

**EXHIBIT NO. \_\_\_(DWH-7)  
DOCKET NO. UE-060266/UG-060267  
2006 PSE GENERAL RATE CASE  
WITNESS: DAVID W. HOFF**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-060266  
Docket No. UG-060267**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF  
DAVID W. HOFF  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**AUGUST 23, 2006**

**Puget Sound Energy  
2006 Gas General Rate Case  
Comparison of Residential Customer Costs  
PSE Proposed, Commission Basis, and Joint Parties**

Line	Account	Description	PSE Proposed (1)	Commission Basis (2)	Joint Parties 100% (3)	Joint Parties 100% Revised (9)
<b>Plant Investment</b>						
1		Plant in Service				
2		Intangible Plant				
3	301	Organization	\$ 50,417	\$ 50,417		
4	302	Franchise and Consents	\$ 14,282	\$ 14,282		
5	303	Misc. Intangible	\$ 59,754,495	\$ 59,753,445		
6		Sub-total	\$ 59,819,194	\$ 59,818,144	\$ -	\$ -
7		Distribution Plant				
8	373	Easements	\$ 62,986	\$ 62,986		\$ -
9	374	Land and Land Rights	\$ 529,087	\$ 529,087		\$ -
10	375	Structures and Improvements	\$ 2,768,730	\$ 2,768,730		\$ -
11	376	Mains - Large Diameter	\$ -	\$ -		\$ -
12	376	Mains - Large Diameter - DIR	\$ -	\$ -		\$ -
13	376	Mains - Small Diameter	\$ -	\$ -		\$ -
14	376	Mains - Small Diameter - DIR	\$ -	\$ -		\$ -
15	378	M&Reg. Sta. Equip. - General	\$ -	\$ -		\$ -
16	380	Services	\$ 388,674,689	\$ 388,674,689	\$ 388,674,689	\$ 388,674,689
17	380	Services - DIR	\$ -	\$ -		\$ -
18	381	Meters	\$ 37,176,159	\$ 37,176,159	\$ 37,176,159	\$ 37,176,159
19	382	Meter Installations	\$ 125,135,597	\$ 125,135,597	\$ 125,135,597	\$ 125,135,597
20	383	House Regulators	\$ 8,228,361	\$ 8,228,361	\$ 8,228,361	\$ 8,228,361
21	384	House Regulators Installations	\$ 4,420,130	\$ 4,420,130	\$ 4,420,130	\$ 4,420,130
22	385	Indust. Meas. & Reg. Station Equip.	\$ 155,591	\$ 155,591	\$ 155,591	\$ 155,591
23	386	Rental Property on Customers Premise	\$ -	\$ -		\$ -
24	387	Other Equipment	\$ 3,022,520	\$ 3,022,520	\$ -	\$ -
25		Sub-total	\$ 570,173,850	\$ 570,173,850	\$ 563,790,527	\$ 563,790,527
26		General Plant				
27	389	Land and Land Rights	\$ 895,042	\$ 895,042		
28	390	Structures and Improvements	\$ 10,759,309	\$ 10,759,309		
29	391	Office Furniture and Equipment	\$ 22,609,201	\$ 22,608,803		
30	392	Transportation Equipment	\$ 194,873	\$ 194,870		
31	392	CNG Equipment - DIR	\$ -	\$ -		
32	392	CNG Equipment - Other	\$ -	\$ -		
33	393	Stores Equipment	\$ 79,961	\$ 79,961		
34	394	Tools, Shop, and Garage Equipment	\$ 2,714,630	\$ 2,714,582		
35	394	CNG Equipment - DIR	\$ -	\$ -		
36	394	CNG Equipment - Other	\$ -	\$ -		
37	395	Power Operated Equipment	\$ 204,946	\$ 204,946		
38	396	Power Operated Equipment	\$ 297,425	\$ 297,425		
39	397	Communication Equipment	\$ 12,889,591	\$ 12,889,364		
40	398	Misc. Equipment	\$ 207,155	\$ 207,151		
41		Sub-total	\$ 50,852,132	\$ 50,851,453	\$ 33,586,173	\$ 33,586,173
42		Other Assets	\$ -	\$ -	\$ -	\$ -
