

**EXHIBIT NO. ___(KRK-12)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: KARL R. KARZMAR**

**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
KARL R. KARZMAR
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 23, 2006

PUGET SOUND ENERGY-GAS
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	ACTUAL RESULTS OF OPERATIONS		REVISED TOTAL ADJUSTMENTS	REVISED ADJUSTED RESULTS OF OPERATIONS	REVISED REVENUE REQUIREMENT DEFICIENCY	REVISED AFTER RATE INCREASE
	1	OPERATING REVENUES:				
2	\$ 829,271,796	\$ 114,323,290	\$ 943,595,086	\$ 38,168,186	\$ 981,763,272	
3	34,729,596	(34,729,596)	-	-	-	
4	15,438,897	1,991,156	17,430,053	840,230	18,270,283	
5	\$ 879,440,289	\$ 81,584,850	\$ 961,025,139	\$39,008,416	\$ 1,000,033,555	
6						
7						
8	OPERATING REVENUE DEDUCTIONS:					
9						
10	GAS COSTS:					
11						
12	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371	
13						
14	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371	
15						
16	\$ 1,520,542	\$ 35,258	\$ 1,555,800	\$ -	\$ 1,555,800	
17	445,738	8,410	454,148		454,148	
18	33,307,919	770,419	34,078,338		34,078,338	
19	22,239,694	1,114,334	23,354,028	132,740	23,486,768	
20	3,914,552	(2,330,615)	1,583,937		1,583,937	
21	3,454,161	(3,454,161)	-		-	
22	36,522,434	5,236,895	41,759,329	74,116	41,833,445	
23	64,997,955	(41,961)	64,955,994		64,955,994	
24	11,302,712	0	11,302,712		11,302,712	
25	3,287	0	3,287		3,287	
26	150,234	717,990	868,224		868,224	
27	-	0	-		-	
28	83,922,287	(32,826,534)	51,095,753	1,497,491	52,593,244	
29	9,529,694	1,897,304	11,426,998	13,056,424	24,483,422	
30	(4,023,283)	12,203,333	8,180,050		8,180,050	
31	\$ 267,287,926	\$ (16,669,328)	\$ 250,618,598	\$ 14,760,771	\$ 265,379,369	
32						
33	\$ 72,496,462	\$ 6,654,708	\$ 79,151,170	\$ 24,247,645	\$ 103,398,815	
34						
35	\$ 1,179,240,567	\$1,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743	
36						
37	6.15%		6.71%		8.76%	
38						
39	RATE BASE:					
40	\$ 2,007,347,617	\$ (901,242)	\$ 2,006,446,375			
41	(650,335,811)	1,503,898	(648,831,913)			
42	(174,512,354)	508,520	(174,003,834)			
43	(14,234,907)	-	(14,234,907)			
44	\$ 1,168,264,545	\$ 1,111,176	\$ 1,169,375,721			
45	10,976,022	-	10,976,022			
46	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743			

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2005	REVENUE & EXPENSES 12.01	FEDERAL INCOME TAX 12.02	TAX BENEFIT OF PRO FORMA INTEREST 12.03	CONSERVATION 12.04	BAD DEBTS 12.05	MISCELLANEOUS OPERATING EXPENSE 12.06	PROPERTY TAXES 12.07
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ 114,323,290	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)					
4	OTHER OPERATING REVENUES	15,438,897	1,916,844					
5	TOTAL OPERATING REVENUES	<u>\$ 879,440,289</u>	<u>\$ 81,510,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
6								
7								
8	OPERATING REVENUE DEDUCTIONS:							
9								
10	GAS COSTS:							
11								
12	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$ -	\$ -	\$ -	\$ -	\$ -
13								
14	TOTAL PRODUCTION EXPENSES	<u>\$ 539,655,901</u>	<u>\$ 91,599,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
15								
16	OTHER ENERGY SUPPLY EXPENSES	\$ 1,520,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE	445,738						
18	DISTRIBUTION EXPENSE	33,307,919						
19	CUSTOMER ACCTS EXPENSES	22,239,694	277,369			363,605		
20	CUSTOMER SERVICE EXPENSES	3,914,552			(279,572)			
21	CONSERVATION AMORTIZATION	3,454,161			(3,454,161)			
22	ADMIN & GENERAL EXPENSE	36,522,434	154,870			-	(536)	
23	DEPRECIATION	64,997,955					85,324	
24	AMORTIZATION	11,302,712						
25	AMORTIZATION OF PROPERTY LOSS	3,287						
26	OTHER OPERATING EXPENSES	150,234	-				1,420,883	
27	FAS 133	-						
28	TAXES OTHER THAN INCOME TAXES	83,922,287	(31,592,754)					(722,193)
29	INCOME TAXES	9,529,694	7,375,054	(12,694,120)	7,280,941	1,306,807	(127,262)	(526,985)
30	DEFERRED INCOME TAXES	(4,023,283)		12,203,333				252,768
31	TOTAL OPERATING REV. DEDUCT.	<u>\$ 267,287,926</u>	<u>\$ (23,785,461)</u>	<u>\$ (490,787)</u>	<u>\$ 7,280,941</u>	<u>\$ (2,426,926)</u>	<u>\$ 236,343</u>	<u>\$ 978,686</u>
32								<u>\$ (469,425)</u>
33	NET OPERATING INCOME	<u>\$ 72,496,462</u>	<u>\$ 13,696,529</u>	<u>\$ 490,787</u>	<u>\$ (7,280,941)</u>	<u>\$ 2,426,926</u>	<u>\$ (236,343)</u>	<u>\$ (978,686)</u>
34								<u>\$ 469,425</u>
35	RATE BASE	\$ 1,179,240,567					\$ 2,857,353	
36								
37	RATE OF RETURN	6.15%						
38								
39	RATE BASE:							
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ -	\$ -	\$ -	\$ -	\$ 2,912,989	\$ -
41	ACCUMULATED DEPRECIATION	(650,335,811)					(55,636)	
42	ACCUMULATED DEFERRED FIT - LIBERALIZED	(174,512,354)						
43	OTHER	(14,234,907)						
44	TOTAL NET INVESTMENT	<u>\$ 1,168,264,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,857,353</u>	<u>\$ -</u>
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022						
46	TOTAL RATE BASE	<u>\$ 1,179,240,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,857,353</u>	<u>\$ -</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
RESTATING AND PRO FORMA ADJUSTMENTS**

