

**EXHIBIT NO. \_\_ (JHS-18)  
DOCKET NO. UE-060266/UG-060267  
2006 PSE GENERAL RATE CASE  
WITNESS: JOHN H. STORY**

**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  
JOHN H. STORY  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**JULY 7, 2006**

**Exhibit A-1 Power Cost Rate**

Row		Test Year		
3	Regulatory Assets (Variable)	\$	230,034,285	
4	Transmission Rate Base (Fixed)		113,206,055	
5	Production Rate Base (Fixed)		<b>1,002,040,196</b>	
6			<b>\$ 1,345,280,536</b>	
7	Net of tax rate of return		7.57%	Production Factor
8				0.99109
9				<u>Rate Year</u>
10	Regulatory Asset Recovery (on Row 3)	\$	26,790,147	\$ 1.317 (c)
11	Fixed Asset Recovery Other (on Row 4)		13,184,151	\$ 0.648 (a)
12	Fixed Asset Recovery-Prod Factored (on Row 5)		<b>116,699,143</b>	\$ <b>5.738</b> (a)
13	501-Steam Fuel		<b>51,772,845</b>	\$ <b>2.545</b> (c)
14	555-Purchased power		<b>716,462,692</b>	\$ <b>35.226</b> (c)
14a	Rate Disallowances for March Point 2 & Tenaska		<b>(11,805,054)</b>	\$ <b>(0.580)</b> (c)
15	557-Other Power Exp		<b>7,022,904</b>	\$ <b>0.345</b> (a)
15a	Payroll Overheads - Worker's Comp		1,077,159	\$ 0.053 (a)
15b	Property Insurance		<b>2,267,699</b>	\$ <b>0.111</b> (a)
15c	Montana Electric Energy Tax		1,704,512	\$ 0.084 (a)
15d	Payroll Taxes on Production Wages		<b>524,462</b>	\$ <b>0.026</b> (a)
16	547-Fuel		<b>40,735,849</b>	\$ <b>2.003</b> (c)
17	565-Wheeling		<b>56,506,255</b>	\$ <b>2.778</b> (c)
18	Variable Transmission Income		(3,869,746)	\$ (0.190) (c)
19	Hydro and Other Pwr.		<b>77,958,398</b>	\$ <b>3.833</b> (a)
20	447-Sales to Others		<b>(10,178,424)</b>	\$ <b>(0.500)</b> (c)
21	456-Subaccounts 00012 & 00018 and 00035 & 00036		<b>(547,386)</b>	\$ <b>(0.027)</b> (c)
22	Transmission Exp - 500KV		862,248	\$ 0.042 (a)
23	Depreciation & Amort -Production (FERC 403)		<b>68,107,060</b>	\$ <b>3.349</b> (a)
24	Depreciation-Transmission		5,109,174	\$ 0.251 (a)
25	Amortization-Production Reg Assets		30,028,391	\$ 1.476 (c)
26	Property Taxes-Production		<b>12,313,203</b>	\$ <b>0.605</b> (a)
27	Property Taxes-Transmission		<b>4,022,759</b>	\$ <b>0.198</b> (a)
28	Subtotal & Baseline Rate		<b>\$ 1,206,748,439</b>	<b>\$ 59.331</b> (b)
29	Revenue Sensitive Items		0.9549744	
30			<b>\$ 1,263,644,825</b>	
31	Test Year DELIVERED Load (MWH's)		20,339,227	<-- includes Firm Wholesale
32				
33				
34				
35				
36				
37	Power Cost in Rates with Revenue Sensitive			
38	Items (the adjusted baseline)	\$	<b>59.331</b>	\$ <b>62.128</b>
39	sum of (a) = Fixed Rate Component	\$	<b>15.283</b>	\$ <b>16.004</b>
40	(b) = Power Cost Rate	\$	<b>59.331</b>	\$ <b>62.128</b>
41	sum of (c) = Variable Power Rate Component	\$	<b>44.048</b>	\$ <b>46.125</b>

(Note) Amounts presented in bold italic type have changed since the February 15, 2006 original filing.

