

EXHIBIT NO. _____ (JHS-4)
DOCKET NO. _____
2003 POWER COST ONLY RATE CASE
WITNESS: JOHN H. STORY

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

Docket No. _____

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DIRECT TESTIMONY OF
JOHN H. STORY
ON BEHALF OF PUGET SOUND ENERGY, INC.

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE

Docket Number UE-03
Exhibit No. (JHS-4)
Page 1 of 15

Row	Test Year	Actual 2003 TY	Adjustment						PROPERTY TAXES
			Adjustment-1 POWER COST	Adjustment-2 SALES FOR RESALE	Adjustment-3 NEW PLANT	Adjustment-4 TRANSMISSION INCOME	Adjustment-5 PRODUCTION PLANT DEPRECIATION & AMORTIZATION	Adjustment-6	
Power Cost Rate									
3		\$ 293,050,974							
4		115,844,514			\$ 82,945,162				
5		474,854,082			\$ 82,945,162				
6		\$ 883,749,570	\$ -	\$ -	\$ 82,945,162	\$ -	\$ -	\$ -	\$ -
7									
8									
9			7.30%						
10		\$ 32,911,879							
11		53,329,766			\$ 9,315,380				
12		13,010,230							
13		32,196,077	\$ 3,264,171						
14		724,616,401	(176,878,964)						
15		12,602,684	(161,903)		403,616				
16		27,644,080	25,184,815		31,155,366				
17		39,871,180	(103,803)		2,067,756				
18		(6,992,847)	(609,113)		4,690,637	\$ 5,593,730			
19		47,990,567							
20		(166,885,152)		\$ 152,598,327	(8,471,002)				
21		(3,815,282)	3,602,586						
22		490,492	(5,262.98)						
23		39,386,240			2,869,519			\$ (49,774)	
24		4,873,884						(15,457)	
25		7,760,030			1,030,400				\$ 588,305
26		4,538,642							64,394
27		\$ 863,528,874	\$ (145,707,474)	\$ 152,598,327	\$ 43,061,671	\$ 5,593,730	\$ (65,231)	\$	\$ 652,699

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE**

Docket Number UE-03
Exhibit No. (JHS-4)
Page 2 of 15

Row	Adjustment-7	Adjustment-8	Adjustment-9	Adjustment-10	Adjustment-11	Restated	\$/MWh
	MONTANA ENERGY TAX	PROPERTY INSURANCE	WHITE RIVER	REGULATORY ASSETS / ACQ ADJUSTMENT	PRODUCTION ADJUSTMENT	2003 TY	
					TOTAL ADJUSTMENT		
3				\$ (30,228,214)	\$ (2,820,088)	\$	260,002,672
4							115,844,514
5			\$ (40,628,090)	(4,642,575)	(5,499,432)		507,029,147
6	\$ -	\$ -	\$ (40,628,090)	(34,870,789)	(8,319,520)	\$	882,876,333
7							
8							
9							
10				\$ (3,394,861)	(316,718)	\$	29,200,300
11				(521,397)	(617,628)		56,943,273
12							13,010,230
13							35,460,249
14	\$ 51,806	\$ (349,649)	(117,538)		(44,725)		547,737,437
15							12,384,291
16							83,984,261
17							41,835,133
18							(1,399,117)
19					(50,331)		52,021,761
20							(22,757,827)
21							(212,696)
22							485,229
23			(1,370,975)		(438,160)		40,396,850
24							4,858,427
25			(701,260)		(93,109)		8,584,365
26							4,603,036
27	\$ 51,806	\$ (349,649)	\$ (6,752,621)	\$ (3,916,258)	\$ (1,560,670)	\$	907,135,203
							47,154

Power Cost Rate

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED JUNE 30, 2003
 POWER COST**

