

1 various customer classes.

2 **Q. PLEASE BRIEFLY STATE THE ISSUES YOUR TESTIMONY WILL**  
3 **ADDRESS.**

4 **A.** The Company's supplemental filing proposes a rate increase of \$77.8 million (or  
5 4.4%) attributable to the acquisition of a 270 MW gas fired resource—the  
6 Goldendale Generating Station (Goldendale)—and cost pressures in all other  
7 power-related areas.

8 The power cost adjustments addressed by ICNU would lower the proposed  
9 rate increase by about \$24.3 million, resulting in a rate increase of \$53.5 million (or  
10 3.1%). All of the ICNU adjustments are attributable to matters related to projecting  
11 the appropriate level of base power costs for the rate period. The specific  
12 adjustments I address and the approximate value are: 1) the availability of the  
13 Colstrip generating units (\$5.4 million reduction); 2) the appropriate level of sales  
14 for resale revenue (\$2.4 million reduction); 3) the gas supply for Goldendale (\$10.4  
15 million reduction); 4) the net revenue from Renewable Energy Credits (\$5.6  
16 million reduction); and 5) Account 557 litigation expense (\$0.5 million reduction).

17 In addition to these revenue requirement adjustments, the testimony also  
18 proposes that a series of collaborative processes be conducted and completed prior  
19 to the Company's next rate application. This would allow parties the ability to  
20 discuss and hopefully resolve the ratemaking treatment or timing of certain matters  
21 in a less contentious and more open setting. In a recent order, the Commission  
22 directed PSE to analyze the possible use of forward market prices in lieu of  
23 AURORA generated prices in the ratemaking process. WUTC v. PSE, WUTC  
24 Docket Nos. UE-060266 and UE-060267, Order No. 08 at ¶ 114 (Jan. 5, 2007).

**Q. ARE THERE OTHER TRANSACTIONS SHOWN ON THIS EXHIBIT THAT COULD OFFSET THIS PURCHASE VALUE?**

**A.** Yes. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED] than the Sumas market price that has been assumed for ratemaking purposes in recent years as the Company has acquired new combined cycle plants.

**Q. WHAT IS THE ICNU RECOMMENDATION FOR PRICING GAS SUPPLIES TO THE COMPANY'S GENERATING STATIONS IN THIS PROCEEDING?**

**A.** ICNU has two recommendations with regard to gas matters. First, for ratemaking purposes in this proceeding, the AURORA model should use the Rockies forward price projection for Goldendale supply for the non-peak months of April through October. This ratemaking adjustment is absolutely necessary to recognize the real world procurement of gas for the Company's generating stations. A rough comparison (simply using AURORA runs) suggests this will lower the power costs by \$10.2 million, equivalent to a revenue decrease of \$10.4 million. Second, with the acquisition of Goldendale and Frederickson, the PSE electric portfolio now has a large need for base load gas supplies. ICNU recommends the Commission order an all-party collaborative to investigate how all of PSE's gas assets can be used to maximize the benefit for all customers. This process should occur prior to the next general rate case filing so if there is a consensus outcome it can be incorporated into the next case. On the other hand, if consensus can not be achieved, all parties will be in a much better position to address this critical issue..

Comparison of PSE and ICNU Proposals (\$ 000)					
Major Groupings	PSE Proposal		ICNU Recommendation		Difference in Amount
	Amount	Percent	Amount	Percent	
Residential	\$40,672	4.3%	\$28,773	2.6%	(\$11,900)
Secondary Service	\$27,564	4.5%	\$19,500	2.8%	(\$8,065)
Primary Service	\$5,432	5.1%	\$3,843	3.1%	(\$1,589)
Campus Schedule	\$1,769	5.1%	\$0	0.0%	(\$1,769)
High Voltage Service	\$1,615	5.3%	\$1,142	3.3%	(\$472)
Lights	\$315	2.2%	\$223	1.3%	(\$92)
Small Firm Resale	\$28	5.6%	\$20	3.5%	(\$8)
Total	\$77,396	4.4%	\$53,500	2.7%	(\$23,896)

1    **Q.**     **DOES THIS CONCLUDE YOUR TESTIMONY?**

2    **A.**     Yes, at this time.