



March 3, 2008

Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

VIA E-MAIL

Michelle Manary, FE-2
Manager, Residential Exchange Program
Bonneville Power Administration
PO Box 3621
Portland, OR 97293
E-mail: ascfiling@bpa.gov
mlmanary@bpa.gov

**Re: Puget Sound Energy, Inc.'s Initial Average System Cost Filing (Appendix 1)
BPA File No. ASCM-08**

Dear Ms. Manary:

On February 7, 2008, Bonneville Power Administration ("BPA") published notice (regarding BPA File No. ASCM-08) in the *Federal Register*, 73 Fed. Reg. 7270 (2008) ("February 7 Notice"), that a utility must submit an initial Average System Cost ("ASC") filing (an Appendix 1) to BPA by March 3, 2008. Pursuant to the February 7 Notice, Puget Sound Energy, Inc. ("PSE") hereby submits for filing its initial Appendix 1 to BPA for FY 2009.

PSE understands that the attached Appendix 1 is intended to provide information for PSE's initial ASC for the FY 2009 expedited ASC process. PSE's submission of the attached Appendix 1 does not constitute PSE's agreement to any particular cost or methodology, including any allocation or functionalization ratios included in this initial filing. PSE reserves the right to comment on and object to any and all aspects of BPA's proposed ASC methodology. Also, because of the expedited schedule, the information contained in PSE's initial filing should be viewed as preliminary, and subject to revision, as necessary. PSE reserves the right to update or revise the data provided in its initial Appendix 1 to the extent necessary to accommodate any changes BPA may make to the ASC Methodology and to ensure that all data is complete and accurate.

In addition, the accounts initially selected by BPA to be supported by direct analysis from PSE have (except as indicated below) been functionalized by the default functionalization designated by BPA until PSE collects the necessary information to

determine the appropriate functionalization method.¹ PSE will prepare support for direct analysis for some or all of such accounts. It is PSE's understanding that (i) different functionalization (such as direct analysis) for any other accounts will be an issue for the revised ASC Methodology process, and (ii) the ASC filing for FY 2009 will be subject to revision after any such different functionalization is adopted as part of the revised ASC Methodology process. (The default functionalization designated by BPA has not been used in this initial ASC filing for Account 302; included in this initial ASC filing are results of preliminary direct analysis of components of Account 302.)

The following attachments to this letter are included in this PSE initial ASC filing for the FY 2009 expedited ASC process:

- (i) proposed BPA ASC template with PSE 2006 data (Attachment A);
and
- (ii) a list of resources that PSE has acquired or projects to acquire and go into service prior to the end of calendar year 2009 but that are not reflected in the FERC Form 1 data for calendar year 2006 (Attachment B).

PSE submits Attachment B to this letter pursuant to exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4), relating to privileged or confidential commercial information. For purposes of convenience, PSE submits two versions of Attachment B – a confidential version with the privileged or confidential commercial information highlighted and a public version with the privileged or confidential commercial information redacted.

By return e-mail, please confirm BPA's receipt of PSE's initial ASC filing.

Sincerely,



Puget Sound Energy, Inc.

By Tom DeBoer

Title Director, Rates and Regulatory Affairs

Attachments

¹ The template identifies Account 456 (Other Electric Revenues) for direct analysis, but BPA does not provide a default assignment for this account in the template. PSE will propose a functionalization method but notes that, in the absence of a default functionalization, Account 456 is not reflected in the initial ASC shown in the attached filing.

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Intangible Plant:							
Intangible Plant - Organization	204-207	301	DIR-D	114,202	-	-	114,202
Intangible Plant - Franchises and Consents	204-207	302	DIRECT	14,250,583	13,334,075		916,508
Intangible Plant - Miscellaneous	204-207	303	PTD	15,160,967	5,254,251	1,017,888	8,888,828
Total Intangible Plant				29,525,752	18,588,326	1,017,888	9,919,538
Production Plant:							
Steam Production	204-207	310-316	DIR-P	816,146,214	816,146,214	-	-
Nuclear Production	204-207	320-325	DIR-P	0	-	-	-
Hydraulic Production	204-207	330-336	DIR-P	164,854,647	164,854,647	-	-
Other Production	204-207	340-346	DIR-P	728,676,783	728,676,783	-	-
Total Production Plant				1,709,677,644	1,709,677,644	0	0
Transmission Plant: (i)							
Transmission Plant	204-207	350-359	DIR-T	331,209,903	-	331,209,903	-
Total Transmission Plant				331,209,903	0	331,209,903	0
Distribution Plant:							
Distribution Plant	204-207	360-373	DIR-D	2,892,330,528	-	-	2,892,330,528
Total Distribution Plant				2,892,330,528	0	0	2,892,330,528
General Plant:							
Land and Land Rights	204-207	389	PTD	6,734,802	2,334,042	452,166	3,948,594
Structures and Improvements	204-207	390	PTD	30,937,105	10,721,698	2,077,077	18,138,329
Furniture and Equipment	204-207	391	LABOR	34,756,184	9,725,474	1,470,075	23,560,635
Transportation Equipment	204-207	392	TD	1,210,860	-	124,413	1,086,447
Stores Equipment	204-207	393	PTD	1,061,090	367,736	71,240	622,114
Tools and Garage Equipment	204-207	394	PTD	5,918,527	2,051,151	397,362	3,470,014
Laboratory Equipment	204-207	395	PTD	13,347,330	4,625,709	896,123	7,825,498
Power Operated Equipment	204-207	396	TD	1,216,046	-	124,945	1,091,101
Communication Equipment	204-207	397	PTD	41,613,080	14,421,611	2,793,849	24,397,620

