

**Exhibit No. ACC-3.01**

PUGET SOUND ENERGY, INC.-ELECTRIC

REQUIRED REVENUE INCREASE

BASED ON THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|   | <u>Electric<br/>Utility</u> |     |
|---|-----------------------------|-----|
| 1. Net Operating Loss Adjustment          | (\$1,498,413)               | (A) |
| 2. Repairs and Retirements Tax Adjustment | (4,055,959)                 | (B) |
| 3. Chelan PUD - Rate Base Adjustment      | (1,791,872)                 | (C) |
| 4. Chelan PUD - Expense Adjustment        | (966,832)                   | (D) |
| 5. Lower Snake River Adjustment           | <u>(55,000,000)</u>         | (E) |
| 6. Total Adjustments                      | (\$63,313,076)              |     |
| 7. Company Claim                          | <u>152,928,501</u>          | (F) |
| 8. Maximum Pro Forma Increase             | <b><u>\$89,615,425</u></b>  |     |

## Sources:

(A) Exhibit ACC-3.02

(B) Exhibit ACC-3.03

(C) Exhibit ACC-3.04

(D) Exhibit ACC-3.05

(E) Testimony of Mr. Norwood.

(F) Exhibit JHS-12.

**Exhibit No. ACC-3.02**

PUGET SOUND ENERGY, INC. -ELECTRIC

NET OPERATING LOSS ADJUSTMENT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|  | <u>Electric<br/>Utility</u> |     |
|--|-----------------------------|-----|
| 1. NOL in Unadjusted Rate Base               | (\$12,149,203)              | (A) |
| 2. Working Capital Impact @ 5.02%            | <u>(609,890)</u>            | (B) |
| 3. Total Rate Base Adjustment                | (\$12,759,093)              |     |
| 4. After Tax Cost of Capital                 | <u>7.29%</u>                | (C) |
| 5. Return Requirement                        | (\$930,138)                 | (D) |
| 6. Gross up for Federal Income Taxes         | <u>0.65</u>                 | (E) |
| 7. Revenue Requirement Impact Including FIT  | (\$1,430,981)               | (F) |
| 8. Revenue Conversion Factor (Excluding FIT) | <u>0.954998</u>             | (G) |
| 9. Total Revenue Requirement Impact          | <b><u>(\$1,498,413)</u></b> | (H) |

## Sources:

- (A) Amount per Exhibit JHS-3.08.
- (B) Rate of 5.02% per Exhibit JHS-3.04.
- (C) Exhibit JHS-7.02.
- (D) Line 3 X Line 4.
- (E) Based on tax rate per Exhibit JSH-7.03.
- (F) Line 5 / Line 6.
- (G) Conversion factor per Exhibit JSH-7.03.
- (H) Line 7 / Line 8.

**Exhibit No. ACC-3.03**

PUGET SOUND ENERGY, INC. - ELECTRIC

REPAIRS AND RETIREMENTS ACCOUNTING CHANGE

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|  | <u>Electric<br/>Utility</u> |     |
|--|-----------------------------|-----|
| 1. Rate Base (AMA 12/31/10) With Reallocation    | \$4,100,870,913             | (A) |
| 2. Rate Base (AMA 12/31/10) Without Reallocation | <u>4,066,334,129</u>        | (A) |
| 3. Adjustment Due to Reallocation                | (\$34,536,784)              |     |
| 4. After Tax Cost of Capital                     | <u>7.29%</u>                | (B) |
| 5. Return Requirement                            | (\$2,517,732)               | (C) |
| 6. Gross up for Federal Income Taxes             | <u>0.65</u>                 | (D) |
| 7. Revenue Requirement Impact Including FIT      | (\$3,873,433)               | (E) |
| 8. Gross up for Other Taxes                      | <u>0.954998</u>             | (F) |
| 9. Total Revenue Requirement Impact              | <b><u>(\$4,055,959)</u></b> | (G) |

(A) Amounts per Exhibit JHS-3.08.

(B) Exhibit JHS-7.02.

(C) Line 3 X Line 4.

(D) Based on tax rate per Exhibit JSH-7.03.

(E) Line 5 / Line 6.

(F) Conversion factor per Exhibit JSH-7.03.

(G) Line 7 / Line 8.