PUGET SOUND ENERGY  
 PRODUCTION ADJUSTMENT  
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
 GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 0.891%	FIT 35%
1	<b><u>O&amp;M ON PRODUCTION PROPERTY</u></b>			
2	PRODUCTION WAGE INCREASE:			
3	PURCHASED POWER	\$ 62,770	\$ (559)	\$ 196
4	OTHER POWER SUPPLY	286,273	(2,551)	893
5	TOTAL PRODUCTION WAGE INCREASE	<u>349,043</u>	<u>(3,110)</u>	<u>1,089</u>
6				
7	WIND PLANT POWER COSTS AND PRODUCTION O&M:			
8	565 - WHEELING	2,621,721	(23,360)	8,176
9	PRODUCTION O&M	14,650,354	(130,535)	45,687
10	TOTAL WILD HORSE POWER COSTS AND PRODUCTION O&M	<u>17,272,075</u>	<u>(153,894)</u>	<u>53,863</u>
11				
12	ADMIN & GENERAL EXPENSES			
13	PAYROLL OVERHEADS	1,086,842	(9,684)	3,389
14	PROPERTY INSURANCE	2,288,086	(20,387)	7,135
15	TOTAL ADMIN & GENERAL EXPENSES	<u>3,374,928</u>	<u>(30,071)</u>	<u>10,524</u>
16				
17	DEPRECIATION / AMORTIZATION:			
18	DEPRECIATION	65,698,460	(585,373)	166,935
19	AMORTIZATION	3,020,890	(26,916)	8,298
20	TOTAL DEPRECIATION AND AMORTIZATION (FERC 403)	<u>68,719,350</u>	<u>(612,289)</u>	<u>175,233</u>
21	TAXES OTHER-PRODUCTION PROPERTY:			
22	PROPERTY TAXES - WASHINGTON	6,575,857	(58,591)	20,507
23	PROPERTY TAXES - MONTANA	5,848,043	(52,106)	18,237
24	ELECTRIC ENERGY TAX	1,719,835	(15,324)	5,363
25	PAYROLL TAXES	529,177	(4,715)	1,650
26	TOTAL TAXES OTHER	<u>14,672,913</u>	<u>(130,736)</u>	<u>45,757</u>
27				
28	<b><u>O&amp;M ON REGULATORY ASSETS:</u></b>			
29	CABOT	\$ 3,078,000	(27,425)	9,599
30	TENASKA	24,343,000	(216,896)	75,914
31	BEP	3,526,620	(31,422)	10,998
32	WHITE RIVER PLANT COSTS	1,494,702	(13,318)	4,661
33	WHITE RIVER RELICENSING & CWIP	-	-	-
34	CANWEST	(3,797,503)	33,836	(11,843)
35	HOPKINS RIDGE PREPAID TRANSMISSION	1,653,530	(14,733)	5,157
36	TOTAL ADJUSTMENT TO O&M ON REGULATORY ASSETS	<u>\$ 30,298,349</u>	<u>\$ (269,958)</u>	<u>\$ 94,486</u>
37	INCREASE(DECREASE) EXPENSE		<b>(1,200,058)</b>	
38	INCREASE(DECREASE) FIT			<b>380,952</b>
39	INCREASE(DECREASE) NOI			<u><b>\$ 819,106</b></u>
40				
41	<b><u>PRODUCTION PROPERTY RATE BASE:</u></b>			
42	DEPRECIABLE PRODUCTION PROPERTY	\$ 1,697,599,545	\$ (15,125,612)	
43	LESS PRODUCTION PROPERTY ACCUM DEPR.	(664,967,027)	5,924,856	
44	NON-DEPRECIABLE PRODUCTION PROPERTY	53,170,386	(473,748)	
45	LESS PRODUCTION PROPERTY ACCUM AMORT.	(3,057,353)	27,241	
46	COLSTRIP COMMON FERC ADJUSTMENT	6,809,639	(60,674)	
47	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,006,346	(17,877)	
48	ENCOGEN ACQUISITION ADJUSTMENT	46,646,833	(415,623)	
49	NET PRODUCTION PROPERTY	<u>1,138,208,369</u>	<u>(10,141,437)</u>	
50	DEDUCT:			
51	LIBR. DEPREC. PRE 1981 (EOP)	(669,177)	5,962	
52	LIBR. DEPREC. POST 1980 (EOP)	(122,439,594)	1,090,937	
53	OTHER DEF. TAXES (EOP)	(4,050,958)	36,094	
54	SUBTOTAL	<u>(127,159,729)</u>	<u>1,132,993</u>	
55				
56	ADJUSTMENT TO PRODUCTION RATE BASE	<u>\$ 1,011,048,640</u>	<u>\$ (9,008,443)</u>	<u>\$ 1,002,040,196</u>
57				
58	<b><u>REGULATORY ASSETS RATE BASE:</u></b>			
59	CABOT	2,824,963	(25,170)	
60	TENASKA	142,925,042	(1,273,462)	
61	BEP	24,007,413	(213,906)	
62	WHITE RIVER PLANT COSTS	39,052,307	(347,956)	
63	WHITE RIVER RELICENSING & CWIP	17,018,469	(151,635)	
64	CANWEST	(2,468,377)	21,993	
65	HOPKINS RIDGE PREPAID TRANSMISSION	8,742,500	(77,896)	
66				
67	ADJUSTMENT TO REGULATORY ASSETS RATE BASE	<u>\$ 232,102,317</u>	<u>\$ (2,068,032)</u>	<u>\$ 230,034,285</u>
68				
69	TOTAL ADJUSTMENT TO RATEBASE (LINE 56 + LINE 67)		<u><b>\$ (11,076,476)</b></u>	