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Miscellaneous Equipment	204-207	398	PTD	449,935	155,931	30,208	263,796
Other Tangible Property	204-207	399	PTD	16,026	5,554	1,076	9,396
Asset Retirement Costs for General Plant	204-208	399.1	PTD	0	-	-	-
Total General Plant				137,260,985	44,408,907	8,438,534	84,413,544
Total Electric Plant In-Service				5,100,004,812	1,772,674,878	340,666,325	2,986,663,610
<i>(Total Intangible + Total Production + Total Transmission + Total Distribution + Total General)</i>							
LESS:							
Depreciation Reserve							
Steam Production Plant	219	108	DIR-P	454,497,985	454,497,985	-	-
Nuclear Production Plant	219	108	DIR-P	0	-	-	-
Hydraulic Production Plant	219	108	DIR-P	119,491,099	119,491,099	-	-
Other Production Plant	219	108	DIR-P	125,996,078	125,996,078	-	-
Transmission Plant (i)	219	108	DIR-T	123,295,807	-	123,295,807	-
Distribution Plant	219	108	DIR-D	1,073,299,571	-	-	1,073,299,571
General Plant	219	108	GP	68,125,305	22,041,007	4,188,209	41,896,089
Amortization of Intangible Plant	219	108	Same as Plt	-	-	-	-
Mining Plant Depreciation	219	108	DIR-P	-	-	-	-
Amortization of Plant Held for Future Use	219	108	DIR-D	0	-	-	-
Capital Lease - Common Plant	219	108	DIR-D	-	-	-	-
Leasehold Improvements	200-201	108	DIR-D	-	-	-	-
Accum Prov for Depr, Amort, & Depl (In-Service: Deprc Cn	200-201	108	PTD	210,806,718	73,058,099	14,153,291	123,595,328
Accum Prov for Depr, Amort, & Depl (Amort of Other Util P	200-201	108	PTD	43,297,341	38,208,245	522,891	4,566,206
Amortization Reserve				2,218,809,904	833,292,512	142,160,198	1,243,357,194
Total Depreciation and Amortization				2,218,809,904	833,292,512	142,160,198	1,243,357,194
Total Net Plant				2,881,194,908	939,382,365	198,506,127	1,743,306,416

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(3) Account Numbers	(4) Funct. Method	(5) Total	(6) Production	(7) Transmission	(8) Distribution/ Other
<i>(Total Electric Plant In-Service) - (Total Depreciation & Amortization)</i>							
Assets and Other Debits (Comparative Balance Sheet)							
Cash Working Capital (f)	Calculation			43,830,436	13,080,693	7,639,493	23,110,250
UTILITY PLANT							
(Utility Plant) In Service (Classified) COMMON	200-201		PTD	653,611,713	226,518,535	43,882,648	383,210,530
(Utility Plant) Held For Future Use	200-201	105	DIR-D	8,250,089	-	-	8,250,089
(Utility Plant) Completed Construction - Not Classified	200-201	106	DIR-D	0	-	-	-
Nuclear Fuel		120.1-120.6	DIR-P		-	-	-
Construction Work in Progress (CWIP)	200-201	107 & 120.1	DIR-D	163,699,007	-	-	163,699,007
Acquisition Adjustments (Electric)	200-201	114	DIR-D	77,871,127	-	-	77,871,127
Total				903,431,936	226,518,535	43,882,648	633,030,753
OTHER PROPERTY AND INVESTMENTS							
Investment in Associated Companies	110-111	123	PTD	0	-	-	-
Other Investment	110-111	124	DIR-D	56,933,008	-	-	56,933,008
Long-Term Portion of Derivative Assets	110-111	175-176	DIR-P	6,934,092	6,934,092	-	-
Total				63,867,100	6,934,092	0	56,933,008
CURRENT AND ACCRUED ASSETS							
Fuel Stock	110-111	151	DIR-P	7,556,054	7,556,054	-	-
Fuel Stock Expenses Undistributed	110-111	152	DIR-P	0	-	-	-
Plant Materials and Operating Supplies	110-111	154	PTD	41,499,686	14,382,313	2,786,235	24,331,138
Other Materials and Supplies	110-111	155 - 156	PTDG	0	-	-	-
EPA Allowances	110-112	158.1 - 158.2	DIR-P	0	-	-	-
Stores Expense Undistributed	110-111	163	PTD	2,001,197	693,544	134,358	1,173,296
Prepayments	110-111	165	PTD	8,637,405	2,993,417	579,904	5,064,084
Derivative Instrument Assets	110-111	175-176	DIR-P	23,760,193	23,760,193	-	-
Total				83,454,535	49,385,520	3,500,497	30,568,517
DEFERRED DEBITS							
Unamortized Debt Expenses	110-111	181	PTDG	23,026,925	8,003,767	1,538,135	13,485,022
Extraordinary Property Losses	110-111	182.1	DIR-D	101,121,230	-	-	101,121,230

