

1 A. Increasing the gas price from \$4.38/mmbtu to \$4.69/mmbtu, and using 50 hydro  
2 years to calculate hydropower production, results in a total increase in PSE's net  
3 power costs of ~~\$29,102,000~~\$18,798,000. (Exhibit \_\_ (YKGM-9).)

4  
5 **Q. Over what period of time should Staff's proposed gas price be effective?**

6 A. The PCA mechanism expires on June 30, 2006. It is difficult to ascertain gas prices  
7 after June 2006. Before that date, Staff could review the prudence of market  
8 purchases relative to the recommended gas price in this proceeding. After June 2006,  
9 there is no mechanism to assess the prudence of gas purchases other than a general  
10 rate case. Therefore, Staff recommends that the proposed gas price should be  
11 effective only until June 30, 2006, unless changed sooner in a rate case.

12  
13 **Q. Does Staff have any final recommendation for PSE regarding forecasts of**  
14 **forward spot prices?**

15 A. Staff proposes that the Company initiate a working group of interested parties to  
16 develop an acceptable method of forecasting forward spot prices. The approach that  
17 PSE adopted in this case has no theoretical or empirical justification.