(Note) Amounts presented in bold type have changed since the February 15, 2006 original filing.

**PUGET SOUND ENERGY  
POWER COSTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1 SALES FOR RESALE	\$ 151,158,328	<i>\$ 10,178,424</i>	<i>\$ (140,979,904)</i>
2			
3 PURCHASES/SALES OF NON-CORE GAS	20,154,644	<i>547,386</i>	<i>(19,607,258)</i>
4 WHEELING FOR OTHERS	11,340,015	10,373,140	(966,875)
5	<u>31,494,659</u>	<u><i>10,920,526</i></u>	<u><i>(20,574,133)</i></u>
6			
7 <b>TOTAL OPERATING REVENUES</b>	<u>182,652,987</u>	<u><i>21,098,950</i></u>	<u><i>(161,554,037)</i></u>
8			
9 FUEL	\$ 72,975,508	<i>\$ 92,508,694</i>	<i>\$ 19,533,186</i>
10			
11 PURCHASED AND INTERCHANGED	788,255,330	<i>723,423,385</i>	<i>(64,831,945)</i>
12 RATE DISALLOWANCES FOR MARCH POIN	-	<i>(11,805,054)</i>	<i>(11,805,054)</i>
13 SUBTOTAL PURCHASED AND INTERCHAN	<u>\$ 788,255,330</u>	<u><i>\$ 711,618,331</i></u>	<u><i>\$ (76,636,999)</i></u>
14 WHEELING	43,994,427	<i>53,907,894</i>	<i>9,913,467</i>
15 SCH. 94 - RES./FARM CREDIT	(177,350,021)	-	177,350,021
16 TOTAL PRODUCTION EXPENSES	<u>\$ 727,875,244</u>	<u><i>\$ 858,034,918</i></u>	<u><i>\$ 130,159,674</i></u>
17 HYDRO AND OTHER POWER	53,185,137	<i>63,154,856</i>	<i>9,969,719</i>
18 TRANS. EXP. INCL. 500KV O&M	604,461	862,248	257,787
19			
20 <b>TOTAL OPERATING EXPENSES</b>	<u>\$ 781,664,842</u>	<u><i>\$ 922,052,022</i></u>	<u><i>\$ 140,387,180</i></u>
21			
22 INCREASE (DECREASE) OPERATING INCOM	<u>\$ (599,011,855)</u>	<u><i>\$ (900,953,072)</i></u>	<u><i>\$ (301,941,217)</i></u>
23			
24 REDUCTION TO STATE UTILITY TAX SAVI	3.85%		(37,225)
25 INCREASE (DECREASE) INCOME			<i>\$ (301,903,992)</i>
26 INCREASE (DECREASE) FIT @	35%		<i>(105,666,397)</i>
27 INCREASE (DECREASE) NOI			<u><i>\$ (196,237,595)</i></u>

*(Note) Amounts presented in bold italic type have changed since the February 15, 2006 original filing.*