LINE NO.	EXCISE TAX & FILING FEE 12.08	RATE CASE EXPENSES 12.09	PROPERTY & LIABILITY INS 12.10	PENSION PLAN 12.11	WAGE INCREASE 12.12	INVESTMENT PLAN 12.13	EMPLOYEE INSURANCE 12.14	INCENTIVE PAY 12.15
1	OPERATING REVENUES							
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	SALES TO CUSTOMERS							
4	MUNICIPAL ADDITIONS							
5	OTHER OPERATING REVENUES							
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	TOTAL OPERATING REVENUES							
8	OPERATING REVENUE DEDUCTIONS:							
9	GAS COSTS:							
10	PURCHASED GAS							
11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	TOTAL PRODUCTION EXPENSES							
13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	OTHER ENERGY SUPPLY EXPENSES							
15	\$ -	\$ -	\$ -	\$ -	52,231	\$ -	\$ -	(16,973)
16	TRANSMISSION EXPENSE							
17	DISTRIBUTION EXPENSE							
18	CUSTOMER ACCTS EXPENSES							
19	CUSTOMER SERVICE EXPENSES							
20	CONSERVATION AMORTIZATION							
21	ADMIN & GENERAL EXPENSE							
22	(1,544)	221,702	(190,680)	2,466,940	467,438	95,575	643,825	(174,502)
23	DEPRECIATION							
24	AMORTIZATION							
25	AMORTIZATION OF PROPERTY LOSS							
26	OTHER OPERATING EXPENSES							
27	FAS 133							
28	(597,418)				134,252			(43,180)
29	209,637	(77,596)	66,738	(863,429)	(786,560)	(33,451)	(225,339)	232,257
30	DEFERRED INCOME TAXES							
31	\$ (389,325)	\$ 144,106	\$ (123,942)	\$ 1,603,511	\$ 1,460,754	\$ 62,124	\$ 418,486	\$ (431,333)
32	TOTAL OPERATING REV. DEDUCT.							
33	\$ 389,325	\$ (144,106)	\$ 123,942	\$ (1,603,511)	\$ (1,460,754)	\$ (62,124)	\$ (418,486)	\$ 431,333
34	NET OPERATING INCOME							
35	RATE BASE							
36	RATE OF RETURN							
37	RATE BASE:							
38	UTILITY PLANT IN SERVICE							
39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	ACCUMULATED DEPRECIATION							
41	ACCUMULATED DEFERRED FIT - LIBERALIZED							
42	OTHER							
43	TOTAL NET INVESTMENT							
44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45	ALLOWANCE FOR WORKING CAPITAL							
46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL RATE BASE							