43	114	Plant Acquisition Adjustment	\$ 23,945	\$ 23,945	\$ -	\$ -
44		Sub-total	\$ 23,945	\$ 23,945	\$ -	\$ -
45		<b>TOTAL PLANT-IN-SERVICE</b>	<b>\$ 680,869,120</b>	<b>\$ 680,867,392</b>	<b>\$ 597,376,700</b>	<b>\$ 597,376,700</b>
46		Accumulated Reserve for Depreciation				
47		Intangible Plant				
48	301	Organization	\$ -	\$ -		
49	302	Franchise and Consents	\$ (2,066)	\$ (2,066)		
50	303	Misc. Intangible	\$ (33,360,753)	\$ (33,360,167)		
51		Sub-total	\$ (33,362,819)	\$ (33,362,233)	\$ -	\$ -

Line	Account	Description	PSE Proposed (1)	Commission Basis (2)	Joint Parties 100% (3)	Joint Parties 100% Revised (9)
52		Distribution Plant				
53	373	Easements	\$ (2,785)	\$ (2,785)		
54	374	Land and Land Rights	\$ -	\$ -		
55	375	Structures and Improvements	\$ (899,060)	\$ (899,060)		
56	376	Mains - Large Diameter	\$ -	\$ -		
57	376	Mains - Large Diameter - DIR	\$ -	\$ -		
58	376	Mains - Small Diameter	\$ -	\$ -		
59	376	Mains - Small Diameter - DIR	\$ -	\$ -		
60	378	M&R Sta. Equip. - General	\$ -	\$ -		
61	380	Services	\$ (168,824,166)	\$ (168,317,958)		
62	380	Services - DIR	\$ -	\$ -		
63	381	Meters	\$ (12,367,336)	\$ (12,367,336)		
64	382	Meter Installations	\$ (15,697,298)	\$ (15,697,298)		
65	383	House Regulators	\$ (2,975,772)	\$ (2,975,772)		
66	384	House Regulators Installations	\$ (2,226,617)	\$ (2,226,617)		
67	385	Indust. Meas. & Reg. Station Equip.	\$ (42,115)	\$ (42,115)		
68	386	Rental Property on Customers Premise	\$ -	\$ -		
69	387	Other Equipment	\$ (1,581,370)	\$ (1,581,370)		
70		Sub-total	\$ (204,616,520)	\$ (204,110,312)	\$ (183,998,860)	\$ (183,998,860)
71		General Plant				
72	389	Land and Land Rights	\$ (448,360)	\$ (448,360)		
73	390	Structures and Improvements	\$ (2,697,189)	\$ (2,697,189)		
74	391	Office Furniture and Equipment	\$ (9,139,665)	\$ (9,139,504)		
75	392	Transportation Equipment	\$ (64,772)	\$ (64,771)		
76	392	CNG Equipment - DIR	\$ -	\$ -		
77	392	CNG Equipment - Other	\$ -	\$ -		
78	393	Stores Equipment	\$ (58,258)	\$ (58,258)		
79	394	Tools, Shop, and Garage Equipment	\$ (1,349,485)	\$ (1,349,461)		
80	394	CNG Equipment - DIR	\$ -	\$ -		
81	394	CNG Equipment - Other	\$ -	\$ -		
82	395	Laboratory Equipment	\$ (8,999)	\$ (8,999)		
83	396	Power Operated Equipment	\$ (490,556)	\$ (490,556)		
84	397	Communication Equipment	\$ (4,688,775)	\$ (4,688,693)		
85	398	Misc. Equipment	\$ 6,093,250	\$ 6,093,143		
86		Sub-total	\$ (12,852,808)	\$ (12,852,647)	\$ (144,096,702)	\$ (8,584,140)
87		Other Assets				
88	115	Plant acquisition adjustment	\$ (23,945)	\$ (23,945)	\$ -	\$ -
89		Sub-total	\$ (23,945)	\$ (23,945)	\$ -	\$ -
90		TOTAL ACCUMULATED RESERVE FOR DEPRECIATION	\$ (250,856,091)	\$ (250,349,136)	\$ (328,095,562)	\$ (192,583,000)
91		Rate Base Adjustments and Working Capital				
92		Other Rate Base				
93	n/a	Customer Advances for Construction	\$ (9,082,076)	\$ (9,082,076)	\$ -	\$ -
