

EXHIBIT NO. ___(DDW-5)
DOCKET NO. UE-04 _____
2004 PSE PCA 2 COMPLIANCE
WITNESS: DURGA D. WAITE

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

**For Approval of its 2004 Power Cost Adjustment
Mechanism Report**

Docket No. UE-04 _____

**FOURTH EXHIBIT TO PREFILED DIRECT TESTIMONY OF
DURGA D. WAITE (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 31, 2004

Research Summary
June 14, 2004

Sunrise

Rating Changes

Company	Ticker	Mkt.Cap	Curr.	Prev.	Analyst
Georgia Gulf	GGC	\$1B	Hold	Buy	Judd

EPS Changes

Company	Ticker	Mkt.Cap	Action ↑↓	Analyst
Georgia Gulf	GGC	\$1B	↓	Judd
Puget Energy	PSD	\$2B	↓	May
The SCO Group	SCOX	\$77M	↑	Cornett
Wisconsin Energy	WEC	\$4B	↓	May

Price Target Changes

Company	Ticker	Mkt.Cap	Action ↑↓	Analyst
Georgia Gulf	GGC	\$1B	↓	Judd
Puget Energy	PSD	\$2B	↓	May
The SCO Group	SCOX	\$77M	↓	Cornett
Wisconsin Energy	WEC	\$4B	↓	May

Company/Industry Comments

Company/Industry	Ticker	Mkt.Cap	Analyst
AtheroGenics	AGIX	\$747M	Levin
Jackson-Hewitt	JTX		Millman
Economics			Hokenson

Soleil Events can be found on the last page of this report.

AtheroGenics (AGIX, \$20.35, Buy) Price Target: \$28.00

Progress toward Regression

Robin Levin, Cheirologic Partners, Inc., 914-523-8324

- Nearing completion of enrollment of lead product AGI-1067 (atherosclerotic changes) trial Phase III trial, completing dosing studies for AGIX-4207 (rheumatoid arthritis), and working with partner Fujisawa to complete clinical trial development plans for AGI-1096
- Recent weakness (in the past eight weeks down 19% compared with a flat S&P 500) buying opportunity

Georgia Gulf (GGC, \$34.53, Hold) Price Target: \$33.00

Reducing Investment Opinion to Hold

Michael Judd, Greenwich Consultants LLC, 732-842-0700

- Downgrade from Buy to Hold on a price basis
- Reducing '04E from \$3.12 to \$3.02 and '05E from \$6.00 to \$5.00 due to higher natural gas and hydrocarbon raw material costs
- Lowering price target from \$36 to \$33, 6.6X05E\$5

Jackson-Hewitt (JTX, NA, NA)

SKEPTICAL OF 20%-25% EPS GROWTH PROJECTIONS

Michael Millman, Millman Research Associates, 973-921-1611

- We view the filing range of \$18-\$20 for the IPO of the tax-preparation unit of Cendant (Buy) expected to price this week as aggressive
- Our conclusions that 14%-19% top-line growth will be a challenge, increasing costs of generating client growth, greater costs of being public/independent than pro forma adjustments, and issuance of the "green shoe" dilutive are based on industry knowledge and a reading of the S-1. We have not spoken with management

Puget Energy (PSD, \$21.33, Hold) Price Target: \$21.00

No Reconsideration of Bad Order - Lowering Price Target

Maurice E. May, Power Insights, 508-636-9934

- Lowering '04E from \$1.57 to \$1.49 and '05E from \$1.65 to \$1.58 due to disappointing decision by Washington state regulators not to reconsider previous negative ruling in gas procurement
- Lowering price target from \$22 to \$21

Important disclosure information is contained on page 4 of this report. The recipient of this report is directed to read these disclosures.