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PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.		INTEREST ON CUSTOMER DEPOSITS 12.16	DEFERRED GAINS/ LOSSES PROP SALES 12.17	GENERAL OFFICE RELOCATION 12.18	LOW INCOME (AMORTIZATION) 12.19	D&O INSURANCE 12.20	EVERETT DELTA 12.21	DEPRECIATION 12.22	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES									
2	SALES TO CUSTOMERS	\$ -						\$ -	114,323,290	\$ 943,595,086
3	MUNICIPAL ADDITIONS								(34,729,596)	-
4	OTHER OPERATING REVENUES						74,312		1,991,156	17,430,053
5	TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	74,312	\$ -	81,584,850	\$ 961,025,139
6										
7										
8	OPERATING REVENUE DEDUCTIONS:									
9										
10	GAS COSTS:									
11										
12	PURCHASED GAS	\$ -						\$ -	91,599,470	\$ 631,255,371
13										
14	TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	91,599,470	\$ 631,255,371
15										
16	OTHER ENERGY SUPPLY EXPENSES							\$ -	35,258	\$ 1,555,800
17	TRANSMISSION EXPENSE								8,410	454,148
18	DISTRIBUTION EXPENSE								770,419	34,078,338
19	CUSTOMER ACCTS EXPENSES	131,750							1,114,334	23,354,028
20	CUSTOMER SERVICE EXPENSES				(2,095,062)				(2,330,615)	1,583,937
21	CONSERVATION AMORTIZATION								(3,454,161)	-
22	ADMIN & GENERAL EXPENSE			1,540,045		13,763			5,236,895	41,759,329
23	DEPRECIATION			(127,285)					(41,961)	64,955,994
24	AMORTIZATION								-	11,302,712
25	AMORTIZATION OF PROPERTY LOSS								-	3,287
26	OTHER OPERATING EXPENSES		(702,893)						717,990	868,224
27	FAS 133								-	-
28	TAXES OTHER THAN INCOME TAXES			(5,240)					(32,826,534)	51,095,753
29	INCOME TAXES		246,013	(492,632)	733,272	(4,817)	26,009		1,897,304	11,426,998
30	DEFERRED INCOME TAXES								12,203,333	8,180,050
31	TOTAL OPERATING REV. DEDUCT.	\$ 131,750	\$ (456,881)	\$ 914,888	\$ (1,361,790)	\$ 8,946	\$ 26,009	\$ -	(16,669,328)	\$ 250,618,598
32										
33	NET OPERATING INCOME	\$ (131,750)	\$ 456,881	\$ (914,888)	\$ 1,361,790	\$ (8,946)	\$ 48,303	\$ -	6,654,708	\$ 79,151,170
34										
35	RATE BASE	\$ -		\$ (1,746,177)				\$ -	1,111,176	\$ 1,180,351,743
36										
37	RATE OF RETURN									6.71%
38										
39	RATE BASE:									
40	UTILITY PLANT IN SERVICE	\$ -		\$ (3,814,231)				\$ -	(901,242)	\$ 2,006,446,375
41	ACCUMULATED DEPRECIATION			1,559,534					1,503,898	(648,831,913)
42	ACCUMULATED DEFERRED FIT - LIBERALIZED			508,520					508,520	(174,003,834)
43	OTHER								-	(14,234,907)
44	TOTAL NET INVESTMENT	\$ -	\$ -	\$ (1,746,177)	\$ -	\$ -	\$ -	\$ -	1,111,176	\$ 1,169,375,721
45	ALLOWANCE FOR WORKING CAPITAL								-	10,976,022
46	TOTAL RATE BASE	\$ -	\$ -	\$ (1,746,177)	\$ -	\$ -	\$ -	\$ -	1,111,176	\$ 1,180,351,743

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
REVENUES & EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	OPERATING REVENUE EXCL MUNI TAXES	\$ 829,271,796	\$ 851,122,329	\$ 21,850,533
2	MUNICIPAL TAXES	34,376,447	-	(34,376,447)
3	OTHER		-	-
4	PGA RATE INCREASE		92,472,757	92,472,757
5				
6	INCREASE TO OPERATING REVENUE	\$ 863,648,243	\$ 943,595,086	\$ 79,946,843
7				
8	OTHER OPERATING REVENUE			
9	RENTALS	7,581,388	8,115,403	534,015
10	OTHER OPERATING REVENUE	\$ 7,857,509	\$ 9,240,338	1,382,829
11	MUNICIPAL TAXES	353,149	-	(353,149)
12				
13	INCREASE TO OPERATING REVENUE	\$ 15,792,046	\$ 17,355,741	\$ 1,563,695
14				
15	TOTAL REVENUE ADDITIONS	\$ 879,440,289	\$ 960,950,827	81,510,538
16				
17	OPERATING EXPENSE			
18	PURCHASED GAS - 106	9,057,891	-	\$ (9,057,891)
19	PURCHASED GAS - 101	530,598,010	631,255,371	\$ 100,657,361
20				
21	TOTAL OPERATING EXPENSES	\$ 539,655,901	\$ 631,255,371	\$ 91,599,470
22	MUNICIPAL TAX EXPENSED			(34,721,856)
23	OTHER OPERATING EXPENSE	0.340286%		277,369
24	FILING FEE	0.190000%		154,870
25	GROSS RECEIPTS	3.838892%		3,129,102
26				
26	TOTAL EXPENSE BEFORE FIT			\$ 60,438,954
27				
28	NOI BEFORE FIT			\$ 21,071,584
29				
30	FIT		35%	7,375,054
31				
	TOAL INCREASE/(DECREASE) NOI			\$ 13,696,529

