



Rob McKenna

## ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

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September 15, 2006

Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

Re: *Puget Sound Energy General Rate Case*  
Docket Nos. UE-060266 and UG-060267 Consolidated

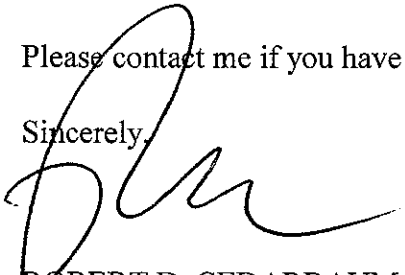
Dear Ms. Washburn:

Enclosed please find the original and 16 copies of the Staff/Company Agreement on Revenue Requirement Adjustments in these dockets. The document is an agreement of Staff and the Company on several accounting adjustments which those parties have been able to resolve. No other party has filed testimony on the issues addressed by the agreement.

Staff and PSE propose that the agreement be marked as a joint exhibit of Mr. James M. Russell for Staff and Mr. John H. Story for the Company. Mr. Russell and Mr. Story will explain the agreement through additional direct examination when each of them testifies at hearing next week. Of course, they will also be available for questions from the bench on the agreement.

Please contact me if you have any questions concerning this matter.

Sincerely,

  
ROBERT D. CEDARBAUM  
Senior Counsel

Enclosures  
RDC:klg  
cc: Parties



**DOCKET NOS. UE-060266 AND UG-060267**  
**STAFF/COMPANY AGREEMENT ON REVENUE REQUIREMENT**  
**ADJUSTMENTS**

**Section 1 – Revenue Requirement Adjustments – agreement on rebuttal changes**

The following items describe adjustments presented in the Company's rebuttal case with which Commission Staff agrees:

**Wages and Investment Plan** – Commission Staff has confirmed the amounts and reasons for the changes made in the Company's rebuttal filing for the Wage Increase and Investment Plan, Adjustments 20.20 and 20.21, Exhibit No. \_\_\_\_ (JHS-20) and Adjustments 12.12 and 12.13, Exhibit No. \_\_\_\_ (KRK-12). The Company and Commission Staff agree that these adjustments as shown in the Company's prefiled rebuttal are uncontested as presented by the Company.

**Wild Horse** - The Company and Commission Staff agree that the Company's Wild Horse Wind Plant Adjustment shown on page 20.26, Exhibit No. \_\_\_\_ (JHS-20) reflects the deferred taxes associated with this project correctly and that this adjustment is uncontested. With this agreement, the Miscellaneous Operating Expense Adjustment becomes uncontested except as to differences caused by different rates of return as applied to ratebase.

**Incentive Plan** – The Company and Commission Staff agree for purposes of settlement of this issue in this proceeding that the calculations presented by the Company on page 20.27, Exhibit No. \_\_\_\_ (JHS-20) and page 12.15, Exhibit No. \_\_\_\_ (KRK-12) are uncontested as presented by the Company.

**Revenues and Expenses gas adjustment** – Commission Staff has reviewed this adjustment as presented on page 12.01, Exhibit No. \_\_\_\_ (KRK-12) and is in agreement with the Company's correction of the error. This adjustment is uncontested as presented by the Company.

**Everett Delta Pipeline Expansion** – Commission Staff has reviewed this adjustment as presented on page 12.21, Exhibit No. \_\_\_\_ (KRK-12) and is in agreement with changes proposed by the Company in its prefiled rebuttal testimony. This adjustment is uncontested. With this agreement, the Miscellaneous Operating Expense Adjustment becomes uncontested except as to differences caused by different rates of return as applied to ratebase.

**Spiritridge** – Upon further review of the Company's rebuttal and review of subsequent data request responses Commission Staff is not proposing an adjustment for Spiritridge and withdraws its adjustment G.22 page 26 Exhibit No. \_\_\_\_ (JMR-4).

**Section 2 – Revenue Requirement Adjustments – Compromises between  
Commission Staff and the Company**

The following items describe Company and Commission Staff agreement on formerly contested revenue requirement items, in some cases based on information that has become available since the Commission Staff filed their testimony and exhibits:

**Baker Relicensing O&M and Ratebase** – The Company received the Final Environmental Impact Statement associated with the Baker Relicensing on Friday, September 8<sup>th</sup> 2006. With the receipt of this document it is now highly likely that the Company will receive the final license in late 2006 or early 2007. The Company and Commission Staff agree to include the amounts for Baker Relicensing as presented in the Company's Power Cost Adjustment, page 20.03 and as shown on the Miscellaneous Operating Expense Adjustment, page 20.08 of Exhibit No. \_\_\_\_ (JHS-20). With this agreement, the Miscellaneous Operating Expense Adjustment becomes uncontested except as to differences caused by different rates of return as applied to ratebase. This agreement will change pages 8 and 13, Exhibit No. \_\_\_\_ (JMR-2). See Attachment A for updated pages for Exhibit No. \_\_\_\_ (JMR-2) reflecting this agreement as well as additional supporting workpapers necessary to reflect the agreed upon changes.

