

**EXHIBIT NO. ___(DEM-16)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
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-060266
Docket No. UG-060267**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED SUPPLEMENTAL DIRECT TESTIMONY OF
DAVID E. MILLS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JULY 7, 2006

GRC Power Cost Projections
Rate Year AURORA + Non-AURORA Power Costs
6.15. 06 AURORA Model run
3-month average gas prices at 5.23.06

GRC Rate Year: 2007													Revised 2006	As filed 2006	
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	GRC (5.23.06 gas)	GRC (11.30.05 gas)	06 GRC
	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Rate Year	Incr/(Decr)
															Diff
501 Coal Fuel	\$ 4,507	\$ 4,141	\$ 4,591	\$ 4,107	\$ 3,690	\$ 3,571	\$ 4,590	\$ 4,592	\$ 4,548	\$ 4,676	\$ 4,548	\$ 4,676	\$ 52,238	\$ 49,801	\$ 2,438
547 Natural Gas Fuel	\$ 1,988	\$ 2,272	\$ 4,165	\$ 1,209	\$ (448)	\$ (1,247)	\$ 4,160	\$ 5,967	\$ 7,712	\$ 6,054	\$ 4,768	\$ 3,783	40,383	43,969	(3,587)
555 Purchase & Interchange	\$ 91,015	\$ 80,440	\$ 72,696	\$ 52,700	\$ 43,681	\$ 48,933	\$ 34,091	\$ 42,694	\$ 44,017	\$ 67,298	\$ 76,504	\$ 96,703	750,773	746,953	3,820
557 Other Power Supply	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	7,700	7,730	(30)
565 Wheeling	\$ 4,969	\$ 4,964	\$ 4,970	\$ 4,766	\$ 4,768	\$ 4,770	\$ 4,772	\$ 4,773	\$ 4,772	\$ 4,885	\$ 5,092	\$ 5,168	58,668	62,494	(3,826)
447 Secondary Sales	\$ (116)	\$ (25)	\$ (236)	\$ (120)	\$ (9)	\$ (64)	\$ (2,784)	\$ (3,863)	\$ (1,880)	\$ (713)	\$ (434)	\$ (25)	(10,270)	(10,255)	(15)
Subtotal	\$ 103,005	\$ 92,432	\$ 86,828	\$ 63,302	\$ 52,324	\$ 56,604	\$ 45,470	\$ 54,805	\$ 59,811	\$ 82,843	\$ 91,120	\$ 110,947	\$ 899,492	\$ 900,691	\$ (1,200)
456 Non-Core Gas	(132)	(29)	(42)	(22)	-	(3)	(31)	(64)	(76)	(70)	(43)	(42)	(552)	(475)	(78)
Total Power Costs	\$ 102,873	\$ 92,403	\$ 86,786	\$ 63,280	\$ 52,324	\$ 56,602	\$ 45,440	\$ 54,741	\$ 59,735	\$ 82,773	\$ 91,076	\$ 110,905	\$ 898,939	\$ 900,217	\$ (1,277)
Load in MWh	2,233,503	1,943,913	2,000,857	1,746,571	1,667,560	1,557,430	1,604,603	1,617,021	1,561,579	1,795,799	1,976,796	2,266,717	21,972,348	21,972,350	(2)
6.60% Delivered Load	2,086,092	1,815,615	1,868,800	1,631,297	1,557,501	1,454,639	1,498,700	1,510,297	1,458,515	1,677,277	1,846,327	2,117,114	20,522,173	20,522,175	(2)
Revenue Requirement Adjustments:															
Before adjustment													\$ 898,939	\$ 900,217	\$ (1,277)
Tenaska Buyout Disallowance 50.0%													\$ 16,645	\$ (8,317)	\$ (5)
Tenaska Prudence Disallowance 1.2%													\$ 209,904	\$ (2,511)	\$ (8)
March Point 2 Prudence Disallowance 3.0%													\$ 35,657	\$ (1,064)	\$ (6)
Net Power Costs													\$ 887,028	\$ 888,325	\$ (1,297)
Production O&M (including ben & p/r tax)													80,505	76,346	4,160
Colstrip 500 KV Expense													870	870	(0)
Costs for Revenue Requirement													\$ 968,404	\$ 965,541	\$ 2,863

