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February 7, 2005

VIA EMAIL & OVERNIGHT MAIL

Carole J. Washburn
Office of the Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: UE-041570 and Open Meeting on February 9, 2005


Dear Ms. Washburn:

Enclosed for filing are an original and 12 copies of Puget Sound Energy, Inc.'s Response to Commission Staff's Open Meeting Memo for filing in the above-referenced docket and for distribution for the Open Meeting on February 9, 2005 (Agenda Item A1).

We are also providing an electronic copy of this filing via email.

Thank you for your assistance.

Very truly yours,



Kirstin S. Dodge

Enclosure

cc: Shannon Smith, Assistant AG
Hank McIntosh, Regulatory Analyst

**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-041570

PUGET SOUND ENERGY, INC.'S
RESPONSE TO COMMISSION STAFF'S
OPEN MEETING MEMO

I. INTRODUCTION

1
2 1. Puget Sound Energy, Inc. ("PSE" or the "Company") submits these comments
3 in response to Commission Staff's Open Meeting Memorandum dated February 9, 2005
4 ("Staff's Memorandum").

5 2. The Company appreciates Staff's recommendation that the Commission
6 approve PSE's Power Cost Adjustment Mechanism Annual Report for the Twelve Months
7 Ended June 30, 2004—PCA Period Two ("2004 PCA Report"), as revised to incorporate
8 some corrections Staff identified in its audit of the report. A revised 2004 PCA Report
9 incorporating Staff's corrections is submitted as Exhibit A to these Response Comments.

10 3. However, the Company does not agree with Staff that the Tenaska 50%
11 benchmark disallowance should be applied to the Company's power cost calculations during
12 PCA Period 2 prior to May 24, 2004. Instead, the Company requests that the Commission
13 determine that the benchmark mechanism established in Order No. 14 in Docket No. UE-
14 031725 ("Order No. 14") is to be applied on a going-forward basis from the date the rates
15 approved in Order No. 14 went into effect: May 24, 2004. Similarly, the Company requests

1 that no other disallowance be applied to the first ten plus months of PCA Period 2 related to
2 historic imprudence. As discussed below, the Company believes its proposal more closely
3 reflects the Commission's intent in imposing a \$25.6 million one-time disallowance for the
4 Company's historic imprudence in managing Tenaska fuel costs, as well as the Commission's
5 intent in creating the new benchmark mechanism in late May 2004 to provide an incentive
6 for the Company to control fuel costs in the future.

7 4. The 2004 PCA Report submitted with the Company's Petition as Exhibit
8 No. ___(BAL-3) includes recognition of a reduction in earnings of approximately
9 \$10.9 million pretax for the first 10 plus months of PCA Period 2 based on application of the
10 benchmark disallowance established in Order No. 14. As stated in Staff's Memorandum, the
11 Company was required to recognize this reduction under applicable accounting standards
12 because it did not have sufficient assurance that the Commission would not ultimately
13 impose such a disallowance. However, if the Commission determines that the Tenaska
14 benchmark disallowance should not apply to PCA Period 2 prior to May 24, 2004, the
15 Company would reverse the earnings reduction recognized for this period.

16 5. The Company requests that the Commission approve for inclusion in the
17 2004 PCA Report the substitute pages provided in revised Exhibit No. ___(BAL-4) that are
18 attached to these Response Comments as Exhibit B. These pages reflect Staff's corrections
19 to the 2004 PCA Report, but flow through to that report reversal of the Tenaska benchmark
20 disallowance for the period July 1, 2003 through May 23, 2004.

21 II. ARGUMENT

22 A. PCORC Order Nos. 14 and 15

23 6. In Order No. 14, the Commission determined that PSE had failed to manage
24 prudently fuel purchasing for Tenaska "over many years, up to and including recent periods."

1 Order No. 14 at ¶ 93. Because it was not possible to identify the precise cost consequences
2 of this failure, the Commission determined it would "make a *single* adjustment to the [PCA]
3 deferral account, approximating an appropriate disallowance of return on the [Tenaska
4 regulatory] asset." *Id.* (emphasis added). The Commission emphasized that this was "a *one-*
5 *time disallowance* of costs on which the [PCA] mechanism operates." *Id.* at ¶ 94 (emphasis
6 added). The Commission stated:

7 Because this adjustment may have consequences in later PCA periods,
8 we will take it into account when reviewing those periods. We also
9 observe that this disallowance is a consequence of practices and
10 policies *undertaken by a prior management*. We have confidence in
11 the new management, and expect that it will be able to demonstrate in
12 future proceedings that it has developed prudent gas purchasing
13 practices.

14 *Id.* (emphasis added).

15 7. "Looking forward," Order No. 14 also established the Tenaska benchmark
16 disallowance "for determining recovery of Tenaska costs *incurred after the effective date of*
17 *this Order*." Order No. 14 at ¶ 86 (emphasis added). The Commission explained its creation
18 of the benchmark disallowance, in part, as "an incentive" for the Company "to strive for
19 lower gas costs." Order No. 14 at ¶ 97.

20 8. Order No. 14 did not apply the Tenaska benchmark disallowance to PCA
21 Period 2. Instead, the Commission stated that "[t]he costs incurred between July 1, 2003 and
22 the date of this Order remain subject to review in an appropriate proceeding" Order No. 14
23 at n. 104.

24 9. Order No. 15 in Docket No. UE-031725 ("Order No. 15") confirmed that the
25 Commission would "consider the June 30, 2003, through May 13, 2004 period later this year

1 when PSE makes its second PCA filing." Order No. 15 at n.29.¹ The Commission stated
2 that information pertaining to the Company's management of fuel costs after June 2003
3 "gave us reason to be encouraged," but determined that the Commission would not prejudge
4 the Company's prudence during PCA Period 2. Order No. 15 at ¶ 50. Instead, the
5 Commission stated that it would address the question of applicability of the Tenaska
6 benchmark disallowance to the first 10 plus months of PCA Period 2 in the context of the
7 Company's PCA Period 2 true-up filing. Order No. 15 at ¶ 53. The Commission also
8 reaffirmed that it "would take the effects of the disallowances [imposed in Order No. 14]
9 into account in future proceedings." Order No. 15 at ¶ 52.

10 10. Consistent with Order No. 15, the Company's Petition for approval of its
11 2004 PCA Report for PCA Period 2 renewed the Company's request that the Commission
12 not impose the Tenaska benchmark disallowance prior to May 24, 2004. In support of its
13 request and PCA Period 2 costs, the Company submitted extensive evidence with its Petition
14 to show the prudence of its management of power costs during PCA Period 2.

15 **B. Staff's Recommendation**

16 11. Staff agrees that the Company's management of power costs during PCA
17 Period 2 was prudent:

18 Staff reviewed the petition and PCA 2 report, and the supporting
19 testimony, exhibits and workpapers. Staff also conducted field audits
20 and met with PSE as necessary during its investigation. Staff
21 reviewed PSE's approaches to power and gas supply during PCA 2.
22 Staff's audit indicates that PSE's methodology, data, and review

¹ Although Order No. 15 refers to May 13, 2004 – the date Order No. 14 issued – the Company believes it is more appropriate from an accounting perspective to consider the contested period to end May 23, 2004 because the rates approved in Order No. 14 went into effect on May 24, 2004, thereby also impacting PCA mechanism accounting as of May 24, 2004.

1 processes during PCA 2 appear to be reasonable. Staff does not
2 challenge the prudence of PSE's decisions during PCA 2.

3 Staff Memorandum at 3.

4 12. Nevertheless, Staff recommends that the Commission apply the Tenaska
5 benchmark mechanism to the entire PCA Period 2 because:

6 The PCORC orders established the imprudence of PSE's gas
7 purchases. The Commission adopted the benchmark in order to
8 restore equity for ratepayers for such imprudence. The Commission's
9 benchmark mechanism is of a continuing nature and applies as long as
10 the original Tenaska contract lasts, or until the benchmark is
11 eliminated. Staff sees no logic in allowing a hiatus in the adjustment
12 during the PCA 2.

13 Staff Memorandum at 5. Staff further states its belief that the Commission intended its \$25
14 million "one time" disallowance to apply only to the PCA 1 period, with the benchmark rule
15 to be in effect thereafter. *Id.* at 5-6.

16 13. By stating that "Staff sees no logic in allowing a *hiatus*" in the benchmark
17 mechanism during PCA Period 2, Staff's argument assumes that the Commission has already
18 determined that the benchmark is to be applied to the entire PCA Period 2. Staff's argument
19 begs the questions that the Commission reserved for this proceeding:

- 20
- 21 • Should the \$25 million "one time" disallowance for historical imprudence
22 that was imposed for PCA Period 1 be expanded to impose an additional
23 \$10.9 million (or some other) disallowance on the Company for the 10.5
24 month period between the end of PCA Period 1 and the date the Commission
issued Order No. 14? and/or
 - 25 • Should the Tenaska benchmark mechanism be applied retroactively from the
26 date the Commission issued Order No. 14 to the beginning of the PCA
27 Period 2, 10.5 months earlier?

1 **C. The Commission Should Not Impose an Additional \$10.9 Million**
2 **Disallowance on the Company for Tenaska Fuel Costs During PCA**
3 **Period 2**

4 14. The Company is not arguing that Order Nos. 14 and 15 require the
5 Commission to rule in the Company's favor. The Company recognizes that the Commission
6 specifically reserved a ruling on these issues until this proceeding. The Company
7 respectfully requests that the Commission now determine that it will not expand the \$25.6
8 million "one time" disallowance for historic imprudence to include another \$10.9 million for
9 the portion of PCA Period 2 prior to Order No. 14 by imposing the benchmark mechanism
10 retroactively to that period, or any other disallowance.

11 15. In support of this request, the Company notes that the Commission's primary
12 concern in Order No. 14 appears to have been historic fuel management decisions that were
13 made under prior Company management. To the extent PCA Period 2 fuel costs were
14 impacted by such historic decisions, the Commission's "one time" \$25.6 million
15 disallowance addressed those issues. Imposition of an additional disallowance at this time
16 would be needlessly punitive to the Company's current management.

17 16. To the extent the Commission's decision to reserve a ruling on the PCA
18 Period 2 turned on a concern that there might be ongoing prudence issues associated with the
19 Company's management of Tenaska fuel costs, the Company's evidence in support of its
20 Petition, and Staff's Memorandum at page 3, should put that issue to rest. The Company's
21 management of fuel costs during PCA Period 2 was prudent, and no additional disallowance
22 is warranted related to current management of such costs.

23 17. Finally, as noted above, the Commission's intent in creating the Tenaska
24 benchmark mechanism was, in part, to create an incentive for the Company to reduce its fuel

1 costs for Tenaska in the future. Retroactive application of the benchmark seems inconsistent
2 with a going-forward incentive and would also be needlessly punitive.