94	n/a	Gas Stored Underground - Non current	\$ -	\$ -	\$ -	\$ -
95	n/a	CIAC - Accum. Def. FIT.	\$ 222,426	\$ 222,426	\$ -	\$ -
96	n/a	Liberalized Depr. Tot. Accum. Def. FIT	\$ (51,788,284)	\$ (51,859,998)	\$ -	\$ -
97	n/a	Allowance for Working Capital	\$ 6,465,224	\$ 6,562,480	\$ -	\$ -
98		Total Other Rate Base	\$ (54,182,711)	\$ (54,157,169)	\$ -	\$ -
99		TOTAL RATE BASE	\$ 375,830,318	\$ 376,361,086	\$ 269,281,138	\$ 404,793,700

Line	Account	Description	PSE Proposed (1)	Commission Basis (2)	Joint Parties 100% (3)	Joint Parties 100% Revised (9)
<b>Expenses</b>						
100		Distribution				
101	870	Oper Supv & Engineering	\$ 367,889	\$ 367,877	\$ 503,532	\$ 503,532
102	871	Oper Load Dispatching	\$ -	\$ -	\$ -	\$ -
103	874	Oper Mains & Services Exp	\$ 2,549,826	\$ 2,549,826	\$ -	\$ -
104	875	Oper Meas & Reg Sta Gen - DIR	\$ -	\$ -	\$ -	\$ -
105	875	Oper Meas & Reg Sta Gen	\$ -	\$ -	\$ -	\$ -
106	876	Oper Meas & Reg Sta Indus - DIR	\$ 6,395	\$ 6,395	\$ -	\$ -
107	876	Oper Meas & Reg Sta Indus	\$ 948	\$ 948	\$ -	\$ -
108	878	Oper Meter & House Reg - DIR	\$ 1,399	\$ 1,399	\$ -	\$ -
109	878	Oper Meter & House Reg	\$ 4,575,225	\$ 4,575,225	\$ 4,575,225	\$ 4,575,225
110	879	Oper Customer Install Exp - DIR	\$ 1,610	\$ 1,610	\$ -	\$ -
111	879	Oper Customer Install Exp	\$ 3,609,928	\$ 3,609,928	\$ 3,609,928	\$ 3,609,928
112	880	Oper Other Expense - DIR	\$ 578	\$ 578	\$ -	\$ -
113	880	Oper Other Expense	\$ 1,570,495	\$ 1,569,061	\$ -	\$ -
114	881	Oper Rents Expense	\$ -	\$ -	\$ -	\$ -
115	887	Maint Mains - DIR	\$ -	\$ -	\$ -	\$ -
116	887	Maint Mains	\$ -	\$ -	\$ -	\$ -
117	889	Maint Meas & Reg Sta Gen	\$ -	\$ -	\$ -	\$ -
118	890	Maint Meas & Reg Sta Ind - DIR	\$ 6,083	\$ 6,083	\$ -	\$ -
119	890	Maint Meas & Reg Sta Ind	\$ 473	\$ 473	\$ -	\$ -
120	892	Maint Services	\$ 1,656,666	\$ 1,656,666	\$ 1,656,666	\$ 1,656,666
121	893	Maint Meters & House Reg	\$ 479,581	\$ 479,581	\$ 479,581	\$ 479,581
122	894	Maint Other Equipment - DIR	\$ 3,950	\$ 3,950	\$ -	\$ -
123	894	Maint Other Equipment	\$ 197,065	\$ 197,065	\$ -	\$ -
124		Sub-total	\$ 15,028,109	\$ 15,026,665	\$ 10,824,932	\$ 10,824,932
125		Customer Accounts Expense				
126	901	Supervision - Customer Accounting	\$ 421,082	\$ 421,082	\$ 421,082	\$ 421,082
127	902	Meter Reading Expense	\$ 9,426,664	\$ 9,426,664	\$ 9,426,664	\$ 9,426,664
128	903	Cust. Records & Collection Exp. - DIR	\$ 83	\$ 83	\$ -	\$ -
129	903	Cust. Records & Collection Exp.	\$ 7,807,981	\$ 7,807,981	\$ 7,807,981	\$ 7,807,981
130	904	Uncollectible Accounts	\$ 747,473	\$ 747,473	\$ -	\$ -
131	904	Uncollectible Accounts Gas Related	\$ -	\$ -	\$ -	\$ -
132	904	Uncollectible Accounts Increase	\$ 100,618	\$ 100,618	\$ -	\$ -
133	905	Misc. Customer Accounts Expense	\$ (43,950)	\$ (43,950)	\$ -	\$ -
134		Sub-total	\$ 18,459,951	\$ 18,459,951	\$ 17,655,727	\$ 17,655,727
135		Customer Service & Information Expenses				
136	908	Customer Assistance Expense - DIR	\$ -	\$ -	\$ -	\$ -
