

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of  
PUGET SOUND ENERGY, INC.  
For Approval of its March 2013 Power  
Cost Adjustment Mechanism Report**

**DOCKET NO. UE-13\_\_\_\_\_**

**PETITION OF PUGET SOUND  
ENERGY, INC. FOR APPROVAL OF ITS  
MARCH 2013 POWER COST  
ADJUSTMENT MECHANISM REPORT**

**EXHIBIT A TO PSE'S PETITION  
FOR APPROVAL OF ITS MARCH 2013  
POWER COST ADJUSTMENT MECHANISM REPORT**

**MARCH 29, 2013**

Exhibit A to  
Settlement Stipulation

**PSE GENERAL RATE CASE  
DOCKET NOS. UE-011570 and UG-011571**

**SETTLEMENT TERMS FOR THE  
POWER COST ADJUSTMENT MECHANISM (PCA)**

**A. Executing Parties**

1. The following parties have participated in the Power Cost Adjustment mechanism (PCA) collaborative in Docket Nos. UE-011570 and UG-011571, and have reached consensus on the terms of settlement with respect to such issues, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; Intervenor the Kroger Co.; Intervenor AT&T Wireless Services, Inc.; Intervenor NW Energy Coalition and Natural Resources Defense Council; Federal Executive Agencies; and Intervenor Cogeneration Coalition of Washington (hereinafter referred to collectively as "Executing Parties").

**B. Overview of PCA**

2. The proposed PCA is a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances, with an overall cap of \$40 million (+/-) over the four year period July 1, 2002 through June 30, 2006. If the cap is exceeded, costs and benefits in excess of \$40 million would be shared at a different level of sharing. The factors influencing the variability of power costs included in the proposal are primarily weather or market related. PSE will be allowed to file for rate increases to implement limited power supply cost increases related to new resources, discussed later.

**3. Sharing proposal:**

- **First Band (dead band):** \$20 million (+/-) annually, 100% of costs and benefits to Company.
- **Second Sharing Band:** \$20-\$40 million (+/-) annually, 50% of costs and benefits to Company; 50% of costs and benefits to Customers.

- **Third Sharing Band:** \$40-\$120 million (+/-) annually, 10% of costs and benefits to Company, 90% of costs and benefits to Customers.
- **Fourth Sharing Band:** Greater than \$120 million (+/-) annually, 5% of costs and benefits to Company, 95% of costs and benefits to Customers.
- **Overall Cap For Four Year Period July 1, 2002 through June 30, 2006:** As a separate limit, the Company's share of power costs/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed above. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customers and 1% of costs and benefits to Company. The cap is removed at end of the fourth year (June 30, 2006), and any deferred balances associated with the cap are set for refund or collection at that time.
- **Deferral and Interest:** The customer's share of the power cost variability will be deferred as described below, and the balance will accrue monthly interest at the interest rate calculated in accordance with WAC 480-90-233(4). Amounts will be deferred consistent with recovery under the provisions of SFAS 71.

4. **Timing of surcharges or credits:**

- The sharing amounts will be accounted for, on an annual basis. The first 12 month period will be the period beginning July 1, 2002 and ending June 30, 2003. Subsequent PCA periods will be 12 month period beginning on July 1 of each year. The surcharging of deferrals can be triggered by the Company when the balance of the deferral account is approximately \$30 million. The Company shall make a filing to refund deferrals when the balance in the deferral account is a credit of \$30 million or more.
- To address financial needs and to provide Customers a price signal to reduce energy consumption, a surcharge can be triggered when the Company determines that, for any upcoming 12 month period, the projected increase in the deferral balance for increased power costs will exceed \$30 million. The surcharge will be implemented through a special filing subject to Commission approval detailing the events giving rise to the projected cost variance.
- In August of 2003 and each year thereafter, the Company shall file an annual report detailing the power costs included in the deferral calculation, in a form satisfactory to the Commission, for Commission review and approval. The Commission shall have an opportunity to review the prudence of the power costs included in the deferred calculation, and costs determined to be imprudent can be disallowed at that time. Staff and other interested parties will have the opportunity to participate in the prudence review process. The Company will also provide the

Commission with a quarterly report of the deferral calculation in a form satisfactory to the Commission.

- Unless otherwise determined by the Commission, surcharges or credits will be collected or refunded, as the case may be, over a one year period. If for any reason the PCA shall cease to exist, any balances in the deferred accounts not previously reviewed will be reviewed and set for refund or surcharge to customers at that time.

**C. Elements of PCA**

5. **Power Cost Rate:** In order to focus on the component of the Company's rates to be adjusted by a PCA, it is necessary to distinguish between power costs and all other costs in general rates. This will single out the relative portion of the Company's rate to be adjusted by the proposed PCA and in the periodic "Power Cost Only" review. The purpose is for the PCA, and any Power Cost Only case, to measure the cost of power delivered to PSE's system, and to measure the change in this overall cost. The following table illustrates the proposed distinctions among costs in the Company's rates.

**Total Revenue Requirement Table**

<b>Total Rate</b>		
<b>Power Cost Rate<sup>1</sup></b>		<b>Non-power Costs</b>
<b>Variable Rate Component</b>	<b>Fixed Rate Component</b>	
<p>Fuel</p> <p>Other revenues and costs associated with fuel</p> <p>Purchase &amp; Interchange (purchase power contracts not to exceed general rate case or PCA resource case cost level)</p> <p>Sales to Others</p> <p>Wheeling costs</p> <p>Transmission income associated with specific lines</p> <p>Specific Production regulatory assets* amortization and return (7.30% net of tax) at current PCA rate year level</p> <p>Adjustment for availability of Colstrip</p>	<p>Following items to be recovered at the last general rate case or PCA resource case revenue levels:</p> <p>Production Plant and specific Transmission**</p> <p>Return on Ratebase (7.30% net of tax)</p> <p>Production Plant and specific Transmission Depreciation</p> <p>Production Plant and specific Transmission Property Taxes</p> <p>Production plant and specific Transmission O&amp;M</p> <p>Other Power Supply Expenses</p> <p>**Specific Transmission - Colstrip 1&amp;2 line, Colstrip 3&amp;4 line. Third AC, Northern Intertie,</p>	<p>Transmission (other than what has been included in PCA fixed rate component).</p> <p>Distribution</p> <p>All other operating accounts not included in the Power Cost Rate.</p>
<p>*Regulatory Assets - Tenaska, Encogen (Cabot Oil buy out), Bonneville</p>	<p>**Specific Transmission - Colstrip 1&amp;2 line, Colstrip 3&amp;4 line. Third AC, Northern</p>	

<sup>1</sup> References in table correspond to FERC accounts to be itemized in the Exhibits. For example, "Other Power Supply Expenses" corresponds to FERC Account 557.

Exchange Power	Intertie,	
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6. **Adjustment for Availability of Colstrip:** A Colstrip adjustment will be measured against a weighted equivalent availability factor. If the actual availability factor (weighted by PSE ownership times unit capacity) for the four plants at Colstrip falls below a 70% equivalent availability factor a reduction will be made to the allowable revenue requirement for Colstrip. The calculation will be calculated by subtracting the actual weighted equivalent availability factor from 75%. This difference will be divided by 75% and the resulting percentage will be multiplied times the fixed costs (such fixed costs being more particularly described in Exhibit A) associated with Colstrip. The revenue requirement associated with this portion of these fixed costs will be removed from the allowable costs in the PCA.

