M \$/KW-Yr	Ins. / Prop. Tax ¹ \$/KW-Yr	Variable O&M \$/KW-Yr	Fuel Oil \$/MMBtu	Fuel Oil \$/KW-Yr	Gas \$/MMBtu	Gas \$/KW-Yr	PSE Peak Credit ² (As Filed)	PSE Peak Credit ³ (Corrected)	Corrected Peak Credit w/ 100%	Annual Inflation
2004	\$44.45	\$19.21	\$5.56	\$0.40	\$6.90	\$4.03	\$3.86	\$6.77	\$47.81	\$53.37	\$80.43	0%
2005	\$44.45	\$19.69	\$5.70	\$0.41	\$6.50	\$3.80	\$4.46	\$7.83	\$48.93	\$54.63	\$81.89	2.5%
2006	\$44.45	\$20.18	\$5.84	\$0.42	\$4.85	\$2.84	\$4.63	\$8.12	\$48.54	\$54.38	\$81.85	2.5%
2007	\$44.45	\$20.68	\$5.99	\$0.43	\$4.86	\$2.84	\$4.55	\$7.98	\$48.70	\$54.69	\$82.38	2.5%
2008	\$44.45	\$21.20	\$6.14	\$0.44	\$4.87	\$2.85	\$4.54	\$7.98	\$49.01	\$55.15	\$83.05	2.5%
2009	\$44.45	\$21.73	\$6.29	\$0.45	\$4.87	\$2.85	\$3.58	\$6.28	\$47.63	\$53.92	\$82.05	2.5%
2010	\$44.45	\$22.27	\$6.45	\$0.46	\$4.87	\$2.85	\$3.51	\$6.15	\$47.82	\$54.27	\$82.63	2.5%
2011	\$44.45	\$22.83	\$6.61	\$0.47	\$4.91	\$2.87	\$4.55	\$7.99	\$50.02	\$56.63	\$85.22	2.5%
2012	\$44.45	\$23.40	\$6.78	\$0.48	\$4.95	\$2.89	\$5.18	\$9.10	\$51.48	\$58.26	\$87.10	2.5%
2013	\$44.45	\$23.99	\$6.95	\$0.49	\$4.99	\$2.92	\$5.49	\$9.63	\$52.39	\$59.34	\$88.43	2.5%
2014	\$44.45	\$24.59	\$7.12	\$0.50	\$5.02	\$2.94	\$5.94	\$10.43	\$53.57	\$60.69	\$90.03	2.5%
2015	\$44.45	\$25.20	\$7.30	\$0.51	\$5.04	\$2.95	\$5.74	\$10.08	\$53.59	\$60.89	\$90.49	2.5%
2016	\$44.45	\$25.83	\$7.48	\$0.52	\$5.09	\$2.98	\$5.32	\$9.33	\$53.24	\$60.72	\$90.59	2.5%
2017	\$44.45	\$26.48	\$7.67	\$0.53	\$5.13	\$3.00	\$5.92	\$10.39	\$54.71	\$62.38	\$92.53	2.5%
2018	\$44.45	\$27.14	\$7.86	\$0.54	\$5.17	\$3.02	\$5.95	\$10.45	\$55.18	\$63.04	\$93.46	2.5%
2019	\$44.45	\$27.82	\$8.06	\$0.55	\$5.20	\$3.04	\$6.21	\$10.90	\$56.05	\$64.11	\$94.83	2.5%
2020	\$44.45	\$28.52	\$8.26	\$0.56	\$5.23	\$3.06	\$6.26	\$10.98	\$56.56	\$64.82	\$95.83	2.5%
2021	\$44.45	\$29.23	\$8.47	\$0.57	\$5.27	\$3.12	\$6.47	\$11.35	\$57.41	\$65.88	\$97.19	2.5%
2022	\$44.45	\$29.96	\$8.68	\$0.58	\$5.44	\$3.18	\$6.63	\$11.63	\$58.18	\$66.86	\$98.49	2.5%
2023	\$44.45	\$30.71	\$8.90	\$0.59	\$5.55	\$3.25	\$6.79	\$11.92	\$58.98	\$67.88	\$99.82	2.5%
2024	\$44.45	\$31.48	\$9.12	\$0.60	\$5.66	\$3.31	\$6.96	\$12.22	\$59.79	\$68.91	\$101.18	2.5%
2025	\$44.45	\$32.27	\$9.35	\$0.62	\$5.77	\$3.38	\$7.14	\$12.53	\$60.64	\$69.99	\$102.59	2.5%
2026	\$44.45	\$33.08	\$9.58	\$0.64	\$5.89	\$3.44	\$7.32	\$12.84	\$61.51	\$71.09	\$104.04	2.5%
2027	\$44.45	\$33.91	\$9.82	\$0.66	\$6.00	\$3.51	\$7.50	\$13.16	\$62.39	\$72.21	\$105.52	2.5%
2028	\$44.45	\$34.76	\$10.07	\$0.68	\$6.12	\$3.58	\$7.69	\$13.49	\$63.30	\$73.37	\$107.03	2.5%
2029	\$44.45	\$35.63	\$10.32	\$0.70	\$6.25	\$3.65	\$7.84	\$13.76	\$64.16	\$74.48	\$108.52	2.5%
2030	\$44.45	\$36.52	\$10.58	\$0.72	\$6.37	\$3.73	\$8.00	\$14.04	\$65.04	\$75.62	\$110.03	2.5%
2031	\$44.45	\$37.43	\$10.84	\$0.74	\$6.50	\$3.80	\$8.16	\$14.32	\$65.94	\$76.78	\$111.58	2.5%
2032	\$44.45	\$38.37	\$11.11	\$0.76	\$6.63	\$3.88	\$8.32	\$14.60	\$66.86	\$77.97	\$113.17	2.5%
2033	\$44.45	\$39.33	\$11.39	\$0.78	\$6.76	\$3.96	\$8.49	\$14.90	\$67.81	\$79.20	\$114.80	2.5%

