

REVISED 12/17/04

Docket Numbers UG-040640 et. al

Exhibit No. (JMR-3C)

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PUGET SOUND ENERGY-ELECTRIC
2.03 POWER COSTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1	PRODUCTION EXPENSES:			
2	FUEL	\$ 64,236,514	200,357,175	\$ 136,120,661
2a	TENASKA DISALLOWANCE		(8,692,924)	(8,692,924)
3	PURCHASED AND INTERCHANGED:	769,384,600	951,143,475	(218,241,125)
4	WHEELING	39,868,912	41,793,080	1,924,168
5	HYDRO AND OTHER POWER	46,852,153	51,388,582	4,536,429
6	TRANS. EXP. INCL. 500KV O&M	492,266	485,960	(6,306)
7	SALES FOR RESALE	(199,186,464)	(35,157,622)	144,028,832
8	PURCHASES/SALES OF NON-CORE GAS	(9,704,193)	(319,170)	9,385,023
9	WHEELING FOR OTHERS	(12,727,829)	(9,398,452)	3,329,377
10	SUBTOTAL	\$ 699,215,959	\$ 771,600,094	\$ 72,384,135
11				
12	LESS: SALES FOR RESALE	199,186,464	35,157,622	(144,028,832)
13	LESS: WHEELING FOR OTHERS	12,727,829	9,398,452	(3,329,377)
14	SCH. 94 - RES./FARM CREDIT	(172,382,420)	-	172,382,420
15	TOTAL	\$ 738,747,832	\$ 836,156,178	\$ 97,408,345
16	TRANS. EXP. INCL. 500KV O&M	(492,266)		
17	PURCHASES/SALES OF NON-CORE GAS	9,704,193		
18	POWER COSTS PER G/L	\$ 747,959,759		
19	INCREASE(DECREASE) INCOME			\$ (97,408,345)
20				
21	INCREASE(DECREASE) FIT @	35%		(34,092,921)
22	INCREASE(DECREASE) NOI			\$ (63,315,425)

PUGET SOUND ENERGY
GENERAL RATE CASE

Docket Number UG-040640 et. al
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DETERMINATION OF NET POWER COSTS FOR GRC PAGE 2.03
TEST YEAR ENDED SEPTEMBER 30, 2003
RATE YEAR ENDED FEBRUARY 28, 2006

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Line FERC	Description	Rate Year 12ME 3/31/2005	Remove Ben&Tax	Net Before Prod Factor	After Prod Factor of 0.98719
1	Fuel:				
2	501 Steam Fuel	\$ 41,665,584	\$ -	\$ 41,665,584	\$ 41,131,848
3	547 Fuel	161,291,471	-	161,291,471	159,225,327
4		202,957,055	-	202,957,055	200,357,175
5	Purchased and Interchanged:				
6	555 Purchased Power	552,115,613	-	552,115,613	545,043,012
6a	555 Tenaska Disallowance	(8,805,725)	-	(8,805,725)	(8,692,924)
7	557 Other Power Expense	6,708,226	(528,602)	6,179,624	6,100,463
8		550,018,114	(528,602)	549,489,512	542,450,551
9					
10	565 Wheeling	42,335,396	-	42,335,396	41,793,080
11					
12	various Hydro and Other Power	53,496,302	(1,440,890)	52,055,412	51,388,582
13					
14	various Trans. Exp. Incl. 500Kv O&M	492,266	-	492,266	485,960
15	447 Sales for Resale	(55,873,370)	-	(55,873,370)	(55,157,632)
16	456 Purchases/Sales Of Non-Core Gas	(323,312)	-	(323,312)	(319,170)
17		(55,704,416)	-	(55,704,416)	(54,990,842)
18					
19	Net Power Costs from page 5	793,102,451	(1,969,492)	791,132,959	780,998,546
20	various Variable Transmission Income	(9,520,408)	-	(9,520,408)	(9,398,452)
21					
22	Power Costs Page 2.03 Line 10	\$ 783,582,043	\$ (1,969,492)	\$ 781,612,550	\$ 771,600,094
23					

