

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

PUGET SOUND ENERGY, INC.

for (1) Approval of the Proposed Sale of PSE's
Share of the Centralia Facilities, and
(2) Authorization to Amortize Gain Over a Five-
Year Period.

DOCKET NO. UE-99 _____

EXHIBIT NO. _____ (WAG-4)

EXHIBIT NO. _____ (WAG-4)
TO THE DIRECT TESTIMONY
OF WILLIAM A. GAINES

WUTC DOCKET NO. UE-991255
EXHIBIT NO. 105
ADMIT W/D REJECT

Summary Table - Centralia Analysis

**Present Value of Cost of Centralia less PV
Cost of Market Alternative**

\$ 000's

Disc. Rate	Plant Avail.	CO2 Tax	End Balance Recovery	5 year NPV thru 2004	10 year NPV thru 2009	15 year NPV thru 2014	19 year NPV thru 2018
7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937

Current Scenario

- 1 Scen. (NERC availability)

Variation of Market Price on Current Scenario

Low Market Price

Medium Price - 20 Pct

- 1 Med. Mkt. Scen. (NERC availability)

Medium Price + 20 Pct

High Market Price

7.69%	NERC	No	Annuity	49,156	71,333	84,870	96,044
7.69%	NERC	No	Annuity	35,875	46,369	50,260	52,390
7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937
7.69%	NERC	No	Annuity	9,973	(5,843)	(22,417)	(33,539)
7.69%	NERC	No	Annuity	5,226	(19,620)	(44,630)	(61,469)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
- 3 Scen. (CO2 Tax \$10 per Ton.)
- 4 Scen. (Discount Rate 7%)
- 5 Scen. (Discount Rate 10%)
- 6 Scen. (Discount Rate 12%)

7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937
7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158
10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965
12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148

Other Assumptions

PacifiCorp Assumptions

Scrubbers and Low NOx Burners - Nominal

Reclamation of Mine - 1999\$

Total 100%

PSE 7%

\$210,000 \$14,700 Nominal Dollars capital investment 2000 - 2002 including AFUDC

\$322,177 \$22,552 1999\$ 2000 - 2023

Gain on Sale \$000's

\$13,520

Summary Table - Centralia Analysis

**Present Value of Cost of Centralia less PV
Cost of Market Alternative**

\$ 000's

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7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)

Current Scenario

2 Scen. (avg. availability)

Variation of Market Price on Current Scenario

Low Market Price

Medium Price - 20 Pct

2 Med. Mkt. Scen. (avg. availability)

Medium Price + 20 Pct

High Market Price

7.69%	7 yr avg.	No	Annuity	48,284	69,477	82,323	93,336
7.69%	7 yr avg.	No	Annuity	33,550	41,779	43,921	44,899
7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)
7.69%	7 yr avg.	No	Annuity	4,812	(16,150)	(36,714)	(50,439)
7.69%	7 yr avg.	No	Annuity	(455)	(31,435)	(61,358)	(81,427)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
- 3 Scen. (CO2 Tax \$10 per Ton.)
- 4 Scen. (Discount Rate 7%)
- 5 Scen. (Discount Rate 10%)
- 6 Scen. (Discount Rate 12%)

7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937
7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158
10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965
12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148

Other Assumptions

PacifiCorp Assumptions

Scrubbers and Low NOx Burners - Nominal
Reclamation of Mine - 1999\$

Total 100%	PSE 7%
\$210,000	\$14,700
\$322,177	\$22,552
	\$13,520

Nominal Dollars capital investment 2000 - 2002 including AFUDC

1999\$ 2000 - 2023

Gain on Sale \$000's

Summary Table - Centralia Analysis

**Present Value of Cost of Centralia less PV
Cost of Market Alternative**

\$ 000's

Disc. Rate	Plant Avail.	CO2 Tax	End Balance Recovery	5 year NPV thru 2004	10 year NPV thru 2009	15 year NPV thru 2014	19 year NPV thru 2018
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381

Current Scenario

3 Scen. (CO2 Tax \$10 per Ton.)

Variation of Market Price on Current Scenario

Low Market Price (CO2)

3 Med. Mkt. Scen. (CO2 Tax \$10 per Ton.)

High Market Price (CO2)

7.69%	NERC	\$10/ton	Annuity	49,905	78,890	102,237	117,179
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381
7.69%	NERC	\$10/ton	Annuity	5,633	(13,614)	(30,824)	(42,618)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
- 3 Scen. (CO2 Tax \$10 per Ton.)
- 4 Scen. (Discount Rate 7%)
- 5 Scen. (Discount Rate 10%)
- 6 Scen. (Discount Rate 12%)