Note 1: PSE's calculation of annual insurance & Property Taxes appears to exclude inflation beginning in 2006. This calculation corrects this discrepancy.
 Note 2: Capital & Fixed O&M Costs reduced by 1/2 and then escalated by the Reserve Margin; PSE peak credit calculation as filed excluded Ins./Prop. Tax for CT peak credit.
 Note 3: Capital & Fixed O&M Costs reduced by 1/2 and then escalated by the Reserve Margin; Peak credit calculation using PSE method as corrected includes Ins./Prop. Tax
 Note 4: Calculation includes 100% Capital & Fixed O&M Costs, excludes escalation by the Reserve Margin, and includes the correction to include escalated Ins./Prop. Tax

Simple Cycle CT Plant	Capital \$/KW	Fixed O&M \$/KWYr	Ins. / Prop. Tax \$/KWYr	Var. O&M \$/MMWh	Heat Rate Btu/KWh	Levelized Costs at Weighted Cost of Capital
Source: PSE Least Cost Plan Appdx J (Escalated 2.5%)	\$452	\$19.21	\$5.56	2.0	11,700	
Fixed Charge Rate CT	9.83%					
CT Peak Operation (Fuel Oil) Hrs/yr	50					
CT Peak Operation (Gas) Hrs/yr	200					
Weighted Cost of Capital CT	9.12%					
Reserve Margin	15.00%					
Weighted Cost of Capital						
Debt	54.96%	6.96%	3.83%			
Preferred	0.04%	8.51%	0.00%			
Common Equity	45.00%	11.75%	5.29%			
Total	100.00%		9.12%			
						Levelized Cost (\$/KW-yr) \$56.95 \$64.59 \$96.41

Calculation of Peak Credit using 100% of CT Capital and Fixed O&M Costs

**Derivation of Peak Credit
 (Recalculated to remove 50% adjustment to CT Capital & Fixed O&M costs and Reserve Margin Adjustment)**