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GRC Power Cost Projections
Rate Year AURORA + Non-AURORA Power Costs
GRC 1.19.04 WNR_v1

General Rate Case Rate Year: March 2005 - February 2006

	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Rate Year
501 Coal Fuel	3,607	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	41,666
547 Natural Gas Fuel	7,327	5,991	6,422	10,977	9,745	72,880	17,017	17,017	15,301	15,789	15,789	16,161	161,291
555 Purchase & Interchange	5,423	40,835	31,038	37,924	31,691	31,691	31,691	31,691	31,691	31,691	31,691	31,691	554,700
557 Other Power Supply	562	562	562	562	562	562	562	562	562	562	562	562	6,708
565 Wheeling	1,783	1,783	1,783	1,783	1,783	1,783	1,783	1,783	1,783	1,783	1,783	1,783	42,335
447 Secondary Sales	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	(55,873)
Subtotal	\$ 68,303	\$ 52,594	\$ 43,189	\$ 49,685	\$ 41,948	\$ 48,074	\$ 54,118	\$ 63,629	\$ 71,453	\$ 89,476	\$ 90,788	\$ 77,561	\$ 750,828
Non-Core Gas	(30)	(29)	(29)	(30)	(30)	(30)	(29)	(30)	(29)	(30)	(30)	(27)	(323)
Subtotal with Non-Core Gas	\$ 68,273	\$ 52,565	\$ 43,189	\$ 49,656	\$ 41,918	\$ 48,044	\$ 54,089	\$ 63,598	\$ 71,424	\$ 89,446	\$ 90,758	\$ 77,534	\$ 750,504

6.40% Load in MWh	1,913,303	1,657,048	1,577,190	1,478,858	1,508,755	1,537,626	1,499,973	1,680,860	1,881,085	2,141,614	2,177,709	1,859,919	20,923,938
Delivered Load	1,790,852	1,550,997	1,476,249	1,384,211	1,412,184	1,439,216	1,403,975	1,582,645	1,760,885	2,004,550	2,038,335	1,740,884	19,584,806

Revenue Requirement Adjustments:	
Before adjustment	\$ 750,504
Tenaska Prudence Disallowance	1.2% \$137,669
Tenaska Bupout Disallowance	50.0% \$ 17,611
March Point 2 Prudence Disallowance	3.0% \$ 31,089
Net Power Costs	\$ 739,114
Production O&M (including ben & pir tax)	53,496
Colstrip 500 KV Expense	492
Net Costs for Revenue Requirement	\$ 793,102

**PUGET SOUND ENERGY-ELECTRIC
2.06 TAX BENEFIT OF PRO FORMA INTEREST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 2,544,670,041
2	DEDUCTIBLE CWIP	63,264,591
3	NET RATE BASE	\$ 2,607,934,632
4		
5	WEIGHTED COST OF DEBT	4.03%
6	PROFORMA INTEREST	\$ 105,053,753
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 119,754,211
10	AMORTIZATION OF DEBT DISCOUNT	
11	AND EXPENSE, NET OF PREMIUMS	2,967,877
12	CONSERVATION TRUST INTEREST	865,394
13	OTHER INTEREST EXPENSE	3,133,604
14	LESS: INTEREST ON CUSTOMER DEPOSITS	(151,631)
15	CHARGED TO EXPENSE IN TEST YEAR	<u>126,569,455</u>
16		
17	INCREASE (DECREASE) INCOME	\$ 21,515,702
18		
19	INCREASE (DECREASE) FIT @	35% 7,530,496
20	INCREASE (DECREASE) NOI	<u>\$ (7,530,496)</u>

