

**EXHIBIT NO. ___(DEM-17)
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**

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

JULY 7, 2006

Puget Sound Energy
2006 GRC Supplemental Update
Rate Year Power Costs
(dollars in thousands)

		AURORA	Not In Models	Prod'n O&M	Disallowance	TOTAL
Per Feb06 as-filed GRC	3-mo avg gas @ 11.30.05	\$ 709,086	\$ 191,131	\$ 77,216	\$ (11,892)	\$ 965,541
<u>Production O&M:</u>						
	Colstrip Updates			\$ 3,033		\$ 3,033
	Frederickson/Epcor Updates			751		751
	Update Relicensing Costs			391		391
	Other			(16)		(16)
<u>Not In Models:</u>						
	MidC Budget Updates		\$ 6,109			6,109
	Wheeling Forecast Updates		(3,826)			(3,826)
	AURORA Price Updates		(1,897)			(1,897)
	Colstrip Updates			118		118
	Other			114		114
<u>AURORA:</u>						
	Coal Prices Update	\$ 2,320				2,320
	Priest Rapids Cost Update	(459)				(459)
	Gas Price & Resource Update	(3,755)			(19)	(3,775)
Total Changes to Power Costs		\$ (1,895)	\$ 618	\$ 4,160	\$ (19)	\$ 2,863
Updated GRC Power Costs	3-mo avg gas @ 5.23.06	\$ 707,191	\$ 191,749	\$ 81,375	\$ (11,911)	\$ 968,404

**Supplemental 2006 GRC
6.15.06 Updated vs As-filed Rate Year Projected Power Costs**

LN	FERC a/c	Contract/Resource	As-Filed (Jan'07-Dec'07) (costs in '000s)			6.15.06 Updated (Jan'07-Dec'07) (costs in '000s)			Increase / (Decrease) Costs (costs in '000s)			As-filed	6.15.06	Incr/(Decr) MWhs
			AURORA	Other	Total	AURORA	Other	Total	AURORA	Other	Total	2006 GRC MWH	Updated 2006 GRC MWH	Updated - As-filed MWH
1														
2	501	Colstrip 1&2	20,381	3,567	23,948	21,493	3,505	24,998	1,112	(62)	1,051	2,310,439	2,344,034	33,595
3	501	Colstrip 3&4	21,160	4,693	25,853	22,367	4,873	27,240	1,207	180	1,387	2,603,377	2,587,933	(15,443)
4	547	Encogen	26,106	(34,556)	(8,450)	23,650	(34,610)	(10,961)	(2,456)	(54)	(2,511)	325,131	290,751	(34,380)
5	547	Fred 1	37,680	5,770	43,450	39,116	6,763	45,879	1,436	993	2,429	581,369	594,185	12,816
6	547	Frederickson 1&2	1,092	-	1,092	554	-	554	(539)	-	(539)	9,831	5,064	(4,767)
7	547	Fredonia 1&2	3,173	791	3,964	1,742	791	2,533	(1,432)	-	(1,432)	30,266	16,873	(13,393)
8	547	Fredonia 3&4	2,033	791	2,824	959	791	1,750	(1,074)	-	(1,074)	21,672	10,290	(11,383)
9	547	Whitehorn 2&3	908	181	1,089	448	181	629	(460)	-	(460)	7,911	3,976	(3,934)
10	555	Baker Replacement	-	-	-	-	-	-	-	-	-	7,009	7,009	-
11	555	BC Hydro Point Roberts	1,464	-	1,464	1,486	-	1,486	22	-	22	19,678	19,678	-
12	555	BPA Firm - WNP #3 Exchange	11,952	-	11,952	11,960	-	11,960	9	-	9	390,727	390,782	55
13	555	BPA Snohomish Conservation	4,426	-	4,426	4,426	-	4,426	-	-	-	92,864	92,864	-
14	555	Canadian EA	-	-	-	-	-	-	-	-	-	(293,355)	(293,355)	-
15	555	Market Purchase	276,671	234	276,905	288,756	(2,926)	285,830	12,085	(3,160)	8,926	3,853,312	4,043,360	190,048
16	447	Market Sale	(10,255)	-	(10,255)	(10,270)	-	(10,270)	(15)	-	(15)	(214,764)	(202,658)	12,106
17	555	Mid Columbia	-	80,702	80,702	-	86,811	86,811	-	6,109	6,109	5,710,583	5,714,970	4,388
18	555	MPC Firm Contract	4,423	35,763	40,186	4,566	35,865	40,431	143	102	245	705,429	698,228	(7,201)
19	555	Nooksack Hydro	1,419	(71)	1,348	1,439	(72)	1,367	20	(1)	19	21,900	21,900	-
20	555	PG&E Exchange	-	-	-	-	-	-	-	-	-	2,044	2,044	-
21	555	PR Displacement Product	9,027	-	9,027	8,568	-	8,568	(459)	-	(459)	255,406	255,406	-
22	555	Puget's Hydro	-	-	-	-	-	-	-	-	-	1,138,895	1,136,080	(2,815)
23	555	QF Koma Kulshan Hydro	3,047	-	3,047	3,047	-	3,047	-	-	-	39,799	39,799	-
24	555	QF March Point Cogen Phase1	38,338	-	38,338	38,338	-	38,338	-	-	-	698,627	698,627	-
25	555	QF March Point Cogen Phase2	23,741	-	23,741	23,299	-	23,299	(442)	-	(442)	386,459	379,982	(6,478)
26	555	QF Port Townsend Hydro	161	(8)	153	163	(8)	155	2	(0)	2	2,545	2,545	-
27	555	QF Puyallup Energy Recovery Co. (PERC)	850	340	1,190	860	340	1,200	11	-	11	12,970	12,970	-
28	555	QF Spokane MSW	12,700	-	12,700	12,700	-	12,700	-	-	-	142,148	142,148	-
29	555	QF Sumas	63,582	-	63,582	56,051	-	56,051	(7,531)	-	(7,531)	944,599	839,341	(105,258)
30	555	QF Sygitowicz	44	-	44	44	-	44	-	-	-	717	717	-
31	555	QF Tenaska	146,308	24,343	170,651	142,773	24,343	167,116	(3,535)	-	(3,535)	953,061	905,102	(47,958)