**Peak Credit
 (PSE - As Filed)**

	Combustion Turbine	Peak CT	CC CT	Peak Credit
Levelized Cost (\$/MWh)	\$94.98	\$56.95	\$59.80	
Levelized Cost (\$/kW-yr)			\$445.26	13%

**Peak Credit
 (PSE Method - Corrected)**

	Combustion Turbine	Peak CT	CC CT	Peak Credit
Levelized Cost (\$/MWh)	\$96.41	\$64.59	\$60.85	
Levelized Cost (\$/kW-yr)			\$453.10	14%

**Kroger Calculated Peak Credit
 (Recalculated to Remove 50% Capital & Fixed O&M Cost Reduction and Reserve Margin Adjustment)**

	Combustion Turbine	Peak CT	CC CT	Peak Credit
Levelized Cost (\$/MWh)	\$96.41	\$96.41	\$60.85	
Levelized Cost (\$/kW-yr)			\$453.10	21%

**Cost of Service Results Using 21% Peak Credit
Applied to PSE Proposed Revenue Requirement**

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**Cost of Service Study Results
(Company Proposed Method Modified to Adjust Peak Credit to 21%)**

	Summary Class Res Svc	Summary Class Sec Svc 24	Summary Class Sec Svc 25	Summary Class Sec Svc 26	Summary Class Pri Svc	Summary Class Retail Wheeling	Summary Class High Voltage	Summary Class Lighting Svc	Summary Class Firm Resale
Total Operating Revenue	\$798,727,883	\$181,033,707	\$210,328,223	\$123,599,198	\$113,015,644	\$9,797,771	\$23,556,322	\$13,093,248	\$1,858,685
Total Operating Expense (OE.T)	\$1,283,190,396	\$154,858,006	\$170,333,764	\$104,726,994	\$99,706,109	\$6,463,165	\$22,505,380	\$11,734,030	\$1,386,577
Net Income	\$191,820,285	\$26,175,701	\$39,994,459	\$18,872,204	\$13,309,535	\$3,334,606	\$1,050,941	\$1,359,217	\$472,108
Net Investment in Plant	\$2,658,121,664	\$317,520,092	\$314,417,655	\$173,573,813	\$174,782,663	\$26,724,216	\$31,266,130	\$32,829,686	\$6,449,628
Realized Rate of Return	7.22%	5.52%	12.72%	10.87%	7.61%	12.48%	3.36%	4.14%	7.32%
Requested Return On Net Investment (RRB.T)									
Total Cost of Service (TC.T)	\$242,420,696	\$28,957,832	\$28,674,890	\$15,829,932	\$15,940,179	\$2,437,248	\$2,851,471	\$2,994,067	\$588,206
Operating Income Deficiency (OID.T)	\$1,525,611,092	\$183,815,838	\$199,008,654	\$120,556,925	\$115,646,288	\$8,900,413	\$25,356,851	\$14,728,098	\$1,974,783
Adjusted for Conversion Factor	\$50,600,411	\$56,895,358	\$2,782,131	(\$3,042,272)	\$2,630,643	(\$897,358)	\$1,800,530	\$1,634,850	\$116,098
Firm Sales of Electricity	\$81,600,773	\$91,752,322	\$4,486,605	(\$4,906,122)	\$4,242,308	(\$1,447,125)	\$2,903,625	\$2,636,442	\$187,226
Revenue Required From Rates	\$1,418,671,983	\$173,965,442	\$204,457,478	\$119,979,388	\$109,164,449	\$8,435,964	\$22,235,673	\$12,877,810	\$1,816,796
Revenue to Revenue Requirement	\$1,500,272,756	\$857,491,305	\$186,202,971	\$115,073,266	\$113,406,758	\$6,988,839	\$25,139,298	\$15,514,252	\$2,004,022
Adjusted Revenue to Revenue Requirement	95%	89%	110%	104%	96%	121%	88%	83%	91%
Source: PSE Electric Cost of Service Model - Proposed Method with Peak Credit increased to 21% & Energy reduced to 79%	100%	94%	116%	110%	102%	128%	94%	88%	96%