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Schedule 1: Plant Investment / Rate Base

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Unrecovered Plant and Regulatory Study Costs	110-111	182.2	DIR-D	43,391,364	-	-	43,391,364
Other Regulatory Assets	110-111	182.3	DIR-D	538,922,470	-	-	538,922,470
Prelim. Survey and Investigation Charges (Electric)	110-111	183	DIR-D	657,177	-	-	657,177
Preliminary Natural Gas Survey and Investigation Charges	110-111	183.1	DIR-D	0	-	-	-
Other Preliminary Survey and Investigation Charges	110-111	183.2	DIR-D	0	-	-	-
Clearing Accounts	110-111	184	DIR-D	0	-	-	-
Temporary Facilities	110-111	185	PTDG	(231,994)	(80,637)	(15,497)	(135,860)
Miscellaneous Deferred Debits	110-111	186	LABOR	204,344,453	57,179,656	8,643,116	138,521,681
Deferred Losses from Disposition of Utility Plant	110-111	187	DIR-D	2,422,518	-	-	2,422,518
Research, Development, and Demonstration Expenditures	110-111	188	DIR-D	0	-	-	-
Unamortized Loss on Reacquired Debt	110-111	189	PTDG	21,266,360	7,391,825	1,420,534	12,454,001
Accumulated Deferred Income Taxes	110-111	190	DIR-D	161,904,008	-	-	161,904,008
Total				1,096,824,511	72,494,611	11,586,289	1,012,743,611
Total Assets and Other Debits				2,191,408,518	368,413,452	66,608,928	1,756,386,139

Liabilities and Other Credits (Comparative Balance Sheet)

CURRENT AND ACCRUED LIABILITIES

Derivative Instrument Liabilities & Hedges	112-113	244 - 245	DIR-P	71,010,055	71,010,055	-	-
Total				71,010,055	71,010,055	0	0

DEFERRED CREDITS

Long-Term Derivative Instrument Liabilities & Hedges	112-113	244 - 245	DIR-P	0	-	-	-
Customer Advances for Construction	112-113	252	DIR-D	79,267,139	-	-	79,267,139
Other Deferred Credits	112-113	253	DIR-D	124,520,678	-	-	124,520,678
Other Regulatory Liabilities	112-113	254	DIR-D	61,094,085	-	-	61,094,085
Accumulated Deferred Investment Tax Credits	112-113	255	DIR-D	1,737,711	-	-	1,737,711
Deferred Gains from Disposition of Utility Plant	112-113	256	DIR-D	2,952,399	-	-	2,952,399
Unamortized Gain on Reacquired Debt	112-113	257	PTDG	494,072	171,731	33,003	289,338
Accumulated Deferred Income Taxes-Accel. Amort.	112-113	281	DIR-D	0	-	-	-
Accumulated Deferred Income Taxes-Property	112-113	282	DIR-D	611,456,563	-	-	611,456,563
Accumulated Deferred Income Taxes-Other	112-113	283	DIR-D	296,532,901	-	-	296,532,901

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(3) Account Numbers	(4) Funct. Method	(5) Total	(6) Production	(7) Transmission	(8) Distribution/ Other
Total				1,178,055,548	171,731	33,003	1,177,850,814
<u>Total Liabilities and Other Credits</u>				1,249,065,603	71,181,786	33,003	1,177,850,814
<u>Total Rate Base</u> <i>(Total Net Plant + Debits - Credits)</i>				3,823,537,823	1,236,614,031	265,082,052	2,321,841,740

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1A: Cash Working Capital (f)

(1) Account Description		(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Cash Working Capital Calculation:					
Total Production O&M	DIR-P	1,144,649,016	1,144,649,016		
Total Transmission O&M (i)	DIR-T	57,969,332		57,969,332	
Total Distribution O&M	DIR-D	65,438,100			65,438,100
Total Customer & Sales	DIR-D	71,732,129			71,732,129
Total Administrative and General O&M	PTD	70,097,636	19,239,251	3,146,613	47,711,772
Less Purchased Power, Public Purpose Charge, and Fuel Costs	DIR-P	#####	(1,059,242,722)		
<u>Revised Total O&M Expenses</u>		350,643,491	104,645,545	61,115,945	184,882,001
One-Eighth Revised Total O&M Expenses					
<u>Allowable Functionalized Cash Working Capital</u>		43,830,436	13,080,693	7,639,493	23,110,250