137	908	Customer Assistance Expenses	\$ 586,460	\$ 586,460	\$ -	\$ -
138	909	Information, Instructional Advertising	\$ 272,705	\$ 272,705	\$ -	\$ -
139	910	Misc. Cust. Serv. & Infor. Expenses	\$ 8,102	\$ 8,102	\$ -	\$ -
140		Sub-total	\$ 867,267	\$ 867,267	\$ -	\$ -
141		Sales Expense				
142	912	Demonstrating and Selling -DIR	\$ -	\$ -	\$ -	\$ -
143	912	Demonstrating and Selling	\$ 453,016	\$ 453,016	\$ -	\$ -
144		Sub-total	\$ 453,016	\$ 453,016	\$ -	\$ -
145		Administrative & General Expenses				
146	920	A & G Salaries - DIR	\$ 6,722	\$ 6,722	\$ -	\$ -
147	920	A & G Salaries	\$ 3,944,141	\$ 1,971,989	\$ -	\$ -
148	921	Office Supplies and Expenses	\$ 4,773,049	\$ 2,386,425	\$ -	\$ -
149	922	Admin Expenses Transferred	\$ (42,716)	\$ (21,357)	\$ -	\$ -
150	923	Outside Services Employed	\$ 1,658,112	\$ 829,021	\$ -	\$ -
151	924	Property Insurance	\$ 256,801	\$ 256,801	\$ -	\$ -
152	925	Injuries & Damages	\$ 1,821,759	\$ 1,821,727	\$ -	\$ -
153	926	Emp Pension & Benefits	\$ 6,211,157	\$ 6,211,048	\$ -	\$ -
154	928	Regulatory Commission Expense	\$ -	\$ -	\$ -	\$ -
155	928	Regulatory Commission Expense	\$ -	\$ -	\$ -	\$ -
156	928	Reg. Comm. Expense Increase	\$ -	\$ -	\$ -	\$ -
157	930.1	Gen Advertising Exp	\$ 874	\$ 874	\$ -	\$ -
158	930.2	Misc. General Expenses	\$ 938,423	\$ 469,192	\$ -	\$ -
159	931	Rents	\$ 1,553,668	\$ 776,802	\$ -	\$ -
160	932	Maint Of General Plant- DIR	\$ -	\$ -	\$ -	\$ -
161	932	Maint Of General Plant- Gas	\$ 912,018	\$ 912,006	\$ -	\$ -
162		Sub-total	\$ 22,034,008	\$ 15,621,250	\$ 1,817,774	\$ 1,817,774
163		TOTAL O & M EXPENSES	\$ 56,842,350	\$ 50,428,148	\$ 30,298,433	\$ 30,298,433

Line	Account	Description	PSE Proposed (1)	Commission Basis (2)	Joint Parties 100% (3)	Joint Parties 100% Revised (9)
164		Depreciation Expense				
165	403	Production Depreciation Expense	\$ -	\$ -		\$ -
166	403	JP Balancing Depreciation Expense	\$ -	\$ -		\$ -
167	403	Storage Depreciation Expense	\$ -	\$ -		\$ -
168	403	Transmission Depreciation Expense	\$ -	\$ -		\$ -
169	403	Distribution Depreciation Expense	\$ 17,180,496	\$ 17,180,496	\$ 16,988,154	\$ 16,988,154
170	403	Rental Depreciation Expense	\$ -	\$ -		\$ -
171	403	General Depreciation Expense	\$ 2,125,411	\$ 2,125,383	\$ 1,217,267	\$ 1,217,267
172	403	CNG Equipment - DIR	\$ -	\$ -		\$ -
173	403	CNG Equipment - Other	\$ -	\$ -		\$ -
174	403.1	Depreciation Expense - FAS143	\$ -	\$ -		\$ -
175	404	Amort. Ltd - Term Plant	\$ 3,564,659	\$ 3,564,659		\$ -
176	407	Amortization of Property Losses	\$ 1,044	\$ 1,044		\$ -
177	407.3	Regulatory Debits	\$ -	\$ -		\$ -
178	411	Accretion Exp - FAS143	\$ -	\$ -		\$ -
179	414	Deferred Gains/Losses Property Sales	\$ (341,112)	\$ (341,107)		\$ -
180		TOTAL DEPRECIATION EXPENSES	\$ 22,530,499	\$ 22,530,476	\$ 18,205,421	\$ 18,205,421
181		Taxes (other than income)				
182	408.1	Taxes other than Income Taxes - DIR	\$ -	\$ -		\$ -