3 18. In sum, PSE respectfully submits that the \$25.6 million Tenaska disallowance
4 imposed with respect to PCA Period 1 and the benchmark mechanism imposed beginning
5 May 24, 2004, have sufficiently addressed the Commission's concerns regarding the
6 Company's historic management of fuel supply for Tenaska. The Company requests that no
7 further disallowances be imposed in this PCA Period 2 proceeding.

8 III. CONCLUSION

9 19. For the reasons set forth above and in its Petition in this docket, PSE
10 respectfully requests that the Commission issue an order:

- 11 • Determining that no further disallowances will be imposed related to PCA
12 Period 2 costs prior to May 24, 2004, and that the Tenaska 50% benchmark
13 methodology will not be applied to PCA Period 2 from July 1, 2003 through
14 May 23, 2004; and
- 15 • Approving PSE's revised 2004 PCA Report, Exhibit A hereto, as further
16 revised to include the substitute pages attached hereto as Exhibit B.

17 DATED: February 7, 2005.

PERKINS COIE LLP

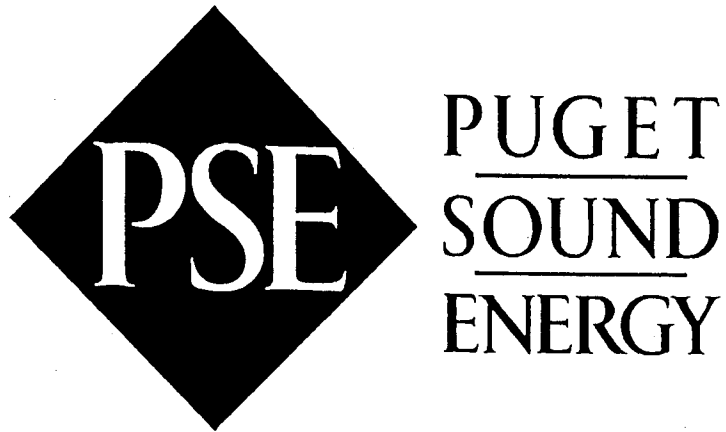


By _____
Kirstin S. Dodge
Attorneys for Puget Sound Energy, Inc.

EXHIBIT A

**PSE's Power Cost Adjustment Mechanism Annual Report for the
Twelve Months Ended June 30, 2004—PCA Period Two
("2004 PCA Report")**

(as revised to include Staff's corrections)



Power Cost Adjustment Mechanism Annual Report

PCA Period Two

Twelve Months Ended June 30, 2004

Puget Sound Energy
Power Cost Adjustment Mechanism
2004 Annual Report – PCA Period Two
Twelve Months Ended June 30, 2004

Exhibit No. ___(BAL-3)
2 of 25

Index

2. Power Cost Summary
3. Exhibit A-1 – Power Cost Rate, Updated Actual (7/1/03-6/30/04)
- 4. PCA Period Two: 7/1/03 – 5/23/04 (prior to rates set in UE-031725 Power Cost Only Rate Case)**
5. Exhibit A-1 – Power Cost Rate, Settlement Stipulation
6. Exhibit A-2 – Transmission Costs
7. Exhibit A-3 – Colstrip Fixed Costs
9. Exhibit A-4 – Production Adjustment UE-011570
10. Exhibit A-5 – Power Cost
11. Exhibit B – PCA Mechanism Calculation (7/1/03-6/30/04)
12. Exhibit D – Regulatory Assets
13. Exhibit E – Contract Adjustment (7/1/03-5/23/04)
- 15. PCA Period Two: 5/24/04 – 6/30/04 (date of rates in effect per UE-031725 Power Cost Only Rate Case to the end of PCA Period 2)**
16. Exhibit A-1 – Power Cost Rate
17. Exhibit A-2 – Transmission Costs
18. Exhibit A-3 – Colstrip Fixed Costs
20. Exhibit A-4 – Production Adjustment UE-011570
21. Exhibit A-5 – Power Cost
22. Exhibit B – PCA Mechanism Calculation (7/1/03-6/30/04)
23. Exhibit D – Regulatory Assets
24. Exhibit E – Contract Adjustment

**Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004**

POWER COST ADJUSTMENT SUMMARY

PCA Period Two - Power Costs:

Actual	\$ 896,926,731
Baseline	\$ 872,785,985
Difference	\$ 24,140,746
Wholesale Customers	\$ (9,763)
Total Cost Over Baseline	\$ 24,130,983

Allocation of PCA Period Two - Power Costs

Company	\$ 22,065,492
Customers	\$ 2,065,492
Total Cost Allocated	\$ 24,130,983

Customer Share Including Interest

Customer Share	\$ 2,065,492
Interest	\$ 20,399
Total Customer Share Including Interest	\$ 2,085,890

Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004

Exhibit No._(BAL-3)
4 of 25

Exhibit A-1 Power Cost Rate: Updated Actual 7/1/03-6/30/04

Row					
3	Regulatory Assets (Variable)	\$	284,845,904		
4	Transmission Rate Base (Fixed)	\$	123,753,863		
5	Production Rate Base (Fixed)	\$	480,459,327		
5a	New Resource (Fixed)	\$	7,910,073		
6		\$	896,969,167		
7	Net of tax rate of return		7.30%		
8					
9				\$/MWh	
10	Regulatory Asset Recovery	\$	31,990,386	\$ 1.619	(c)
11	Fixed Asset Recovery-Prod Factored	\$	54,442,023	\$ 2.755	(a)
12	Fixed Asset Recovery Other	\$	15,188,534	\$ 0.769	(a)
12a	Fixed New Resource Recovery	\$	888,362	\$ 0.045	(a)
13	501-Steam Fuel	\$	38,008,989	\$ 1.923	(c)
14	555-Purchased power	\$	696,536,631	\$ 35.245	(c)
15	557-Other Power Exp	\$	11,943,348	\$ 0.604	(a)
16	547-Fuel	\$	28,620,139	\$ 1.448	(c)
17	565-Wheeling	\$	40,738,171	\$ 2.061	(c)
18	Variable Transmission Income	\$	(3,190,788)	\$ (0.161)	(c)
19	Hydro and Other Pwr.	\$	53,025,866	\$ 2.683	(a)
20	447-Sales to Others	\$	(104,104,176)	\$ (5.268)	(c)
21	456-Subaccounts 12, 18,35,36	\$	(5,574,649)	\$ (0.282)	(c)
22	Transmission Exp - 500KV	\$	367,182	\$ 0.019	(a)
23	Depreciation-Production	\$	37,790,080	\$ 1.912	(a)
23a	Amortization-White River	\$	118,936	\$ 0.006	(a)
24	Depreciation-Transmission	\$	4,887,094	\$ 0.247	(a)
25	Property Taxes-Production	\$	8,696,608	\$ 0.440	(a)
26	Property Taxes-Transmission	\$	4,466,995	\$ 0.226	(a)
27	Subtotal & Baseline Rate	\$	914,839,731	\$ 46.292	(b)
28	Revenue Sensitive Items	\$	0.955234		
29		\$	957,712,998		
30	Year Load (MWH's)		19,762,540	<-- includes Firm Wholesale	
31			Before Rev. Sensitive Items	After Rev. Sensitive Items	
32	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline)			48.461	
33	sum of (a) = Fixed Rate Component		9.655	10.107	
34	(b) = Power Cost Rate		46.292	48.461	
35	sum of (c) = Variable Power Rate Component		36.586	38.300	
36					
37					
38	* Regulatory Assets are Tenaska, Encogen Fuel Buyout and BEP				

Puget Sound Energy

Power Cost Adjustment Mechanism Annual Report

PCA Period Two

Twelve Months Ended June 30, 2004

Exhibits

From 7/1/03 To 5/23/04

PCA Period 2 prior to rates approved in UE-031725 Power Cost Only Rate Case

**Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004**

Exhibit A-1 Power Cost Rate: PCA Settlement Stipulation

Row	12ME 6/30/01		
3	\$ 284,728,294		
4	\$ 124,643,364		
5	\$ 493,777,165		
6	\$ 903,148,823		
7	7.30%		
8			
9		Test Yr \$/MWh	Rate Year
10	\$ 31,977,178	1.677	(c)
11	\$ 54,142,951	2.84	(a) 55,725,557
12	\$ 15,310,432	0.803	(a) 15,310,432
13	\$ 32,511,186	1.705	(c)
14	\$ 526,980,333	27.643	(c)
15	\$ 11,499,089	0.603	(a) 11,835,209
16	\$ 61,173,325	3.209	(c)
17	\$ 41,435,360	2.174	(c)
18	\$ (6,510,985)	-0.342	(c)
19	\$ 51,597,583	2.707	(a) 53,105,787
20	\$ (37,525,193)	-1.968	(c)
21	\$ 1,077,379	0.057	(c)
22	\$ 342,495	0.018	(a) 352,506
23	\$ 36,265,740	1.902	(a) 37,325,792
24	\$ 4,851,654	0.254	(a) 4,851,654
25	\$ 8,343,174	0.438	(a) 8,600,747
26	\$ 4,441,860	0.233	(a) 4,441,860
27	\$ 837,913,560	43.953	(b) 191,549,544
28	0.955234		
29	\$ 877,181,741		
30	\$ 19,063,867	<-- includes Firm Wholesale	
31		Before Rev. Sensit	After Rev. Sensitive Items
32	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseli	46.013	
33	sum of (a) = Fixed Rate Component	9.798	10.257
34	(b) = Power Cost Rate	43.953	46.013
35	sum of (c) = Variable Power Rate Component	34.155	35.756
36			
37			
38	* Regulatory Assets are Tenaska, Encogen Fuel Buyout and BEP		

Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004

Exhibit A-2 Transmission Costs: 7/1/03-5/23/04

Row		Date	DR (CR)-Accumulated	
			Deferred FIT Balance	
8	Colstrip Related Transmission Assets			
9				
10	Balance at:	6/30/2001		(15,759,774)
11	No deferred income taxes associated with the 3rd AC Intertie,			
12	Northern Intertie and BPA Transmission Assets.			
13				
14	Test Period Property Taxes on transmission Related Assets:			
15				
16		Amount		
16	Oregon-3rd AC Intertie	\$864,624		
17	Montana-Transmission Assets	1,622,875		
18	Montana-Beneficial Use Property Taxes on BPA			
19	Transmission Assets	1,826,626		
20	Washington-Northern Intertie	127,735		
21	Total Property Taxes	\$4,441,860		
22				
23	Wheeling Expense	41,435,360		
24				
25	Transmission Plant			
26				
27		Plant		
28		AMA 6/30/01	Accum. Dep.	Depreciation Exp.
28	E351	TRANS - COLSTRIP 1 & 2		
28	E351	Easements	685,927	264,280
29	E353	Station Equipment	1,231,131	682,186
30	E354	Towers & Fixtures	14,474,343	5,917,036
31	E355	Poles & Fixtures	49,007	39,834
32	E356	OH Conductors & devices	13,158,153	5,749,080
33	E359	Roads & Trails	113,968	43,839
34	COLSTRIP 1&2 TRANSMISSION	29,712,529	12,696,255	800,250
35				
36		TRANS - COLSTRIP 3 & 4		
37	E351	Easements	1,071,124	396,585
38	E352	Structures & Improvements	478,326	188,636
39	E353	Station Equipment	17,687,015	6,706,154
40	E354	Towers & Fixtures	20,422,516	8,020,387
41	E355	Poles & Fixtures	122,619	58,220
42	E356	OH Conductors & Devices	20,015,734	8,474,189
43	E359	Roads & Trails	341,015	127,820
44	COLSTRIP 3&4 TRANSMISSION	60,138,349	23,971,991	1,743,073
45				
46		TRANS - 3RD NW-SW INTERTIE		
47	E352	Structures & Improvements	1,276,264	183,547
48	E353	Station Equipment	31,157,075	5,529,150
49	E354	Towers & Fixtures	22,781,417	3,276,322
50	E355	Poles & Fixtures	204,200	19,787
51	E356	OH Conductors & devices	23,458,461	4,528,227
52	E359	Roads & Trails	59,215	4,141
53	TOTAL 3RD NW-SW INTERTIE	78,936,632	13,541,174	1,785,843
54				
55		TRANS - NORTHERN INTERTIE		
56	E351	Easements - Whatcom	-	-
57	E354	Towers & Fixtures-Whatcom	5,744,097	533,604
58	E355	Poles & Fixtures-Whatcom	11,219	1,702
59	E356	OH Conductors & Devices-Whatc	7,460,099	904,353
60	E355	Poles & Fixtures-Skagit	3,398,685	416,680
61	E356	OH Conductors & Devices-Skagit	5,142,699	501,239
62	TOTAL NORTHERN INTERTIE	21,756,799	2,357,578	522,488
63				
64	Total Transmission	190,544,309	52,566,998	4,851,654
65	Less			
66	Accumulated Depreciation	50,141,171		
67	Deferred Taxes	15,759,774		
68	Transmission Ratebase	124,643,364		

Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004

A-3 Page 1

Exhibit A-3 Colstrip Fixed Costs: 7/1/03-5/23/04

Row

8	Revenue Requirement for Colstrip		
9	Plant	647,044,433	
10	Accumulated Depreciation	(329,162,407)	
11	Deferred Taxes	(93,634,221)	
12	Net Plant	224,247,805	
13	Rate of Return (net of Tax)	7.30%	
14	Revenue Requirement after tax	16,370,090	
15	Plant Revenue Requirement	25,184,753	(Adjusted for Federal Tax)
16	Expenses	52,329,881	
17	Total Revenue Requirement	77,514,634	(before revenue sensitive items)

Support for Revenue Requirement - Ratebase

FERC	DESCRIPTION	30-Jun-00	30-Jun-01	13 MONTH AMA	ANNUITY RATE	ANNUALIZED DEPRECIATION	ACUMM. DEPR. 06/30/2001
	COLSTRIP #1						
E311	Structures & Improvements	6,931,939	7,097,390	7,021,558	3.03%	212,753	4,519,382
E312	Boiler Plant Equipment	46,965,650	48,224,007	47,159,778	3.12%	1,471,385	30,962,573
E314	Turbo Generating Units	12,437,937	12,437,937	12,437,937	3.29%	409,208	8,005,683
E315	Accessory Electric Equip.	7,042,053	7,043,604	7,042,893	2.71%	190,862	4,440,864
E316	Misc. Power Plant Equip.	365,117	426,565	398,401	3.87%	15,418	215,987
	TOTAL	73,742,696	75,229,503	74,060,567	3.11%	2,299,626	48,144,489
	COLSTRIP #2						
E311	Structures & Improvements	5,317,757	5,573,640	5,456,360	3.06%	166,965	3,343,898
E312	Boiler Plant Equipment	39,821,935	40,460,296	40,167,714	3.05%	1,225,115	26,457,593
E314	Turbo Generating Units	12,178,755	12,519,462	12,363,305	3.26%	403,044	7,691,610
E315	Accessory Electric Equip.	4,536,518	4,592,474	4,566,828	2.69%	122,848	2,797,275
E316	Misc. Power Plant Equip.	365,931	427,379	399,215	3.61%	14,412	217,888
	TOTAL	62,220,896	63,573,251	62,953,422	3.07%	1,932,384	40,508,264
	COLSTRIP 1 & 2 COMMON						
E311	Structures & Improvements	30,345,256	31,983,349	31,232,556	3.16%	986,949	18,788,553
E312	Boiler Plant Equipment	8,623,422	8,679,337	8,653,709	3.18%	275,188	5,533,214
E314	Turbo Generating Units	3,918,858	3,918,858	3,918,858	3.31%	129,714	2,382,313
E315	Accessory Electric Equip.	2,377,984	2,420,179	2,400,840	3.07%	73,706	1,334,875
E316	Misc. Power Plant Equip.	6,235,545	6,561,728	6,412,227	3.82%	244,947	3,136,065
	TOTAL	51,501,065	53,563,451	52,618,190	3.25%	1,710,504	31,175,020
	COLSTRIP 3						
E311	Structures & Improvements	28,829,642	28,882,948	28,858,516	2.45%	707,034	14,566,340
E312	Boiler Plant Equipment	113,898,277	115,756,485	113,618,072	2.68%	3,044,964	57,262,237
E314	Turbo Generating Units	32,936,825	33,180,681	33,068,914	2.97%	982,147	14,166,239
E315	Accessory Electric Equip.	6,401,615	6,401,615	6,401,615	2.47%	158,120	2,874,151
E316	Misc. Power Plant Equip.	454,762	480,140	468,508	2.86%	13,399	210,034
	TOTAL	182,521,121	184,701,869	182,415,625	2.69%	4,905,664	89,079,001
	COLSTRIP 4						
E311	Structures & Improvements	26,542,394	26,595,701	26,571,269	2.54%	674,910	11,552,369
E312	Boiler Plant Equipment	99,709,843	100,508,440	100,142,416	2.75%	2,753,916	43,898,286
E314	Turbo Generating Units	27,895,777	28,602,598	28,278,638	2.94%	831,392	10,813,318
E315	Accessory Electric Equip.	5,589,362	5,596,707	5,593,341	2.52%	140,952	2,163,849
E316	Misc. Power Plant Equip.	650,784	676,163	664,531	2.79%	18,540	277,867
	TOTAL	160,388,160	161,979,609	161,250,195	2.74%	4,419,710	68,705,689
	COLSTRIP 3 & 4 COMMON						
E311	Structures & Improvements	71,951,771	72,034,845	71,996,769	2.33%	1,677,525	35,209,226
E312	Boiler Plant Equipment	20,855,440	20,915,298	20,887,863	2.48%	518,019	10,585,040
E314	Turbo Generating Units	274,553	274,553	274,553	2.62%	7,193	125,852
E315	Accessory Electric Equip.	7,706,935	7,748,971	7,729,705	2.31%	178,556	3,422,068
E316	Misc. Power Plant Equip.	4,861,282	5,098,460	4,989,753	2.79%	139,214	2,083,870
	TOTAL	105,649,981	106,072,127	105,878,643	2.38%	2,520,507	51,426,056
	COLSTRIP 1-4 COMMON						
E316	Misc. Power Plant Equip.	253,865	253,865	253,865	2.46%	6,245	123,888
	TOTAL	253,865	253,865	253,865	2.46%	6,245	123,888
	COLSTRIP COMMON FERC ADJ.	8,316,981					
	COLSTRIP DEF DEPR FERC ADJ.	2,449,668					
	Total Plant and Acc. Deprec.	647,044,433				17,794,640	329,162,407

Puget Sound Energy
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Exhibit A-3 Colstrip Fixed Costs

76	Support for Revenue Requirement - Expenses		
77			Amount before
78	Order	Description	Prod. Adj.
79	50004011	1&2 Sup & Eng	76,685
80	50005011	3&4 Sup & Eng	108,581
81	50204001	1&2 Steam Exp	1,217,034
82	50205001	3&4 Steam Exp	624,831
83	50504001	1&2 Elec Exp	(208,933)
84	50505001	3&4 Elec Exp	(223,913)
85	50604001	1&2 Misc Exp	3,320,269
86	50605001	3&4 Misc Exp	2,515,968
87	50605002	3&4 Steam	(2,399)
88	50704001	1&2 Rents	95,991
89	50705001	3&4 Rents	131,692
90	51004001	1&2 Maint Supv	669,151
91	51005001	3&4 Maint Supv	539,405
92	51104001	1&2 Maint of Struct	405,072
93	51105001	3&4 Maint of Struct	373,938
94	51204001	1&2 Maint of Boiler	4,902,128
95	51205001	3&4 Maint of Boiler	5,967,278
96	51304001	1&2 Maint of E Plant	(178,069)
97	51305001	3&4 Maint of E Plant	705,533
98	51404001	1&2 Maint of Misc	4,578,888
99	51405001	3&4 Maint of Misc	1,159,196
100		Property Taxes-Montana	6,027,509
101		Electric Energy Tax	1,729,406
102	403xxxxx	Depreciation	17,794,640
103			<u>\$52,329,881</u>

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Twelve Months Ended June 30, 2004

Exhibit A-4 Production Adjustment UE-011570: 7/1/03-5/23/04

PRODUCTION ADJUSTMENT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2001
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	PRO FORMA AMOUNT	PRODUCTION 2.84%	FIT 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	293,050,941
33	TENASKA REGULATORY ASSET	229,424,000	L34	284,728,294
34	CABOT OIL REGULATORY ASSET	12,491,000		
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			482,094,767
				11,682,398
				493,777,165

**Puget Sound Energy
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Twelve Months Ended June 30, 2004**

Exhibit A-5 Power Costs UE-011570: 7/1/03-5/23/04
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**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	\$ 297,843,394	\$ 93,684,510	\$ (204,158,884)
3	PURCHASED AND INTERCHANGED	2,226,570,459	534,528,072	(1,692,042,387)
4	WHEELING	31,116,222	41,435,360	10,319,138
5	OTHER POWER SUPPLY EXPENSES	46,736,543	51,597,585	4,861,042
6	TRANS. EXP. INCL. 500KV O&M	352,506	342,495	(10,011)
7	SALES FOR RESALE	(1,766,314,721)	(37,525,193)	1,728,789,528
8	PURCHASES/SALES OF NON-CORE GAS	(22,281,093)	1,077,379	23,358,472
9	WHEELING FOR OTHERS	(7,762,159)	(10,902,262)	(3,140,103)
10	SUBTOTAL	\$ 806,261,151	\$ 674,237,946	\$ (132,023,205)
11				
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	\$ 2,533,564,916	\$ 722,665,401	\$ (1,810,899,515)
16	TRANS. EXP. INCL. 500KV O&M	(352,506)		
17	PURCHASES/SALES OF NON-CORE GAS	22,281,093		
18	POWER COSTS PER G/L	\$ 2,555,493,503		
19	INCREASE(DECREASE) INCOME			\$ 1,810,899,515
20				
21	INCREASE(DECREASE) FIT @	35%		633,814,830
22	INCREASE(DECREASE) NOI			\$ 1,177,084,685