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 2: Capital Structure and Rate of Return (b)

Investor Owned Utility Return Calculation

Step 1: Weighted Cost of Capital from Most Recent State Commission Rate Order

Component	Capitalization Structure		Effective Cost	
	Amount	Percent	Embedded	Weighted
Debt	\$ 56.0	56.0%	6.83%	3.820%
Preferred Equity	\$ 0.1	0.1%	7.61%	0.000%
Common Equity	\$ 44.0	44.0%	10.40%	4.576%
Total	\$ 100.0	100.000%		8.396%

Step 2: Gross Up Equity Return for Federal Income Taxes

Federal Income Tax Rate (Currently 35%)	35%	
Federal Income Tax Factor		2.464%
<i>{(ROR – (Embedded Cost of Debt * (Debt / (Total Capital)))} * {(Federal Tax Rate / (1- Federal Tax Rate))}</i>		
Federal Income Tax Adjusted Weighted Cost of Capital		10.860%
<i>(Weighted Cost of Capital Plus Federal Income Tax Factor)</i>		

Step 3: Calculate Return on Rate Base

	<u>Total</u>
Total Rate Base from Schedule 1	\$ 3,823,537,823
Federal Income Tax Adjusted Return on Rate Base	\$ 415,238,446

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology

Schedule 3: Expenses

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Power Production Expenses:							
Steam Power Generation							
Steam Power - Fuel	320-323	501	DIR-P	50018163	50,018,163	-	-
Steam Power - Operations (Excluding 501 - Fuel)	320-323	500-509	DIR-P	12178423	12,178,423	-	-
Steam Power - Maintenance	320-323	510-515	DIR-P	19991699	19,991,699	-	-
Nuclear Power Generation							
Nuclear - Fuel	320-323	518	DIR-P	0	-	-	-
Nuclear - Operation (Excluding 518 - Fuel)	320-323	517-525	DIR-P	0	-	-	-
Nuclear - Maintenance	320-323	528-532	DIR-P	0	-	-	-
Hydraulic Power Generation							
Hydraulic - Operation	320-323	535-540	DIR-P	4112341	4,112,341	-	-
Hydraulic - Maintenance	320-323	541-545	DIR-P	3776501	3,776,501	-	-
Other Power Generation							
Other Power - Fuel	320-323	547	DIR-P	47301858	47,301,858	-	-
Other Power - Operations (Excluding 547 - Fuel)	320-323	546-550	DIR-P	16574506	16,574,506	-	-
Other Power - Maintenance	320-323	551-554	DIR-P	8418999	8,418,999	-	-
Other Power Supply Expenses							
Purchased Power (Excluding REP Reversal)	320-323	555	DIR-P	798300275	798,300,275	-	-
System Control and Load Dispatching	320-323	556	DIR-P	815816	815,816	-	-
Other Expenses	320-323	557	DIR-P	19538009	19,538,009	-	-
BPA REP Reversal	327	555	DIR-P	163622426	163,622,426	-	-
Public Purpose Charges (h)			DIRECT				
Total Production Expense				1,144,649,016	1,144,649,016	0	0
Transmission Expenses: (i)							
Transmission of Electricity to Others (Wheeling)	320-323	565	DIR-T	52,660,736	-	52,660,736	-
Total Operations less Wheeling	320-323	560-567	DIR-T	2,541,280	-	2,541,280	-
Total Maintenance	320-323	568-573	DIR-T	2,767,316	-	2,767,316	-
Total Transmission Expense				57,969,332	0	57,969,332	0