**Comparison of Demand & Energy Related Costs versus Demand-Related Revenues
(for Schedules 25 & 26)**

<u>Ln #</u>	<u>Schedule 25</u>	<u>Schedule 26</u>	<u>Source</u>
<i>Demand</i>			
1 Demand Cost of Service (Company Proposed COS)	\$52,535,844	\$25,999,367	CEP-8 (RECAST), p. 4
2 Revenue Credit x 13%	\$770,819	\$476,953	13% x CEP-8 (RECAST), p. 30, Lns 330&331
3 Net Demand Cost of Service	\$51,765,025	\$25,522,414	Ln 1 - Ln 2
4 Demand-Related Revenues from Demand Charge	\$24,439,783	\$25,350,815	JAH 12, pp. 4 & 5
5 Demand-Related Revenues from Energy Charge	\$20,553,140	NA	See Below, Ln 22
6 Total Demand-Related Revenues	\$44,992,923	\$25,350,815	Ln 4 - Ln 5
7 Demand Costs Over/(Under) Recovery from Demand Charges	(\$6,772,102)	(\$171,599)	Ln 6 - Ln 3
<i>Energy</i>			
8 Energy Cost of Service (Company Proposed COS)	\$145,612,753	\$95,304,278	CEP-8 (RECAST), p. 3
9 Revenue Credit x 87%	\$5,158,558	\$3,191,915	87% x CEP-8 (RECAST), p. 30, Lns 330&331
10 Net Energy Cost of Service	\$140,454,195	\$92,112,363	Ln 8 - Ln 9
11 Gross Energy-Related Revenues	\$179,977,386	\$95,186,406	JAH 12, pp. 4 & 5
12 Demand Related Costs Recovered in Energy First Block Rates	\$20,553,140	NA	See Below, Ln 22
13 Net Energy Related Revenues	\$159,424,246	\$95,186,406	Ln 11 - Ln 12
14 Energy Costs Over/(Under) Recovery from Energy Charges	\$18,970,051	\$3,074,043	Ln 13 - Ln 10

Schedule 25 Demand-Related Revenues Imputed to First Block of Energy Rates

<u>Ln #</u>	<u>Amount</u>	<u>Source</u>
15 PSE Proposed Tail Block Energy Rate (\$/kWh)	0.055958	JAH-12, p. 4 of 32
16 PSE Proposed Winter First Block Energy Rate (\$/kWh)	0.073746	JAH-12, p. 4 of 32
17 Winter First Block Energy (kWh)	725,287,983	JAH-12, p. 4 of 32
18 Winter Demand-Related Costs Collected in Winter Energy Rate (\$)	12,901,423	(Ln 16 - Ln 15) x Ln 17
19 PSE Proposed Summer First Block Energy Rate (\$/kWh)	0.066609	JAH-12, p. 4 of 32
20 Summer First Block Energy (kWh)	718,403,628	JAH-12, p. 4 of 32
21 Summer Demand-Related Costs Collected in Summer Energy Rate (\$)	7,651,717	(Ln 19 - Ln 15) x Ln 20
22 Total Demand-Related Costs Collected in First Block Energy Rates (\$)	20,553,140	Ln 18 + Ln 21

Kroger Proposal for Rate Schedule 25 Design

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Step One: Determination of Demand-Related and Energy-Related Revenues - Rate Schedule 25
 PSE Proforma and PSE Proposed Revenue

Twelve Months ended September 30, 2003

Secondary Voltage, Demand Greater than 50 kW but less than or equal to 350 kW
 Schedule 25

(As filed by PSE on June 2, 2004)