7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937
7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158
10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965
12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148

Other Assumptions

PacifiCorp Assumptions

Scrubbers and Low NOx Burners - Nominal
Reclamation of Mine - 1999\$

Gain on Sale \$000's

Total 100%	PSE 7%
\$210,000	\$14,700
\$322,177	\$22,552
	\$13,520

Nominal Dollars capital investment 2000 - 2002 including AFUDC
1999\$ 2000 - 2023

Summary Table - Centralia Analysis

Present Value of Cost of Centralia less PV Cost of Market Alternative

\$ 000's

Disc. Rate	Plant Avail.	CO2 Tax	End Balance Recovery	5 year NPV thru 2004	10 year NPV thru 2009	15 year NPV thru 2014	19 year NPV thru 2018
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158

Current Scenario

4 Scen. (Discount Rate 7%)

Variation of Market Price on Current Scenario

Low Market Price

Medium Price - 20 Pct

4 Med. Mkt. Scen. (Discount Rate 7%)

Medium Price + 20 Pct

High Market Price

7.00%	NERC	No	Annuity	49,639	72,605	87,042	99,447
7.00%	NERC	No	Annuity	36,479	47,464	51,669	54,107
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158
7.00%	NERC	No	Annuity	10,123	(6,491)	(24,448)	(36,788)
7.00%	NERC	No	Annuity	5,251	(20,820)	(47,925)	(66,638)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
- 3 Scen. (CO2 Tax \$10 per Ton.)
- 4 Scen. (Discount Rate 7%)
- 5 Scen. (Discount Rate 10%)
- 6 Scen. (Discount Rate 12%)

7.69%	NERC	No	Annuity	20,435	17,774	11,432	6,937
7.69%	7 yr avg.	No	Annuity	16,419	10,053	842	(5,532)
7.69%	NERC	\$10/ton	Annuity	20,435	23,373	24,831	25,381
7.00%	NERC	No	Annuity	20,799	17,984	11,109	6,158
10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965
12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148

Other Assumptions

PacifiCorp Assumptions

Scrubbers and Low NOx Burners - Nominal

Reclamation of Mine - 1999\$

Gain on Sale \$000's

Total 100% FSE 7%

\$210,000

\$322,177

\$14,700

\$22,552

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Nominal Dollars capital investment 2000 - 2002 including AFUDC

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10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965

Current Scenario

5 Scen. (Discount Rate 10%)

Variation of Market Price on Current Scenario

Low Market Price

Medium Price - 20 Pct

5 Med. Mkt. Scen. (Discount Rate 10%)

Medium Price + 20 Pct

High Market Price

10.00%	NERC	No	Annuity	47,596	67,334	78,261	86,187
10.00%	NERC	No	Annuity	33,970	42,999	46,010	47,382
10.00%	NERC	No	Annuity	19,289	17,077	12,218	8,965
10.00%	NERC	No	Annuity	9,499	(3,954)	(16,683)	(24,561)
10.00%	NERC	No	Annuity	5,139	(16,065)	(35,253)	(47,129)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
- 3 Scen. (CO2 Tax \$10 per Ton.)
- 4 Scen. (Discount Rate 7%)
- 5 Scen. (Discount Rate 10%)
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Other Assumptions

PacifiCorp Assumptions
 Scrubbers and Low NOx Burners - Nominal
 Reclamation of Mine - 1999\$

Total 100%

\$210,000
 \$322,177
 \$14,700
 \$22,552
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Nominal Dollars capital investment 2000 - 2002 including AFUDC
 1999\$ 2000 - 2023

Gain on Sale \$000's

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12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148

Current Scenario

6 Scen. (Discount Rate 12%)

Variation of Market Price on Current Scenario

Low Market Price

Medium Price - 20 Pct

6 Med. Mkt. Scen. (Discount Rate 12%)

Medium Price + 20 Pct

High Market Price

12.00%	NERC	No	Annuity	46,314	64,173	73,268	79,199
12.00%	NERC	No	Annuity	32,454	40,406	42,830	43,779
12.00%	NERC	No	Annuity	18,377	16,487	12,608	10,148
12.00%	NERC	No	Annuity	9,120	(2,613)	(12,793)	(18,663)
12.00%	NERC	No	Annuity	5,064	(13,484)	(28,816)	(37,639)

Other Scenarios

- 1 Scen. (NERC availability)
- 2 Scen. (avg. availability)
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Total 100% **PSE 7%**

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Gain on Sale \$000's

\$13,520