

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO BENCH REQUEST

DATE PREPARED:	December 7, 2004	WITNESS:	James Russell
CASE NO.:	UG-040640, et al.	RESPONDER:	James Russell
REQUESTER:	Dennis Moss, ALJ	TELEPHONE:	360-664-1318

BENCH REQUEST NO. 2:

Referring to Exhibit A-1 Power Cost Rate, Mr. Story's exhibit JHS-11 page 1 of 8 and Mr. Russell's Exhibit JMR-6 page 1 of 1: For each of the input lines in the test year level column, please provide an analysis that shows the amount from the per books column in the respective *pro forma* statement and the impact of each adjustment.

RESPONSE:

Please see attached spreadsheet. Staff recognizes that there are errors in the amounts reflected in lines 14a and 23a on pages 1 and 2. As pointed out in Mr. Story's rebuttal testimony, Exhibit A in Staff's testimony was provided for informational purposes only and will be revised when PSE makes its compliance filing.

Row	Test Year	JMR-3C, p 4 line 1	JMR-3C, p 4 Line 6 and 6a	JMR-3C, p 4 Line 3	JMR-3C, p 4 Line 10	JMR-3C, p 4 Line 12	JMR-3C, p 4 Line 15	JMR-3C, p 4 Line 16
2.30	Production Adjustment (net line 47, 39)							
3	Regulatory Assets (Variable)	282,547,669						
4	Transmission Rate Base (Fixed)	468,816,565						
5	Production Rate Base (Fixed)							
6	Net of tax rate of return	6.39%	6.39%					
7								
8								
9								
10	Regulatory Asset Recovery (on Row 3)	27,776,609	<-- (Ratebase x ROR)/.65					
11	Fixed Asset Recovery Other (on Row 4)	11,860,676	<-- (Ratebase x ROR)/.65					
12	Fixed Asset Recovery-Prod Factored (on Row 5)	46,088,275	<-- (Ratebase x ROR)/.65					
13	501-Steam Fuel		41,131,848					
14	555-Purchased power		535,755,717					
15	557-Other Power Exp							
16	547-Fuel			12,292,153				
17	565-Wheeling			159,225,327				
18	Variable Transmission Income				41,793,080			
19	Hydro and Other Pwr.							
20	447-Sales to Others							
21	456-Subaccounts 00012 & 00018 and 00035 & 00036							
22	Transmission Exp - 500KV							
23a	Depreciation-Production (FERC 403)							
23b	Amortization-Production							
24	Depreciation-Transmission							
25	Property Taxes-Production							
26	Property Taxes-Transmission							
27	Subtotal & Baseline Rate	5,107,346						
28	Revenue Sensitive Items	4,748,192						
29								
30	Test Year Load (MWH's)							
31	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline							
32	sum of (a) = Fixed Rate Component							
33	(b) = Power Cost Rate							
34	sum of (c) = Variable Power Rate							
35								
36								
37								
38								

* Regulatory Assets are Tenaska, Encogen Fuel Buyout, BEP and White River Relicensing and Plant Costs

JMR-3C, p 4 See page 5 2.30 Production
 Line 14 for detail Adjustment
 Line 34 & 38 (net in 15 & 16)