**Exhibit No. ACC-3.04**

PUGET SOUND ENERGY, INC. - ELECTRIC

CONTRACT PAYMENTS TO CHELAN PUD (Adjustment 5.09)

RATE BASE ADJUSTMENT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|  | Per<br>Company | Recommended<br>Adjustment   | Per<br>Public Counsel |     |
|--|----------------|-----------------------------|-----------------------|-----|
| 1. Total Deferred Balance @ 11/1/11                  | \$141,761,312  | (\$18,466,459)              | \$123,294,853         | (A) |
| 2. Accumulated Amortization                          | (7,088,066)    | 923,323                     | (6,164,743)           | (B) |
| 3. Deferred Income Taxes                             | (17,542,944)   | 2,285,222                   | (15,257,722)          | (C) |
| 4. Net Reservation Fee Balance                       | \$117,130,302  | (\$15,257,914)              | \$101,872,388         |     |
| 5. After Tax Cost of Capital Per Company             |                | <u>7.29%</u>                | (D)                   |     |
| 6. Chelan PUD Reservation Payment Return Requirement |                | (\$1,112,302)               | (E)                   |     |
| 7. Gross up for Federal Income Taxes                 |                | <u>0.65</u>                 | (F)                   |     |
| 8. Revenue Requirement Impact Including FIT          |                | (\$1,711,234)               |                       |     |
| 9. Revenue Conversion Factor (Excluding FIT)         |                | <u>0.954998</u>             | (G)                   |     |
| 10. Total Revenue Requirement Impact                 |                | <u><b>(\$1,791,872)</b></u> | (H)                   |     |

## Sources:

- (A) Reflects elimination of tax gross up, per the response to PC-266.
- (B) Exhibit ACC-3.05.
- (C) Deferred Income Tax effect of adjustment estimated based on the percentage reduction in Total Deferred Balance.
- (D) Exhibit JHS-7.02.
- (E) Line 4 X Line 5.
- (F) Based on tax rate per Exhibit JSH-7.03.
- (G) Exhibit JSH-7.03.
- (H) Line 8 X Line 9.

**Exhibit No. ACC-3.05**

PUGET SOUND ENERGY, INC. - ELECTRIC

CONTRACT PAYMENTS TO CHELAN PUD (Adjustment 5.09)

AMORTIZATION EXPENSE ADJUSTMENT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|  |                           |     |
|--|---------------------------|-----|
| 1. Deferred Balance @ 11/1/11 - After Tax    | \$123,294,853             | (A) |
| 2. Amortization Period Per Company (Yrs.)    | <u>20</u>                 | (B) |
| 3. Annual Amortization Expense               | \$6,164,743               |     |
| 4. Company Claim                             | <u>7,088,066</u>          | (C) |
| 5. Recommended Adjustment                    | (\$923,323)               |     |
| 6. Revenue Conversion Factor (Excluding FIT) | <u>0.954998</u>           | (D) |
| 7. Total Revenue Requirement Impact          | <u><b>(\$966,832)</b></u> | (E) |

## Sources:

(A) Exhibit ACC-3.04.

(B) Exhibit JHS-1T, page 32, line 8.

(C) Exhibit JHS-5.09.

(D) Exhibit JHS-7.03.