7. **New Resources:** New resources with a term of less than or equal to two years will be included in the allowable PCA costs. The prudence of these resources will be determined in the Commission's review of the annual PCA report. New resources with a term greater than two years may be included in the PCA allowable cost at the lesser of the actual cost or the average embedded cost in the PCA (including transmission into PSE's Puget Sound system) as a bridge mechanism, until the then future costs of these new resources can be reviewed in a Power Cost Only Rate review.

8. **Power Cost Only Rate Review:** In addition to the yearly adjustment for power cost variances, there would be a periodic proceeding specific to power costs that would true up the Power Cost Rate to *all power costs* identified in the Power Cost Rate. The Company can also initiate a power cost only proceeding to add new resources to the Power Cost Rate. In either case, the Company would submit a Power Cost Only Rate filing proposing such change. This filing shall include testimony and exhibits that include the following:

- Current or updated least cost plan
- Description of the need for additional resources (as applicable)
- Evaluation of alternatives under various scenarios
- Adjustments to the Fixed Rate Component
- Adjustments to the Variable Rate Component
- A calculation of proforma production cost schedules that are consistent with this docket, including power supply and other adjustments impacting then current production costs.

9. If, during the first three (3) years after new rates have gone into effect (i.e., the three year period commencing July 1, 2002 and ending July 1, 2005) the Commission shall approve a cumulative increase to general rates in excess of 5%, and such cumulative increase in excess of 5% is the result of rate increases sought by the Company and approved by the Commission in one or more such Power Cost Only reviews, then within three (3) months of the date such cumulative rate increase in excess of 5% shall take effect, the Company shall file a general rate case.

10. Further, if at any time after July 1, 2005 the Company shall file for a Power Cost Only review, and such filing shall result in an increase to general rates then in effect, the Company shall, within three (3) months of the effective date of any rate increase resulting from such Power Cost Only review, file a general rate case. Not more than one general rate case filing in any 12 month period shall be required to comply with this requirement.

11. One objective of a new resource proceeding is to have the new Power Cost Rate in effect by the time the new resource would go into service. Upon receipt of such filing, hearings would be scheduled to review the appropriateness of adjusting the Power Cost Rate and/or adding new resource costs to the Power Cost Rate. These hearings would consider only power supply costs included within the Power Cost Rate. It is contemplated that this review would be completed within four months. Within 30 days following the four month review, the Commission would issue an order determining the appropriateness of all power costs to be included in the Power Cost Rate and the prudence of any new resource (with a term greater than two years) acquisition.

#### D. PCA Mechanism (procedures)

12. Exhibit A details PSE's presentation of the power costs, on a test year level (as defined in the revenue requirement settlement in Docket No. UE-011570) identified in the Total Revenue Requirement Table. The purpose of this exhibit is to calculate the Power Cost Baseline Rate which is defined as the sum of the Fixed Rate Components and Variable Rate Components divided by the test year delivered load (MWh). The remaining Executing Parties agree to PSE's presentation shown in Exhibit A and will verify in due course the accuracy of the specific numbers in that exhibit.

13. Exhibit B, which is based on the Company's presentation of test year costs and is subject to verification by the remaining Executing Parties as described above, is an explanation and example of a calculation used in the PCA to determine the amount of power cost that will be subject to the sharing mechanism. This exhibit calculates the amount subject to sharing by subtracting the Baseline Power Costs from the Allowed Power Costs (rate year). Baseline Power Costs are defined as the Power Cost Baseline Rate times actual delivered load in the PCA period. The allowed power costs include: return on fixed production and transmission ratebase, return on variable (regulatory asset) ratebase, other Fixed Rate Components and actual cost of variable rate components included in the specified FERC accounts. The allowed power costs are adjusted for:

- existing (Docket No. UE-921262) prudence adjustment of Tenaska and March Point Phase 2
  - regulatory asset ratebase and amortization will be adjusted to the amounts to be included for the appropriate PCA period (Exhibit D)
  - purchase power contracts will be adjusted to the amounts allowed in either the settlement Docket No. UE-011570 or the most recent Power Cost Rate Case (Exhibit E)
  - Colstrip availability adjustment if applicable (Exhibit F)
  - New resource pricing adjustment if applicable (Exhibit G)
14. Exhibit C is an example that demonstrates the sharing and application of the \$40 million cap.
15. Unless otherwise ordered by the Commission, changes in rates attributable to PCA adjustments for the Variable Rate Component shall be charged on a cents/kWh basis, and changes in rates attributable to adjustments to the Power Cost Rate as a result of a power cost only review shall be charged based upon the peak credit methodology utilized in computing the rate spread methodology in this proceeding. No party is deemed to have approved or accepted these methodologies for any other purpose or precedent. Wholesale customers will be allocated power costs and power revenues at the end of a PCA year in the same relationship as done in the rate allocation from this docket.

#### **E. Least-Cost Planning/Decoupling**

16. One of Puget Sound Energy's important responsibilities involves electric-resource portfolio development, a responsibility addressed in the Company's least cost plans prepared pursuant to WAC 480-100-238. This includes, among other things, assembling a mix of demand- and supply-side resources that promotes the societal benefits of reliable least cost electricity supplies. The parties agree that PSE's least-cost planning process provides an appropriate forum to address the evaluation of PSE's portfolio development, including consideration of rewards and/or penalties tied to PSE's overall long-term performance in portfolio development. The parties recommend that the Commission address these issues as soon as possible in Puget's least-cost planning process, pursuant to WAC 480-100-238, with opportunities for public comment prior to final determination.
17. Nothing in this settlement precludes any party from raising in an appropriate future Commission proceeding issues surrounding the decoupling of distribution fixed cost recovery from retail sales volumes. The parties have reached no consensus on what constitutes an "appropriate proceeding" for this purpose, and reserve the right to oppose any effort to raise such issues.



**F. Miscellaneous Provisions**

18. **Binding on Parties:** The Executing Parties agree to support the terms and conditions of this Agreement, as described above. The Executing Parties understand that this Agreement is subject to Commission approval.

19. **Integrated Terms of Settlement:** The Executing Parties have negotiated this Agreement as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement in its entirety.

20. **Negotiated Agreement:** This Agreement represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised, to review the terms of the Agreement. Each Party has been afforded the opportunity, which it has exercised, to consult with legal counsel of its choice concerning such terms and their implications. The Agreement shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.

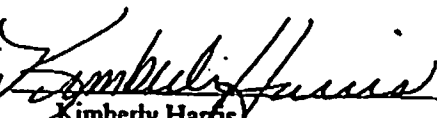
21. **Execution:** This Agreement may be executed by the Executing Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 4th day of June, 2002.