Exhibit A-1 Power Cost Rate

Row		JMR-3C, p 4 Line 14	See page 5 for detail	2.30 Production Adjustment (net in 15 & 16)	TOTAL	Per JMR 6	Test Year \$/MWh	Rate Year
3	Regulatory Assets (Variable)				282,547,669		27,776,609	(c)
4	Transmission Rate Base (Fixed)				120,648,501		11,860,676	1 (a)
5	Production Rate Base (Fixed)				468,816,565		46,088,275	2 (a)
6					872,012,735		41,131,848	2 (c)
7	Net of tax rate of return						535,755,717	28 (c)
8							12,292,153	1 (a)
9							159,225,327	8 (c)
10	Regulatory Asset Recovery (on Row 3)				27,776,609		41,793,080	2 (c)
11	Fixed Asset Recovery Other (on Row 4)				11,860,676		-3,724,830	0 (c)
12	Fixed Asset Recovery-Prod Factored (on Row 5)				46,088,275		51,388,582	3 (a)
13	501-Steam Fuel				41,131,848		-55,157,632	-3 (c)
14	555-Purchased power				535,755,717		-319,170	0 (c)
15	557-Other Power Exp				12,292,153		485,960	0 (a)
16	547-Fuel				159,225,327		16,431,056	1 (a)
17	565-Wheeling				41,793,080		25,618,655	1 (c)
18	Variable Transmission Income				41,793,080		5,107,346	0 (a)
19	Hydro and Other Pwr.				-3,724,830		9,011,873	0 (a)
20	447-Sales to Others				51,388,582		4,748,192	0 (a)
21	456-Subaccounts 00012 & 00018 and 00035 & 00036				-55,157,632		929,513,718	48 (b)
22	Transmission Exp - 500KV				-319,170		973,188,572	1
23a	Depreciation-Transmission (FERCs 403)	485,960			485,960		19,308,876	← Includes Firm Wholesale
23b	Amortization-Transmission		16,431,056		16,431,056		19,308,876	← Includes Firm Wholesale
24	Depreciation-Transmission		25,618,655		25,618,655		19,308,876	← Includes Firm Wholesale
25	Property Taxes-Production				5,107,346		19,308,876	← Includes Firm Wholesale
26	Property Taxes-Transmission			9,011,873	9,011,873		19,308,876	← Includes Firm Wholesale
27	Subtotal & Baseline Rate				4,748,192		19,308,876	← Includes Firm Wholesale
28	Revenue Sensitive Items						19,308,876	← Includes Firm Wholesale
29	Test Year Load (MWH's)						19,308,876	← Includes Firm Wholesale
30	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline						19,308,876	← Includes Firm Wholesale
31	sum of (a) = Fixed Rate Component						19,308,876	← Includes Firm Wholesale
32	sum of (b) = Power Cost Rate						19,308,876	← Includes Firm Wholesale
33	sum of (c) = Variable Power Rate						19,308,876	← Includes Firm Wholesale
34							19,308,876	← Includes Firm Wholesale
35							19,308,876	← Includes Firm Wholesale
36							19,308,876	← Includes Firm Wholesale
37							19,308,876	← Includes Firm Wholesale
38							19,308,876	← Includes Firm Wholesale

* Regulatory Assets are Tenaska, Encogen Fuel B.

DETAIL OF COSTS INCLUDED IN 557 FOR PURPOSES OF CALCULATING THE POWER COST RATE

LINE NO.	DESCRIPTION	RATE YEAR 12ME 02/06	PRODUCTION ADJUSTMENT	INCLUDED IN 557 IN PCR
1	POWER COSTS IN ORDER GROUP 557 (OTHER POWER SUPPLY EXPENSE)	\$ 6,179,624	\$ (79,161)	\$ 6,100,463
2	PAYROLL TAXES ON PRODUCTION WAGES	730,420	(9,357)	721,063
3	PROPERTY INSURANCE	2,291,570	(29,355)	2,262,215
4	MONTANA ELECTRIC ENERGY TAX	1,741,864	(22,313)	1,719,551
5	PAYROLL OVERHEADS - WORKER'S COMP	1,508,181	(19,320)	1,488,861
6				
7	TOTAL 557 INCLUDED IN POWER COST RATE	\$ 12,451,658	\$ (159,506)	\$ 12,292,153