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology

Schedule 3: Expenses

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Distribution Expense:							
Total Operations	320-323	580-589	DIR-D	19,484,024	-	-	19,484,024
Total Maintenance	320-323	590-598	DIR-D	45,954,076	-	-	45,954,076
Total Distribution Expense				65,438,100	0	0	65,438,100
Customer and Sales Expenses:							
Total Customer Accounts	320-323	901-905	DIR-D	35,267,225	-	-	35,267,225
Total Customer Service and Information	320-323	907-910	DIR-D	35,908,909	-	-	35,908,909
Total Sales	320-323	911-916	DIR-D	555,995	-	-	555,995
Total Customer and Sales Expenses				71,732,129	0	0	71,732,129
Administration and General Expense:							
Operation							
Administration and General Salaries	320-323	920	LABOR	13,241,645	3,705,277	560,079	8,976,289
Office Supplies & Expenses	320-323	921	LABOR	15,215,027	4,257,468	643,547	10,314,012
(Less) Administration Expenses Transferred - Credit	320-323	922	LABOR	(108,476)	(30,354)	(4,588)	(73,534)
Outside Services Employed	320-323	923	PTD	5,292,007	1,834,021	355,299	3,102,687
Property Insurance	320-323	924	PTDG	2,580,565	896,960	172,375	1,511,230
Injuries and Damages	320-323	925	LABOR	4,632,927	1,296,385	195,958	3,140,584
Employee Pensions & Benefits	320-323	926	LABOR	14,541,949	4,069,128	615,078	9,857,744
Franchise Requirements	320-323	927	DIR-D	0	-	-	-
Regulatory Commission Expenses	320-323	928	PTD	6,087,900	2,109,849	408,734	3,569,317
(Less) Duplicate Charges - Credit	320-323	929	PTDG	0	-	-	-
General Advertising Expenses	320-323	930.1	DIR-D	0	-	-	-
Miscellaneous General Expenses	320-323	930.2	DIR-D	2,560,020	-	-	2,560,020
Rents	320-323	931	DIR-D	2,653,105	-	-	2,653,105
Transportation Expenses (Non Major)	320-324	933	DIR-D	-	-	-	-
Maintenance							
Maintenance of General Plant	320-323	935	GPM	3,400,967	1,100,516	200,132	2,100,318
Total Administration and General Expenses				70,097,636	19,239,251	3,146,613	47,711,772

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Schedule 3: Expenses

(1) Account Description	Form 1 page number	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Total Operations and Maintenance				1,409,886,213	1,163,888,267	61,115,945	184,882,001
<i>(Total Expenses: Production + Transmission + Distribution + Customer and Sales + Total Administration and General Expenses)</i>							
Depreciation and Amortization:							
Intangible Plant	336	403	Same as Plt	1,966,305	1,237,913	67,788	660,604
Steam Production Plant	336	403	DIR-P	22,463,892	22,463,892	-	-
Nuclear Production Plant	336	403	DIR-P	0	-	-	-
Hydraulic Production Plant - Conventional	336	403	DIR-P	11,594,523	11,594,523	-	-
Hydraulic Production Plant - Pumped Storage	336	403	DIR-P	0	-	-	-
Other Production Plant	336	403	DIR-P	13,968,917	13,968,917	-	-
Transmission Plant (i)	336	403	DIR-T	7,581,905	-	7,581,905	-
Distribution Plant	336	403	DIR-D	79,270,680	-	-	79,270,680
General Plant	336	403	GP	6,410,520	2,074,036	394,106	3,942,378
Common Plant - Electric	336	404	PTD	24,441,816	8,470,663	1,640,992	14,330,161
Amortization of Plant Acquisition Adjustments (Electric)	200-201	114	Same as Plt	4,753,893	-	-	4,753,893
Total Depreciation and Amortization				172,452,451	59,809,944	9,684,791	102,957,717
Total Operating Expenses				1,582,338,664	1,223,698,211	70,800,736	287,839,717
<i>(Total O&M - Total Depreciation & Amortization)</i>							

**BONNEVILLE POWER ADMINISTRATION
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Schedule 3A Items: Taxes (Including Income Taxes)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
FEDERAL							
Income Tax (Included on Schedule 2)	262	-					
Employment Tax	262	-	LABOR	12,661,694	3,542,995	535,549	8,583,150
Other Federal Taxes	262	-	DIR-D	7,984	-	-	7,984
TOTAL FEDERAL	262	-		12,669,678	3,542,995	535,549	8,591,134
STATE AND OTHER							
State of Arizona:							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Federal Income Tax Factor				0	0	0	0
State of California							
Property	262	-	PTDG		-	-	-
Unemployment	262	-	LABOR		-	-	-
Franchise-Income	262	-	DIR-D		-	-	-
Regulatory Commission	262	-	DIR-D		-	-	-
Use	262	-	DIR-D		-	-	-
Local Franchise	262	-	DIR-D		-	-	-
Subtotal California				0	0	0	0
State of Colorado							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Subtotal Colorado				0	0	0	0
State of Idaho:							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
KWH	262	-	DIR-D		-	-	-
Unemployment	262		LABOR		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Business License - Sho Ban	262	-	DIR-D		-	-	-
Subtotal Idaho		-		0	0	0	0
State of Montana:							
Property	262	-	DIR-P		-	-	-
Corporate License - Income	262		DIR-D		-	-	-
Energy License	262		DIR-D		-	-	-
Wholesale Energy	262		DIR-D		-	-	-
Subtotal Montana				0	0	0	0
State of Nevada:							
Property	262	-	PTDG		-	-	-
Business Tax	262	-	DIR-D		-	-	-
Unemployment	262		LABOR		-	-	-
Subtotal Nevada		-		0	0	0	0
State of New Mexico							
Property	262	-	PTDG		-	-	-
Subtotal New Mexico				0	0	0	0
State of Oregon							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Wilsonville Payroll	262		LABOR		-	-	-
Regulatory Commission	262	-	DIR-D		-	-	-
Excise-Income	262		DIR-D		-	-	-

