

PSE Power Cost Adjustment (PCA) Mechanism Forecast

Dollars are in millions

Month	Prior to PCORC Order				After PCORC Order							
	A Monthly Cost	B Cumulative PCA Period Imbalance	C PCA Cumulative Imbalance	D Allocated to Customer Cust > \$20	E Cust > \$40	F Cumulative	G Monthly Commission Adjustment	H Cumulative PCA Period Imbalance	I PCA Cumulative Imbalance	J Allocated to Customer Cust > \$20	K Cust > \$40	L Cumulative
PCA Period 1	Jul-02 (3.60)	(3.60)	(3.60)	-	-	-		(3.60)	(3.60)	-	-	-
	Aug-02 (1.40)	(5.00)	(5.00)	-	-	-		(5.00)	(5.00)	-	-	-
	Sep-02 6.80	1.80	1.80	-	-	-		1.80	1.80	-	-	-
	Oct-02 3.50	5.30	5.30	-	-	-		5.30	5.30	-	-	-
	Nov-02 (2.30)	3.00	3.00	-	-	-		3.00	3.00	-	-	-
	Dec-02 2.30	5.30	5.30	-	-	-		5.30	5.30	-	-	-
	Jan-03 (1.30)	4.00	4.00	-	-	-		4.00	4.00	-	-	-
	Feb-03 5.50	9.50	9.50	-	-	-		9.50	9.50	-	-	-
	Mar-03 7.40	16.90	16.90	-	-	-		16.90	16.90	-	-	-
	Apr-03 (1.60)	15.30	15.30	-	-	-		15.30	15.30	-	-	-
	May-03 (2.30)	13.00	13.00	-	-	-		13.00	13.00	-	-	-
	Jun-03 12.30	25.30	25.30	2.65	-	2.65	(25.60)	(0.30)	(0.30)	-	-	-
	Jul-03 0.40	0.40	25.70	2.65	-	2.65		0.40	0.40	-	-	-
	Aug-03 1.40	1.80	27.10	2.65	-	2.65		1.80	1.80	-	-	-
	Sep-03 4.20	6.00	31.30	2.65	-	2.65		6.00	6.00	-	-	-
	Oct-03 6.00	12.00	37.30	2.65	-	2.65		12.00	12.00	-	-	-
	Nov-03 2.80	14.80	40.10	2.65	-	2.65		14.80	14.80	-	-	-
	Dec-03 3.40	18.20	43.50	2.65	0.81	3.46		18.20	17.90	-	-	-
PCA Period 2	Jan-04 1.50	19.70	45.00	2.65	2.30	4.95		19.70	19.40	-	-	-
	Feb-04 7.50	27.20	52.50	6.25	6.12	12.38		27.20	26.90	-	-	-
	Mar-04 5.00	32.20	57.50	8.75	8.57	17.33		32.20	31.90	-	-	-
	Apr-04 3.82	36.02	61.32	10.66	10.45	21.11		36.02	35.72	-	-	-
	May-04 (4.60)	31.42	56.72	8.36	8.19	16.55		31.42	31.12	-	-	-
	Jun-04 8.30	39.72	65.02	12.51	12.26	24.77	(1.01)	38.71	38.41	-	-	-
	Jul-04 1.40	1.40	66.42	12.51	13.65	26.15		0.46	38.87	-	-	-
	Aug-04 1.90	3.30	68.32	12.51	15.53	28.04		1.41	39.82	-	-	-
	Sep-04 4.90	8.20	73.22	12.51	20.38	32.89		5.37	43.78	-	-	-
	Oct-04 5.70	13.90	78.92	12.51	26.02	38.53		10.13	48.54	-	-	-
	Nov-04 6.80	20.70	85.72	12.86	32.40	45.26		15.99	54.39	-	-	-
	Dec-04 15.70	36.40	101.42	20.71	40.10	60.80		30.74	69.15	-	-	-
										14.73	14.13	28.86
												(31.95)

Impact on revenues (Column L - F)

- Assumptions for this presentation:**
- o \$25.6 million one-time disallowance in June 03.
 - o 50% return on reg asset disallowance June 04 - December 04. Annual amounts: PCA 2 = \$12.1m, PCA 3 = \$11.3m.
 - o Fixed Costs and Schedule E contract rates updated to PCORC rates at April 7, 2004
 - o PCORC Baseline Rate begins June 1, 2004 (actual true up will be effective date of new rates).

Column Notes

Explanation of Column Calculations:

- A Monthly Cost Imbalance = Monthly Total Allowable Costs less Baseline Power Costs per Schedule B in the PCA Mechanism.
- B Prior to PCORC Order
- C Cumulative PCA Period Imbalance = Accumulated Sum of Column A for the PCA Period (July - June years).
- D PCA Cumulative Imbalance = Accumulated Sum of Column A.
- E Allocated to Customer/Cust > \$20 = 50/50 Sharing of Column B amounts greater than \$20m. Note balance from prior PCA period carries forward.
- F Allocated to Customer/Cust > \$40 = 99% of Column C greater than \$40m less Column D.
- G Monthly Commission Adjustment = Estimated Disallowance for 50% of Return on Regulatory Asset + One Time Disallowance of \$25.6 million.
- H Cumulative PCA Period Imbalance = Accumulated Sum of Columns A + G for the PCA Period (July - June years).
- I PCA Cumulative Imbalance = Accumulated Sum of Columns A + G.
- J Allocated to Customer/Cust > \$20 = 50/50 Sharing of Column H amounts greater than \$20m. Note balance from prior PCA period carries forward.
- K Allocated to Customer/Cust > \$40 = 99% of Column I greater than \$40m less Column J.
- L Allocated to Customer/Cumulative = Columns J + K.
- M Represents 99% of Column G, Monthly Commission Adjustment.