**PUGET SOUND ENERGY-ELECTRIC
2.22 WAGE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	Proforma Wage Increase	RATE YEAR	ADJUSTMENT
1	WAGES:				
2	PRODUCTION	\$ 8,370,435	4.02%	\$ 8,785,007	\$ 412,662
3	TRANSMISSION	1,159,494	4.02%	1,216,657	57,163
4	DISTRIBUTION	18,812,777	4.02%	19,720,247	927,470
5	CUSTOMER ACCTS	10,556,324	4.02%	11,076,751	520,427
6	CUSTOMER SERVICE	1,073,955	4.02%	1,126,901	52,946
7	SALES	404,574	4.02%	424,579	19,945
8	ADMIN. & GENERAL	14,879,040	4.02%	15,612,577	733,537
9	TOTAL WAGE INCREASE	55,256,599		57,980,749	2,724,150
10					
11	PAYROLL TAXES	4,631,774	4.12%	\$ 4,822,412	190,638
12	TOTAL WAGES & TAXES	59,888,373		62,803,161	2,914,788
13					
14	INCREASE (DECREASE) OPERATING INC.				\$ (2,914,788)
15	INCREASE (DECREASE) FIT @ 35%				(1,020,176)
16	INCREASE (DECREASE) NOI				<u>\$ (1,894,612)</u>

**PUGET SOUND ENERGY-ELECTRIC
2.23 INVESTMENT PLAN
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>MANAGEMENT (INC. EXECUTIVES)</u>	
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT	2,593,999
3	RATE YEAR MANAGEMENT WAGE INCREASE	2.78% 72,112
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT	2,666,112
5		
6	<u>UNION</u>	
7	INVESTMENT PLAN APPLICABLE TO UNION	1,237,966
8	RATE YEAR UNION WAGE INCREASE	7.88% 97,570
9	TOTAL COMPANY CONTRIBUTION FOR UNION	1,335,536
10		
11	<u>TOTAL</u>	
12	TOTAL PROFORMA COSTS (LN 4 + LN 9)	4,001,649
13	PRO FORMA COSTS APPLICABLE TO OPERATIONS	67.91% 2,717,520
14	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2003	2,602,287
15	INCREASE (DECREASE) INCOME	(115,232)
16		
17	INCREASE (DECREASE) FIT @	35% (40,331)
18	INCREASE (DECREASE) NOI	(74,901)

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PUGET SOUND ENERGY-ELECTRIC
2.25 MONTANA CORPORATE LICENSE TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION		AMOUNT
1	FEDERAL CURRENT TAXABLE INCOME		\$ 51,509,914
2	ADD: MONTANA CORP. LICENSE TAX DED. ON BOOKS		(1,741,728)
3	PRO FORMA INTEREST ADJUSTMENT		21,515,702
4	INCOME SUBJECT TO APPORTIONMENT		<u>71,283,888</u>
5			
6	MONTANA APPORTIONMENT FACTOR		4.50%
7	MONTANA TAXABLE INCOME		3,207,775
8			
9	PROFORMA MONTANA CORP. LIC. TAX	6.75%	216,525
10	CHARGED TO EXPENSE IN TEST YEAR		<u>(1,741,728)</u>
11	INCREASE (DECREASE) INCOME		(1,958,253)
12			
13	INCREASE (DECREASE) FIT @	35%	(685,388)
14	INCREASE (DECREASE) NOI		<u>\$ (1,272,865)</u>

