

**EXHIBIT NO. \_\_\_(DEM-18)  
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**

**THIRD 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**

<b>GRC Rate Year: 2007</b>													<b>Revised 2006</b>	<b>As filed 2006</b>	
	<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>Apr-07</b>	<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>Dec-07</b>	<b>GRC (5.23.06 gas)</b>	<b>GRC (11.30.05 gas)</b>	<b>06 GRC</b>
	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Rate Year</b>	<b>Incr/(Decr)</b>
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)
<b>Subtotal</b>	<b>\$ 103,005</b>	<b>\$ 92,432</b>	<b>\$ 86,828</b>	<b>\$ 63,302</b>	<b>\$ 52,324</b>	<b>\$ 56,604</b>	<b>\$ 45,470</b>	<b>\$ 54,805</b>	<b>\$ 59,811</b>	<b>\$ 82,843</b>	<b>\$ 91,120</b>	<b>\$ 110,947</b>	<b>\$ 899,492</b>	<b>\$ 900,691</b>	<b>\$ (1,200)</b>
456 Non-Core Gas	(132)	(29)	(42)	(22)	-	(3)	(31)	(64)	(76)	(70)	(43)	(42)	(552)	(475)	(78)
<b>Total Power Costs</b>	<b>\$ 102,873</b>	<b>\$ 92,403</b>	<b>\$ 86,786</b>	<b>\$ 63,280</b>	<b>\$ 52,324</b>	<b>\$ 56,602</b>	<b>\$ 45,440</b>	<b>\$ 54,741</b>	<b>\$ 59,735</b>	<b>\$ 82,773</b>	<b>\$ 91,076</b>	<b>\$ 110,905</b>	<b>\$ 898,939</b>	<b>\$ 900,217</b>	<b>\$ (1,277)</b>
<b>Load in MWh</b>	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)
0.066 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)
<b>Revenue Requirement Adjustments:</b>															
Before adjustment													\$ 898,939	\$ 900,217	\$ (1,277)
Tenaska Buyout Disallowance 50.0%													\$ 16,645	\$ (8,323)	\$ (5)
Tenaska Prudence Disallowance 1.2%													\$ 209,904	(2,519)	(8)
March Point 2 Prudence Disallowance 3.0%													\$ 35,657	(1,070)	(6)
<b>Net Power Costs</b>													<b>\$ 887,028</b>	<b>\$ 888,325</b>	<b>\$ (1,297)</b>
<b>Production O&amp;M (including ben &amp; p/r tax)</b>													80,505	76,346	4,160
<b>Colstrip 500 KV Expense</b>													870	870	(0)
<b>Costs for Revenue Requirement</b>													<b>\$ 968,404</b>	<b>\$ 965,541</b>	<b>\$ 2,863</b>

0.3%

**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**

<u>Excluding Wild Horse</u>		Revised 2006												As-Filed RY 2007	Incr/(Decr) Diff		
		Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07			Rate Year	
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	\$ 93,898	\$ 83,293	\$ 76,169	\$ 54,652	\$ 45,904	\$ 51,001	\$ 36,133	\$ 45,206	\$ 47,042	\$ 70,962	\$ 80,722	\$ 100,181	785,161	780,540	4,622	
557	Other Power Supply	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	\$ 642	7,700	7,730	(30)	
565	Wheeling	\$ 4,966	\$ 4,961	\$ 4,968	\$ 4,763	\$ 4,766	\$ 4,767	\$ 4,770	\$ 4,771	\$ 4,769	\$ 4,882	\$ 5,089	\$ 5,166	58,639	62,412	(3,773)	
447	Secondary Sales	\$ (72)	\$ (13)	\$ (116)	\$ (68)	\$ (3)	\$ (30)	\$ (1,864)	\$ (2,732)	\$ (1,059)	\$ (321)	\$ (152)	\$ (7)	(6,437)	(6,357)	(80)	
	<b>Subtotal</b>	<b>\$ 105,929</b>	<b>\$ 95,295</b>	<b>\$ 90,417</b>	<b>\$ 65,304</b>	<b>\$ 54,550</b>	<b>\$ 58,704</b>	<b>\$ 48,430</b>	<b>\$ 58,445</b>	<b>\$ 63,655</b>	<b>\$ 86,895</b>	<b>\$ 95,617</b>	<b>\$ 114,441</b>	<b>\$ 937,683</b>	<b>\$ 938,094</b>	<b>\$ (410)</b>	
456	Non-Core Gas	\$ (132)	\$ (29)	\$ (42)	\$ (22)	\$ -	\$ (3)	\$ (31)	\$ (64)	\$ (76)	\$ (70)	\$ (43)	\$ (42)	(552)	(475)	(78)	
	<b>Subtotal with Non-Core G</b>	<b>\$ 105,797</b>	<b>\$ 95,266</b>	<b>\$ 90,375</b>	<b>\$ 65,282</b>	<b>\$ 54,550</b>	<b>\$ 58,702</b>	<b>\$ 48,400</b>	<b>\$ 58,382</b>	<b>\$ 63,579</b>	<b>\$ 86,825</b>	<b>\$ 95,574</b>	<b>\$ 114,399</b>	<b>\$ 937,131</b>	<b>\$ 937,619</b>	<b>\$ (488)</b>	
	<b>Load in MWh</b>	<b>2,233,603</b>	<b>1,943,913</b>	<b>2,000,857</b>	<b>1,746,571</b>	<b>1,667,560</b>	<b>1,557,430</b>	<b>1,604,603</b>	<b>1,617,021</b>	<b>1,561,579</b>	<b>1,795,800</b>	<b>1,976,796</b>	<b>2,266,717</b>	<b>21,972,350</b>	<b>21,972,350</b>		
0.066	<b>Delivered Load</b>	<b>2,086,092</b>	<b>1,815,615</b>	<b>1,868,800</b>	<b>1,631,297</b>	<b>1,557,501</b>	<b>1,454,639</b>	<b>1,498,700</b>	<b>1,510,297</b>	<b>1,458,515</b>	<b>1,677,277</b>	<b>1,846,327</b>	<b>2,117,114</b>	<b>20,522,173</b>	<b>20,522,175</b>		
	<b>Revenue Requirement Adjustments:</b>																
														\$ 937,131	\$ 937,619	\$ (488)	
														Before adjustment			
														Tenaska Buyout Disallowance	50.0% \$ 16,645	\$ (8,323) \$ (8,317) \$ (5)	
														Tenaska Prudence Disallowance	1.2% \$ 209,904	\$ (2,519) \$ (2,511) \$ (8)	
														March Point 2 Prudence Disallowance	3.0% \$ 35,657	\$ (1,070) \$ (1,064) \$ (6)	
														<b>Net Power Costs</b>	\$ 925,220	\$ 925,727	\$ (507)
														<b>Production O&amp;M (excluding WH)</b>	70,584	66,424	4,160
														<b>Colstrip 500 KV Expense</b>	870	870	(0)
														<b>Costs for Revenue Requirement</b>	<b>\$ 996,674</b>	<b>\$ 993,022</b>	<b>\$ 3,652</b>
														<b>Cost Decr / (Incr) Without Wild Horse</b>	<b>\$ 28,270</b>	<b>\$ 27,481</b>	<b>\$ 789</b>