**Supplemental 2006 GRC
6.15.06 Updated vs As-filed Rate Year Projected Power Costs**

LN	FERC a/c	Contract/Resource	As-Filed (Jan'07-Dec'07) (costs in '000s)			6.15.06 Updated (Jan'07-Dec'07) (costs in '000s)			Increase / (Decrease) Costs (costs in '000s)			As-filed	6.15.06	Incr/(Decr) MWhs
			AURORA	Other	Total	AURORA	Other	Total	AURORA	Other	Total	2006 GRC MWH	Updated 2006 GRC MWH	Updated - As-filed MWH
32	555	QF Twin Falls	5,247	-	5,247	5,247	-	5,247	-	-	-	69,955	69,955	-
33	555	QF Weeks Falls	943	-	943	943	-	943	-	-	-	12,569	12,569	-
34	555	Wasco Hydro	2,465	-	2,465	2,465	-	2,465	-	-	-	37,994	37,994	-
35	565	Hopkins Ridge Wind	-	4,875	4,875	-	3,182	3,182	-	(1,693)	(1,693)	460,940	460,940	-
36	555	Wild Horse Wind	-	2,593	2,593	-	2,593	2,593	-	-	-	630,244	630,244	-
37	555	APS	-	-	-	-	-	-	-	-	-	-	-	-
38	547	Oil for CT	-	-	-	-	-	-	-	-	-	-	-	-
39	555	QF Hutchinson	-	-	-	-	-	-	-	-	-	-	-	-
40	557	Other Power Costs	-	7,730	7,730	-	7,700	7,700	-	(30)	(30)	-	-	-
41	565	Wheeling	-	58,015	58,015	-	55,882	55,882	-	(2,133)	(2,133)	-	-	-
42	555	Douglas Settlement	-	(8,778)	(8,778)	-	(8,374)	(8,374)	-	403	403	-	-	-
43	555	Capacity	-	1,105	1,105	-	1,146	1,146	-	42	42	-	-	-
44	555	Powerex	-	-	-	-	-	-	-	-	-	-	-	-
45	456	(Gain) / Loss on Sale of Excess Gas	-	(475)	(475)	-	(552)	(552)	-	(78)	(78)	-	-	-
46	555	BEP Amort	-	3,527	3,527	-	3,527	3,527	-	-	-	-	-	-
47	555	Fixed OnPeak Contract	-	-	-	-	-	-	-	-	-	-	-	-
48	555	Fixed OffPeak Contract	-	-	-	-	-	-	-	-	-	-	-	-
49			<u>709,086</u>	<u>191,131</u>	<u>900,217</u>	<u>707,191</u>	<u>191,749</u>	<u>898,939</u>	<u>(1,895)</u>	<u>618</u>	<u>(1,277)</u>	<u>21,972,350</u>	<u>21,972,348</u>	<u>(2)</u>
50			<u>0</u>			<u>(0)</u>					<u>(0)</u>			
51	501	Coal Fuel	41,541	8,260	49,801	43,860	8,378	52,238	2,320	118	2,438	4,913,815	4,931,968	18,152
52	547	Natural Gas Fuel	70,993	(27,024)	43,969	66,468	(26,085)	40,383	(4,525)	939	(3,587)	976,181	921,139	(55,042)
53	555	Purchase & Interchange	606,807	140,146	746,953	607,133	143,244	750,377	325	3,098	3,424	15,836,178	15,860,959	24,781
54	557	Other Power Supply	-	7,730	7,730	-	7,700	7,700	-	(30)	(30)	-	-	-
55	565	Wheeling	-	62,494	62,494	-	59,064	59,064	-	(3,430)	(3,430)	460,940	460,940	-
56	447	Secondary Sales	(10,255)	-	(10,255)	(10,270)	-	(10,270)	(15)	-	(15)	(214,764)	(202,658)	12,106
57	456	Non-Core Gas	-	(475)	(475)	-	(552)	(552)	-	(78)	(78)	-	-	-
58			<u>709,086</u>	<u>191,131</u>	<u>900,217</u>	<u>707,191</u>	<u>191,749</u>	<u>898,939</u>	<u>(1,895)</u>	<u>618</u>	<u>(1,277)</u>	<u>21,972,350</u>	<u>21,972,348</u>	<u>(2)</u>
60		Prudence & Buyout Disallowances		\$ (11,892)			\$ (11,911)			\$ (19)				
61		Production O&M (including ben & p/r tax)		76,346			80,505			4,160				
62		Colstrip 500 KV Expense		870			870			(0)				
63		Costs for Revenue Requirement		<u>\$ 965,541</u>			<u>\$ 968,404</u>			<u>\$ 2,863</u>				