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	PRODUCTION EXPENSES:			
2	FUEL:			
3	501-STEAM FUEL	\$ 35,460,249	\$ 32,196,077	\$ 3,264,171
4	547-FUEL	52,828,895	27,644,080	25,184,815
5	PURCHASED AND INTERCHANGED:			
6	555-PURCHASED POWER	547,737,437	724,616,401	(176,878,964)
7	557 - OTHER POWER EXPENSE	8,260,804	8,422,707	(161,903)
8	WHEELING	39,767,377	39,871,180	(103,803)
9	HYDRO AND OTHER POWER	47,381,454	47,990,567	(609,113)
10	TRANS. EXP. INCL. 500KV O&M	485,229	490,492	(5,263)
11	SALES FOR RESALE	(14,286,825)	(166,885,152)	152,598,327
12	PURCHASES/SALES OF NON-CORE GAS	(212,696)	(3,815,282)	3,602,586
13	WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(1,399,117)	(6,992,847)	5,593,730
14	INCREASE (DECREASE) EXPENSE	716,022,807	703,538,224	12,484,583
15				
16	LESS: SALES FOR RESALE	14,286,825	166,885,152	(152,598,327)
17	LESS: WHEELING FOR OTHERS	1,399,117	6,992,847	(5,593,730)
18	SCH. 94 - RES./FARM CREDIT	-	-	-
19	INCREASE(DECREASE) EXPENSE	731,708,749	\$ 877,416,223	\$ (145,707,474)
20	TRANS. EXP. INCL. 500KV O&M	(485,229)		
21	PURCHASES/SALES OF NON-CORE GAS	212,696		
22	POWER COSTS PER G/L	\$ 731,436,216		

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
SALES FOR RESALE

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	SALES FOR RESALE - OTHER UTILITIES	\$ (14,286,825)	\$ (166,885,152)	\$ 152,598,327
2	INCREASE (DECREASE) EXPENSE	\$ (14,286,825)	\$ (166,885,152)	\$ 152,598,327

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED JUNE 30, 2003
 NEW PLANT**

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	<u>NEW PLANT RATE BASE</u>			
2	PLANT BALANCE	86,085,560	-	86,085,560
3	ACCUMULATED DEPRECIATION	2,869,519	-	2,869,519
4	DEFERRED FIT	270,880	-	270,880
5	NET NEW PLANT RATE BASE	82,945,162	-	82,945,162
6				
7	FIXED ASSET RECOVERY	9,315,380	-	9,315,380
8				
9	NEW PLANT DEPRECIATION EXPENSE	2,869,519	-	2,869,519
10	NEW PLANT PROPERTY INSURANCE	403,616	-	403,616
11	NEW PLANT PROPERTY TAXES	1,030,400	-	1,030,400
12		4,303,534	-	4,303,534
13				
14	<u>POWER COST ASSOCIATED TO NEW PLANT (NET OF PRODUCTION FACTOR)</u>			
15	547 NATURAL GAS	31,155,366	-	31,155,366
16	565 WHEELING	2,067,756	-	2,067,756
17	447 SECONDARY SALE	(8,471,002)	-	(8,471,002)
18	INCREASE(DECREASE) POWER COST	24,752,120	-	24,752,120
19				
20	PRODUCTION O&M (Prod Factor adjusted in Prod Adj.)	4,690,637	-	4,690,637
21				
22	INCREASE (DECREASE) EXPENSE	\$ 43,061,671	-	\$ 43,061,671

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
TRANSMISSION INCOME (new)

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	REVENUE - WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	\$ (1,399,117)	\$ (6,992,847)	\$ 5,593,730
2	INCREASE (DECREASE) EXPENSE	\$ (1,399,117)	\$ (6,992,847)	\$ 5,593,730

**PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED JUNE 30, 2003
 PRODUCTION PLANT DEPRECIATION AND AMORTIZATION**

LINE NO.	DESCRIPTION	RESTATED	TEST YEAR	ADJUSTMENT
1	DEPRECIATION - PRODUCTION	\$ 36,224,586	\$ 36,274,360	\$ (49,774)
2	AMORTIZATION - PRODUCTION	3,111,880	3,111,880	-
3	DEPRECIATION-TRANSMISSION	4,858,427	4,873,884	(15,457)
4	INCREASE (DECREASE) EXPENSES	\$ 44,194,893	\$ 44,260,124	\$ (65,231)