**Supplemental 2006 GRC
6.15.06 Updated 2006 GRC vs 2005 PCORC power cost projections**

6.15.06 Updated

LN	FERC a/c	Contract/Resource	2005 PCORC (Dec'05-Nov'06) (costs in '000s)			2006 GRC (Jan'07-Dec'07) (costs in '000s)			Increase / (Decrease) Costs (costs in '000s)			2005PCORC	Revised	Incr/(Decr) MWhs
			AURORA	Other	Total	AURORA	Other	Total	AURORA	Other	Total	MWH	2006 GRC MWH	06GRC-05PCORC MWH
1	501	Colstrip 1&2	16,594	3,184	19,778	21,493	3,505	24,998	4,900	321	5,220	2,147,415	2,344,034	196,619
2	501	Colstrip 3&4	17,195	4,441	21,636	22,367	4,873	27,240	5,172	432	5,604	2,542,662	2,587,933	45,271
3	547	Encogen	31,079	(19,830)	11,249	23,650	(34,610)	(10,961)	(7,429)	(14,780)	(22,209)	489,107	290,751	(198,355)
4	547	Fred 1	30,914	5,460	36,374	39,116	6,763	45,879	8,203	1,303	9,505	624,665	594,185	(30,480)
5	547	Frederickson 1&2	211	0	211	554	0	554	342	0	342	2,463	5,064	2,601
6	547	Fredonia 1&2	1,008	1,368	2,375	1,742	791	2,533	734	(577)	158	12,578	16,873	4,295
7	547	Fredonia 3&4	199	204	404	959	791	1,750	759	587	1,346	2,467	10,290	7,823
8	547	Whitehorn 2&3	116	181	297	448	181	629	332	0	332	1,247	3,976	2,730
9	555	Baker Replacement	0	0	0	0	0	0	0	0	0	7,009	7,009	0
10	555	BC Hydro Point Roberts	1,314	0	1,314	1,486	0	1,486	172	0	172	19,610	19,678	68
11	555	BPA Firm - WNP #3 Exchange	11,021	0	11,021	11,960	0	11,960	940	0	940	407,507	390,782	(16,725)
12	555	BPA Snohomish Conservation	3,754	0	3,754	4,426	0	4,426	672	0	672	90,128	92,864	2,736
13	555	Canadian EA	0	0	0	0	0	0	0	0	0	(325,463)	(293,355)	32,108
14	555	Market Purchase	193,304	1,134	194,438	288,756	(2,926)	285,830	95,452	(4,060)	91,392	3,642,250	4,043,360	401,110
15	447	Market Sale	(7,855)	0	(7,855)	(10,270)	0	(10,270)	(2,415)	0	(2,415)	(229,486)	(202,658)	26,828
16	555	Mid Columbia	0	76,456	76,456	0	86,811	86,811	0	10,355	10,355	5,769,271	5,714,970	(54,301)
17	555	MPC Firm Contract	3,521	34,254	37,775	4,566	35,865	40,431	1,046	1,611	2,657	690,117	698,228	8,111
18	555	Nooksack Hydro	1,154	(57)	1,097	1,439	(72)	1,367	285	(15)	270	24,528	21,900	(2,628)
19	555	PG&E Exchange	0	0	0	0	0	0	0	0	0	(462)	2,044	2,505
20	555	PR Displacement Product	0	5,055	5,055	8,568	0	8,568	8,568	(5,055)	3,513	228,819	255,406	26,587
21	555	Puget's Hydro	0	0	0	0	0	0	0	0	0	1,121,654	1,136,080	14,426
22	555	QF Koma Kulshan Hydro	3,046	0	3,046	3,047	0	3,047	1	0	1	39,799	39,799	0
23	555	QF March Point Cogen Phase1	38,016	0	38,016	38,338	0	38,338	322	0	322	698,627	698,627	0
24	555	QF March Point Cogen Phase2	25,567	0	25,567	23,299	0	23,299	(2,268)	0	(2,268)	377,970	379,982	2,011
25	555	QF Port Townsend Hydro	117	0	117	163	(8)	155	46	(8)	38	2,545	2,545	0
26	555	QF Puyallup Energy Recovery Co. (PERC)	616	340	956	860	340	1,200	244	0	244	12,970	12,970	0
27	555	QF Spokane MSW	12,633	0	12,633	12,700	0	12,700	67	0	67	142,148	142,148	0
28	555	QF Sumas	78,935	0	78,935	56,051	0	56,051	(22,884)	0	(22,884)	891,712	839,341	(52,371)
29	555	QF Sygitowicz	42	0	42	44	0	44	2	0	2	717	717	0
30	555	QF Tenaska	122,779	20,389	143,168	142,773	24,343	167,116	19,994	3,954	23,948	791,336	905,102	113,767