**Exhibit No. ACC-3.06**

PUGET SOUND ENERGY, INC. - ELECTRIC

RECONCILIATION WITH COMPANY FILING

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

|                                      | Actual Results<br>Of Operations<br>As Filed | Revised<br>Total<br>Adjustments | Revised<br>Adjusted<br>Results of<br>Operations | Revised<br>Revenue<br>Requirement<br>Deficiency | Revised<br>After<br>Rate<br>Increase | Public<br>Counsel<br>Adj. ACC-3.02 | Public<br>Counsel<br>Adj. ACC-3.03 | Public<br>Counsel<br>Adj. ACC-3.04 | Public<br>Counsel<br>Adj. ACC-3.05 | Public<br>Counsel<br>Proforma<br>Excluding LSR Adj. | Lower<br>Snake<br>River Adj. | Public<br>Counsel<br>Proforma<br>Including LSR Adj. |
|--------------------------------------|---|---------------------------------|---|---|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|------------------------------|---|
|                                      | (A)   | (A)                             | (A)   | (A)   | (A)                                  |                                    |                                    |                                    |                                    |   | (B)                          |   |
| <b>Total Revenues</b>                |   |                                 |   |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| 1 Sales to Customers                 | \$2,042,334,319                             | (\$64,997,951)                  | \$1,977,336,368                                 | \$152,337,039                                   | \$2,129,673,407                      | (\$1,498,413)                      | (\$4,055,959)                      | (\$1,791,872)                      | (\$966,832)                        | \$2,121,360,331                                     | (\$55,000,000)               | \$2,066,360,331                                     |
| 2 Sales from Resale-Firm/Special C   | 350,182                                     | 867,565                         | 1,217,747                                       | 591,462   | 1,809,209                            |                                    |                                    |                                    |                                    | 1,809,209   |                              | 1,809,209   |
| 3 Sales to Other Utilities           | 201,262,557                                 | (191,035,261)                   | 10,227,296                                      |   | 10,227,296                           |                                    |                                    |                                    |                                    | 10,227,296  |                              | 10,227,296  |
| 4 Other Operating Revenues           | 30,706,333                                  | 5,968,010                       | 36,674,343                                      |   | 36,674,343                           |                                    |                                    |                                    |                                    | 36,674,343  |                              | 36,674,343  |
| 5 Total Operating Revenues           | \$2,274,653,391                             | (\$249,197,637)                 | \$2,025,455,754                                 | \$152,928,501                                   | \$2,178,384,255                      | (\$1,498,413)                      | (\$4,055,959)                      | (\$1,791,872)                      | (\$966,832)                        | \$2,170,071,179                                     | (\$55,000,000)               | \$2,115,071,179                                     |
| Operating Revenue Deductions:        |   |                                 |   |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| <b>Power Costs:</b>                  |   |                                 |   |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| 6 Fuel                               | \$268,147,071                               | (\$31,601,842)                  | \$236,545,229                                   |   | \$236,545,229                        |                                    |                                    |                                    |                                    | \$236,545,229                                       |                              | \$236,545,229                                       |
| 7 Purchased and Interchanged         | 832,711,097                                 | (327,295,830)                   | 505,415,267                                     |   | 505,415,267                          |                                    |                                    |                                    | (923,323)                          | 504,491,944   |                              | 504,491,944   |
| 8 Wheeling                           | 78,564,669                                  | 17,045,598                      | 95,610,267                                      |   | 95,610,267                           |                                    |                                    |                                    |                                    | 95,610,267  |                              | 95,610,267  |
| 9 Residential Exchange               | (75,109,150)                                | 75,109,150                      | -   |   | 0                                    |                                    |                                    |                                    |                                    | 0   |                              | 0   |
| 10 Total Production Expenses         | \$1,104,313,687                             | -\$266,742,924                  | \$837,570,763                                   | \$0   | \$837,570,763                        | \$0                                | \$0                                | \$0                                | -\$923,323                         | \$836,647,440                                       | \$0                          | \$836,647,440                                       |
| 11 Other Power Supply Expenses       | \$102,409,192                               | \$24,983,852                    | \$127,393,044                                   |   | \$127,393,044                        |                                    |                                    |                                    |                                    | \$127,393,044                                       |                              | \$127,393,044                                       |
| 12 Transmission Expense              | 11,865,443                                  | 92,122                          | 11,957,565                                      |   | 11,957,565                           |                                    |                                    |                                    |                                    | 11,957,565  |                              | 11,957,565  |
| 13 Distribution Expense              | 82,924,735                                  | (998,711)                       | 81,926,024                                      |   | 81,926,024                           |                                    |                                    |                                    |                                    | 81,926,024  |                              | 81,926,024  |
| 14 Customer Accts Expenses           | 50,172,086                                  | (2,459,606)                     | 47,712,480                                      | 679,614   | 48,392,094                           | (6,659)                            | (18,025)                           | (7,963)                            | (4,297)                            | 48,355,151  | (244,420)                    | 48,110,731  |
| 15 Customer Service Expenses         | 13,431,632                                  | (11,727,008)                    | 1,704,624                                       |   | 1,704,624                            |                                    |                                    |                                    |                                    | 1,704,624   |                              | 1,704,624   |
| 16 Conservation Amortization         | 75,336,909                                  | (75,334,320)                    | 2,589   |   | 2,589                                |                                    |                                    |                                    |                                    | 2,589   |                              | 2,589   |