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
City of Portland Income	262		DIR-D		-	-	-
Office of Energy	262		DIR-D		-	-	-
Tri-Met	262		DIR-D		-	-	-
Lane County	262		DIR-D		-	-	-
Unemployment	262	-	LABOR		-	-	-
Franchise	262	-	DIR-D		-	-	-
Subtotal Oregon				0	0	0	0
State of Texas							
Property	262	-	PTDG		-	-	-
Subtotal Texas				0	0	0	0
State of Utah:							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Unemployment	262	-	LABOR		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Navajo Nation	262		DIR-D		-	-	-
Use	262		DIR-D		-	-	-
Gross Receipts	262	-	DIR-D		-	-	-
Subtotal Utah		-		0	0	0	0
State of Washington							
Property	262	-	PTDG	32,575,580	11,322,717	2,175,959	19,076,903
Unemployment	262		LABOR		-	-	-
Business & Occupation	262		DIR-D		-	-	-
Public Utility	262		DIR-D	104,853,907	-	-	104,853,907
Regulatory Commission	262		DIR-D		-	-	-
Use	262	-	DIR-D		-	-	-

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Retailing	262		DIR-D		-	-	-
Land Tax	262		DIR-D		-	-	-
Municipal	262	-	DIR-D	96,356,732	-	-	96,356,732
Other State Taxes	262	-	DIR-D	7,060,979	-	-	7,060,979
Total Washington				240,847,198	11,322,717	2,175,959	227,348,521
State of Wyoming							
Corporate License	262	-	DIR-D		-	-	-
Property	262	-	PTDG		-	-	-
Unemployment	262		LABOR		-	-	-
Other Payroll Taxes	262		DIR-D		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Franchise	262		DIR-D		-	-	-
Use	262		DIR-D		-	-	-
Annual Report	262	-	DIR-D		-	-	-
Subtotal Wyoming				0	0	0	0
Other States							
Property	262	-	PTDG	9,793,331	3,403,995	654,168	5,735,168
Unemployment	262		LABOR		-	-	-
Other Taxes	262	-	DIR-D	1,661,077	-	-	1,661,077
Income	262	-	DIR-D		-	-	-
Total Other States				11,454,408	3,403,995	654,168	7,396,245
TOTAL STATE AND OTHER TAXES				264,971,284	18,269,707	3,365,676	243,335,901

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology

Schedule 3B Other Included Items

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Other Included Items:							
(Less) Gain from Disposition of Util	114	411.6	DIR-D	(969,412)	-	-	(969,412)
Loss from Disposition of Utility Plan	114	411.7	DIR-D	376,588	-	-	376,588
<u>Total Disposition of Plant</u>				(592,824)	0	0	(592,824)
Sale for Resale:							
Sales for Resale	310	447	DIR-P	202,035,772	202,035,772	-	-
<u>Total Sales for Resale</u>				202,035,772	202,035,772	0	0
Other Revenues:							
Forfeited Discounts	300	450	DIR-D	2,857,384	-	-	2,857,384
Miscellaneous Service Revenues	300	451	DIR-D	12,159,569	-	-	12,159,569
Sales of Water and Water Power	300	453	DIR-D	0	-	-	-
Rent from Electric Property	300	454	TD	11,031,178	-	1,133,423	9,897,755
Interdepartmental Rents	300	455	DIR-D	0	-	-	-
Other Electric Revenues	300	456	DIRECT	19,606,394			
Revenues from Transmission of Elec	330	456.1	DIR-T	9,920,949	-	9,920,949	-
<u>Total Other Revenues</u>				55,575,474	0	11,054,372	24,914,708
<u>Total Other Included Items</u>				257,018,422	202,035,772	11,054,372	24,321,884

(Total Disposition of Plant + Total Sales for Resale + Total Other Revenue)

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 4: Average System Cost

	Total	Production	Transmission	Distribution/ Other
<u>Total Operating Expenses</u> <i>(From Schedule 3)</i>	1,582,338,664	1,223,698,211	70,800,736	287,839,717
<u>Federal Income Tax Adjusted Return on Rate Base</u> <i>(From Schedule 2)</i>	415,238,446	134,297,008	28,788,066	252,153,372
<u>State and Other Taxes</u> <i>(From Schedule 3a)</i>	264,971,284	18,269,707	3,365,676	243,335,901
<u>Total Other Included Items</u> <i>(From Schedule 3b)</i>	257,018,422	202,035,772	11,054,372	24,321,884
<u>Total Cost</u> <i>(Total Operating Expenses + Return on Rate Base + State and Other Taxes - Total Other Included Items)</i>	2,005,529,972	1,174,229,154	91,900,106	759,007,106