Schedule B: Monthly Power Costs -- PCA PERIOD 2
Derived from Original PCA Exhibit B
Subject to PCA Sharing
UE-011570

Row	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Period to Date
6													
7	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 5,137,844	\$ 5,952,602	\$ 57,528,410
8	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 11,318,666	\$ 10,375,599	\$ 10,375,599	\$ 133,937,854
9	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,513,443	\$ 16,328,201	\$ 191,466,263
10													
11	\$ 3,100,043	\$ 3,147,825	\$ 3,187,664	\$ 3,135,110	\$ 2,774,476	\$ 3,757,607	\$ 3,008,836	\$ 2,884,460	\$ 3,256,602	\$ 2,654,092	\$ 4,676,983	\$ 2,424,081	\$ 38,008,989
12	\$ 4,115,712	\$ 3,757,239	\$ 3,463,707	\$ 3,743,454	\$ 2,130,598	\$ 1,247,014	\$ 2,594,321	\$ 1,088,553	\$ 1,100,455	\$ 1,416,347	\$ 2,735,341	\$ 1,277,398	\$ 28,620,139
13	\$ (552,347)	\$ 99,033	\$ 105,440	\$ (567,437)	\$ 446,548	\$ (1,125,498)	\$ (1,567,866)	\$ (659,578)	\$ (1,105,289)	\$ (750,230)	\$ (219,267)	\$ 321,842	\$ (5,574,649)
14	\$ 56,232,242	\$ 53,192,823	\$ 54,316,856	\$ 59,964,136	\$ 65,386,037	\$ 78,087,680	\$ 77,442,485	\$ 81,919,000	\$ 59,325,532	\$ 48,737,681	\$ 36,101,033	\$ 45,831,126	\$ 696,536,631
15	\$ (19,155,862)	\$ (17,254,577)	\$ (15,732,024)	\$ (12,645,074)	\$ (6,930,791)	\$ (10,150,427)	\$ (10,345,518)	\$ (13,387)	\$ (1,128,066)	\$ (2,790,299)	\$ (4,762,583)	\$ (3,195,552)	\$ (104,104,176)
16	\$ 3,251,949	\$ 3,528,617	\$ 3,291,053	\$ 3,270,992	\$ 3,430,054	\$ 3,219,138	\$ 3,452,807	\$ 3,363,068	\$ 3,295,374	\$ 3,683,892	\$ 3,412,432	\$ 3,538,795	\$ 40,738,171
17	\$ (118,807)	\$ (116,759)	\$ (119,959)	\$ (131,622)	\$ (229,585)	\$ (289,070)	\$ (305,449)	\$ (285,770)	\$ (426,956)	\$ (392,243)	\$ (541,070)	\$ (233,498)	\$ (3,190,788)
18													
19	\$ 46,872,910	\$ 46,354,201	\$ 48,512,737	\$ 56,769,563	\$ 67,007,337	\$ 74,746,444	\$ 74,280,616	\$ 68,246,346	\$ 64,317,852	\$ 52,658,887	\$ 41,527,438	\$ 50,088,751	\$ 691,383,081
20													
21	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 2,665,866	\$ 31,990,366
22													
23	\$ 65,501,238	\$ 64,982,529	\$ 67,141,065	\$ 75,397,891	\$ 85,635,665	\$ 93,374,772	\$ 92,908,944	\$ 86,874,674	\$ 82,946,180	\$ 71,287,215	\$ 59,706,746	\$ 69,082,817	\$ 914,839,731
24													
25													
26	\$ (210,839)	\$ (210,522)	\$ (208,979)	\$ (218,184)	\$ (218,736)	\$ (180,763)	\$ (406,439)	\$ (239,312)	\$ (168,081)	\$ (311,396)	\$ (45,755)	\$ (219,938)	\$ (2,638,944)
27	\$ (131,515)	\$ (129,921)	\$ (169,879)	\$ (182,391)	\$ (249,874)	\$ (250,803)	\$ (415,607)	\$ (427,574)	\$ (451,431)	\$ (1,188,778)	\$ 533,403	\$ (59,830)	\$ (3,124,200)
28													
29													
30													
31	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (1,012,488)	\$ (12,149,856)
32													
33	\$ (1,354,842)	\$ (1,352,831)	\$ (1,391,348)	\$ (1,413,063)	\$ (1,481,098)	\$ (1,444,054)	\$ (1,834,534)	\$ (1,679,374)	\$ (1,632,000)	\$ (2,512,862)	\$ (524,840)	\$ (1,292,561)	\$ (17,913,000)
34	\$ 64,146,396	\$ 63,629,998	\$ 65,749,719	\$ 73,964,828	\$ 84,154,567	\$ 91,930,718	\$ 91,074,410	\$ 85,195,299	\$ 81,314,180	\$ 68,774,553	\$ 59,181,906	\$ 67,790,561	\$ 896,926,731
35													
36	\$ 1,470,447,440	\$ 1,435,859,393	\$ 1,421,484,209	\$ 1,569,218,046	\$ 1,869,741,554	\$ 2,035,904,354	\$ 2,058,479,280	\$ 1,788,217,034	\$ 1,755,299,661	\$ 1,501,276,221	\$ 1,462,148,455	\$ 1,394,464,134	\$ 19,762,539,781
37	\$ 64,630,576	\$ 63,110,328	\$ 62,478,495	\$ 68,971,841	\$ 82,180,751	\$ 89,484,104	\$ 90,476,340	\$ 78,597,503	\$ 77,150,686	\$ 65,985,594	\$ 65,152,397	\$ 64,567,370	\$ 872,785,985
38													
39	\$ (484,181)	\$ 519,270	\$ 3,271,223	\$ 5,012,987	\$ 1,973,816	\$ 2,446,613	\$ 598,070	\$ 6,597,796	\$ 4,163,494	\$ 2,788,959	\$ (5,970,491)	\$ 3,223,191	\$ 24,140,746
40													
41													
42													
43													
44	\$ (483,965)	\$ 519,060	\$ 3,269,900	\$ 5,010,959	\$ 1,973,018	\$ 2,445,624	\$ 597,828	\$ 6,595,128	\$ 4,161,810	\$ 2,787,831	\$ (5,968,077)	\$ 3,221,888	\$ 24,130,983
45	\$ (483,965)	\$ 519,060	\$ 3,269,900	\$ 5,010,959	\$ 1,973,018	\$ 2,445,624	\$ 597,828	\$ 6,595,128	\$ 4,161,810	\$ 2,787,831	\$ (5,968,077)	\$ 3,221,888	\$ 24,130,983
46	\$ 483,965	\$ (519,060)	\$ (3,269,900)	\$ (5,010,959)	\$ (1,973,018)	\$ (2,445,624)	\$ (597,828)	\$ (6,595,128)	\$ (4,161,810)	\$ (2,787,831)	\$ 5,968,077	\$ (3,221,888)	\$ (24,130,983)
47													
48	\$ (483,965)	\$ 35,075	\$ 3,304,975	\$ 8,315,934	\$ 10,288,952	\$ 12,734,576	\$ 13,332,404	\$ 19,927,532	\$ 24,089,342	\$ 26,877,173	\$ 20,909,096	\$ 24,130,983	\$ 24,130,983
49	\$ 483,965	\$ (35,075)	\$ (3,304,975)	\$ (8,315,934)	\$ (10,288,952)	\$ (12,734,576)	\$ (13,332,404)	\$ (19,927,532)	\$ (24,089,342)	\$ (26,877,173)	\$ (20,909,096)	\$ (24,130,983)	\$ (24,130,983)
50													
51													
52													

Note: This schedule was derived from original PCA collaborative exhibit B

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Exhibit D: Regulatory Assets 7/1/03-5/23/04

Row	Cobot Buyout	G/L Acct #18230171	Interest	Amort	Balance	PCA (July-June)		Return 7.30%	35% Pre Tax Return	Monthly Return Pre-tax July-June
						Amortization	Ratebase (AMA)			
4	2000 \$	12,588,000	709,000	(312,000)	12,985,000	(1,070,000)	12,376,708	\$ 903,500	\$ 1,390,000	\$ 115,833
5	2001 \$	-	720,000	(741,000)	12,964,000	(1,586,500)	10,988,333	\$ 802,148	\$ 1,234,074	\$ 102,840
6	2002 \$	-	548,000	(1,409,000)	11,033,000	(1,965,500)	9,215,833	\$ 672,756	\$ 1,035,009	\$ 86,251
7	2003 \$	-	-	(1,768,000)	9,265,000	(2,388,500)	7,045,500	\$ 514,322	\$ 791,264	\$ 65,939
8	2004 \$	-	-	(2,163,000)	7,102,000	(2,846,000)	4,430,833	\$ 323,451	\$ 497,617	\$ 41,468
9	2005 \$	-	-	(2,614,000)	4,488,000	(2,244,000)	1,622,667	\$ 118,455	\$ 182,238	\$ 15,186
10	2006 \$	-	-	(3,078,000)	1,410,000	(1,410,000)	-	\$ -	\$ -	\$ -
11	2007 \$	-	-	(1,410,000)	-	-	-	\$ -	\$ -	\$ -
12	2008 \$	-	-	-	-	-	-	\$ -	\$ -	\$ -
13										
14										
15										
16	Tenasaka	G/L Acct #18230001								
17	1998 \$	215,000,000	8,754,000	(1,952,000)	221,802,000	(9,484,000)	228,066,750	\$ 16,648,873	\$ 25,613,650	\$ 2,134,471
18	1999 \$	-	8,795,000	(3,863,000)	226,734,000	(13,334,000)	216,367,250	\$ 15,794,809	\$ 24,299,707	\$ 2,024,976
19	2000 \$	-	8,849,000	(5,463,000)	230,120,000	(16,326,000)	201,580,333	\$ 14,715,364	\$ 22,639,022	\$ 1,886,585
20	2001 \$	-	8,838,000	(7,382,000)	231,576,000	(19,261,500)	183,729,583	\$ 13,412,280	\$ 20,634,246	\$ 1,719,521
21	2002 \$	-	6,562,000	(9,484,000)	228,644,000	(26,307,500)	136,616,875	\$ 11,897,981	\$ 18,304,586	\$ 1,525,382
22	2003 \$	-	-	(11,924,000)	216,720,000	(14,136,000)	110,287,583	\$ 10,119,032	\$ 15,567,741	\$ 1,297,312
23	2004 \$	-	-	(14,744,000)	201,976,000	-	-	\$ -	\$ -	\$ -
24	2005 \$	-	-	(17,908,000)	184,068,000	-	-	\$ -	\$ -	\$ -
25	2006 \$	-	-	(20,615,000)	163,453,000	-	-	\$ -	\$ -	\$ -
26	2007 \$	-	-	(24,343,000)	139,110,000	-	-	\$ -	\$ -	\$ -
27	2008 \$	-	-	(28,272,000)	110,838,000	-	-	\$ -	\$ -	\$ -
28										
29										
30										
31										
32	BEP	G/L Acct #18230071 and #18230081								
33	2001				54,662,561					
34	2002				51,135,941	(3,526,620)	51,135,941	\$ 3,732,924	\$ 5,742,960	\$ 478,580
35	2003				47,609,321	(3,526,620)	47,609,321	\$ 3,475,480	\$ 5,346,893	\$ 445,574
36	2004				44,082,701	(3,526,620)	44,082,701	\$ 3,218,037	\$ 4,950,826	\$ 412,569
37	2005				40,556,081	(3,526,620)	40,556,081	\$ 2,960,594	\$ 4,554,760	\$ 379,563
38	2006				37,029,461	(3,526,620)	37,029,461	\$ 2,703,151	\$ 4,158,693	\$ 346,558
39	2007				33,502,841	(3,526,620)	33,502,841	\$ 2,445,707	\$ 3,762,627	\$ 313,552
40	2008				29,976,221	(3,526,620)	29,976,221	\$ 2,188,264	\$ 3,366,560	\$ 280,547
41										
42										
43										
44										
45										
46										
47										
48										
49										