**PUGET SOUND ENERGY, INC.**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION  
STAFF**

By



Kimberly Harris  
Vice President of Regulatory Affairs

By

Robert Cedarbaum  
Shannon Smith  
Assistant Attorneys General

**PUBLIC COUNSEL SECTION, OFFICE  
OF THE ATTORNEY GENERAL OF  
THE STATE OF WASHINGTON**

**AT&T WIRELESS SERVICES, INC.**

By

Simon fitch  
Assistant Attorney General  
Public Counsel Section Chief

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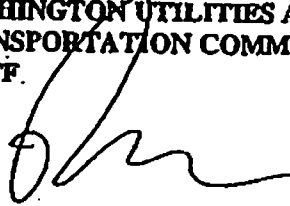
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STAFF**

By \_\_\_\_\_  
Kimberly Harris  
Vice President of Regulatory Affairs

By \_\_\_\_\_  
Robert Cedarbaum ✓  
Sharon Smith ✓  
Assistant Attorneys General

**PUBLIC COUNSEL SECTION, OFFICE  
OF THE ATTORNEY GENERAL OF  
THE STATE OF WASHINGTON**

**AT&T WIRELESS SERVICES, INC.**

By \_\_\_\_\_ 6/6/02  
Simon Fitch  
Assistant Attorney General  
Public Counsel Section Chief

By \_\_\_\_\_  
Its \_\_\_\_\_

Settlement Stipulation, as revised by the 15<sup>th</sup> Supplemental Order in WUTC Docket No. UE-011570

Exhibit A to Petition of Puget Sound Energy, Inc. Page 11 of 30

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**Kimberly Harris**  
Vice President of Regulatory Affairs

By \_\_\_\_\_  
**Robert Cedarbaum**  
**Shannon Smith**  
Assistant Attorneys General

**PUBLIC COUNSEL SECTION, OFFICE  
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THE STATE OF WASHINGTON**

**AT&T WIRELESS SERVICES, INC.**

By \_\_\_\_\_  
**Simon Mitchell**  
Assistant Attorney General  
Public Counsel Section Chief

By Kim Coley C.F.M.  
Its Connectivity Manager

**COGENERATION COALITION OF  
WASHINGTON**

**KROGER CO.**

By Donald Brookhyser

Donald Brookhyser  
Attorney for Cogeneration  
Coalition of Washington

By \_\_\_\_\_

Michael L. Kurtz  
Attorney for Kroger Co.

**NW ENERGY COALITION and  
NATURAL RESOURCES DEFENSE  
COUNCIL**

By \_\_\_\_\_

Danielle Dixon  
Policy Associate, NW Energy Coalition

Settlement Stipulation, as revised  
by the 15<sup>th</sup> Supplemental Order in  
WUTC Docket No. UE-011570

MICROSOFT CORPORATION

By  
Its

COGENERATION COALITION OF  
WASHINGTON

By

Donald Brookhysen  
Attorney for Cogeneration  
Coalition of Washington

NW ENERGY COALITION and  
NATURAL RESOURCES DEFENSE  
COUNCIL

By

Danielle Dixon  
Policy Associate, NW Energy Coalition

SETTLEMENT TERMS FOR PCA

By  
Its

KROGER CO.

By

Michael L. Kurtz  
Attorney for Kroger Co.

*Must C. Kurtz*

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THE STATE OF WASHINGTON**

**AT&T WIRELESS SERVICES, INC.**

By \_\_\_\_\_  
Simon Fitch  
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By \_\_\_\_\_  
Its \_\_\_\_\_

**COGENERATION COALITION OF  
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By \_\_\_\_\_  
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Attorney for Cogeneration  
Coalition of Washington

By \_\_\_\_\_  
Michael L. Kurtz  
Attorney for Kroger Co.

**NW ENERGY COALITION and  
NATURAL RESOURCES DEFENSE  
COUNCIL**

By *Danielle Dixon*  
Danielle Dixon  
Policy Associate, NW Energy Coalition

**Exhibit A-1 Power Cost Rate**

Row		Test Year		Test Yr \$/MWh	Rate Year
3	Regulatory Assets (Variable)	\$ 284,728,294			
4	Transmission Rate Base (Fixed)	124,643,364			
5	Production Rate Base (Fixed)	493,777,165			
6		\$ 903,148,823			
7	Net of tax rate of return	7.30%			
8					
9					
10	Regulatory Asset Recovery	\$ 31,977,178	\$ 1.677	(c)	
11	Fixed Asset Recovery-Prod Factored	54,142,951	\$ 2.840	(a)	55,725,557
12	Fixed Asset Recovery Other	15,310,432	\$ 0.803	(a)	15,310,432
13	501-Steam Fuel	32,511,186	\$ 1.705	(c)	
14	555-Purchased power	526,980,333	\$ 27.643	(c)	
15	557-Other Power Exp	11,499,089	\$ 0.603	(a)	11,835,209
16	547-Fuel	61,173,325	\$ 3.209	(c)	
17	565-Wheeling	41,435,360	\$ 2.174	(c)	
18	Variable Transmission Income	(6,510,985)	\$ (0.342)	(c)	
19	Hydro and Other Pwr.	51,597,583	\$ 2.707	(a)	53,105,787
20	447-Sales to Others	(37,525,193)	\$ (1.968)	(c)	
	456-Subaccounts 00012 & 00018 and 00035 & 00036	1,077,379	\$ 0.057	(c)	
22	Transmission Exp - 500KV	342,495	\$ 0.018	(a)	352,506
23	Depreciation-Production	36,265,740	\$ 1.902	(a)	37,325,792
24	Depreciation-Transmission	4,851,654	\$ 0.254	(a)	4,851,654
25	Property Taxes-Production	8,343,174	\$ 0.438	(a)	8,600,747
26	Property Taxes-Transmission	4,441,860	\$ 0.233	(a)	4,441,860
27	Subtotal & Baseline Rate	\$ 837,913,560	\$ 43.953	(b)	191,549,544
28	Revenue Sensitive Items	0.9552337			
29		\$ 877,181,741			8,343,174
30	Test Year Load (MWh's)	19,083,867			
31					
	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline				
32	sum of (a) = Fixed Rate Component	9.798	46.013		
33	(b) = Power Cost Rate	43.953	46.013		
34	sum of (c) = Variable Power Rate Component	34.155	35.758		
35					
36					
37					
38	* Regulatory Assets are Tenaska, Encogen Fuel Buyout and BEP				
39					
40					
41					
42					
43					



**Exhibit A-2 Transmission Costs**

Row		Date	DR (CR) Accumulated Deferred Income Income Tax Balance		
8	<b>Colstrip Related Transmission Assets</b>				
9					
10	Balance at:	06/30/2001	(15,759,774)		
11	No deferred income taxes associated with the 3rd AC Intertie, Northern Intertie and BPA Transmission Assets.				
12					
13					
14	<b>Test Period Property Taxes on transmission Related Assets:</b>				
15					
16	Oregon-3rd AC Intertie		Amount		
17	Montana-Transmission Assets		1,622,875		
18	Montana-Beneficial Use Property Taxes on BPA				
19	Transmission Assets		1,826,628		
20	Washington-Northern Intertie		127,735		
21	Total Property Taxes		34,441,860		
22					
23	Wheeling Expense		41,435,360		
24					
25	<b>Transmission Plant</b>				
26					
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	revised_A2	revised accumulated depreciation	50,141,171		
			124,843,364		