The costs associated with Baker Relicensing ratebase will be adjusted based on the actual in service date at which time AFUDC will cease and the costs associated with the license will be placed in-service and will be included in the PCA Production Rate Base costs. Production O&M is considered a fixed cost in the PCA Mechanism. Production O&M costs associated with Baker Relicensing will be considered variable until they are set at a fixed amount in the next regulatory filing that changes the PCA power cost baseline rate. The Company will also file an update on the licensing process to the Commission by Thursday, December 1<sup>st</sup>.

**Muckleshoot Settlement Payment** – The Company and Commission Staff agree that this payment should be included in revenue requirement with a four year amortization. This agreement will impact the Power Cost Adjustment, page 20.03, Exhibit No. \_\_\_\_ (JHS-20) and page 8, Exhibit No. \_\_\_\_ (JMR-2). See Attachment A for an updated page 8 for Exhibit No. \_\_\_\_ (JMR-2) reflecting this agreement. See Attachment B for an updated page 20.3 for Exhibit No. \_\_\_\_ (JHS-20) reflecting this agreement. Both Attachments A and B include additional supporting workpapers necessary to reflect the agreed upon changes.

**Ratecase Expenses** – For purposes of settlement of this issue in this filing, the Company and Commission Staff agree to a ratecase expense adjustment as shown in Attachment A, adjustment E.16, Exhibit No. \_\_\_\_ (JMR-2) and adjustment G.09, Exhibit No. \_\_\_\_ (JMR-4) and Attachment B, page 20.16, Exhibit No. \_\_\_\_ (JHS-20) and page 12.09, Exhibit No. \_\_\_\_ (KRK-12). This adjustment is not based on specific disallowance of any type of expense nor is it considered precedent setting for future filings.

### **Section 3 – Procedures Related to Revenue Requirement**

The following two items have no impact on revenue requirement in this proceeding but are an agreement between Commission Staff and the Company as to procedure for future filings associated with these items.

**Domestic Manufacturing Deduction (IRS Section 199)** – The Company will include the benefit of any deduction forecast to be received under this IRS Section in the yearly Production Tax Credit filing. The forecast benefit will be adjusted to the actual benefit received when the Company completes its Corporate tax return for a given year. For example, if a benefit were forecast to be available in year xxx2, the benefit would be included in the Production Tax Credit filing in October of year xxx1 for the year xxx2. The amount of benefit actually received would be known in September, xxx3 and any adjustment between forecast and actual would be reflected in the October, xxx3 Production Tax Credit filing.

**Tree Watch** – The Company and Commission Staff agree that there will be no deferrals associated with the two million dollars allocated for Tree Watch. In March of each year the Company will file a report detailing the amount spent on Tree Watch for the previous calendar year and provide an explanation for any deviations greater than 5% from the two million dollars allocated to this program.

# ATTACHMENT A

**COMPARISON BETWEEN PSE AND STAFF DIRECT CASES (as revised, after 9/15 settlement)**  
 (Shading indicates contested adjustments)