From	To	Amortization	AMA Ratebase	Return	Return Pre-tax	Monthly Return Pre-tax
Jul-02	Jun-03	\$ (14,090,620)	\$ 291,579,399	\$ 21,285,297	\$ 32,746,610	\$ 2,728,884
Jul-03	Jun-04	\$ (18,449,120)	\$ 274,964,904	\$ 20,072,437	\$ 30,880,674	\$ 2,573,390
Jul-04	Jun-05	\$ (21,818,120)	\$ 254,878,887	\$ 18,606,157	\$ 28,624,857	\$ 2,385,405
Jul-05	Jun-06	\$ (25,176,620)	\$ 231,331,164	\$ 16,887,176	\$ 25,980,270	\$ 2,165,022
Jul-06	Jun-07	\$ (28,851,620)	\$ 204,446,336	\$ 14,924,583	\$ 22,960,896	\$ 1,913,408
Jul-07	Jun-08	\$ (32,078,120)	\$ 173,742,383	\$ 12,683,194	\$ 19,512,608	\$ 1,626,050

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Exhibit No. (BAL-3)
14 of 25

Schedule E - Contract Adjustments 7/1/03-5/23/04
Derived from Original PCA Exhibit E

E-Section 1

Row	Limit - Rate or Total Cost per UE-011570	Effective 4/1/04 UE- 031725	Total Cost + Replacement Energy Cost for Displ NUGS \$	Actual Rate \$/kwh	Rate Change	Adjust for Positive Differences	
7	CONTRACTS						
8	Baker Replacement						
9	\$ 0.0670	\$ 0.0670	\$ 1,109,673	\$ 0.0682	\$ 0.0012	\$ 20,018	
10	\$ 0.0282	\$ 0.0294	\$ 9,776,228	\$ 0.0291	\$ 0.0010	\$ 320,622	
11	BPA WNP3 Return						
12	\$ 0.0514	\$ 0.0411	\$ 2,823,811	\$ 0.0409	\$ (0.0105)	\$ -	
13	CSPE						
14	Mid-Columbia						
15	Canadian Entitlement and CEA-BA						
16	\$ 29,382,000	\$ 31,680,988	\$ 23,234,784			708,584	
17	MPC Firm Contract-Energy						
18	PPL Contract 15 yr						
19	Supplemental Entitlement Cap						
20	\$ 0.0783	\$ 0.0787	\$ 1,270,801	\$ 0.0798	\$ 0.0015	\$ 23,482	
20A	\$ 0.0434	\$ 0.0437	\$ 350,500.40	\$ 0.0442	\$ 0.0008	\$ 6,364	
21	WWP Contract 15 yr						
22	PG&E Exchange Storage Acctg.						
23	\$ 0.0300	\$ 0.0317	\$ 12,550	\$ 0.0249	\$ (0.0051)	\$ -	
24	\$ 0.0749	\$ 0.0755	\$ 1,708,209	\$ 0.0754	\$ 0.0005	\$ 10,982	
25	\$ 0.0610	\$ 0.0614	\$ 25,468,655	\$ 0.0611	\$ 0.0001	\$ 47,195	
26	\$ 0.0437	\$ 0.0439	\$ 5,563,391	\$ 0.0437	\$ (0.0000)	\$ -	
27	\$ 0.0660	\$ 0.0678	\$ 21,282,583	\$ 0.0670	\$ 0.0010	\$ 317,639	
28	\$ 0.0553	\$ 0.0568	\$ 5,517,296	\$ 0.0554	\$ 0.0001	\$ 10,935	
29	\$ 0.0282	\$ 0.0376	\$ 35,924	\$ 0.0298	\$ 0.0016	\$ 1,910	
30	QF PERC Puyallup						
31a	\$ 0.1072	\$ 0.1076	\$ 8,976,740	\$ 0.1073	\$ 0.0001	\$ 11,818	
31b	\$ 0.0636	\$ 0.0639	\$ 892,263	\$ 0.0637	\$ 0.0001	\$ 1,660	
32	\$ 0.0818	\$ 0.0845	\$ 54,345,761	\$ 0.0831	\$ 0.0012	\$ 801,780	
33	\$ 0.0592	\$ 0.0605	\$ 11,879,876	\$ 0.0594	\$ 0.0002	\$ 40,006	
34	\$ 0.0514	\$ 0.0547	\$ 22,215	\$ 0.0498	\$ (0.0016)	\$ -	
35	\$ 0.0318	\$ 0.0336	\$ 53,396,812	\$ 0.0323	\$ 0.0005	\$ 795,190	
36	\$ 0.0750	\$ 0.0750	\$ 3,054,750	\$ 0.0750	\$ (0.0000)	\$ -	
37	\$ 0.0750	\$ 0.0750	\$ 484,953	\$ 0.0750	\$ (0.0000)	\$ -	
38	Skookumchuck						
39	TOTAL					Reverse sign and enter on line 42	\$ 3,118,184
40	To Exhibit B line 22						\$ (3,118,184)

**Puget Sound Energy
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Twelve Months Ended June 30, 2004**

Exhibit No. (BAL-3)
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Schedule E - Contract Adjustments 7/1/03-5/23/04
Derived from Original PCA Exhibit E

E-Section 2

Row	Limit - Rate or Total Cost per UE-011570	Effective 4/1/04 UE- 031725	Rate 5/04 fwd	Rate 5/04 fwd	Rate 5/04 fwd	Rate 5/04 fwd	Adjust for Positive Differences
			Total Cost + Replacement Energy Cost for Displ NUGS \$	Actual Rate \$/kwh	Rate Change		
7	CONTRACTS						
8	Baker Replacement						
9	\$ 0.0670	\$ 0.0670	\$ 235,200	\$ 0.0670	\$ -	\$ -	-
10	\$ 0.0282	\$ 0.0294	\$ 838,340	\$ 0.0291	\$ (0.0003)	\$ -	-
11	BPA WNP3 Return						
12	\$ 0.0514	\$ 0.0411	\$ 858,725	\$ 0.0411	\$ (0.0000)	\$ -	-
13	CSPE						
14	Mid-Columbia						
15	Canadian Entitlement and CEA-EA						
16	\$ 29,382,000	\$ 31,680,988	\$ 7,300,440			\$ -	-
17	MPC Firm Contract-Demand						
18	MPC Firm Contract-Energy						
19	PPL Contract 15 yr						
19	Supplemental Entitlement Cap						
20	\$ 0.0783	\$ 0.0787	-	-	\$ (0.0787)	\$ -	-
20A	\$ 0.0434	\$ 0.0437	\$ 444,480	\$ 0.0443	\$ 0.0006	\$ 6,016	-
21	WWP Contract 15 yr						
22	PG&E Exchange Storage Acctg						
23	\$ 0.0300	\$ 0.0317	\$ 29,104	\$ 0.0283	\$ (0.0034)	\$ -	-
24	\$ 0.0749	\$ 0.0755	\$ 1,409,548	\$ 0.0754	\$ (0.0001)	\$ -	-
25	\$ 0.0610	\$ 0.0614	-	-	\$ (0.0614)	\$ -	-
26	\$ 0.0437	\$ 0.0439	\$ 6,820,515	\$ 0.0438	\$ (0.0001)	\$ -	-
27	\$ 0.0660	\$ 0.0678	-	-	\$ (0.0678)	\$ -	-
28	\$ 0.0553	\$ 0.0568	\$ 6,190,295	\$ 0.0567	\$ (0.0001)	\$ -	-
29	\$ 0.0282	\$ 0.0376	\$ 25,806	\$ 0.0348	\$ (0.0028)	\$ -	-
30	QF PERC Puyallup						
31a	\$ 0.1072	\$ 0.1076	-	-	\$ (0.1076)	\$ -	-
31b	\$ 0.0636	\$ 0.0639	\$ 2,208,552	\$ 0.0638	\$ (0.0001)	\$ -	-
32	\$ 0.0818	\$ 0.0845	-	-	\$ (0.0845)	\$ -	-
33	\$ 0.0592	\$ 0.0605	\$ 10,932,846	\$ 0.0454	\$ (0.0151)	\$ -	-
34	\$ 0.0514	\$ 0.0547	\$ 2,263	\$ 0.0336	\$ (0.0211)	\$ -	-
35	\$ 0.0318	\$ 0.0336	\$ 10,636,920	\$ 0.0335	\$ (0.0001)	\$ -	-
36	\$ 0.0750	\$ 0.0750	\$ 1,947,750	\$ 0.0750	-	\$ -	-
37	\$ 0.0750	\$ 0.0750	\$ 354,837	\$ 0.0750	-	\$ -	-
38	Skookumchuck						
39	TOTAL						
					Reverse sign and enter on line 42	\$ 6,016	
40	To Exhibit B line 22						\$ (6,016)

Puget Sound Energy

Power Cost Adjustment Mechanism Annual Report

PCA Period Two

Twelve Months Ended June 30, 2004

Exhibits

From 5/24/04 To 6/30/04

Docket No. UE-031725 Power Cost Only Rate Case

PUGET SOUND ENERGY
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Twelve Months Ended June 30, 2004
Per Docket No. UE-031725
Reflecting Final Order No. 14