<u>Contract System Cost</u>		
Production	1,174,229,154	
Transmission	91,900,106	
(Less) New Large Single Load Costs (d)		
Total Contract System Cost	1,266,129,259	
<u>Contract System Load (MWh)</u>		
Total Retail Load	21,091,533	
(Less) New Large Single Load	0	Under Review
Total Retail Load (Net of NLSL) (d)	21,091,533	
Distribution Loss (f)	1,054,577	
Total Contract System Load	22,146,110	
Average System Cost \$/MWh	\$ 57.17	

1	Electric	
2	Operation	
3	Production	7,404,499
4	Transmission	983,521
5	Regional Market	
6	Distribution	8,376,318
7	Customer Accounts	9,350,899
8	Customer Service and Informational	1,056,792
9	Sales	396,464
10	Administrative and General	15,933,099
11	TOTAL Operation (Enter Total of lines 3 thru 10)	43,501,592
12	Maintenance	
13	Production	2,678,586
14	Transmission	294,771
15	Regional Market	
16	Distribution	9,467,051
17	Administrative and General	730,527
18	TOTAL Maintenance (Total of lines 13 thru 17)	13,170,935
19	Total Operation and Maintenance	
20	Production (Enter Total of lines 3 and 13)	10,083,085
21	Transmission (Enter Total of lines 4 and 14)	1,278,292
22	Regional Market (Enter Total of lines 5 and 15)	
23	Distribution (Enter Total of lines 6 and 16)	17,843,369
24	Customer Accounts (Transcribe from line 7)	9,350,899
25	Customer Service and Informational (Transcribe from line 8)	1,056,792
26	Sales (Transcribe from line 9)	396,464
27	Administrative and General (Enter Total of lines 10 and 17)	16,663,626
	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	56,672,527

		Ratio Used			
Labor Ratio Input:					
Production	DIR-P	\$ 10,083,085	10,083,085	-	-
Transmission	DIR-T	\$ 1,278,292	-	1,278,292	-
Regional Market					
Distribution	DIR-D	\$ 17,843,369	-	-	17,843,369
Customer Accounts	DIR-D	\$ 9,350,899	-	-	9,350,899
Customer Service and Informational	DIR-D	\$ 1,056,792	-	-	1,056,792
Sales	DIR-D	\$ 396,464	-	-	396,464
Administrative & General	PTD	\$ 16,663,626	5,775,019	1,118,774	9,769,832

Total Labor		\$ 56,672,527	\$ 15,858,104	\$ 2,397,066	\$ 38,417,356
		100%	28%	4%	68%

		Total				
		Funct.	Production	Transmission	Distribution	
GP	Production					
	Land and Land Rights	PTD	\$ 6,734,802	2,334,042	452,166	3,948,594
	Structures and Improvements	PTD	\$ 30,937,105	10,721,698	2,077,077	18,138,329
	Furniture and Equipment	LABOR	\$ 34,756,184	9,725,474	1,470,075	23,560,635
	Transportation Equipment	TD	\$ 1,210,860	-	124,413	1,086,447
	Stores Equipment	PTD	\$ 1,061,090	367,736	71,240	622,114
	Tools and Garage Equipment	PTD	\$ 5,918,527	2,051,151	397,362	3,470,014
	Laboratory Equipment	PTD	\$ 13,347,330	4,625,709	896,123	7,825,498
	Power Operated Equipment	TD	\$ 1,216,046	-	124,945	1,091,101
	Communication Equipment	PTD	\$ 41,613,080	14,421,611	2,793,849	24,397,620
	Miscellaneous Equipment	PTD	\$ 449,935	155,931	30,208	263,796
	Other Tangible Property	DIRECT	\$ 16,026	\$ 5,554	\$ 1,076	\$ 9,396
	Asset Retirement Costs for General Plant	PTD	\$ -	-	-	-
	TOTAL		\$ 137,260,985	\$ 44,408,907	\$ 8,438,534	\$ 84,413,544
	RATIO (GP)		100%	32%	6%	61%

PTD	Production, Transmission, Distribution					
	Steam Production	DIR-P	\$ 816,146,214	816,146,214	-	-
	Nuclear Production	DIR-P	\$ -	-	-	-
	Hydraulic Production	DIR-P	\$ 164,854,647	164,854,647	-	-
	Other Production	DIR-P	\$ 728,676,783	728,676,783	-	-
	Total Production Plant		\$ 1,709,677,644	\$ 1,709,677,644	\$ -	\$ -
	Transmission Plant	DIR-T	\$ 331,209,903	\$ -	\$ 331,209,903	\$ -
	Total Distribution Plant	DIR-D	\$ 2,892,330,528	\$ -	\$ -	\$ 2,892,330,528