Supplemental 2006 GRC
6.15.06 Updated 2006 GRC vs 2005 PCORC power cost projections

LN	FERC a/c	Contract/Resource	2005 PCORC (Dec'05-Nov'06)			2006 GRC (Jan'07-Dec'07)			Increase / (Decrease) Costs			2005PCORC	Revised	Incr/(Decr) MWs	
			(costs in '000s)			(costs in '000s)			(costs in '000s)			MWH	2006 GRC	06GRC-05PCORC	
			AURORA	Other	Total	AURORA	Other	Total	AURORA	Other	Total		MWH	MWH	MWH
32	555	QF Twin Falls	5,247	0	5,247	5,247	0	5,247	0	0	0	69,955	69,955	0	
33	555	QF Weeks Falls	943	0	943	943	0	943	0	0	0	12,569	12,569	0	
34	555	Wasco Hydro	2,451	0	2,451	2,465	0	2,465	15	0	15	38,054	37,994	(60)	
35	565	Hopkins Ridge Wind	0	3,248	3,248	0	3,182	3,182	0	(66)	(66)	443,409	460,940	17,531	
36	555	Wild Horse Wind	0	0	0	0	2,593	2,593	0	2,593	2,593	0	630,244	630,244	
37	555	APS	34,420	0	34,420	0	0	0	(34,420)	0	(34,420)	744,600	0	(744,600)	
38	547	Oil for CT	0	4,000	4,000	0	0	0	0	(4,000)	(4,000)	0	0	0	
39	555	QF Hutchinson	0	0	0	0	0	0	0	0	0	0	0	0	
40	557	Other Power Costs	0	6,935	6,935	0	7,700	7,700	0	765	765	0	0	0	
41	565	Wheeling	0	49,667	49,667	0	55,882	55,882	0	6,215	6,215	0	0	0	
42	555	Douglas Settlement	0	(3,218)	(3,218)	0	(8,374)	(8,374)	0	(5,157)	(5,157)	0	0	0	
43	555	Capacity	0	1,785	1,785	0	1,146	1,146	0	(638)	(638)	0	0	0	
44	555	Powerex	0	(838)	(838)	0	0	0	0	838	838	0	0	0	
45	456	(Gain) / Loss on Sale of Excess Gas	0	(1,202)	(1,202)	0	(552)	(552)	0	650	650	0	0	0	
46	555	BEP Amort	0	3,527	3,527	0	3,527	3,527	0	0	0	0	0	0	
49			628,339	196,483	824,822	707,191	191,749	898,939	78,852	(4,735)	74,117	21,534,496	21,972,348	437,851	
51	501	Coal Fuel	33,789	7,625	41,414	43,860	8,378	52,238	10,072	753	10,824	4,690,078	4,931,968	241,890	
52	547	Natural Gas Fuel	63,527	(8,617)	54,909	66,468	(26,085)	40,383	2,941	(17,468)	(14,527)	1,132,526	921,139	(211,387)	
53	555	Purchase & Interchange	538,878	138,827	677,705	607,133	143,244	750,377	68,255	4,417	72,672	15,497,970	15,860,959	362,989	
54	557	Other Power Supply	0	6,935	6,935	0	7,700	7,700	0	765	765	0	0	0	
55	565	Wheeling	0	52,915	52,915	0	59,064	59,064	0	6,149	6,149	443,409	460,940	17,531	
56	447	Secondary Sales	(7,855)	0	(7,855)	(10,270)	0	(10,270)	(2,415)	0	(2,415)	(229,486)	(202,658)	26,828	
57	456	Non-Core Gas	0	(1,202)	(1,202)	0	(552)	(552)	0	650	650	0	0	0	
58			628,339	196,483	824,822	707,191	191,749	898,939	78,852	(4,735)	74,117	21,534,496	21,972,348	437,851	
		Tenaska Buyout Disallowance			(8,901)			(8,323)			579				
		Tenaska Prudence Disallowance			(2,135)			(2,519)			(384)				
		March Point 2 Prudence Disallowance			(1,043)			(1,070)			(27)				
		Production O&M (including ben & p/r tax)			61,647			80,505			18,858				
		Colstrip 500 KV Expense			612			870			258				
		Power Costs for Revenue Requirement			875,002			968,404			93,401				10.7%