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PCA-2

Exhibit A-1 Power Cost Rate: 5/24/04-6/30/04

Row		Test Year		
3	Regulatory Assets ⁽²⁾ (Variable)	\$ 300,363,327		
4	Transmission Rate Base (Fixed)	115,844,514		
5	Production Rate Base (Fixed)	417,299,736		
5a	New Resource Rate Base (Fixed)	78,245,591		
6		\$ 911,753,168		
7	Net of tax rate of return	7.30%		
8				
9			Test Yr	Rate Year(1)
			\$/MWh	
10	Regulatory Asset ⁽²⁾ Recovery (on Row 3)	\$ 33,733,112	\$ 1.750	(c)
11	Fixed Asset Recovery Other (on Row 4)	13,010,230	\$ 0.675	(a)
12	Fixed Asset Recovery on New Resources (on row 5)	46,865,970	\$ 2.432	(a)
12a	Fixed Asset Recovery-Prod Factored (on Row 5a)	8,787,582	\$ 0.456	(a)
13	501-Steam Fuel	36,168,277	\$ 1.877	(c)
14	555-Purchased power (from PSE Rebuttal Filing)	537,755,568	\$ 27.904	(c)
14a	555 - Commission Adjustment of Tenaska	(9,921,067)	\$ (0.515)	(c)
15	557-Other Power Exp	12,557,182	\$ 0.652	(a)
16	547-Fuel	83,984,075	\$ 4.358	(c)
17	565-Wheeling	41,908,728	\$ 2.175	(c)
18	Variable Transmission Income	(3,739,245)	\$ (0.194)	(c)
19	Hydro and Other Pwr.	50,816,136	\$ 2.637	(a)
20	447-Sales to Others	(23,172,693)	\$ (1.202)	(c)
21	456-Subaccounts 00012 & 00018 and 00035 & 00036	(213,070)	\$ (0.011)	(c)
22	Transmission Exp - 500KV	486,083	\$ 0.025	(a)
23	Depreciation-Production (FERC 403)	40,443,330	\$ 2.099	(a)
23a	Amortization-White River	1,176,499	\$ 0.061	(c)
25	Depreciation-Transmission	4,858,427	\$ 0.252	(a)
26	Property Taxes-Production	9,294,422	\$ 0.482	(a)
27	Property Taxes-Transmission	4,603,036	\$ 0.239	(a)
28	Subtotal & Baseline Rate	\$ 889,402,582	\$ 46.151	(b)
29	Revenue Sensitive Items	0.9554723		
30		\$ 930,851,247		
31	Test Year Load (MWH's)	19,271,717	<-- includes Firm Wholesale	
31a				
32			<u>Before Rev. Sensitive Items</u>	<u>After Rev. Sensitive Items</u>
32a	Power Cost in Rates with Revenue Sensitive			
33	Items (the adjusted baseline)			\$ 48.460
34	sum of (a) = Fixed Rate Component	\$ 10.091		\$ 10.561
35	(b) = Power Cost Rate	\$ 46.303		\$ 48.460
36	sum of (c) = Variable Power Rate Component	\$ 36.212		\$ 37.899
37				
38				
39	(1) - Rate Year includes test year amounts plus the impacts of any adjustments to power cost rate. The result is then grossed up			
40	for the production factor of 0.99101 where appropriate.			
41				
42	(2) - Regulatory Assets are shown in detail on Exhibit D.			

PUGET SOUND ENERGY
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004

Exhibit No. ___ (BAL-3)
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Per Docket No. UE-031725-PCORC
Reflecting Final Order No. 14

Exhibit A-2 Transmission Rate Base 5/24/04-6/30/04

Row		Plant
7	Colstrip Related Transmission Assets	<u>AMA 6/30/2003</u>
8		
9	TRANS - COLSTRIP 1 & 2	
10	E351 Easements	685,927
11	E353 Station Equipment	1,231,131
12	E354 Towers & Fixtures	14,474,343
13	E355 Poles & Fixtures	49,007
14	E356 OH Conductors & devices	13,158,153
15	E359 Roads & Trails	113,968
16		<u>29,712,529</u>
	COLSTRIP 1&2 TRANSMISSION	
17	TRANS - COLSTRIP 3 & 4	
18	E351 Easements	1,071,124
19	E352 Structures & Improvements	478,326
20	E353 Station Equipment	17,943,456
21	E354 Towers & Fixtures	20,422,516
22	E355 Poles & Fixtures	88,692
23	E356 OH Conductors & Devices	19,991,226
24	E359 Roads & Trails	341,015
25		<u>60,336,355</u>
	COLSTRIP 3&4 TRANSMISSION	
26	TRANS - 3RD NW-SW INTERTIE	
27	E352 Structures & Improvements	1,276,264
28	E353 Station Equipment	31,157,075
29	E354 Towers & Fixtures	22,781,417
30	E355 Poles & Fixtures	204,200
31	E356 OH Conductors & devices	23,458,462
32	E359 Roads & Trails	59,215
33		<u>78,936,633</u>
	TOTAL 3RD NW-SW INTERTIE	
34	TRANS - NORTHERN INTERTIE	
35	E351 Easements - Whatcom	
36	E354 Towers & Fixtures-Whatcom	5,744,097
37	E355 Poles & Fixtures-Whatcom	11,219
38	E356 OH Conductors & Devices-Whatc	7,460,099
39	E355 Poles & Fixtures-Skagit	3,398,685
40	E356 OH Conductors & Devices-Skagit	5,142,699
41		<u>21,756,799</u>
	TOTAL NORTHERN INTERTIE	
42		
43	Total Transmission	190,742,316
44	Less	
45	Accumulated Depreciation (AMA)	60,081,736
46	Deferred Taxes (EOP)	14,816,066
47		<u>74,897,802</u>
48	Transmission Ratebase	\$ 115,844,514

Per Docket No. UE-031725- PCORC
 Reflecting Final Order No. 14

Exhibit A-3 Colstrip Fixed Costs: 5/24/04-6/30/04

Row

6	Revenue Requirement for Colstrip		
7	Plant	665,037,750	
8	Accumulated Depreciation	350,886,264	
9	Deferred Taxes at 6/30/2003	(69,544,352)	
10	Net Plant	946,379,662	
11	Rate of Return (net of Tax)	7.30%	
12	Revenue Requirement after tax	69,085,715	
13	Plant Revenue Requirement	106,285,716	(Adjusted for Federal Tax)
14	Expenses	51,508,900	
15	Total Revenue Requirement	157,794,616	(before revenue sensitive items)

Support for Revenue Requirement - Ratebase

FERC	DESCRIPTION	30-Jun-02	30-Jun-03	13 MONTH AMA	ANNUITY RATE	ANNUALIZED DEPRECIATION	ACUMM. DEPR. 06/30/2003
	COLSTRIP #1						
E311	Structures & Improvements	7,097,390	7,157,382	7,135,175	3.03%	216,196	(4,073,980)
E312	Boiler Plant Equipment	52,251,546	51,604,239	53,435,969	3.12%	1,667,202	(33,602,708)
E314	Turbo Generating Units	12,421,401	12,205,320	12,358,594	3.29%	406,598	(8,483,528)
E315	Accessory Electric Equipment	7,043,604	7,093,003	7,068,427	2.71%	191,554	(4,794,950)
E316	Misc. Power Plant Equipment	426,565	428,726	427,582	3.87%	16,547	(246,688)
	TOTAL	79,240,506	78,488,671	80,425,747	3.11%	2,498,097	(51,201,855)
	COLSTRIP #2						
E311	Structures & Improvements	5,573,640	5,633,364	5,611,347	3.06%	171,707	(3,653,230)
E312	Boiler Plant Equipment	40,460,296	44,542,327	42,353,547	3.05%	1,291,783	(28,806,599)
E314	Turbo Generating Units	12,498,428	13,438,753	12,959,997	3.26%	422,496	(8,235,807)
E315	Accessory Electric Equipment	4,592,474	5,261,104	4,900,558	2.69%	131,825	(3,043,974)
E316	Misc. Power Plant Equipment	427,379	453,511	439,382	3.61%	15,862	(247,499)
	TOTAL	63,552,217	69,329,060	66,264,831	3.07%	2,033,673	(43,987,109)
	COLSTRIP 1 & 2 COMMON						
E311	Structures & Improvements	31,949,738	31,473,984	31,895,590	3.16%	1,007,901	(20,395,759)
E312	Boiler Plant Equipment	8,221,831	8,246,037	8,232,926	3.18%	261,807	(5,767,278)
E314	Turbo Generating Units	3,918,858	3,918,858	3,918,858	3.31%	129,714	(2,622,147)
E315	Accessory Electric Equipment	2,420,179	2,420,179	2,420,179	3.07%	74,299	(1,470,405)
E316	Misc. Power Plant Equipment	6,492,144	6,492,144	6,492,144	3.82%	248,000	(3,559,040)
	TOTAL	53,002,750	52,551,201	52,959,697	3.25%	1,721,721	(33,814,629)
	COLSTRIP 3						
E311	Structures & Improvements	28,882,948	28,905,637	28,893,929	2.45%	707,901	(15,568,775)
E312	Boiler Plant Equipment	118,273,982	119,674,187	118,840,689	2.68%	3,184,930	(63,482,913)
E314	Turbo Generating Units	33,180,681	33,121,620	33,167,019	2.97%	985,060	(15,966,099)
E315	Accessory Electric Equipment	6,401,615	6,401,615	6,401,615	2.47%	158,120	(3,183,989)
E316	Misc. Power Plant Equipment	456,965	456,965	456,965	2.86%	13,069	(224,109)
	TOTAL	187,196,191	188,560,024	187,760,217	2.69%	5,049,080	(98,425,884)
	COLSTRIP 4						
E311	Structures & Improvements	26,483,797	26,509,978	26,495,797	2.54%	672,993	(12,902,625)
E312	Boiler Plant Equipment	100,508,440	102,000,003	101,198,037	2.75%	2,782,946	(49,488,910)
E314	Turbo Generating Units	28,602,598	28,969,515	28,782,740	2.94%	846,213	(12,387,935)
E315	Accessory Electric Equipment	5,596,707	5,596,057	5,596,517	2.52%	141,032	(2,441,024)
E316	Misc. Power Plant Equipment	654,568	654,568	654,568	2.79%	18,262	(305,486)
	TOTAL	161,846,110	163,730,121	162,727,659	2.74%	4,461,446	(77,525,980)
	COLSTRIP 3 & 4 COMMON						
E311	Structures & Improvements	71,867,029	70,746,760	71,734,897	2.33%	1,671,423	(37,638,359)
E312	Boiler Plant Equipment	20,298,808	20,321,829	20,309,359	2.48%	503,672	(11,249,994)
E314	Turbo Generating Units	274,553	277,420	275,867	2.62%	7,228	(139,868)
E315	Accessory Electric Equipment	7,748,971	7,748,971	7,748,971	2.31%	179,001	(3,776,971)
E316	Misc. Power Plant Equipment	4,722,721	4,739,216	4,730,281	2.79%	131,975	(2,132,955)
	TOTAL	104,912,083	103,834,196	104,799,375	2.38%	2,493,299	(54,938,148)
	COLSTRIP 1-4 COMMON						
E316	Misc. Power Plant Equip.	251,534	251,534	251,534	2.46%	6,188	(135,747)
	TOTAL	251,534	251,534	251,534	2.46%	6,188	(135,747)
	COLSTRIP COMMON FERC ADJ.	7,607,644		7,607,644			
	COLSTRIP DEF DEPR FERC ADJ.	2,241,046		2,241,046			
	Total Plant and Acc. Deprec.	659,850,080		665,037,750		18,263,504	(360,029,352)
					AMA Adj.	9,143,088	
					AMA Acum Depr	(350,886,264)	