TOTAL		\$ 4,933,218,075	\$ 1,709,677,644	\$ 331,209,903	\$ 2,892,330,528
RATIO (PTD = PLANT IN SERVICE)		100%	35%	7%	59%

PTDG

Production, Transmission, Distribution and General Plant					
PTD Total		\$ 4,933,218,075	\$ 1,709,677,644	\$ 331,209,903	\$ 2,892,330,528
Intangible Plant - Organization	DIR-D	\$ 114,202	\$ -	\$ -	\$ 114,202
Intangible Plant - Franchises and Consents	DIRECT	\$ 14,250,583	\$ 13,334,075	\$ -	\$ 916,508
Intangible Plant - Miscellaneous	DIRECT	\$ 15,160,967	\$ 5,254,251	\$ 1,017,888	\$ 8,888,828
GP Total		\$ 137,260,985	\$ 44,408,907	\$ 8,438,534	\$ 84,413,544
TOTAL		\$ 5,100,004,812	\$ 1,772,674,878	\$ 340,666,325	\$ 2,986,663,610
RATIO (PTDG = GROSS PLANT)		100%	35%	7%	59%

TD

Transmission, Distribution					
Total Transmission Plant	DIR-T	\$ 331,209,903	-	331,209,903	-
Total Distribution Plant	DIR-D	\$ 2,892,330,528	-	-	2,892,330,528
TOTAL		\$ 3,223,540,431	\$ -	\$ 331,209,903	\$ 2,892,330,528
RATIO (TD)		100%	0%	10%	90%

TDG

Transmission, Distribution and General Plant					
Total Transmission Plant	DIR-T	\$ 331,209,903	-	331,209,903	-
Total Distribution Plant	DIR-D	\$ 2,892,330,528	-	-	2,892,330,528
Intangible Plant - Organization T and D Only	DIR-D	\$ 114,202	-	-	114,202
Intangible Plant - Franchises and Consents T and D Only	DIRECT	\$ 14,250,583	-	-	916,508
Intangible Plant - Miscellaneous T and D Only	DIRECT	\$ 15,160,967	-	1,017,888	8,888,828
General Plant Total 389-399(T&D Only)	TD	\$ 92,852,078	-	9,540,295	83,311,782
TOTAL		\$ 3,345,918,261	\$ -	\$ 341,768,086	\$ 2,985,561,848
RATIO (TDG)		100%	0%	10%	89%

GPM

Maintenance of General Plant					
Structures and Improvements	PTD	\$ 30,937,105	10,721,698	2,077,077	18,138,329
Furniture and Equipment	LABOR	\$ 34,756,184	9,725,474	1,470,075	23,560,635
Communication Equipment	PTD	\$ 41,613,080	14,421,611	2,793,849	24,397,620
Miscellaneous Equipment	DIR-D	\$ 449,935	-	-	449,935
TOTAL		\$ 107,756,304	\$ 34,868,784	\$ 6,341,001	\$ 66,546,519
RATIO (GPM)		100%	32%	6%	62%

Conservation Fuctionalization	Dir-C	70.00%	0.00%	30.00%
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Direct to Distribution	DIR-D	0.00%	0.00%	100.00%
Direct to Production	DIR-P	100.00%	0.00%	0.00%
Direct to Transmission	DIR-T	0.00%	100.00%	0.00%
Direct Allocation	DIRECT	0.00%	0.00%	0.00%
General Plant	GP	32.35%	6.15%	61.50%
Maintenance of General Plant	GPM	32.36%	5.88%	61.76%
Labor Ratios	LABOR	27.98%	4.23%	67.79%
Production, Transmission, Distribution	PTD	34.66%	6.71%	58.63%
Production, Transmission, Distribution, General	PTDG	34.76%	6.68%	58.56%
Transmission, Distribution	TD	0.00%	10.27%	89.73%
Transmission, Distribution and General Plant	TDG	0.00%	10.21%	89.23%

PSE Completed and Projected Acquisitions (2006 - 2009)

Line	Project	MW	In Service
1	Goldendale	277	Yes
2	XXXXXXXXXX Winter On Peak PPA	150	Yes
3	Klondike III Wind Farm	50	Yes
4	Sumas Energy Replacement	50	Yes
5	Sumas Energy Replacement	75/25 ¹	Yes
6	Powerex Full Requirements PPA	8	Yes
7	Sumas Cogeneration Facility	125	Estimated Q3 2008
8	Whitehorn Units 2&3	140	Estimated Q12009
9	Hopkins Ridge Infill	7.2	Estimated prior to 2010
10	XXXXXXXX XXXXXXXX XXXXXXXX	XXXXXXXX	XXXXXXXX
11	XXXXXXXX XXXXXXXX	XXXXXXXX	XXXXXXXX

¹ 75 MW for Q1.Q3. and Q4:25 MW for Q2

Note: Highlighted cells in lines 2, 10 and 11 contain privileged or confidential commercial information.