Calculation of proforma transmission revenue adjustment

Account	Description	12ME ended 09/03*	12ME ended 02/06**	Adjustment	Comments
45600002	Transmission Services - Snohomish	\$ 10,733	\$ 9,324	\$ (1,409)	
45600003	Transmission Services - Whatcom	1,937,555	49,400	(1,888,155)	OASIS service agreement 11/1/2003 plus Black Creek Storage & wheeling
45600004	Transmission Services - Miscellaneous	19,485	40,764	21,279	
45600017	Transmission Revenues - OASIS - SI, NI, Colstrip	4,965,145	3,773,164	(1,191,981)	Based on 3 year average as of 12/31/2003. Consistent with PCORC Rebuttal.
45600019	Transmission Revenues - OASIS - Ancillary Service - Others, BPA GTA	205,350	168,090	(37,260)	Carried forward known firm sales through 12/2004. Includes Whatcom FUD of \$3800
45600024	Transmission Services - Seattle	332,304	332,304	-	
45600025	Transmission Services - Tacoma	4,576	4,769	193	
45600030	Transmission Revenues - OASIS - BPA GTA	1,083,996	1,083,996	-	
45600050	Transmission Revenues - OASIS - Anc Svc - Direct Charge - BPA GTA	307,401	307,401	-	
45600060-62	Transmission Revenues - OASIS - 449 all revenue	2,535,047	2,507,733	(27,314)	Based on 2003 actuals
45600064	Transmission Revenues - OASIS - Losses - Others	45,741	2,218	(43,523)	
45600065	Transmission Revenues - OASIS - Anc Svc - Imbalance - BPA GTA	50,207	50,207	-	
45600066	Transmission Revenues - OASIS - Losses - BPA GTA	304,365	304,365	-	
45600067-71	Transmission Revenues - OASIS - 448/SeaTac all revenue	909,678	871,673	(38,005)	Based on 2003 actuals
45600072	Transmission Revenues - OASIS - WA State - Not BPA GTA	16,246	15,000	(1,246)	
Totals		\$ 12,727,829	\$ 9,520,408	\$ (3,207,421)	

45600017	Transmission Revenues - OASIS - SI, NI, Colstrip	4,965,145	3,773,164
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Production Factor

96.72%

Transmission Revenue - OASIS after production factor

3,724,830

**Exhibit D: Regulatory Assets
 for the Rate Year in the 2004 General Rate Case (March 1, 2005 through February 28, 2006)**

Ref	Description	Interest	Amort		December 31 Balance	Asset Amort	DFID Amort	AMA Ratebase as of		Return Amount	Pre-Tax
			Asset	DFID				A.T. %	2006		
1											
2	Cabot Buyout	G/L Acct #18230171 and #28300461									
3	Dec 2004 \$	(1,768,000)	601,000	7,007,000							
4	Dec 2005 \$	(2,163,000)	620,000	5,354,000	(2,238,167)	623,500	5,972,256	7.78%	464,641	7,118,621	
5											
6											
7	Tenaska	G/L Acct #18230001 and #28300451									
8	Dec 2004 \$	(14,744,000)	834,000	190,445,000							
9	Dec 2005 \$	(17,908,000)	1,013,000	129,550,000	(18,359,167)	1,038,500	1,614,268	7.78%	13,937,575	21,442,423	
10											
11											
12	BEP	G/L Acct #18230071 and #18230081									
13	Dec 2004 \$	(3,528,620)		44,082,701							
14	Dec 2005 \$	(3,528,620)		40,556,081	(3,528,620)			41,731,621	7.78%	3,246,720	4,199,354
15											
16											
17	White River Relicensing Costs										
18	Beginning \$			20,545,452							
19	Dec 2005 \$	(1,712,121)		18,833,331							
20											
21											
22	White River Plant Costs										
23	Beginning \$			45,419,577							
24	Dec 2004 \$	(1,494,702)	241,979	42,186,854							
25	Dec 2005 \$	(1,494,702)	259,328	40,931,181	(1,494,702)	261,225	41,343,489	7.78%	3,216,523	4,948,497	
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											

Period	From	To	
GRC #1	Mar-05	Feb-06	
	Return per Exhibit A-1 Line 10 (Line 84 net of production factor of 1.281%)		
			Line 4 + 9 + 14 + 19 + 25
			286,214,072
			206
			7.78%
			22,267,455
			34,257,023
			282,547,870
			206
			7.78%
			21,982,209
			533,818,783

Total Reg Asset Amortization	25,618,655
Total Staff production Depreciation and Amortization	42,048,713
Production Depreciation	16,431,058