Per Docket No. UE-031725- PCORC
 Reflecting Final Order No. 14

Exhibit A-3 Colstrip Fixed Costs: 5/24/04-6/30/04

Row			
67			
68			
69			
70	Support for Revenue Requirement - Expenses		
71			Amount before
72	Order	Description	Prod. Adj.
73	50004011	1&2 Sup & Eng - Steam Ope	\$ 154,359
74	50004012	1&2 Sup & Eng - Steam Ope	-
75	50005011	3&4 Sup & Eng - Steam Ope	91,158
76	50005012	3&4 Sup & Eng - Steam Ope	408
77	50204001	1&2 Steam Exp - Steam Gen Op	2,442,639
78	50205001	3&4 Steam Exp - Steam Gen Op	1,462,735
79	50504001	1&2 Elec Exp - Steam Gen	66,930
80	50505001	3&4 Elec Exp - Steam Gen	(321,323)
81	50604001	1&2 Misc Exp - Steam Gen	678,093
82	50605001	3&4 Misc Exp - Steam Gen	2,510,641
83	50605002	3&4 Steam - Housing	-
84	50704001	1&2 Rents - Steam Gen Oper	(4,566)
85	50705001	3&4 Rents - Steam Gen Oper	34,871
86	51004001	1&2 Maint Supv - Steam Gen	202,672
87	51005001	3&4 Maint Supv - Steam Gen	318,282
88	51104001	1&2 Maint of Struct - Stm Gen	416,254
89	51105001	3&4 Maint of Struct - Stm Gen	558,734
90	51204001	1&2 Maint of Boiler - Stm Gen	5,307,367
91	51205001	3&4 Maint of Boiler - Stm Gen	5,059,679
92	51304001	1&2 Maint of E Plant - Stm G	502,756
93	51305001	3&4 Maint of E Plant - Stm G	2,305,731
94	51404001	1&2 Maint of Misc - Stm Gen	819,435
95	51405001	3&4 Maint of Misc - Stm Gen	572,297
96		Property Taxes-Montana	8,348,335
97		Electric Energy Tax	1,717,910
98	403xxxx	Depreciation	18,263,504
99			<u>\$ 51,508,900</u>

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Per UE-031725-PCORC
Reflecting Order No. 14

Exhibit A-4 Production Adjustment: 5/24/04-6/30/04

PRODUCTION ADJUSTMENT
TWELVE MONTHS ENDED JUNE 30, 2003

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 0.899%	NET AMOUNT
1	PRODUCTION O&M INCLUDED IN 557:			
2	WORKER'S COMPENSATION	\$ 294,503	\$ (2,647)	\$ 291,856
3	PROPERTY INSURANCE	2,308,274	(20,751)	2,287,523
4	ELECTRIC ENERGY TAX	1,717,910	(15,444)	1,702,467
5	TOTAL PRODUCTION O&M	4,320,687	(38,842)	4,281,845
6				
7	INCREASE TO O&M EXPENSE ASSOC W/ NEW RESOURCE	4,690,637	(42,168)	4,648,470
8				
9	DEPRECIATION AND AMORTIZATION ON PRODUCTION			
10	PROPERTY	41,997,374	(377,545)	41,619,829
11				
12	PROPERTY TAXES ON PRODUCTION PROPERTY	9,378,735	(84,312)	9,294,422
13				
14	TOTAL PRODUCTION ADJUSTMENT TO BASELINE RATE	\$ 60,387,433	\$ (542,866)	\$ 59,844,567
15				
16	PRODUCTION RATE BASE:			
17	PRODUCTION PROPERTY	\$ 1,179,246,771	\$ (10,601,098)	\$ 1,168,645,674
18	COLSTRIP COMMON FERC ADJUSTMENT	7,607,644	(68,391)	7,539,253
19	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,241,046	(20,146)	2,220,900
20	ENCOGEN ACQUISITION ADJUSTMENT	52,615,858	(473,002)	52,142,856
21	LESS PRODUCTION PROPERTY ACCUM DEPR.	(584,218,558)	5,251,961	(578,966,597)
22	LESS PRODUCTION PROPERTY ACCUM AMORT.	(4,377,927)	39,356	(4,338,570)
23	NET PRODUCTION PROPERTY	653,114,835	(5,871,319)	647,243,516
24				
25	DEDUCT:			
26	LIBR. DEPREC. PRE 1981 (EOP)	(946,743)	8,511	(938,232)
27	LIBR. DEPREC. POST 1980 (EOP)	(83,233,990)	748,250	(82,485,740)
28	OTHER DEF. TAXES (EOP)	(26,027,621)	233,981	(25,793,640)
29	ADJUSTMENT TO RATE BASE BEFORE CWIP	(110,208,354)	990,742	(109,217,612)
30	SNOQUALMIE RELICENSING CWIP	-	-	-
31				
32	TOTAL ADJUSTMENT TO PRODUCTION RATE BASE	\$ 542,906,481	\$ (4,880,577)	\$ 538,025,904
33				
34	REGULATORY ASSETS RATE BASE:			
35	BPA POWER EXCHANGE INVESTMENT	\$ 44,964,313	\$ (404,217)	\$ 44,560,096
36	TENASKA REGULATORY ASSET	205,562,854	(1,847,952)	203,714,902
37	CABOT OIL REGULATORY ASSET	9,694,906	(87,154)	9,607,752
38				
39	TOTAL ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 260,222,073	\$ (2,339,323)	\$ 257,882,750

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Exhibit No. ___(BAL-3)
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Per UE-031725-PCORC
Reflecting Final Order No. 14

Exhibit A-5 Power Costs: 5/24/03-6/30/04

POWER COST

TWELVE MONTHS ENDED JUNE 30, 2003

LINE NO.	DESCRIPTION	PROFORMA RYE MAR '05	TEST YEAR	ADJUSTMENT
1	PRODUCTION EXPENSES:			
2	FUEL:			
3	501-STEAM FUEL	\$ 36,168,277	\$ 32,196,077	\$ 3,972,200
4	547-FUEL	52,773,902	27,644,080	25,129,822
5	PURCHASED AND INTERCHANGED:			
6	555-PURCHASED POWER	537,755,568	724,616,401	(186,860,833)
7	557 - OTHER POWER EXPENSE	8,275,336	8,422,707	(147,371)
8	WHEELING	39,837,334	39,871,180	(33,846)
9	HYDRO AND OTHER POWER	46,167,666	47,990,567	(1,822,902)
10	TRANS. EXP. INCL. 500KV O&M	486,083	490,492	(4,409)
11	SALES FOR RESALE	(14,686,789)	(166,885,152)	152,198,362
12	PURCHASES/SALES OF NON-CORE GAS	(213,070)	(3,815,282)	3,602,212
13	WHEELING FOR OTHERS - COLSTRIP, 3RD AC & NI	(3,739,245)	(6,992,847)	3,253,602
14	INCREASE (DECREASE) EXPENSE	702,825,062	703,538,224	(713,162)
15				
16	LESS: SALES FOR RESALE	14,686,789	166,885,152	(152,198,362)
17	LESS: WHEELING FOR OTHERS	3,739,245	6,992,847	(3,253,602)
18	SCH. 94 - RES./FARM CREDIT	-	-	-
19	INCREASE(DECREASE) EXPENSE	721,251,096	\$ 877,416,223	\$ (156,165,127)
20	TRANS. EXP. INCL. 500KV O&M	(486,083)		
21	PURCHASES/SALES OF NON-CORE GAS	213,070		
22	POWER COSTS PER G/L	\$ 720,978,083		

Schedule B: Monthly Power Costs -- PCA PERIOD 2
Derived from Original PCA Exhibit B
Subject to PCA Sharing
UE-011570

Row		Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Period to Date
6	Return on Fixed RB	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,643,796	\$ 4,676,993	\$ 4,676,993	\$ 57,528,410
7	Other Fixed Costs	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	11,318,666	10,375,599	10,375,599	133,937,854
8	Subtotal Fixed Costs	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,962,462	\$ 15,513,443	\$ 15,513,443	\$ 191,466,263
9	Total Variable Component Actual													
10	Steam Oper. Fuel	3,100,043	3,147,825	3,177,664	3,135,110	2,774,476	3,757,607	3,009,836	2,884,460	3,256,802	2,654,092	2,654,092	2,424,081	38,008,989
11	Other Pwr Gen Fuel	4,115,712	3,757,239	3,463,707	3,743,454	2,130,598	1,247,014	2,594,321	1,038,553	1,100,455	1,416,347	2,735,341	1,277,398	28,620,139
12	Other Elec Revenues	(552,347)	96,033	105,440	(567,437)	446,548	(1,125,498)	(1,567,866)	(659,578)	(1,105,289)	(750,230)	(219,267)	(219,267)	(5,574,649)
13	Purchase Power	56,232,242	53,192,823	54,316,856	59,984,136	65,396,037	78,087,680	77,442,485	61,919,000	59,325,532	46,737,681	36,101,033	45,831,126	696,536,631
14	Sales to Other Util	(19,195,882)	(17,254,577)	(15,732,024)	(12,645,070)	(6,930,791)	(10,150,427)	(10,345,518)	(13,387)	(1,128,066)	(2,790,299)	(4,762,683)	(3,195,552)	(104,104,176)
15	Wheeling	3,251,949	3,528,617	3,291,053	3,270,992	3,430,054	3,219,136	3,492,607	3,363,068	3,299,374	3,683,892	3,412,432	3,538,795	40,738,171
16	Transmission Amortization	(118,807)	(116,759)	(119,959)	(131,622)	(229,585)	(289,070)	(305,449)	(285,770)	(428,958)	(395,647)	(541,070)	(233,498)	(3,190,788)
17	White River Revenue											124,559	124,559	348,764
18	Subtotal Variable Components	\$ 46,872,910	\$ 46,354,201	\$ 48,512,737	\$ 56,769,563	\$ 67,007,337	\$ 74,748,444	\$ 74,280,616	\$ 88,246,346	\$ 64,317,852	\$ 52,658,887	\$ 41,527,438	\$ 50,088,751	\$ 691,383,081
19	Regulatory Assets (Return on RB portion only)	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	2,665,866	31,990,386
20	Regulatory Assets (Return on RB portion only)													
21	Regulatory Assets (Return on RB portion only)													
22	Regulatory Assets (Return on RB portion only)													
23	Regulatory Assets (Return on RB portion only)													
24	Regulatory Assets (Return on RB portion only)													
25	Regulatory Assets (Return on RB portion only)													
26	Regulatory Assets (Return on RB portion only)													
27	Regulatory Assets (Return on RB portion only)													
28	Regulatory Assets (Return on RB portion only)													
29	Regulatory Assets (Return on RB portion only)													
30	Regulatory Assets (Return on RB portion only)													
31	Regulatory Assets (Return on RB portion only)													
32	Regulatory Assets (Return on RB portion only)													
33	Regulatory Assets (Return on RB portion only)													
34	Regulatory Assets (Return on RB portion only)													
35	Regulatory Assets (Return on RB portion only)													
36	Regulatory Assets (Return on RB portion only)													
37	Regulatory Assets (Return on RB portion only)													
38	Regulatory Assets (Return on RB portion only)													
39	Regulatory Assets (Return on RB portion only)													
40	Regulatory Assets (Return on RB portion only)													
41	Regulatory Assets (Return on RB portion only)													
42	Regulatory Assets (Return on RB portion only)													
43	Regulatory Assets (Return on RB portion only)													
44	Regulatory Assets (Return on RB portion only)													
45	Regulatory Assets (Return on RB portion only)													
46	Regulatory Assets (Return on RB portion only)													
47	Regulatory Assets (Return on RB portion only)													
48	Regulatory Assets (Return on RB portion only)													
49	Regulatory Assets (Return on RB portion only)													
50	Regulatory Assets (Return on RB portion only)													
51	Regulatory Assets (Return on RB portion only)													
52	Regulatory Assets (Return on RB portion only)													