	Billing Determinants		Proforma		PSE Proposed		PSE Proposed vs Proforma	
	Temp.	Adj.	Charge	Revenue	Rates Effective 2005	PSE Filing	Difference	%
Total Basic Charge	87,940		24.90	2,189,703	33.50	2,945,986	756,283	34.5%
Winter - First 20,000 kWh	725,287,983		0.069616	50,491,648	0.073746	53,487,088	2,995,440	5.9%
Summer - First 20,000 kWh	718,403,628		0.062652	45,009,424	0.066609	47,852,147	2,842,723	6.3%
All Over 20,000 kWh	1,408,084,336	(2,777,653)	0.052260	73,441,327	0.055958	78,638,151	5,196,824	7.1%
Total kWh Energy	2,851,775,947	(2,777,653)		168,942,400		179,977,386	11,034,986	6.5%
Winter - All Over 50 kW	2,125,411		6.66	14,155,237	6.85	14,559,065	403,828	2.9%
Summer - All Over 50 kW	2,162,083		4.44	9,599,647	4.57	9,880,718	281,071	2.9%
Total kW Demand	4,287,494			23,754,884		24,439,783	684,899	2.9%
Total kWh Reactive Power	745,499,708		0.00233	1,737,014	0.00240	1,789,199	52,185	3.0%
Schedule 95	2,848,998,294		0.002340	6,666,656	-	-	(6,666,656)	-100.0%
Total Revenue				203,290,657		209,152,354	5,861,697	2.9%

Kroger Proposal for Rate Schedule 25 Design

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Step Two: Development of Energy Cost of Service per kWh - Schedule 25

<u>Ln #</u>		<u>Amount</u>	<u>Source</u>
1	Energy COS \$	145,612,753	CEP-8 (RECAST), p. 3
2	Rev. Credits \$	5,158,558	87% x CEP-8 (RECAST), p. 30, Lns 330 & 331
3	Net Energy COS \$	140,454,195	Ln 1 - Ln 2
4	Schedule 25 Total Energy (kWh)	2,848,998,294	JAH-12, p. 4 of 32
5	Energy Cost (\$/kWh)	0.049300	Ln 3 ÷ Ln 4

Kroger Proposal for Rate Schedule 25 Design

Step Three: Kroger Proposed Rate Schedule 25 Design @ PSE Proposed Revenue Requirement

Twelve Months ended September 30, 2003

Secondary Voltage, Demand Greater than 50 kW but less than or equal to 350 kW
 Schedule 25

(Set Tail Block Energy Charge = Energy COS: Increase Demand Charges)

	Billing Determinants		PSE Proposed Rates Effective 2005		Kroger Proposed Rate Design Effective 2005		Kroger Proposed vs PSE Proposed Difference		Respread of Reduced Energy \$
	Temp.	Adj.	Charge	Revenue	Charge	Revenue	\$	%	
Total Basic Charge	87,940		33.50	2,945,986	33.50	2,945,990	\$ 4	0.0%	
Winter - First 20,000 kWh	725,287,983		0.073746	53,487,088	0.073746	53,487,088	\$ (0)	0.0%	
Summer - First 20,000 kWh	718,403,628		0.066609	47,852,147	0.066609	47,852,147	\$ 0	0.0%	
All Over 20,000 kWh	1,408,084,336	(2,777.653)	0.055958	78,638,151	0.049300	69,280,919	\$ (9,357,232)	-11.9%	
Total kWh Energy	2,851,775,947	(2,777.653)		179,977,386		170,620,153	\$ (9,357,233)	-5.2%	
Winter - All Over 50 kW	2,125,411		6.850000	14,559,065	9.47	20,133,278	\$ 5,574,213	38.3%	\$ 5,574,213
Summer - All Over 50 kW	2,162,083		4.570000	9,880,718	6.32	13,663,738	\$ 3,783,020	38.3%	\$ 3,783,020
Total kW Demand	4,287,494			24,439,783		33,797,016	\$ 9,357,233	38.3%	\$ 9,357,233
Total kVarh Reactive Power	745,499,708		0.002400	1,789,199	0.00240	1,789,199	\$ 0	0.0%	
Schedule 95	2,848,998,294						\$ -	0.0%	
Total Revenue				209,152,354		209,152,358	\$ 4	0.0%	