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (9,041,218)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(3,164,426)
5	DEFERRED FIT - DEBIT	37,129,750
6	DEFERRED FIT - CREDIT	(27,846,700)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(1,103,000)
8	TOTAL RESTATED FIT	<u>\$ 5,015,624</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ 9,529,694
12	DEFERRED FIT - DEBIT	25,329,740
13	DEFERRED FIT - CREDIT	(28,789,583)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(563,440)</u>
15	TOTAL CHARGED TO EXPENSE	- \$ 5,506,411
16		
17	INCREASE(DECREASE) FIT	\$ (12,694,120)
18	INCREASE(DECREASE) DEFERRED FIT	12,742,893
19	INCREASE(DECREASE) ITC	(539,560)
20	INCREASE(DECREASE) NOI	<u><u>\$ 490,787</u></u>

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**PUGET SOUND ENERGY-GAS
TAX BENEFIT OF PRO FORMA INTEREST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,180,351,743
2	DEDUCTIBLE CWIP	15,940,446
3	NET RATE BASE	\$ 1,196,292,189
4		
5	WEIGHTED COST OF DEBT	3.41%
6	PROFORMA INTEREST	\$ 40,793,564
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 57,350,782
10	INTEREST ON PREFERRED STOCK	32,467
11	AMORTIZATION OF DEBT DISCOUNT	
12	AND EXPENSE, NET OF PREMIUMS	1,700,792
13	OTHER INTEREST EXPENSE	2,643,960
14	LESS INTEREST ON CUSTOMER DEPOSITS	(131,750)
15	CHARGED TO EXPENSE IN TEST YEAR	61,596,251
16	INCREASE (DECREASE) INCOME	\$ 20,802,687
17		
18	INCREASE (DECREASE) FIT @	35% 7,280,941
19	INCREASE (DECREASE) NOI	<u><u>\$ (7,280,941)</u></u>

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**PUGET SOUND ENERGY-GAS
CONSERVATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>RESTATING</u>	
2 ACTUAL CONSERVATION TRACKER AMORTIZATION	\$ 2,811,260
3 RESTATED CONSERVATION TRACKER AMORTIZATION	-
4 INCREASE (DECREASE) AMORTIZATION EXPENSE	<u>(2,811,260)</u>
5 INCREASE (DECREASE) OPERATING EXPENSE	\$ (2,811,260)
6	
7 ACTUAL NON TRACKER CONSERVATION EXPENSE	\$ 279,572
8 RESTATED NON TRACKER CONSERVATION EXPENSE	-
9 INCREASE (DECREASE) EXPENSE	<u>(279,572)</u>
10 INCREASE (DECREASE) OPERATING EXPENSE	\$ (279,572)
11	
12 <u>PROFORMA</u>	
13 CONSERVATION REGULATORY ASSET-ACCT #18230422 WATER HEATER PRGM	642,901
14 CONSERVATION AMORTIZATION FOR RATE YEAR	-
15 INCREASE (DECREASE) AMORTIZATION EXPENSE	<u>(642,901)</u>
16 INCREASE (DECREASE) OPERATING EXPENSE	<u>(642,901)</u>
17	
18 INCREASE (DECREASE) EXPENSE	\$ (3,733,733)
19 INCREASE (DECREASE) FIT	1,306,807
20	35%
21 INCREASE (DECREASE) NOI	<u><u>\$ 2,426,926</u></u>

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**PUGET SOUND ENERGY-GAS
BAD DEBTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	NET REVENUES	AMOUNT
1	12 MOS ENDED 09/30/1999	\$ 3,466,158	\$ 780,673,537	\$ 780,673,537	0.4439958%
2	12 MOS ENDED 09/30/2000	\$ 2,014,372	\$ 736,127,073	\$ 736,127,073	0.2736446%
3	12 MOS ENDED 09/30/2002	\$ 2,666,611	\$ 879,440,289	\$ 879,440,289	0.3032168%
4	3-Yr Average of Net Write Off Rate				<u>0.3402857%</u>
5					
6	Test Period Revenues		\$ 879,440,289	\$ 879,440,289	
7					
8	PROFORMA BAD DEBT RATE			0.3402857%	
9	PROFORMA BAD DEBTS			<u>\$ 2,992,610</u>	
10					
11	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR			<u>2,629,005</u>	
12	INCREASE (DECREASE) EXPENSE				\$ 363,605
13					
14	INCREASE (DECREASE) FIT			35%	<u>(127,262)</u>
15	INCREASE (DECREASE) NOI				<u><u>\$ (236,343)</u></u>