**Exhibit A-3 Colstrip Fixed Costs**

Row	FERC	DESCRIPTION	30-Jun-00	30-Jun-01	13 MONTH AMA	ANNUITY RATE	ANNUALIZED DEPRECIATION	ACUMM. DEPR. 06/30/2001
4		Revenue Requirement for Colstrip						
5		Plant	650,197,157					
6		Accumulated Depreciation	(320,264,159)					
7		Deferred Taxes	(53,634,221)					
8		Net Plant	236,298,777					
9		Rate of Return (net of Tax)	7.30%					
10		Revenue Requirement after tax	17,249,811					
11		Plant Revenue Requirement Expenses	26,538,170	(Adjusted for Federal Tax)				
12		Total Revenue Requirement	52,329,884					
13			78,868,054	(before revenue sensitive items)				
14		Support for Revenue Requirement - Ratebase						
15								
16		<b>COLSTRIP #1</b>						
17	E311	Structures & Improvements	6,931,939	7,097,390	7,021,558	3.03%	212,753	4,519,382
18	E312	Boiler Plant Equipment	46,965,650	48,224,007	47,159,778	3.12%	1,471,385	30,962,573
19	E314	Turbo Generating Units	12,437,937	12,437,937	12,437,937	3.29%	409,208	8,005,663
20	E315	Accessory Electric Equip.	7,042,053	7,043,604	7,042,893	2.71%	190,862	4,440,864
21	E316	Misc. Power Plant Equip.	365,117	426,565	398,402	3.87%	15,418	215,987
22		TOTAL	73,742,696	75,229,503	74,060,568	3.11%	2,299,626	48,144,488
23		<b>COLSTRIP #2</b>						
24	E311	Structures & Improvements	5,317,757	5,573,640	5,456,360	3.06%	166,965	3,343,898
25	E312	Boiler Plant Equipment	39,821,935	40,460,296	40,167,714	3.05%	1,225,115	28,457,593
26	E314	Turbo Generating Units	12,178,755	12,519,462	12,363,305	3.26%	403,044	7,691,610
27	E315	Accessory Electric Equip.	4,536,510	4,592,474	4,566,828	2.69%	122,848	2,797,275
28	E316	Misc. Power Plant Equip.	365,831	427,379	399,215	3.61%	14,412	217,888
29		TOTAL	62,220,895	63,573,251	62,953,422	3.07%	1,932,384	40,508,264
30		<b>COLSTRIP 1 &amp; 2 COMMON</b>						
31	E311	Structures & Improvements	30,345,256	31,983,349	31,232,556	3.16%	986,949	18,788,553
32	E312	Boiler Plant Equipment	8,623,422	8,679,337	8,653,709	3.18%	275,188	5,530,214
33	E314	Turbo Generating Units	3,918,858	3,918,858	3,918,858	3.31%	129,714	2,382,313
34	E315	Accessory Electric Equip.	2,377,984	2,420,179	2,400,840	3.07%	73,706	1,334,875
35	E316	Misc. Power Plant Equip.	6,235,545	6,581,728	6,412,227	3.82%	244,947	3,136,065
36		TOTAL	51,501,064	53,563,451	52,618,190	3.25%	1,710,504	31,175,020
37		<b>COLSTRIP 3</b>						
38	E311	Structures & Improvements	28,829,642	28,882,948	28,858,516	2.45%	707,034	14,566,340
39	E312	Boiler Plant Equipment	113,898,277	115,756,485	113,618,072	2.68%	3,044,964	57,262,237
40	E314	Turbo Generating Units	32,936,825	33,180,681	33,068,914	2.97%	982,147	14,166,239
41	E315	Accessory Electric Equip.	6,401,615	6,401,615	6,401,615	2.47%	158,120	2,874,151
42	E316	Misc. Power Plant Equip.	454,762	480,140	468,508	2.86%	13,399	210,034
43		TOTAL	182,521,121	184,701,869	182,415,625	2.69%	4,905,664	89,079,001
44		<b>COLSTRIP 4</b>						
45	E311	Structures & Improvements	26,542,394	26,595,701	26,571,269	2.54%	674,910	11,552,369
46	E312	Boiler Plant Equipment	99,709,843	100,508,440	100,142,416	2.75%	2,753,916	43,898,286
47	E314	Turbo Generating Units	27,895,777	28,602,598	28,278,638	2.94%	831,292	10,813,318
48	E315	Accessory Electric Equip.	5,549,362	5,596,707	5,593,341	2.52%	140,952	2,163,849
49	E316	Misc. Power Plant Equip.	650,784	678,163	664,531	2.79%	18,540	277,867
50		TOTAL	160,388,160	161,979,609	161,250,195	2.74%	4,419,710	68,705,690
51		<b>COLSTRIP 3 &amp; 4 COMMON</b>						
52	E311	Structures & Improvements	71,951,771	72,034,845	71,996,769	2.33%	1,677,525	35,209,226
53	E312	Boiler Plant Equipment	20,855,440	20,915,298	20,887,863	2.48%	518,019	10,585,040
54	E314	Turbo Generating Units	274,553	274,553	274,553	2.62%	7,193	125,852
55	E315	Accessory Electric Equip.	7,706,905	7,748,971	7,729,705	2.31%	178,556	3,422,068
56	E316	Misc. Power Plant Equip.	4,861,282	5,098,460	4,989,753	2.79%	139,214	2,083,870
57		TOTAL	105,649,981	106,072,127	105,878,643	2.38%	2,520,507	51,426,057
58		<b>COLSTRIP 1-4 COMMON</b>						
59	E316	Misc. Power Plant Equip.	253,865	253,865	253,865	2.46%	6,245	123,888
60		TOTAL	253,865	253,865	253,865	2.46%	6,245	123,888
61		COLSTRIP COMMON FERC ADJ.	8,316,981		8,316,981			
62		COLSTRIP DEF DEPR FERC ADJ.	2,449,668		2,449,668			
63		Total Plant and Acc. Deprac.	647,044,432		650,197,157		17,794,640	329,162,409

AMA Adj. (8,898,250)  
AMA Accum Depr 320,764,159

Settlement Stipulation, as revised  
by the 15<sup>th</sup> Supplemental Order in  
WUTC Docket No. UE-011570

Exhibit A  
Exhibit A-3 (Revised)  
Exhibit A to Petition of Peget  
Sound Energy, Inc.  
Page 18 of 30  
A-3 Page 2