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
PROPERTY TAXES**

LINE

NO. DESCRIPTION	RESTATED	TEST YEAR	ADJUSTMENT
1 RESTATED PROPERTY TAXES-PRODUCTION	\$ 8,348,335	\$ 7,760,030	\$ 588,305
2 RESTATED PROPERTY TAXES-TRANSMISSION	4,603,036	4,538,642	64,394
3 INCREASE (DECREASE) EXPENSES	\$ 12,951,371	\$ 12,298,672	\$ 652,699

Adjustment 7

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
MONTANA ELECTRIC ENERGY TAX**

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	PROFORMA kWh	\$ 4,808,495,039	\$ 4,660,478,000	\$ 148,017,039
2	TAX RATE	0.00035	0.00035	
3				
4	MONTANA ENERGY TAX EXPENSE	\$ 1,682,973	\$ 1,631,167	\$ 51,806

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
PROPERTY INSURANCE (Production Related Only)**

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 1,904,658	\$ 2,254,307	\$ (349,649)
2	INCREASE(DECREASE) EXPENSE	\$ 1,904,658	\$ 2,254,307	\$ (349,649)

PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED JUNE 30, 2003
 WHITE RIVER

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	REDUCTION TO RATE BASE - WHITE RIVER:			
2	DEPRECIABLE PLANT - AMA	\$ -	\$ 53,302,932	\$ (53,302,932)
3	ACCUM DEP ON ABOVE - AMA	-	(15,722,974)	15,722,974
4	FISH HATCHERY - EOP	-	7,094,306	(7,094,306)
5	ACCUM AMORT ON ABOVE - EOP	-	(2,220,174)	2,220,174
6	WHITE RIVER HYDRO LAND	-	836,641	(836,641)
7	DEFERRED INCOME TAX - EOP	-	(2,662,641)	2,662,641
8	REDUCTION TO RATE BASE - WHITE RIVER	\$ -	\$ 40,628,090	\$ (40,628,090)
9				
10	REDUCTION TO DEPRECIATION AND AMORTIZATION:			
11	DEPRECIATION EXPENSE - AMA	\$ -	\$ 1,187,171	\$ (1,187,171)
12	AMORTIZATION EXPENSE - EOP	-	183,804	(183,804)
13	REDUCTION TO DEPRECIATION AND AMORTIZATION	\$ -	\$ 1,370,975	\$ (1,370,975)
14				
15	REDUCTION TO OPERATING EXPENSES:			
16	PROPERTY TAXES	\$ -	\$ 701,260	(701,260)
17	PROPERTY INSURANCE	-	117,538	(117,538)
18	REDUCTION TO OPERATING EXPENSES	\$ -	\$ 818,799	\$ (818,799)

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
REGULATORY ASSETS AND ACQUISITION ADJUSTMENTS**

LINE NO.	DESCRIPTION	AMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	<u>AMA OF REGULATORY ASSETS</u>			
2	CABOT BUYOUT	\$ 9,877,439	\$ 12,491,033	\$ (2,613,594)
3	TENASKA	207,981,008	229,424,000	(21,442,992)
4	BEP	44,964,313	51,135,941	(6,171,628)
5	TOTAL REGULATORY ASSETS	<u>262,822,760</u>	<u>293,050,974</u>	<u>(30,228,214)</u>
6				
7	<u>AMA OF ACQUISITION ADJUSTMENT</u>			
8	ENCOGEN ACQUISITION ADJUSTMENT	47,973,283	52,615,858	(4,642,575)
9				
10	INCREASE (DECREASE) RATE BASE	\$ 310,796,043	\$ 345,666,832	\$ (34,870,789)