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**PUGET SOUND ENERGY-GAS
MISCELLANEOUS OPERATING EXPENSE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES</u>			
2	NYSE PSE COMMON STOCK FEES (STAFF DR 190)	0	0	0
3	AMORT OF DEFERRAL PURSUANT TO WUTC DOC # UG-051528		1,267,159	1,267,159
4	NORMALIZATION OF CARRYING COST ON LINE 4		153,724	153,724
5	PENALTIES Remove From Above the Line	536	0	(536)
6	DEP EXP ON CWIP IN SERVICE NOT TRANSFERRED TO PLANT		85,324	85,324
7				
8				
9	INCREASE (DECREASE) IN EXPENSE	\$ 536	\$ 1,506,207	\$ 1,505,671
10				
11	INCREASE (DECREASE) IN OPERATING EXPENSE			1,505,671
12	INCREASE(DECREASE) FIT @		35%	(526,985)
13				
14	INCREASE(DECREASE) NOI			<u>\$ (978,686)</u>
15				
16				
17	<u>RATEBASE</u>			
18	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			2,912,989
19	ACCUMULATED DEPRECIATION ON CWIP IN SERVICE			(55,636)
20				
21	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 2,857,353</u>
22				

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
PROPERTY TAXES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		AMOUNT
1	RESTATED PROPERTY TAX	\$	12,158,947
2	CHARGED TO EXPENSE IN TY		12,881,140
3	INCREASE(DECREASE) EXPENSE	\$	(722,193)
4			
5	INCREASE(DECREASE) FIT @ 35%		252,768
6	INCREASE(DECREASE) NOI	\$	469,425

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 32,603,568
2	CHARGED TO EXPENSE FOR TEST YEAR	33,200,986
3	INCREASE(DECREASE) EXCISE TAX	\$ (597,418)
4		
5	RESTATED WUTC FILING FEE	\$ 1,664,073
6	CHARGED TO EXPENSE FOR TEST YEAR	1,665,617
7	INCREASE(DECREASE) WUTC FILING FEE	\$ (1,544)
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ (598,962)
10		
11	INCREASE(DECREASE) FIT 35%	\$ 209,637
12	INCREASE(DECREASE) NOI	\$ 389,325