70	Support for Revenue Requirement - Expenses		
71			Amount before
72	Order	Description	Prod. Adj.
73	50004011	1&2 Sup & Eng	76,685
74	50005011	3&4 Sup & Eng	108,581
75	50204001	1&2 Steam Exp	1,217,034
76	50205001	3&4 Steam Exp	624,831
77	50504001	1&2 Elec Exp	(208,933)
78	50505001	3&4 Elec Exp	(223,913)
79	50604001	1&2 Misc Exp	3,320,269
80	50605001	3&4 Misc Exp	2,515,968
81	50605002	3&4 Steam	(2,399)
82	50704001	1&2 Rents	95,991
83	50705001	3&4 Rents	131,692
84	51004001	1&2 Maint Supv	669,151
85	51005001	3&4 Maint Supv	539,405
86	51104001	1&2 Maint of Struct	405,072
87	51105001	3&4 Maint of Struct	373,938
88	51204001	1&2 Maint of Boiler	4,902,128
89	51205001	3&4 Maint of Boiler	5,967,278
90	51304001	1&2 Maint of E Plant	(178,069)
91	51305001	3&4 Maint of E Plant	705,533
92	51404001	1&2 Maint of Misc	4,578,888
93	51405001	3&4 Maint of Misc	1,159,196
94		Property Taxes-Montana	6,027,509
95		Electric Energy Tax	1,729,406
96	403xxxxx	Depreciation	17,794,640
97			<u>352,329,884</u>

Exhibit A-4 Production Adjustment UE-011570

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PUGET SOUND ENERGY-ELECTRIC  
PRODUCTION ADJUSTMENT  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2001  
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	PRO FORMA PRODUCTION AMOUNT	2.84%	FTT 35%
1	PRODUCTION WAGE INCREASE			
2	PURCHASED POWER	0	0	0
3	OTHER POWER SUPPLY	0	0	0
4	TOTAL PRODUCTION WAGE INCREASE	0	0	0
5				
6	PAYROLL OVERHEADS	783,939	(22,264)	7,792
7	PROPERTY INSURANCE	1,026,555	(29,154)	10,204
8	TOTAL A&G	1,810,494	(51,418)	17,996
9				
10	DEPRECIATION PRODUCTION PROPERTY			
11	DEPRECIATION / AMORTIZATION	37,325,792	(1,060,052)	263,024
12	PURCHASED POWER	3,526,620	(100,156)	35,055
13	FUEL	0	0	0
14	TOTAL	40,852,412	(1,160,209)	298,079
15				
16	TAXES OTHER-PRODUCTION PROPERTY			
17	PROPERTY TAXES - WASHINGTON	3,041,963	(86,392)	30,237
18	PROPERTY TAXES - MONTANA	6,027,509	(171,181)	59,913
19	ELECTRIC ENERGY TAX	1,729,406	(49,115)	17,190
20	PAYROLL TAXES	630,032	(17,893)	6,263
21	TOTAL TAXES OTHER	11,428,910	(324,581)	113,603
22				
23	INCREASE(DECREASE) INCOME		1,536,208	
24	INCREASE(DECREASE) FIT			429,678
25	INCREASE(DECREASE) NOI			1,106,530
26				
27	RATE BASE:			
28	PRODUCTION PROPERTY	1,065,115,283		
29	COLSTRIP COMMON FERC ADJ.	8,316,981		
30	COLSTRIP DEF DEPR FERC ADJ.	2,449,668		
31	ENCOGEN ACQUISITION ADJ.	60,574,557		
32	BPA POWER EXCHANGE INVESTMENT	51,135,941	sum of L32 thru	After Production Adj.
33	TENASKA REGULATORY ASSET	229,424,000	L34	293,050,941
34	CADOT OIL REGULATORY ASSET	12,491,000		284,728,294
35	LESS ACCUM. DEPRECIATION	(519,770,787)		
36	LESS ACCUM. AMORTIZATION	(3,186,245)		
37	NET PRODUCTION PROPERTY	906,550,398		
38				
39	DEDUCT:			
40	LIBR. DEPREC. PRE 1981 (EOP)	(5,250,238)		
41	LIBR. DEPREC. POST 1980 (EOP)	(94,132,216)		
42	OTHER DEF. TAXES (EOP)	(17,930,541)		
43	ADJUSTMENT TO RATE BASE	789,237,403	(22,414,342)	766,823,061
	Plus Snoqualmie CWIP			Less Regulatory Assets
				482,094,767
				11,682,398
				493,777,165

**Exhibit A-5 Power Costs UE-011570**

**PUGET SOUND ENERGY-ELECTRIC  
POWER COSTS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2001  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1	PRODUCTION EXPENSES:			
2	FUEL			
3	PURCHASED AND INTERCHANGED	\$ 297,843,394	\$ 93,684,510	\$ (204,158,884)
4	WHEELING	2,226,570,459	534,528,072	(1,692,042,387)
5	OTHER POWER SUPPLY EXPENSES	31,116,222	41,435,360	10,319,138
6	TRANS. EXP. INCL. 500KV O&M	46,736,543	51,597,585	4,861,042
7	SALES FOR RESALE	352,506	342,495	(10,011)
8	PURCHASES/SALES OF NON-CORE GAS	(1,766,314,721)	(37,525,193)	1,728,789,528
9	WHEELING FOR OTHERS	(22,281,093)	1,077,379	23,358,472
10	SUBTOTAL	<u>(7,762,159)</u>	<u>(10,902,262)</u>	<u>(3,140,103)</u>
11		\$ 806,261,151	\$ 674,237,946	\$ (132,023,205)
12	LESS: SALES FOR RESALE	1,766,314,721	37,525,193	(1,728,789,528)
13	LESS: WHEELING FOR OTHERS	7,762,159	10,902,262	3,140,103
14	SCH. 94 - RES./FARM CREDIT	(46,773,115)	-	46,773,115
15	TOTAL	<u>\$ 2,533,564,916</u>	<u>\$ 722,665,401</u>	<u>\$ (1,810,899,515)</u>
16	TRANS. EXP. INCL. 500KV O&M	(352,506)		
17	PURCHASES/SALES OF NON-CORE GAS	<u>22,281,093</u>		
18	POWER COSTS PER GL	<u>\$ 2,555,493,503</u>		
19	INCREASE(DECREASE) INCOME			\$ 1,810,899,515
20				
21	INCREASE(DECREASE) FIT @	35%		633,814,830
22	INCREASE(DECREASE) NOI			<b>\$ 1,177,084,685</b>