| 17 Admin & General Expenses          | 94,643,935                                  | 5,403,561                       | 100,047,496                                     | 305,857   | 100,353,353                          | (2,997)                            | (8,112)                            | (3,584)                            | (1,934)                            | 100,336,727   | (110,000)                    | 100,226,727   |
| 18 Depreciation                      | 190,245,449                                 | 29,592,275                      | 219,837,724                                     |   | 219,837,724                          |                                    |                                    |                                    |                                    | 219,837,724   |                              | 219,837,724   |
| 19 Amortization                      | 40,184,321                                  | (236,433)                       | 39,947,888                                      |   | 39,947,888                           |                                    |                                    |                                    |                                    | 39,947,888  |                              | 39,947,888  |
| 20 Amortization of Property Gains/Li | 17,493,031                                  | (52,298)                        | 16,940,733                                      |   | 16,940,733                           |                                    |                                    |                                    |                                    | 16,940,733  |                              | 16,940,733  |
| 21 Other Operating Expenses          | 30,169,560                                  | (26,608,988)                    | 3,560,572                                       |   | 3,560,572                            |                                    |                                    |                                    |                                    | 3,560,572   |                              | 3,560,572   |
| 22 ASC 815                           | 166,953,097                                 | (166,953,097)                   | -   |   | 0                                    |                                    |                                    |                                    |                                    | 0   |                              | 0   |
| 23 Taxes Other Than Income Taxes     | 193,255,907                                 | (67,569,351)                    | 125,686,556                                     | 5,896,617                                       | 131,583,173                          | (57,776)                           | (156,390)                          | (69,091)                           | (37,279)                           | 131,262,637   | (2,120,690)                  | 129,141,947   |
| 24 Income Taxes                      | 16,263,334                                  | (91,611,792)                    | (75,348,458)                                    | 51,116,199                                      | (24,232,259)                         | (356,155)                          | (964,054)                          | (425,907)                          | 0                                  | (25,978,376)  | (18,383,712)                 | (44,362,087)  |
| 25 Deferred Income Taxes             | (32,436,237)                                | 200,902,071                     | 168,465,834                                     |   | 168,465,834                          |                                    |                                    |                                    |                                    | 168,465,834   |                              | 168,465,834   |
| 26 Total Operating Rev. Deductions   | \$1,052,912,394                             | (\$183,077,723)                 | \$869,834,671                                   | \$57,998,287                                    | \$927,832,958                        | (\$423,587)                        | (\$1,146,581)                      | (\$506,545)                        | (\$43,509)                         | \$925,712,736                                       | (\$20,858,822)               | \$904,853,915                                       |
| 27 Net Operating Income              | \$117,427,310                               | \$200,623,010                   | \$318,050,320                                   | \$94,930,214                                    | \$412,980,534                        | (\$1,074,826)                      | (\$2,909,379)                      | (\$1,285,327)                      | \$0                                | \$407,711,003                                       | (\$34,141,179)               | \$373,569,824                                       |
| 28 Rate Base                         | \$4,100,870,913                             | \$803,886,032                   | \$4,904,756,945                                 |   | \$4,904,756,945                      | (\$12,759,093)                     | (\$34,536,784)                     | (\$15,257,914)                     | \$0                                | \$4,842,203,154                                     | \$4,842,203,154              | \$4,842,203,154                                     |
| 29 Rate of Return                    | 2.86%                                       |                                 | 6.48%   |   | 8.42%                                |                                    |                                    |                                    |                                    | 8.42%   | -0.71%                       | 7.71%   |
| <b>Rate Base:</b>                    |   |                                 |   |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| 30 Gross Utility Plant in Service    | \$7,157,671,291.00                          | \$693,485,863.00                | \$7,851,157,154.00                              |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| 31 Accum. Dep. And Amortization      | (2,758,182,029)                             | 7,805,936                       | (2,750,376,093)                                 |   |                                      |                                    |                                    |                                    | 923,323                            |   |                              |   |
| 32 Deferred Debits and Credits       | 241,208,023                                 | 184,108,059                     | 425,316,082                                     |   |                                      |                                    |                                    |                                    | (\$18,466,459)                     |   |                              |   |
| 33 Deferred Taxes                    | (656,658,557)                               | (81,513,826)                    | (738,172,383)                                   |   |                                      | (\$12,149,203)                     |                                    |                                    | 2,285,222                          |   |                              |   |
| 34 Allowance for Working Capital     | 204,952,589                                 | -                               | 204,952,589                                     |   |                                      | (609,890)                          |                                    |                                    |                                    |   |                              |   |
| 35 Other                             | (88,120,404)                                | -                               | (88,120,404)                                    |   |                                      |                                    |                                    |                                    |                                    |   |                              |   |
| 36 Total Rate Base                   | \$4,100,870,913                             | \$803,886,032                   | \$4,904,756,945                                 |   |                                      | (\$12,759,093)                     | (\$34,536,784)                     | (\$15,257,914)                     |                                    |   |                              |   |

Sources:

- (A) Exhibit JHS-12, page 1.
- (B) Testimony of Mr. Norwood.

Notes:

For illustrative purposes, Public Counsel adjustments are shown as being allocated entirely to "Sales to Customers". Resulting Public Counsel ROE assumes that rate base has not been reduced to reflect a LSR adjustment.