Kroger Proposal for Rate Schedule 26 Design

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Step One: Determination of Demand-Related and Energy-Related Revenues - Rate Schedule 26
 PSE Proforma and PSE Proposed Revenue

Twelve Months ended September 30, 2003

Secondary Voltage, Demand Greater than 350 kW
 Schedule 26

(As filed by PSE on June 2, 2004)

	Billing Determinants		Proforma		PSE Proposed		Proposed vs Proforma	
	Temp.	Adj.	Charge	Revenue	Charge	Revenue	Charge	Difference
Total Basic Charge	8,699		29.10	253,134	79.00	687,203	\$ 434,069	171.5%
Total kWh Energy	1,890,378,962	(3,556,768)	0.047320	89,284,426	0.050448	95,186,406	\$ 5,901,980	6.6%
Winter - All kW	2,134,140		6.92	14,768,248	6.98	14,896,296	\$ 128,048	0.9%
Summer - All kW	2,253,129		4.60	10,364,394	4.64	10,454,519	\$ 90,125	0.9%
Total kW Demand	4,387,269			25,132,641		25,350,815	\$ 218,174	0.9%
Total kVarh Reactive Power	934,070,048		0.00110	1,027,477	0.00113	1,055,499	\$ 28,022	2.7%
Schedule 95			0.002191	4,134,027	-	-	\$ (4,134,027)	-100.0%
Total Revenue				119,831,706		122,279,923	\$ 2,448,217	2.0%

Data Source: PSE Exhibit No. _____ (JAH-12), Page 5 of 32

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Step Two: Development of Energy Cost of Service per kWh - Schedule 26

<u>Ln #</u>		<u>Amount</u>	<u>Source</u>
1	Energy COS \$	95,304,278	CEP-8 (RECAST), p. 3
2	Rev. Credits \$	3,191,915	87% x CEP-8 (RECAST), p. 30, Lns 330 & 331
3	Net Energy COS \$	92,112,363	Ln 1 - Ln 2
4	Schedule 26 Total Energy (kWh)	1,886,822,194	JAH-12, p. 4 of 32
5	Energy Cost (\$/kWh)	<u>0.048819</u>	Ln 3 ÷ Ln 4

Kroger Proposal for Rate Schedule 26 Design

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Step Three: Kroger Proposed Rate Schedule 26 Design @ PSE Proposed Revenue Requirement

Twelve Months ended September 30, 2003

Secondary Voltage, Demand Greater than 350 kW
 Schedule 26

(Set Energy Charge = Energy COS; Difference to Demand)

	Billing Determinants		PSE Proposed		Kroger Proposed		Kroger Proposed vs PSE Proposed		Respread of Reduced Energy \$
	Temp.	Adj.	Charge	Revenue	Rate Design Effective 2005	Calculated Revenue	Difference	%	
Total Basic Charge	8,699		79.00	687,203	79.00	687,221	18	0.0%	
Total kWh Energy	1,890,378,962	(3,556,768)	1,886,822,194	95,186,406	0.050448	92,112,363	(3,074,043)	-3.2%	
Winter - All kW	2,134,140		2,134,140	14,896,296	6.98	16,702,623	1,806,327	12.1%	\$ 1,806,327
Summer - All kW	2,253,129		2,253,129	10,454,519	4.64	11,722,235	1,267,716	12.1%	\$ 1,267,716
Total kW Demand	4,387,269		4,387,269	25,350,815	5.20	28,424,858	3,074,043	12.1%	\$ 3,074,043
Total kVarh Reactive Power	934,070,048		934,070,048	1,055,499	0.00113	1,055,499	0	0.0%	
Schedule 95	1,886,822,194		1,886,822,194	-	-	-	-	0.0%	
Total Revenue				122,279,923		122,279,941	18	0.0%	