Note: This schedule was derived from original PCA collaborative exhibit B

Per UE-031725-PCORC
Reflecting Final Order No. 14

Exhibit E - Contract Adjustments (UE-031725): 5/24/04-6/30/04

Row	Note	Limit - Rate or Total Cost per UE-011570	RY Apr04-Mar05	Increase / (Decrease) from UE to RY Apr04- Mar05
7	CONTRACTS			
8	Baker Replacement	Exchange		
9	BC Hydro Point Roberts	Rate Limit	\$ 0.0670	\$ (0.0000)
10	BPA WNP-3 Exchange Power	Rate Limit	\$ 0.0282	\$ 0.0012
11	BPA WNP3 Return	Actual Cost		
12	BPA Snohomish Conservation	Rate Limit	\$ 0.0514	\$ (0.0102)
13	CSPE	N/A		
14	Mid-Columbia	Actual Cost		
15	Canadian Entitlement and CEA-EA	N/A		
16	MPC Firm Contract-Demand	Total Cost	\$ 29,382,000	\$ 2,298,988
17	MPC Firm Contract-Energy	Actual Cost		
18	PPL Contract 15 yr	Actual Cost		
19	Supplemental Entitlement Cap	Actual Cost		
20a	North Wasco Winter	Rate Limit	\$ 0.0783	\$ 0.0004
20b	North Wasco Summer	Rate Limit	\$ 0.0434	\$ 0.0003
		Actual Cost		
21	WWP Contract 15 yr	through 12/31/02		
22	PG&E Exchange Storage Acctg.	Exchange		
23	QF Shipp Hutch. Creek	Actual Cost	\$ 0.0300	
24	QF Koma Kulshan Hydro	Rate Limit	\$ 0.0749	\$ 0.0006
25	QF March Point Cogen 1 Winter	NUG Rate Limit	\$ 0.0610	\$ 0.0004
26	QF March Point Cogen 1 Summer	NUG Rate Limit	\$ 0.0437	\$ 0.0002
27	QF March Point Cogen 2 Winter	NUG Rate Limit	\$ 0.0660	\$ 0.0018
28	QF March Point Cogen 2 Summer	NUG Rate Limit	\$ 0.0553	\$ 0.0015
29	QF Port Townsend Hydro	Actual Cost	\$ 0.0282	
30	QF PERC Puyallup	Actual Cost		
31a	QF Spokane MSW Winter	Rate Limit	\$ 0.1072	\$ 0.0004
31b	QF Spokane MSW Summer	Rate Limit	\$ 0.0636	\$ 0.0003
32	QF Sumas Winter	NUG Rate Limit	\$ 0.0818	\$ 0.0027
33	QF Sumas Summer	NUG Rate Limit	\$ 0.0592	\$ 0.0013
34	QF Sygitowicz	Actual Cost	\$ 0.0514	
35	QF Tenaska (excl. Reg. Amort.)	NUG Rate Limit	\$ 0.0318	\$ 0.0018
36	QF Twin Falls	Rate Limit	\$ 0.0750	\$ (0.0000)
37	QF Weeks Falls	Rate Limit	\$ 0.0750	\$ (0.0000)
38	Skookumchuck	Actual Cost		
39	Nooksack	Actual Cost		

QF Spokane MSW contract rate has been segregated into winter & summer rates as per the contract.

EXHIBIT B

**Substitute pages for PSE's 2004 PCA Report
to Restore \$10.8 Million Tenaska Benchmark Disallowance
(as revised to include Staff's corrections)**

**EXHIBIT NO. ___ (BAL-4)
DOCKET NO. UE-04____
2004 PSE PCA 2 COMPLIANCE
WITNESS: BARBARA A. LUSCIER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-_____

**FOURTH EXHIBIT (NONCONFIDENTIAL) TO
PREFILED DIRECT TESTIMONY OF
BARBARA A. LUSCIER ON BEHALF OF PUGET SOUND ENERGY, INC.**

REVISED SUBTITUTE PAGES

FEBRUARY 7, 2005

**Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004**

POWER COST ADJUSTMENT SUMMARY

PCA Period Two - Power Costs:

Actual	\$ 907,807,216
Baseline	<u>872,785,985</u>
Difference	\$ 35,016,831
Wholesale Customers	<u>(14,163)</u>
Total Cost Over Baseline	\$ 35,002,669

Allocation of PCA Period Two - Power Costs

Company	\$ 27,418,852
Customers	<u>7,583,817</u>
Total Cost Allocated	\$ 35,002,669

Customer Share Including Interest

Customer Share	\$ 7,501,334
Interest	<u>82,483</u>
Total Customer share Including Interest	\$ 7,583,817

Substitute 2

**Puget Sound Energy
PCA Mechanism Annual Report
Twelve Months Ended June 30, 2004**

Exhibit A-1 Power Cost Rate: Updated Actual 7/1/03-6/30/04					
Row					
3	Regulatory Assets (Variable)	\$	284,845,904		
4	Transmission Rate Base (Fixed)	\$	123,753,863		
5	Production Rate Base (Fixed)	\$	480,459,327		
5a	New Resource (Fixed)	\$	7,910,073		
6		\$	896,969,167		
7	Net of tax rate of return		7.30%		
8					
9				\$/MWh	
10	Regulatory Asset Recovery	\$	31,990,386	\$	1.619 (c)
11	Fixed Asset Recovery-Prod Factored	\$	54,442,023	\$	2.755 (a)
12	Fixed Asset Recovery Other	\$	15,188,534	\$	0.769 (a)
12a	Fixed New Resource Recovery	\$	888,362	\$	0.045 (a)
13	501-Steam Fuel	\$	38,008,989	\$	1.923 (c)
14	555-Purchased power	\$	707,408,313	\$	35.795 (c)
15	557-Other Power Exp	\$	11,943,348	\$	0.604 (a)
16	547-Fuel	\$	28,620,139	\$	1.448 (c)
17	565-Wheeling	\$	40,738,171	\$	2.061 (c)
18	Variable Transmission Income	\$	(3,190,788)	\$	(0.161) (c)
19	Hydro and Other Pwr.	\$	53,025,866	\$	2.683 (a)
20	447-Sales to Others	\$	(104,104,176)	\$	(5.268) (c)
21	456-Subaccounts 12, 18,35,36	\$	(5,574,649)	\$	(0.282) (c)
22	Transmission Exp - 500KV	\$	367,182	\$	0.019 (a)
23	Depreciation-Production	\$	37,790,080	\$	1.912 (a)
23a	Amortization-White River	\$	118,936	\$	0.006 (a)
24	Depreciation-Transmission	\$	4,887,094	\$	0.247 (a)
25	Property Taxes-Production	\$	8,696,608	\$	0.440 (a)
26	Property Taxes-Transmission	\$	4,466,995	\$	0.226 (a)
27	Subtotal & Baseline Rate	\$	925,711,413	\$	46.842 (b)
28	Revenue Sensitive Items	\$	0.955234		
29		\$	969,094,173		
30	Year Load (MWH's)		19,762,540		<-- includes Firm Wholesale
31				Before Rev. Sensitive Items	After Rev. Sensitive Items
32	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline)				49.037
33	sum of (a) = Fixed Rate Component		9.655		10.107
34	(b) = Power Cost Rate		46.842		49.037
35	sum of (c) = Variable Power Rate Component		37.136		38.876
36					
37					
38	* Regulatory Assets are Tenaska, Encogen Fuel Buyout and BEP				

Substitute 3

Schedule B: Monthly Power Costs -- PCA PERIOD 2
Derived from Original PCA Exhibit B
Subject to PCA Sharing
UE-011570

Row		FERC Acct.	Period to Date
6			
7	Return on Fixed RB		\$ 57,528,410
8	Other Fixed Costs		\$ 133,937,854
9	Subtotal Fixed Costs		\$ 191,466,263
10	Total Variable Component Actual	<u>FERC Acct.</u>	
11	Steam Oper. Fuel	501	\$ 38,008,989
12	Other Pwr Gen Fuel	547	28,620,139
13	Other Elec Revenues	45600012,18,35,36	(5,574,649)
14	Purchase Power	555	696,536,631
15	Sales to Other Util	447	(104,104,176)
16	Wheeling	565	40,738,171
17	Transmission Revenue	45600017	(3,190,788)
18	White River Amortization	40700015	348,764
19	Subtotal Variable Components		\$ 691,383,081
20			
21	Regulatory Assets (Return on RB portion only)		\$ 31,990,386
22			
23	SUBTOTAL before Adjustments		\$ 914,839,731
24			
25	Adjustments:		
26	Prudence from UE-921262		\$ (2,638,944)
27	Contract price adjustment		(3,124,200)
28	Colstrip availability adjustment		-
29	New resource pricing adjustment		-
30	Tenaska Disallowance (prior month adj)		\$ -
31	Tenaska Disallowance (current month adj)		\$ (1,273,772)
32			-
33	Subtotal Adjustments		\$ (7,036,916)
34	Total allowable cost		\$ 907,802,815
35			
36			
37	PCA period delivered load (Kwh)		19,762,539,781
38	Baseline Power Cost 7/01/02 - 5/23/04	\$0.043953	\$ 872,785,985
39	5/24/04 - 2/28/05	\$0.046303	
40	Imbalance for Sharing		\$ 35,016,830
41	positive is potential customer surcharge, negative is potential customer credit		\$ 35,016,830
42			
43			\$ -
44	Less Firm Wholesale	0.04044%	\$ 35,002,669
45	Gross PCA		\$ 35,002,669
46	Gross PCA Contra		\$ (35,002,669)
47			
48	Cumulative Gross PCA		\$ 35,002,669
49	Cumulative Gross PCA Contra		\$ (35,002,669)

Substitute 22