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
RATE CASE EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION			AMOUNT
1	DEFERRED EXPENDITURES TO BE AMORTIZED:		
2			
3	2001 GRC EXPENSES BALANCE @ 9/30/05	\$ 833,877	
4	LESS 2001 GRC AMORTIZATION FROM 10/01/05-12/31/06	<u>431,310</u>	
5	REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	<u><u>402,567</u></u>	
6			
7	ANNUAL AMORTIZATION (LINE 5 ÷ 2)	<i>201,284</i>	
8	LESS TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	<u>451,668</u>	
9	INCREASE (DECREASE) EXPENSE	<u><u>(250,385)</u></u>	\$ (250,385)
10			
11	2004 GRC EXPENSES BALANCE @ 9/30/05	\$ 379,326	
12	LESS 2004 GRC AMORTIZATION FROM 10/01/05-12/31/06	<u>192,720</u>	
13	REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	<u><u>186,606</u></u>	
14			
15	ANNUAL AMORTIZATION (LINE 13 ÷ 2)	<i>93,303</i>	
16	LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	<u>89,936</u>	
17	INCREASE (DECREASE) EXPENSE	<u><u>3,367</u></u>	3,367
18			
19			
20	EXPENSES TO BE NORMALIZED:		
21			
22	ESTIMATED GRC EXPENSES TO BE NORMALIZED	<u><u>\$ 2,161,000</u></u>	
23			
24	ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	<i>1,080,500</i>	
25	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M	<u>611,781</u>	
26			
27	INCREASE (DECREASE) EXPENSE	<u><u>\$ 468,719</u></u>	\$ 468,719
28			
29			
30	TOTAL INCREASE (DECREASE) EXPENSE		\$ 221,702
31			
32	INCREASE(DECREASE) FIT @	35%	<u><u>(77,596)</u></u>
33	INCREASE(DECREASE) NOI		<u><u>\$ (144,106)</u></u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
PROPERTY & LIABILITY INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 527,181	281,698	\$ (245,483)
2	LIABILITY INSURANCE EXPENSE	886,977	941,780	54,803
3	INCREASE(DECREASE) EXPENSE	\$ 1,414,158	\$ 1,223,478	\$ (190,680)
4				
5				
6	INCREASE (DECREASE) FIT @	35%		66,738
7	INCREASE (DECREASE) NOI			<u>\$ 123,942</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
PENSION PLAN
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ (941,988)	\$ 1,589,166	\$ 2,531,154
2	SERP PLAN	\$ 1,492,418	\$ 1,428,204	\$ (64,214)
3				
4	INCREASE(DECREASE) EXPENSE	<u>\$ 550,430</u>	<u>\$ 3,017,370</u>	<u>\$ 2,466,940</u>
5				
6				
7	INCREASE (DECREASE) FIT @	35%		(863,429)
8	INCREASE (DECREASE) NOI		<u>\$</u>	<u>(1,603,511)</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
WAGE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 71,748	\$ 76,677	\$ 4,929
3	OTHER GAS SUPPLY	372,798	392,787	19,989
4	STORAGE, LNG T&G	449,217	476,530	27,313
5	TRANSMISSION	190,460	202,406	11,946
6	DISTRIBUTION	16,263,342	17,330,803	1,067,461
7	CUSTOMER ACCTS	6,021,503	6,469,770	448,267
8	CUSTOMER SERVICE	790,797	838,141	47,344
9	SALES	374,113	392,488	18,375
10	ADMIN. & GENERAL	9,087,991	9,555,429	467,438
11	TOTAL WAGE INCREASE	<u>33,621,969</u>	<u>35,735,031</u>	<u>2,113,062</u>
12				
13	PAYROLL TAXES	2,993,607	3,127,859	134,252
14	TOTAL WAGES & TAXES	<u>\$ 36,615,576</u>	<u>\$ 38,862,890</u>	<u>\$ 2,247,314</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 2,247,314
17	INCREASE (DECREASE) FIT @ 35%			<u>(786,560)</u>
18	INCREASE (DECREASE) NOI			<u><u>\$ (1,460,754)</u></u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
INVESTMENT PLAN
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		AMOUNT
1	MANAGEMENT (INC. EXECUTIVES)		
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT		1,794,911
3	RATE YEAR MANAGEMENT WAGE INCREASE	4.91%	88,130
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT		1,883,041
5			
6	IBEW		
7	INVESTMENT PLAN APPLICABLE TO IBEW		442,541
8	RATE YEAR IBEW WAGE INCREASE	8.63%	38,191
9	TOTAL COMPANY CONTRIBUTION FOR IBEW		480,732
10			
11	UA		
12	INVESTMENT PLAN APPLICABLE TO UA		392,715
13	RATE YEAR UA WAGE INCREASE	6.89%	27,041
14	TOTAL COMPANY CONTRIBUTION FOR UA		419,756
15			
16	TOTAL		
17	TOTAL PROFORMA COSTS (LN 4 + LN 9 + 14)		2,783,529
18	PRO FORMA COSTS APPLICABLE TO OPERATIONS	62.32%	1,734,695
19	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2005		1,639,120
20	INCREASE (DECREASE) EXPENSE		95,575
21			
22	INCREASE (DECREASE) FIT @	35%	(33,451)
23	INCREASE (DECREASE) NOI		(\$62,124)

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
EMPLOYEE INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 3,852,538
3	UNION EMPLOYEES	3,696,775
4	PRO FORMA INSURANCE COSTS	<u>7,549,313</u>
5		
6	APPLICABLE TO OPERATIONS @ 62.32%	4,704,732
7	CHARGED TO EXPENSE 09/30/03	<u>4,060,907</u>
8	INCREASE(DECREASE) EXPENSE	643,825
9		
10	INCREASE(DECREASE) FIT @ 35%	(225,339)
11		
12	INCREASE(DECREASE) NOI	<u><u>\$ (418,486)</u></u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
INCENTIVE PAY
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATE	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 6,230	\$ <i>4,927</i>	\$ <i>(1,303)</i>
3	OTHER GAS SUPPLY	32,932	25,811	(7,121)
4	STORAGE, LNG T&G	39,756	<i>31,207</i>	<i>(8,549)</i>
5	TRANSMISSION	16,911	13,375	(3,536)
6	DISTRIBUTION	1,435,055	<i>1,138,013</i>	<i>(297,042)</i>
7	CUSTOMER ACCTS	531,359	<i>424,702</i>	<i>(106,657)</i>
8	CUSTOMER SERVICE	69,720	<i>55,141</i>	<i>(14,579)</i>
9	SALES	32,932	25,811	(7,121)
10	ADMIN. & GENERAL	801,934	<i>627,432</i>	<i>(174,502)</i>
11	TOTAL INCENTIVE PAY	\$ 2,966,829	\$ 2,346,419	\$ (620,410)
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	206,491	163,311	(43,180)
14	INCREASE(DECREASE) EXPENSE	3,173,320	2,509,730	(663,590)
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			(663,590)
17				
18	INCREASE(DECREASE) FIT @		35%	232,257
19	INCREASE(DECREASE) NOI			<u>\$ 431,333</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
INTEREST ON CUSTOMER DEPOSITS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	INTEREST EXPENSE FOR TEST YEAR	\$ 131,750
2		
3	INCREASE (DECREASE) NOI	\$ (131,750)