PUGET SOUND ENERGY-ELECTRIC
2.30 PRODUCTION ADJUSTMENT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE

LINE NO. DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 1.281%	FIT 35%
1 PRODUCTION WAGE INCREASE:			
2 PURCHASED POWER	\$ -	\$ -	\$ -
3 OTHER POWER SUPPLY	412,662	(5,286)	1,850
4 TOTAL PRODUCTION WAGE INCREASE	412,662	(5,286)	1,850
5 PAYROLL OVERHEADS	1,508,288	(19,321)	6,762
6 PROPERTY INSURANCE	2,291,570	(29,355)	10,274
7 TOTAL A&G	3,799,858	(48,676)	17,036
8			
9 DEPRECIATION / AMORTIZATION:			
10 DEPRECIATION	37,820,331	(484,478)	130,038
11 AMORTIZATION	3,280,326	(42,021)	445
12 TOTAL DEPRECIATION AND AMORTIZATION (FERC 403)	41,100,657	(526,499)	130,483
13 AMORTIZATION (FERC 407)	1,494,702	(19,147)	6,701
14 TAXES OTHER-PRODUCTION PROPERTY:			
15 PROPERTY TAXES - WASHINGTON	882,246	(48,772)	17,070
16 PROPERTY TAXES - MONTANA	5,321,477	(68,168)	23,859
17 ELECTRIC ENERGY TAX	1,145,145	(22,313)	7,810
18 PAYROLL TAXES	730,595	(9,359)	3,276
19 TOTAL TAXES OTHER	11,601,273	(148,612)	52,015
20 INCREASE(DECREASE) INCOME		748,221	
21 INCREASE(DECREASE) FIT			208,085
22 INCREASE(DECREASE) NOI			\$ 540,136
23			
24 PRODUCTION RATE BASE:			
25 DEPRECIABLE PRODUCTION PROPERTY	\$ 1,123,818,126	\$ (14,396,110)	
26 LESS PRODUCTION PROPERTY ACCUM DEPR.	(580,591,154)	7,437,373	
27 NON-DEPRECIABLE PRODUCTION PROPERTY	13,260,193	(169,863)	
28 LESS PRODUCTION PROPERTY ACCUM AMORT.	(1,861,180)	23,842	
29 COLSTRIP COMMON FERC ADJUSTMENT	7,518,976	(96,318)	
30 COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,214,968	(28,374)	
31 ENCOGEN ACQUISITION ADJUSTMENT	51,952,633	(665,513)	
32 NET PRODUCTION PROPERTY	616,312,563	(7,894,963)	
33 DEDUCT:			
34 LIBR. DEPREC. PRE 1981 (EOP)	(647,743)	8,298	
35 LIBR. DEPREC. POST 1980 (EOP)	619,218,571	1,529,563	
36 OTHER DEF. TAXES (EOP)	(21,361,000)	273,634	
37 SUBTOTAL	(141,412,530)	1,811,495	
38			
39 ADJUSTMENT TO PRODUCTION RATE BASE	474,900,033	(6,083,468)	
40			
41 REGULATORY ASSETS RATE BASE:			
42 BPA POWER EXCHANGE INVESTMENT	41,731,621	(534,582)	
43 TENASKA REGULATORY ASSET	179,146,208	(2,294,863)	
44 CABOT OIL REGULATORY ASSET	5,972,250	(76,505)	
45 WHITE RIVER RELICENSING COSTS	1,730,740	(229,304)	
46 WHITE RIVER PLANT COSTS	41,343,483	(529,610)	
47 ADJUSTMENT TO REGULATORY ASSETS RATE BASE	286,093,922	(3,664,864)	
48			
49 TOTAL ADJUSTMENT TO RATE BASE	\$ 760,993,955	\$ (9,748,332)	

**PUGET SOUND ENERGY-ELECTRIC
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE

NO. DESCRIPTION

1	RATE BASE	\$ 542,670,741
2	RATE OF RETURN	7.80%
3		
4	OPERATING INCOME REQUIREMENT	198,484,263
5		
6	PRO FORMA OPERATING INCOME	\$ 341,172,478
7	OPERATING INCOME DEFICIENCY	9,939,538
8		
9	CONVERSION FACTOR	0.6208292
10	REVENUE REQUIREMENT DEFICIENCY	16,010,101
11	LESS : ASSIGNMENT TO LARGE FIRM WHOLESALE	21,903
12	LESS: ASSIGNMENT TO SMALL FIRM WHOLESALE	7,479
13	RETAIL ELECTRIC REVENUE DEFICIENCY	\$ 15,980,719