

**EXHIBIT NO. ___(JHS-21)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: JOHN H. STORY**

**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**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
JOHN H. STORY
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 23, 2006

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

LINE**NO. DESCRIPTION**

| | | | |
|----|--------------------------------|----|----------------------|
| 1 | RATE BASE | \$ | <i>2,977,316,193</i> |
| 2 | RATE OF RETURN | | <i>8.76%</i> |
| 3 | | | |
| 4 | OPERATING INCOME REQUIREMENT | | <i>260,812,898</i> |
| 5 | | | |
| 6 | PRO FORMA OPERATING INCOME | | <i>239,845,435</i> |
| 7 | OPERATING INCOME DEFICIENCY | | <i>20,967,464</i> |
| 8 | | | |
| 9 | CONVERSION FACTOR | | <i>0.6207334</i> |
| 10 | REVENUE REQUIREMENT DEFICIENCY | | <i>33,778,533</i> |
| 11 | | | - |
| 12 | | | - |
| 13 | REVENUE REQUIREMENT DEFICIENCY | \$ | <i>33,778,533</i> |

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

**PUGET SOUND ENERGY-ELECTRIC
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

| LINE NO. DESCRIPTION | PRO FORMA CAPITAL % | COST % | COST OF CAPITAL |
|-----------------------------------|------------------------|--------|--------------------|
| 1 DEBT | 51.25% | 6.65% | 3.41% |
| 2 PREFERRED | 3.75% | 7.61% | 0.29% |
| 3 EQUITY | 45.00% | 11.25% | 5.06% |
| 4 TOTAL | 100.00% | | 8.76% |
| 5 | | | |
| 6 AFTER TAX DEBT (LINE 1 * 65%) | 51.25% | 4.32% | 2.22% |
| 7 PREFERRED | 3.75% | 7.61% | 0.29% |
| 8 EQUITY | 45.00% | 11.25% | 5.06% |
| 9 TOTAL AFTER TAX COST OF CAPITAL | 100.00% | | 7.57% |

**PUGET SOUND ENERGY-ELECTRIC
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | RATE |
|-------------|---|---------------------|
| 1 | BAD DEBTS | 0.0045727 |
| 2 | ANNUAL FILING FEE | 0.0019000 |
| 3 | STATE UTILITY TAX (3.873% - (LINE 1 * 3.873%)) | 3.873% 0.0385529 |
| 4 | | |
| 5 | SUM OF TAXES OTHER | 0.0450256 |
| 6 | | |
| 7 | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5) | 0.9549744 |
| 8 | FEDERAL INCOME TAX (LINE 7 * 35%) | 35% 0.3342410 |
| 9 | CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 + LINE 8) | 0.6207334 |