**Exhibit B: Power Costs Subject to PCA Sharing.**

Row	4	Example	Jul 02 - Jun 03	Explanation or source
5	Return on Fixed RB			from Exhibit A-1 lines 11&12 - production and transmission ratebase adjusted to Rate Year
6	Other Fixed Costs		120,513,555	from Exhibit A-1 lines 15, 19, 22-26 (557, Hydro and Other Prod. O&M, 500 KV O&M, Depreciation based, Property tax) adjusted to Rate Year
7	Subtotal Fixed Costs		3	
8	Total Variable Component/Actual		191,549,544	
9	Steam Oper. Fuel	501	33,461,494	SAP - actual
10	Other Pwr Gen Fuel	547	55,009,484	SAP - actual
11	Other Elec Revenues	45600012, 18	(165,000)	SAP - actual Non Core Gas (sales) / Purchases orders 45600012, 45600018
12	Purchase Power	635	538,458,725	SAP - actual
13	Sales to Other Util	447	(35,448,055)	SAP - actual
14	Wheeling	565	43,488,800	SAP - actual
15	Transmission Revenue	45600017	(5,000,000)	SAP - actual Transmission revenues on 3rd AC, Northern Interior, Colstrip lines
16	Regulatory Assets		218,373,173	from Exhibit B line 35. Return on regulatory assets for PCA period
17				
18				
19	<b>SUBTOTAL before Adjustments</b>		<b>642,458.32</b>	
20	<b>Adjustments:</b>			
21	Prudence from UE-921262		(2,280,152)	Prudence adj. = 3% * March Pt 2 payments; and 1.2% * Tennessee payments
22	Contract price adjustment		(1,084,428)	from Exhibit E line 42
23	Colstrip availability adjustment		(8,732,728)	from Exhibit F line 40
24	New resource pricing adjustment		(388,500)	from Exhibit G line 38
25				
26	Subtotal Adjustments		(9,555,858)	
27				
28	<b>Total allowable cost</b>		<b>642,717,312</b>	
29				
30	PCA period delivered load		18,110,518	Actual delivered MWh during PCA period = Total load net of losses
31	<b>Baseline Power Cost</b>		<b>839,964,611</b>	Base line rate from Exhibit A-1 line 25
32				
33	Imbalance for Sharing		3	to Exhibit C column (C). A portion of the imbalance will be allocated to firm wholesale customers based upon the allocation used in the most recent Docket approving rate spread.
34	positive if potential customer anchorage, negative if potential customer credit			
35				
36	Company's Share	band limit %		
37	1st Band - deadband	\$ 20,000,000 100%	4,752,701	
38	2nd Band - next	\$ 20,000,000 50%		
39	3rd Band - next	\$ 80,000,000 10%		
40	4th Band greater than	\$ 120,000,000 5%		
41	Subtotal Company Share before Gap		4,752,701	to Exhibit C column (C)
42				
43	Customer Share (deferral account)		3	to Exhibit C column (D)

**Exhibit C - Application of \$40 million Cap**

**Overall Cap For Four Year Period:** As a separate limit, the Company's share of power costs/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed in the settlement terms for the PCA. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customer and 1% of costs and benefits to Company. The cap is removed at end of the fourth year, and any remaining deferred balances associated with the cap are set for refund or collection at that time.

**Example: 1** First year per draft Exhibit examples; next 3 years high power costs  
\$ in Millions

Row	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
	Imbalance for Sharing Ex. B line 33	Customer Annual Share of "Deferral" Ex. B line 43	Customer Annual Share over Cap at 99%	End Period Customer Deferral Balance	Company Annual Share Ex. B line 41	Potential transfer (to) / from customer	Company share over Cap at 1%	End Period Company Share	Company Accum Share w/o Cap	Accum. Amount Over Cap	Annual Change in Amount over Cap
13	PCA Yr #1 \$ (5.83)	\$ -	\$ -	\$ -	\$ (5.83)	\$ -	\$ -	\$ (5.83)	\$ (5.83)	\$ -	\$ -
14	PCA Yr #2 \$ 30.00	\$ 5.00	\$ -	\$ 5.00	\$ 25.00	\$ -	\$ -	\$ 19.17	\$ 19.17	\$ -	\$ -
15	PCA Yr #3 \$ 30.00	\$ 5.00	\$ 4.13	\$ 14.13	\$ 25.00	\$ (4.17)	\$ 0.04	\$ 40.04	\$ 44.17	\$ 4.17	\$ 4.17
16	PCA Yr #4 \$ 30.00	\$ 5.00	\$ 24.75	\$ 43.88	\$ 25.00	\$ (25.00)	\$ 0.25	\$ 40.29	\$ 69.17	\$ 29.17	\$ 25.00
17	Check \$ 84.2	OK	\$ -	\$ 43.8	\$ -	\$ -	\$ -	\$ 40.3	\$ -	\$ -	\$ -

**Exhibit C - Application of \$40 million Cap**

Row  
3  
4  
5  
6  
7  
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23  
24  
25

Overall Cap For Four Year Period: As a separate limit, the Company's share of power costs/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed in the settlement terms for the PCA. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customer and 1% of costs and benefits to Company. The cap is removed at end of the fourth year, and any remaining deferred balances associated with the cap are set for refund or collection at that time.

**Example: 2** Four year cost scenario discussed at May 23rd PCA Collaborative  
\$ in Millions

	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
	Imbalance for Sharing Ex. B line 33	Customer Annual Share = "Deferral" Ex. B line 43	Customer Annual Share over Cap at 99%	End Period Customer Deferral Balance	Company Annual Share Ex. B line 41	Potential transfer (to) / from customer	Company share over Cap at 1%	End Period Company Share	Company Accum Share w/o Cap	Accum. Amount Over/Cap	Annual Change in Amount over Cap
26	PCA Yr #1	\$ 30.0	\$ 5.0	\$ -	\$ 5.0	\$ -	\$ -	\$ 25.0	\$ 25.0	\$ -	\$ -
27	PCA Yr #2	\$ -	\$ -	\$ -	\$ 5.0	\$ -	\$ -	\$ 25.0	\$ 25.0	\$ -	\$ -
28	PCA Yr #3	\$ (100.0)	\$ (64.0)	\$ -	\$ (59.0)	\$ -	\$ -	\$ (11.0)	\$ (11.0)	\$ -	\$ -
29	PCA Yr #4	\$ 36.0	\$ 8.0	\$ -	\$ (51.0)	\$ -	\$ -	\$ 17.0	\$ 17.0	\$ -	\$ -
30	Check	\$ (34.0)	OK	\$ -	\$ (51.0)	\$ -	\$ -	\$ 17.0	\$ -	\$ -	\$ -

Settlement Stipulation, as revised by the 1<sup>st</sup> Supplemental Order in WUTC Docket No. UE-011570



### Exhibit C - Application of \$40 million Cap

**Overall Cap For Four Year Period:** As a separate limit, the Company's share of power costs/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed in the settlement terms for the PCA. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customer and 1% of costs and benefits to Company. The cap is removed at end of the fourth year, and any remaining deferred balances associated with the cap are set for refund or collection at that time.

**Example: 3** Three high power cost years followed by very low power cost year.

Row	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
	Imbalance for Sharing Ex. B line 33	Customer Annual Share "Deferral" Ex. B line 43	Customer Annual Share over Cap at 99%	End Period Customer Deferral Balance	Company Annual Share Ex. B line 41	Potential transfer (to) / from customer	Company share over Cap at 1%	End Period Company Share	Company Accum. Share w/o Cap	Accum. Amount Over Cap	Annual Change In Amount over Cap
39	PCA Yr #1 \$	30.0 \$	5.0 \$	5.0 \$	25.0 \$	0.0 \$	0.0 \$	25.0 \$	25.0 \$	0.0 \$	0.0 \$
40	PCA Yr #2 \$	100.0 \$	64.0 \$	89.8 \$	38.0 \$	(21.0) \$	0.2 \$	40.2 \$	61.0 \$	21.0 \$	21.0 \$
41	PCA Yr #3 \$	38.0 \$	8.0 \$	125.5 \$	28.0 \$	(28.0) \$	0.3 \$	40.5 \$	89.0 \$	48.0 \$	28.0 \$
42	PCA Yr #4 \$	(100.0) \$	(64.0) \$	25.9 \$	(38.0) \$	38.0 \$	(0.4) \$	40.1 \$	53.0 \$	13.0 \$	(38.0) \$
43	Check \$	66.0		25.9				40.1			
44											
45											
46											
47											
48											

Settlement Stipulation, as revised by the 15<sup>th</sup> Supplemental Order in WUTC Docket No. UE-011570

**Exhibit C - Application of \$40 million Cap**

**Overall Cap For Four Year Period:** As a separate limit, the Company's share of power cost/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed in the settlement terms for the PCA. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customer and 1% of costs and benefits to Company. The cap is removed at end of the fourth year, and any remaining deferred balances associated with the cap are set for refund or collection at that time.