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
DEFERRED GAINS/LOSSES ON PROPERTY SALES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

1 DEFERRED (GAIN) RECORDED SINCE UG-040640 @ 12/31/2006	\$ (2,923,695)
2 DEFERRED LOSS RECORDED SINCE UG-040640 @ 12/31/2006	815,015
3 TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE	<u>\$ (2,108,680)</u>
4	
5 AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years)	(702,893)
6	
7 AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR	0
8	
9 INCREASE (DECREASE) EXPENSE (Line 5 - Line 7)	<u>\$ (702,893)</u>
10	
11 INCREASE (DECREASE) FIT @ 35%	<u>246,013</u>
12	
13 INCREASE (DECREASE) NOI	<u><u>\$ 456,881</u></u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
GENERAL OFFICE RELOCATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	<u>OPERATING EXPENSES (PROFORMA)</u>			
2	GENERAL OFFICE BUILDING - PROPERTY TAXES	\$ 79,692	\$ -	\$ (79,692)
3	GENERAL OFFICE BUILDING - PROPERTY INSURANCE	2,840	-	(2,840)
4	GENERAL OFFICE BUILDING - DEPRECIATION (EOP)	63,446	-	(63,446)
5	CROSSROADS BUILDING - PROPERTY TAXES	17,158	-	(17,158)
6	CROSSROADS BUILDING - PROPERTY INSURANCE	602	-	(602)
7	CROSSROADS BUILDING - DEPRECIATION (EOP)	63,839	-	(63,839)
8		<u>\$ 227,576</u>	<u>\$0</u>	<u>\$ (227,576)</u>
9				
10	<u>OPERATING EXPENSES (RESTATED)</u>			
11	PSE(E) - LEASE COSTS	\$ 45,564	\$ 1,857,711	\$ 1,812,147
12	PSE(E) - LEASEHOLD IMPROVEMENTS AMORTIZATION	(41,490)	(311,175)	(269,685)
13	PSE(E) - PROPERTY TAXES	-	91,609	91,609
14	PSE(E) - PROPERTY INSURANCE	-	1,025	1,025
15		<u>\$ 4,074</u>	<u>\$ 1,639,170</u>	<u>\$ 1,635,096</u>
16				
17	INCREASE(DECREASE) IN EXPENSE	\$ 231,650	\$ 1,639,170	1,407,519
18				
19	INCREASE (DECREASE) FIT @		35%	<u>(492,632)</u>
20	INCREASE (DECREASE) NOI			<u>\$ (914,888)</u>
21				
22	<u>ADJUSTMENT TO RATEBASE</u>			
23	GENERAL OFFICE BUILDING	\$ 1,913,663	\$ -	\$ (1,913,663)
24	ACCUM DEPRECIATION	(673,004)	-	673,004
25	DEFERRED INCOME TAX	(319,401)	-	319,401
26	NET GENERAL OFFICE BUILDING	<u>\$ 921,258</u>	<u>\$ -</u>	<u>\$ (921,258)</u>
27				
28	CROSSROADS BUILDING	\$ 1,900,568	\$ -	\$ (1,900,568)
29	ACCUM DEPRECIATION	(886,530)	-	886,530
30	DEFERRED INCOME TAX	(189,119)	-	189,119
31	NET CROSSROADS BUILDING	<u>\$ 824,919</u>	<u>\$ -</u>	<u>\$ (824,919)</u>
32				
33	TOTAL ADJUSTMENT TO RATE BASE	<u>\$ 1,746,177</u>	<u>\$ -</u>	<u>\$ (1,746,177)</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
LOW INCOME AMORTIZATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	RESTATING	
2	LOW INCOME AMORTIZATION IN TEST PERIOD	\$ 2,095,062
3	REMOVE AMORTIZATION (REVENUE REMOVED IN ADJ 4.01)	-
4	INCREASE (DECREASE) EXPENSE	<u>\$ (2,095,062)</u>
5		
6	INCREASE (DECREASE) OPERATING EXPENSE	(2,095,062)
7		
8	INCREASE (DECREASE) FIT	35% \$ 733,272
9		
10	INCREASE (DECREASE) NOI	<u><u>\$ 1,361,790</u></u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