PUGET SOUND ENERGY
 POWER COST ONLY RATE CASE
 TWELVE MONTHS ENDED JUNE 30, 2003
 PRODUCTION ADJUSTMENT

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 1.073%	NET AMOUNT
1	PRODUCTION O&M INCLUDED IN 557:			
2	WORKER'S COMPENSATION	\$ 294,503	\$ (3,160)	\$ 291,343
3	PROPERTY INSURANCE	2,190,735	(23,507)	2,167,229
4	ELECTRIC ENERGY TAX	1,682,973	(18,058)	1,664,915
5	TOTAL PRODUCTION O&M	4,168,212	(44,725)	4,123,487
6				
7	INCREASE TO O&M EXPENSE ASSOC W/ NEW RESOURCE	4,690,637	(50,331)	4,640,307
8				
9	DEPRECIATION AND AMORTIZATION ON PRODUCTION			
10	PROPERTY	40,835,010	(438,160)	40,396,850
11				
12	PROPERTY TAXES ON PRODUCTION PROPERTY	8,677,474	(93,109)	8,584,365
13				
14	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	\$ 58,371,333	\$ (626,324)	\$ 57,745,008
15				
16	PRODUCTION RATE BASE:			
17	PRODUCTION PROPERTY	\$ 1,118,844,165	\$ (12,005,198)	\$ 1,106,838,967
18	COLSTRIP COMMON FERC ADJUSTMENT	7,607,644	(81,630)	7,526,014
19	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,241,046	(24,046)	2,217,000
20	ENCOGEN ACQUISITION ADJUSTMENT	47,973,283	(514,753)	47,458,530
21	LESS PRODUCTION PROPERTY ACCUM DEPR.	(568,398,982)	6,098,921	(562,300,061)
22	LESS PRODUCTION PROPERTY ACCUM AMORT.	(1,836,831)	19,709	(1,817,122)
23	NET PRODUCTION PROPERTY	606,430,325	(6,506,997)	599,923,328
24				
25	DEDUCT:			
26	LIBR. DEPREC. PRE 1981 (EOP)	(946,743)	10,159	(936,584)
27	LIBR. DEPREC. POST 1980 (EOP)	(83,253,683)	893,312	(82,360,371)
28	OTHER DEF. TAXES (EOP)	(21,747,000)	233,345	(21,513,655)
29	ADJUSTMENT TO RATE BASE BEFORE CWIP	(105,947,426)	1,136,816	(104,810,610)
30	SNOQUALMIE RELICENSING CWIP	12,045,680	(129,250)	11,916,429
31				
32	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	\$ 512,528,579	\$ (5,499,432)	\$ 507,029,147
33				
34	REGULATORY ASSETS RATE BASE:			
35	BPA POWER EXCHANGE INVESTMENT	\$ 44,964,313	\$ (482,467)	\$ 44,481,846
36	TENASKA REGULATORY ASSET	207,981,008	(2,231,636)	205,749,371
37	CABOT OIL REGULATORY ASSET	9,877,439	(105,985)	9,771,454
38				
39	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 262,822,760	\$ (2,820,088)	\$ 260,002,672

**PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
TEMPERATURE NORMALIZATION**

LINE NO.	DESCRIPTION	ACTUAL GPI MWH	TEMP ADJ GPI MWH	MWH CHANGE	ADJ FOR LOSSES 6.49%
1	Jul-02	1,506,686	1,491,747	(14,940)	(13,971)
2	Aug-02	1,511,988	1,483,868	(28,121)	(26,297)
3	Sep-02	1,460,462	1,450,589	(9,874)	(9,233)
4	Oct-02	1,691,158	1,666,143	(25,016)	(23,393)
5	Nov-02	1,807,647	1,847,651	40,004	37,409
6	Dec-02	2,061,746	2,129,151	67,406	63,034
7	Jan-03	1,979,614	2,118,931	139,316	130,280
8	Feb-03	1,848,298	1,808,435	(39,863)	(37,277)
9	Mar-03	1,877,283	1,895,001	17,718	16,569
10	Apr-03	1,691,863	1,667,425	(24,439)	(22,853)
11	May-03	1,585,662	1,572,960	(12,702)	(11,878)
12	Jun-03	1,490,550	1,466,626	(23,924)	(22,372)
13		<u>20,512,959</u>	<u>20,598,527</u>	<u>85,568</u>	<u>80,018</u>

PUGET SOUND ENERGY
POWER COST ONLY RATE CASE
TWELVE MONTHS ENDED JUNE 30, 2003
CONVERSION FACTOR

LINE NO.	DESCRIPTION		RATE
1	BAD DEBTS		0.0041068
2	ANNUAL FILING FEE		0.0018500
3	STATE UTILITY TAX ((1 - LINE 1) * 3.873%)	3.873%	<u>0.0385709</u>
4			
5	SUM OF TAXES OTHER		0.0445277
6			
7	CONVERSION FACTOR (1 - LINE 5)		0.9554723