**Example: 4** Similar to example 3, but fortunes are reversed with 3 low cost years followed by a high cost year.  
\$ in Millions

	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
	Inbalance for Sharing Ex. B line 33	Customer Annual Share = "Deferral" Ex. B line 43	Customer Annual Share over Cap at 99%	End Period Customer Deferral Balance	Company Annual Share Ex. B line 41	Potential transfer (to) / from customer	Company share over Cap at 1%	End Period Company Share	Company Accum. Amount w/o Cap	Accum. Amount Over Cap	Annual Change In Amount over Cap
55	PCA Yr #1 \$	(30.0) \$	(5.0) \$	(5.0) \$	(25.0) \$	- \$	- \$	(25.0) \$	(25.0) \$	- \$	- \$
56	PCA Yr #2 \$	(100.0) \$	(64.0) \$	(89.8) \$	(36.0) \$	21.0 \$	(0.2) \$	(40.2) \$	(81.0) \$	(21.0) \$	(21.0) \$
57	PCA Yr #3 \$	(38.0) \$	(8.0) \$	(125.5) \$	(28.0) \$	28.0 \$	(0.3) \$	(40.5) \$	(89.0) \$	(49.0) \$	(28.0) \$
58	PCA Yr #4 \$	100.0 \$	64.0 \$	(25.9) \$	38.0 \$	(38.0) \$	0.4 \$	(40.1) \$	(53.0) \$	(13.0) \$	36.0 \$
59	Check \$	(88.0) OK		(25.8) \$				(40.1) \$			
60								\$			
61								\$ (40.1)			

**Exhibit D: Regulatory Assets**

Row					PCA (Jul-Jun)		Return	35%	
			<u>Interest</u>	<u>Amort</u>	<u>Balance</u>	<u>Amortization</u>	<u>Ratebase (AMA)</u>	<u>Pre Tax Return</u>	
4	<b>Cabot Buyout</b>								
5							<b>7.30%</b>		
6	2000 \$	12,588,000	709,000	(312,000)	12,985,000				
7	2001 \$	-	720,000	(741,000)	12,964,000				
8	2002 \$	-	731,000	(1,070,000)	12,625,000	(1,070,000)	12,491,033	\$ 911,845	
9	2003 \$	-	-	(1,409,000)	11,216,000	(1,588,500)	11,170,908	\$ 815,476	
10	2004 \$	-	-	(1,768,000)	9,448,000	(1,965,500)	9,398,408	\$ 686,084	
11	2005 \$	-	-	(2,163,000)	7,285,000	(2,388,500)	7,228,408	\$ 527,674	
12	2006 \$	-	-	(2,614,000)	4,671,000			\$ 811,806	
13									
14	<b>Tenaska</b>								
15	1998 \$	215,000,000	8,754,000	(1,952,000)	221,802,000				
16	1999 \$	-	8,795,000	(3,863,000)	226,734,000				
17	2000 \$	-	8,849,000	(5,463,000)	230,120,000				
18	2001 \$	-	8,838,000	(7,382,000)	231,576,000				
19	2002 \$	-	8,749,000	(9,494,000)	230,831,000	(9,494,000)	229,424,000	\$ 16,747,952	
20	2003 \$	-	-	(11,924,000)	218,907,000	(13,334,000)	218,552,512	\$ 15,954,338	
21	2004 \$	-	-	(14,744,000)	204,163,000	(16,326,000)	203,765,512	\$ 14,874,882	
22	2005 \$	-	-	(17,908,000)	186,255,000	(19,261,500)	185,914,637	\$ 13,571,769	
23	2006 \$	-	-	(20,615,000)	165,640,000			\$ 20,879,644	
24									
25	<b>BEP</b>								
26	2001				54,662,518				
27	2002			(3,526,620)	51,135,898	(3,526,620)	51,135,941	\$ 3,732,924	
28	2003			(3,526,620)	47,609,278	(3,526,620)	47,609,278	\$ 3,475,477	
29	2004			(3,526,620)	44,082,658	(3,526,620)	44,082,658	\$ 3,218,034	
30	2005			(3,526,620)	40,556,038	(3,526,620)	40,556,038	\$ 2,960,591	
31	2006			(3,526,620)	37,029,418			\$ 4,554,755	
32									
33									
34									
35	From	To			Amortization	AMA Ratebase	Return	Return Pre-tax	
36	Jul-02	Jun-03	PCA#1	\$ (14,090,620)	\$ 293,050,974	\$ 21,392,721	\$ 32,911,879		
37	Jul-03	Jun-04	PCA#2	\$ (18,449,120)	\$ 277,332,698	\$ 20,245,287	\$ 31,146,595		
38	Jul-04	Jun-05	PCA#3	\$ (21,818,120)	\$ 257,246,578	\$ 18,779,000	\$ 28,890,770		
39	Jul-05	Jun-06	PCA#4	\$ (25,176,620)	\$ 233,699,083	\$ 17,060,033	\$ 26,246,205		

Settlement Stipulation, as revised by the 1<sup>st</sup> Supplemental Order in WUTC Docket No. UE-011570

Exhibit A to Petition of Fugro Sound Energy, Inc. Page 26 of 30

Exhibit C - Contract Adjustments

Row	Note	Limit - Rate or Total Cost per UE-011870	PCA Period				Rate Change	Adjust for Positive Differences
			Generation MWh	NUG Gen. MWh	NUG Displ. MWh	Total Cost \$		
7	CONTRACTS							
8	Bater Replacement							
9	BC Hydro Point Roberts							
10	BPA WWP-3 Exchange Power							
11	BPA WWP3 Return							
12	BPA Snohomish Contention							
13	CSPB							
14	Mid-Columbia							
15	Canadian Entitlement and CE-EA							
16	MPC Firm Contract-Demand							
17	MPC Firm Contract-Entropy							
18	PPL Contract 15 Yr							
19	Supplemental Entitlement Cap							
20	North Water							
21	WWP Contract 15 Yr							
22	POSE Exchange Storage Acctn.							
23	OF Shipp. Hutch. Creek							
24	OF Kama Kishan Hydro							
25	OF March Point Cogen 1 Winter							
26	OF March Point Cogen 1 Summer							
27	OF March Point Cogen 2 Winter							
28	OF March Point Cogen 2 Summer							
29	OF Port Townsend Hydro							
30	OF PERC Purgallup							
31	OF Spokane MSW							
32	OF Spumas White							
33	OF Sumas Summer							
34	OF Syllowice							
35	OF Tensas (excl. Reg. Amort.)							
36	OF Twin Falls							
37	OF Weata Falls							
38	Elchelumhuck							
39								
40	TOTAL							
41								