The SCO Group (SCOX, \$4.89, Sell) Price Target: \$1.97

SCOX: Despite positives, outlook remains negative

Dion Cornett, Decatur Jones Equity Partners, LLC, 773-528-9161

- Although A-1 conversion and expense reduction efforts generally positive, their effect more than offset by weak revenue results reported last week
- We are concerned that, despite assurances of a sustainable cash war chest, unable to maintain a legal battle beyond 9-10 more quarters

Wisconsin Energy (WEC, \$31.09, Buy) Price Target: \$35.00

Lowering 2QE, but LT Prospects Remain Excellent

Maurice E. May, Power Insights, 508-636-9934

- Lowering 2QE from \$0.44 to \$0.29 vs \$0.42 to reflect disappointing weather and nuclear performance and '04E from \$2.38 to \$2.33 (within management guidance) to reflect the 2Q decline, partially offset by some now anticipated 3Q manufacturing earnings and better 4Q potential
 - Lowering '05E from \$2.48 to \$2.44 to reflect 2 scheduled nuclear outages which we expect to be lengthy
 - Lowering price target from \$36 to \$35, 14.5X05E. Continue to recommend the stock for excellent total return potential
-

Economics

Weekly Economic Commentary

Richard Hokenson, Hokenson & Company, 609-888-5101

Upcoming Data:

This is a big week for new news as well as market-making news:

- The **PPI** for May delayed and should be reported this week. The expectation is for the total to be up 0.6% (Hokenson +0.5%) and the core higher by 0.2% (Hokenson+0.1%)
 - **Retail Sales** for May Monday at 8:30 am. The strong increase in car and truck sales should boost total sales (Consensus +1.0%, Hokenson +1.5%). We are also more bullish than Consensus on sales excluding autos (Consensus +0.4%, Hokenson +0.7%)
 - The **trade balance** Monday at 8:30 am (Consensus -\$44.9Billion, Hokenson -\$44.0Billion). Trade was a drag on first quarter GDP and we should begin to see signs of a turnaround
 - **Business inventories** for April Tuesday at 8:30 am (Consensus +0.5%, Hokenson +0.4%). The temporary decline in wholesale trade inventories will likely be a drag for the month.
 - **CPI** for May will be released on Tuesday at 8:30 am. This is the most critical release in terms of how aggressively the Fed would be inclined to act. The key subcomponent is the core CPI (Consensus +0.2%, Hokenson +0.1%). A below-expectation reading on the core CPI will affect the decision by the Fed
 - **Building Permits and Housing Starts** for May Wednesday at 8:30 am. Both permits (Consensus 1965K, Hokenson 1980K) and starts (Consensus 1950K, Hokenson 1960K) are expected to be only modestly softer than April
 - **Industrial production** for May Thursday at 9:15 am (Consensus +0.6%, Hokenson +0.9%). Strong readings are expected, given the extremely lean situation in inventories
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Soleil Events

June 14

Pitney Bowes, Boston, hosted by Shannon Cross, Cross Research

June 16

Ubiquitel, New York, hosted by Todd Rethemeier, SurTerre Research

June 17

Ikon Office, Boston, hosted by Shannon Cross, Cross Research

June 22

Watsco, Mid-Atlantic, hosted by Kathy Walton, Soleil Securities

June 23

Watsco, Mid-Atlantic, hosted by Kathy Walton, Soleil Securities

US Unwired, Boston, hosted by Todd Rethemeier, SurTerre Research

June 24

US Unwired, New York, hosted by Todd Rethemeier, SurTerre Research

June 25

Cleco, Pineville, LA field trip, hosted by Maury May, Power Insights

Global Imaging, New York, hosted by Shannon Cross, Cross Research

June 29

DuPont, Boston, hosted by Michael Judd, Greenwich Consultants

Northeast Utilities, Boston, hosted by Maury May, Power Insights

June 30

Novell, Mid-Atlantic, hosted by Dion Cornett, Decatur Jones

July 1

Rogers Corp., Mid-Atlantic, hosted by Michael Judd, Greenwich Consultants

July 2

Rogers Corp., Mid-Atlantic, hosted by Michael Judd, Greenwich Consultants

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