183	408.1	Taxes other than Income Taxes	\$ 8,287,040	\$ 8,287,040		\$ -
184	408.1	Other Taxes Increase	\$ 493,225	\$ 493,225		\$ -
185	408.1	Gas Cost Related	\$ -	\$ -		\$ -
186		TOTAL TAXES OTHER THAN INCOME	\$ 8,780,264	\$ 8,780,264	\$ -	\$ -
187		TOTAL EXPENSES	\$ 88,153,114	\$ 81,738,888	\$ 48,503,854	\$ 48,503,854
188		DEFERRED INCOME TAXES & ITC				
189		DIT, utility operating income	\$ 10,637,710	\$ 10,652,440		
190		Provision for DIT - credit	\$ (8,042,202)	\$ (8,053,338)		
191		ITC adjustments	\$ (167,257)	\$ (167,489)		
192		TOTAL DEFERRED INCOME TAX & ITC	\$ 2,428,250	\$ 2,431,613	\$ -	\$ -
193		TOTAL EXPENSES & DEFERRED INCOME TAXES & ITC	\$ 90,581,365	\$ 84,170,501	\$ 48,503,854	\$ 48,503,854

Line	Account	Description	PSE Proposed (1)	Commission Basis (2)	Joint Parties 100% (3)	Joint Parties 100% Revised (9)
<b>Customer Charge Calculation in Exhibit No. JOINT-7</b>						
194		Number of Bills (4)	7,497,375	7,497,375	7,497,375	7,497,375
195		After Tax Cost of Capital	7.57%	7.57%	7.57%	7.57%
196		Conversion Factor (5)	0.6216003	0.6216003	0.6207334	0.6207334
197		1-FIT Rate (6)	65%	65%	65%	65%
198		Calculated Revenue Requirement - Plant Investment	\$ 45,769,532	\$ 45,834,171	\$ 32,839,512	\$ 49,365,610
199		Calculated Revenue Requirement - Expenses	\$ 94,719,850	\$ 88,016,086	\$ 50,790,734	\$ 50,790,734
200		Total Customer Related Revenue Requirement	\$ 140,489,382	\$ 133,850,257	\$ 83,630,246	\$ 100,156,344
201		Revenue Requirement in COS Model (7)	\$ 131,299,753	\$ 124,946,394		
201		Calculated Cost per Customer Month - Plant Investment	\$ 6.10	\$ 6.11	\$ 4.38	\$ 6.58
202		Calculated Cost per Customer Month - Expenses	\$ 12.63	\$ 11.74	\$ 6.77	\$ 6.77
203		Total Cost per Customer Month	\$ 18.74	\$ 17.85	\$ 11.15	\$ 13.36
204		Customer Cost in COS Model (8)	\$ 17.51	\$ 16.67		

- (1) PSE proposed cost of service model, version 2, provided in PSE's response to WUTC Staff data Request No. 145.
- (2) PSE's Commission Basis cost of service model, version 2, provided in PSE's response to Public Counsel Data Request No. 5.
- (3) Exhibit No.\_\_(JOINT-7) with 100% of Account 380 included, corrected by WUTC Staff DR 136 for Cost of Capital from 6.61% to 7.57%.
- (4) Exhibit No.\_\_(JKP-7), page 2.
- (5) PSE's proposed conversion factor of 62.16003% is presented on page 5.01 of Exhibit No.\_\_(KRK-5). Joint Parties factor of 62.07334% is from Exhibit No.\_\_(JOINT-7).
- (6) PSE's federal income tax rate of 35% is presented on page 5.03 of Exhibit No.\_\_(KRK-5).
- (7) All customer related costs, as presented in the summary report in PSE's cost of service studies, page 3.
- (8) Unit cost of all customer related costs, as presented in the summary report in PSE's cost of service studies, page 4.
- (9) Joint Parties analysis correcting reference error at line 21 of Exhibit JOINT-7, revised by Staff DR 136. The cell erroneously used line 12 as divisor instead of line 13.