Reverse sign and enter on Exhibit B line 22 \$ (1,094,428)

- 42 Note:
- 43 Exchange: No Adjustment. Either power for power exchange at zero cost or fixed cost for power at zero cost.
- 44 N/A: No Adjustment. Zero cost contracts.
- 45 Rate Limit: Calculate actual rate for PCA period, compare with contract rate assumed in revenue requirements; multiply rate change (if positive) times contract generation.
- 46 Actual Cost: No Adjustment. Either no rate specified in contract, or rate based upon DJ market index, or as agreed.
- 47 Total Cost: Limit based upon total cost in rate year because contract escalation is in fixed demand charges.
- 48 NUG Rate Limit: Calculate actual rate monthly assuming actual availability with no displacement; compare with average seasonal rate-year contract rate (also without displacement); multiply rate change (if positive) times total of actual contract generation + displacement.
- 49

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**Exhibit F - Colstrip Availability Adjustment**

Row

Row	Part 1. Colstrip Equivalent Availability during PCA period -12 Month					
4						
5						
6						
7	PSE MW ->	<u>182</u>	<u>384</u>			
8	Jul-02	307	370	PSE Wld	days	
9	Aug-02	85.00%	85.00%	85.0%	31	
10	Sep-02	85.00%	85.00%	85.0%	31	
11	Oct-02	85.00%	85.00%	85.0%	30	
12	Nov-02	85.00%	85.00%	85.0%	31	
13	Dec-02	85.00%	85.00%	85.0%	30	
14	Jan-03	85.00%	85.00%	85.0%	31	
15	Feb-03	85.00%	85.00%	85.0%	31	
16	Mar-03	85.00%	0.00%	85.0%	28	
17	Apr-03	85.00%	0.00%	38.5%	31	
18	May-03	85.00%	0.00%	38.5%	30	
19	Jun-03	85.00%	0.00%	38.5%	31	
20						
21	12 mo Average	85.00%	56.59%			
22	Weighted by days in the month			<b>69.47%</b>		
23				Weighted by Plant Capacity and days/month		
24						

Row	Part 2. Calculate annual availability penalty ratio		
25	Less than 70%	yes	yes, penalty assessed
26	Actual Ratio	69.47%	
27	Target Ratio	75.00%	per Collaborative agreement
28	Penalty	-5.53%	
29			
30			
31			

32 Penalty Ratio = **-7.37%** =  $\frac{\text{penalty } -5.53\%}{\text{divided by } 75.00\%}$  per Collaborative agreement

**Part 3. Calculate Annual Colstrip Fixed Cost Penalty**

36				
37				
38	Total Fixed Cost \$	78,868,054	from Exhibit A-3 (Colstrip Total Revenue Requirement)	
39				
40	Penalty Ratio =	-7.37%		
41	Penalty \$	<b>\$ (5,812,478)</b>	to Exhibit B line 23	

Exhibit F - Data Input Page  
Availability data from Colstrip Operation Reports

ROW		1&2	3&4	days	
5	Jan-01	98.66%	88.73%	31	Actual data
6	Feb-01	86.24%	97.78%	28	
7	Mar-01	95.36%	72.76%	31	
8	Apr-01	91.56%	48.20%	30	
9	May-01	75.12%	69.74%	31	
10	Jun-01	52.30%	71.73%	30	
11	Jul-01	94.38%	93.44%	31	
12	Aug-01	91.42%	97.77%	31	
13	Sep-01	80.02%	93.18%	30	
14	Oct-01	86.70%	95.89%	31	
15	Nov-01	96.71%	90.40%	30	
16	Dec-01	90.64%	86.21%	31	
17	Jan-02	93.60%	47.87%	31	
18	Feb-02	91.01%	79.26%	28	
19	Mar-02	97.14%	88.04%	31	
20	Apr-02	94.44%	93.89%	30	
21	May-02	85.00%	85.00%	31	
22	Jun-02	85.00%	85.00%	30	
23	Jul-02	85.00%	85.00%	31	
24	Aug-02	85.00%	85.00%	31	
25	Sep-02	85.00%	85.00%	30	
26	Oct-02	85.00%	85.00%	31	
27	Nov-02	85.00%	85.00%	30	
28	Dec-02	85.00%	85.00%	31	
29	Jan-03	85.00%	85.00%	31	
30	Feb-03	85.00%	85.00%	28	
31	Mar-03	85.00%	0.00%	31	
32	Apr-03	85.00%	0.00%	30	
33	May-03	85.00%	0.00%	31	
34	Jun-03	85.00%	0.00%	30	
35	Jul-03			31	
36	Aug-03			31	
37	Sep-03			30	
38	Oct-03			31	
39	Nov-03			30	
40	Dec-03			31	
41	Jan-04			31	
42	Feb-04			29	
43	Mar-04			31	
44	Apr-04			30	
45	May-04			31	
46	Jun-04			30	
59	Jul-05			31	
60	Aug-05			31	
61	Sep-05			30	
62	Oct-05			31	
63	Nov-05			30	
64	Dec-05			31	
65	Jan-06			31	
66	Feb-06			28	
67	Mar-06			31	
68	Apr-06			30	
69	May-06			31	
70	Jun-06			30	

Actual data

Example data

**Exhibit G - New Resource Adjustment**

Row  
3  
4  
5  
6  
7  
8  
9  
10  
11

**For New Resources with a Terms Longer than 2 Years**

<b>Name</b>	Sample new plant
<b>Description</b>	Combined cycle gas turbine
	In-service date January 2003

**PCA Period** July 2002 - June 2003

<b>13</b>	<b>Total Variable Component Actual</b>		
<b>14</b>	Steam Oper. Fuel	501	\$ -
<b>15</b>	Other Pwr Gen Fuel	547	33,000,000
<b>16</b>	Other Elec Revenues	45600012, 18	-
<b>17</b>	Purchase Power	555	-
<b>18</b>	Sales to Other Util	447	-
<b>19</b>	Wheeling	565	750,000
<b>20</b>	Transmission Revenue	45600017	-
<b>21</b>			\$ 33,750,000
<b>23</b>	PCA Period Generation	(MWh)	750,000
<b>25</b>	Actual Variable Cost	(\$/MWh)	\$45.000
<b>26</b>	Compare with Baseline Rate		
<b>28</b>	Baseline Power Cost Rate	(\$/MWh)	\$44.482
<b>30</b>	<b>Lesser of Actual Cost or Baseline Rate</b>		
<b>31</b>	Baseline Power Cost Rate		\$44.482

<b>33</b>	<b>Adjustment Needed?</b>	<b>Yes</b>	
<b>34</b>	Adjustment needed if Baseline rate is lower than actual variable cost		
<b>36</b>	Adjustment Rate	(\$/MWh)	-\$0.518
<b>37</b>	Adjustment volume	(MWh)	750,000
<b>38</b>	Adjustment Amount	(\$)	\$ (388,500) to Exhibit B line 24