D&O INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RESTATED	ADJUSTMENT
1	D & O INS. CHG EXPENSE	\$ 756,214	\$ 769,977	\$ 13,763
2				
3	INCREASE (DECREASE) D&O EXPENSE	\$ 756,214	\$ 769,977	\$ 13,763
4				
5	INCREASE (DECREASE) EXPENSE			13,763
6				
7	INCREASE (DECREASE) FIT @		35%	(4,817)
8	INCREASE (DECREASE) NOI		<u>\$</u>	<u>(8,946)</u>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
EVERETT DELTA
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	ADJUSTMENTS	RESTATED
1	<u>OPERATING REVENUES:</u>			
2	SALES TO CUSTOMERS		-	-
3	MUNICIPAL ADDITIONS		-	-
4	OTHER OPERATING REVENUES	3,334,786	74,312	3,409,098
5	TOTAL OPERATING REVENUES	\$ 3,334,786	\$ 74,312	\$ 3,409,098
6				
7				
8	OPERATING REVENUE DEDUCTIONS:			
9				
10	GAS COSTS:			
11				
12	PURCHASED GAS	-	-	-
13				
14	TOTAL PRODUCTION EXPENSES	-	-	-
15				
16	OTHER POWER SUPPLY EXPENSES	-	-	-
17	TRANSMISSION EXPENSE	-	-	-
18	DISTRIBUTION EXPENSE	-	-	-
19	CUSTOMER ACCOUNT EXPENSES	-	-	-
20	CUSTOMER SERVICE EXPENSES	-	-	-
21	CONSERVATION AMORTIZATION	-	-	-
22	ADMIN & GENERAL EXPENSE	-	-	-
23	DEPRECIATION	\$ 489,223	-	489,223
24	AMORTIZATION	-	-	-
25	AMORTIZATION OF PROPERTY LOSS	-	-	-
26	OTHER OPERATING EXPENSES	-	-	-
27	FAS 133	-	-	-
28	PROPERTY TAX	\$ 455,479	\$ -	455,479
29	INCOME TAXES	\$ 836,529	\$ 26,009	862,539
30	DEFERRED INCOME TAXES	-	-	-
31	TOTAL OPERATING REV. DEDUCT.	\$ 1,781,231	\$ 26,009	\$ 1,807,241
32				
33	NET OPERATING INCOME	\$ 1,553,554	\$ 48,303	\$ 1,601,857
34				
35	RATE BASE	\$ 21,160,598	-	\$ 21,160,598
36				
37	RATE OF RETURN	7.34%		7.57%
38				
39	RATE BASE:			
40	UTILITY PLANT IN SERVICE	\$ 25,735,186	-	25,735,186
41	ACCUMULATED DEPRECIATION	(217,396)	-	(217,396)
42	ACCUMULATED DEFERRED FIT - LIBERALIZED	(4,357,192)	-	(4,357,192)
43	OTHER	-	-	-
44	TOTAL NET INVESTMENT	\$ 21,160,598	-	\$ 21,160,598
45	ALLOWANCE FOR WORKING CAPITAL	-	-	-
46	TOTAL RATE BASE	\$ 21,160,598	-	\$ 21,160,598
47				
48	AFTER TAX PROPOSED for RATE of RETURN	7.57%		7.57%
49	OPERATING INCOME REQUIREMENT (Line 46 x Line	\$ 1,601,857		\$ 1,601,857
50	NET OPERATING INCOME (Line 33)	\$ 1,553,554		\$ 1,601,857
51	OPERATING INCOME DEFICIENCY (Line 48 - Line 49)	\$ 48,303		-
52	CONVERSION FACTOR	65%		65%
53	LEASE REVENUE ADJUSTMENT (Line 50 / Line 51)	74,312		-

**PUGET SOUND ENERGY-GAS
DEPRECIATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>RESTATED</u>	
2	ACTUAL ACCT 403-DEPRECIATION EXPENSE	\$ 64,461,445
3	RESTATED ACCT 403-DEPRECIATION EXPENSE	64,461,445
4	INCREASE (DECREASE) DEPRECIATION EXPENSE	<u>-</u>
5		
6	INCREASE (DECREASE) OPERATING INCOME	-
7	INCREASE (DECREASE) FIT 35%	-
8	INCREASE (DECREASE) NOI	<u>-</u>
9		
10	ADJUST RATE BASE FOR LINE 4 @ 50%	-
11		
12	ADJUSTMENT TO RATE BASE	<u>\$ -</u>
13		

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.