**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**

**Wild Horse**

		Revised 2006												As-Filed		Incr/(Decr)
		GRC												Rate Year	Rate Year	Diff
		Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Rate Year	Rate Year	Diff
501	Coal Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ 0
547	Natural Gas Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
555	Purchase & Interchange	\$ 2,882	\$ 2,853	\$ 3,472	\$ 1,952	\$ 2,222	\$ 2,068	\$ 2,042	\$ 2,512	\$ 3,025	\$ 3,663	\$ 4,218	\$ 3,478	34,388	33,586	801
557	Other Power Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
565	Wheeling	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	(29)	(82)	53
447	Secondary Sales	\$ 44	\$ 12	\$ 120	\$ 52	\$ 6	\$ 35	\$ 920	\$ 1,131	\$ 821	\$ 391	\$ 282	\$ 18	3,833	3,898	(65)
<b>Subtotal</b>		\$ 2,924	\$ 2,863	\$ 3,590	\$ 2,002	\$ 2,226	\$ 2,100	\$ 2,960	\$ 3,641	\$ 3,844	\$ 4,052	\$ 4,498	\$ 3,494	\$ 38,192	\$ 37,402	\$ 789
456	Non-Core Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal with Non-Core G</b>		\$ 2,924	\$ 2,863	\$ 3,590	\$ 2,002	\$ 2,226	\$ 2,100	\$ 2,960	\$ 3,641	\$ 3,844	\$ 4,052	\$ 4,498	\$ 3,494	\$ 38,192	\$ 37,402	\$ 789

Load in MWh	(0)	0	0	(0)	0	0	(0)	0	0	0	1	0	0	2	(0)
0.066 Delivered Load	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Revenue Requirement Adjustments:**

Before adjustment	\$	38,192	\$	37,402	\$	789
Tenaska Buyout Disallowance 50.0%	\$	-	\$	-	\$	-
Tenaska Prudence Disallowance 1.2%	\$	-	\$	-	\$	-
March Point 2 Prudence Disallowance 3.0%	\$	-	\$	-	\$	-
<b>Net Power Costs</b>	\$	38,192	\$	37,402	\$	789
<b>Production O&amp;M (including ben &amp; p/r tax)</b>	\$	(9,921)	\$	(9,921)	\$	-
<b>Colstrip 500 KV Expense</b>	\$	-	\$	-	\$	-
<b>Costs for Revenue Requirement</b>	\$	28,270	\$	27,481	\$	789

Wild Horse

Decreases Power Costs: Market Net Purchases	(40,813)	(40,077)	(736)
Increases Power Costs	\$ 2,593	\$ 2,593	\$ -
Increases Power Costs: Wheeling Costs	\$ 29	\$ 82	\$ (53)
Increases Production O&M	\$ 9,921	\$ 9,921	\$ -
<b>Benefit of Wild Horse</b>	\$ (28,270)	\$ (27,481)	\$ (789)