Docket Number UE-060266 & 060267  
 Exhibit No. (JMR-2)  
 Page 41

REVISED 9/13/06

**ELECTRIC**

Adj. No.	Description	PSE		STAFF		Revenue Requirement	Staff - PSE Rev. Req. Difference
		NOI	Rate Base	NOI	Rate Base		
1	Adjustment Per Books	\$231,281,640	\$2,513,582,619	\$231,281,640	\$2,513,582,619	(\$56,849,317)	
2	Temperature Normalization	\$7,424,007		7,424,007		(\$11,960,057)	\$0
3	Revenues & Expenses	218,656,441		218,656,441		(\$352,254,995)	\$1
4	Federal Income Tax	4,185,813		4,185,813		(\$6,743,334)	\$1
5	Tax Benefit of Pro Forma Interest	(2,391,139)		(1,004,187)		\$1,778,843	(\$2,073,276)
6	Conservation	11,852,001	(28,822)	11,852,001	(28,822)	(\$19,097,190)	\$423
7	Bad Debts	(1,044,352)		(1,044,352)		\$1,682,449	\$0
8	Amount of Def. Taxes Reg. Asset	(1,337,206)		(1,337,206)		\$2,154,236	(\$0)
9	Misc non-Operating	627		627		(\$1,009)	\$0
10	Oregon Prop. Taxes for 2nd AC	(484,484)		(484,484)		\$780,503	\$0
11	Baker/Hydro Relineasing Costs	(385,657)	26,254,348	(385,657)	26,254,348	\$3,941,505	(\$384,891)
12	Tree Watch Expense	(639,229)		(639,229)		\$1,029,796	\$0
13	New York Stock Exchange Fees					\$0	\$0
14	Depreciation on CWIP In-Service	(56,700)		(56,700)		\$91,344	(\$0)
15	CWIP In-Service Rate Base	383,183	3,317,734	383,183	3,317,734	\$419,572	(\$48,638)
16	Property Taxes	(9,389,305)		(9,389,305)		(\$617,307)	\$0
17	Hopkins Ridge Wind Plant	(384,314)	147,154,987	(384,314)	147,154,987	\$35,735,834	(\$2,157,304)
18	Excise Tax & Filing Fee	8,557		8,557		(\$13,785)	\$0
19	Montana Energy Tax	(227,184)		(227,184)		\$365,993	\$0
20	Interest on Cash Deposits	592,392		592,392		(\$954,342)	(\$1)
21	SFAS 133	340,717		340,717		(\$548,894)	\$0
22	Rate Case Expenses	(18,149)		(18,149)		\$29,237	(\$1)
23	Property Sales	(288,833)		(288,833)		\$465,310	\$1
24	Property & Liability Ins	(2,565,770)		(2,565,770)		\$4,133,449	(\$0)
25	Pension Plan	(2,512,047)		(2,512,047)		\$4,046,902	\$0
26	Wage Increase	(99,416)		(99,416)		\$160,158	\$0
27	Investment Plan	(669,622)		(669,622)		\$1,078,759	\$0
28	Employee Insurance	(167,307)		(167,307)		\$269,531	\$0
29	Montana Corp. Lic. Tax	(197,617)		(197,617)		\$318,360	(\$0)
30	Storm Damage	(2,887,461)	(54,943,645)	(2,887,461)	(54,943,645)	(\$2,296,663)	\$805,477
31	Regulatory Assets & Liab.	(19,715,599)	356,220,868	(19,715,599)	356,220,868	\$76,810,652	(\$5,222,226)
32	Wild Horse Plant	690,180		690,180		(\$1,111,878)	\$0
33	Incentive Pay	(1,644,955)		(1,644,955)		\$2,252,974	\$46,027
34	Gen. Office Relocation	5,065,947		5,065,947		(\$8,161,228)	\$0
35	Other Amortization					\$0	\$0
36	Demand Response Program					\$0	\$0
37	Depreciation					\$0	\$0
38	Production Adjustment					\$0	\$0
39	Working Capital					\$0	\$0
40	Total	\$240,035,305	\$2,977,316,193	\$240,035,305	\$2,977,316,193	(\$31,991,947)	(\$305,404,170)
41	Depreciation Tracker	7,878,988		7,878,988		(\$1,953,947)	(\$7,878,988)
42	Total Increase	\$415,914,222		\$415,914,222			(\$73,283,169)
43	Rate Of Return Conversion Factor	8.76%	0.6207334	8.76%	0.6207334		
44	Rate Of Return Conversion Factor	7.85%	0.6207334	7.85%	0.6207334		

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

LINE NO.	ACTUAL RESULTS OF OPERATION	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT SURPLUS	AFTER RATE DECREASE
1	OPERATING REVENUES:				
2	SALES TO CUSTOMERS	\$ 1,397,539,936	\$ 315,071,415	\$ 1,712,611,351	\$ (31,931,941)
3	SALES FROM RESALE-FIRM	350,901	127,722	478,623	478,623
4	SALES TO OTHER UTILITIES	151,158,328	(142,929,914)	8,228,414	8,228,414
5	OTHER OPERATING REVENUES	55,899,367	(19,665,307)	36,234,060	36,234,060
6	TOTAL OPERATING REVENUES	1,604,948,532	152,603,916	1,757,552,448	61,931,941
7					1,725,620,507
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	POWER COSTS:				
11	FUEL	\$ 75,039,758	\$ 10,156,621	\$ 85,196,379	\$ -
12	PURCHASED AND INTERCHANGED	808,898,950	(86,389,683)	722,509,267	722,509,267
13	WHEELING	43,894,427	14,150,625	58,145,052	58,145,052
14	RESIDENTIAL EXCHANGE	(177,350,021)	177,350,021	-	-
15	TOTAL PRODUCTION EXPENSES	750,583,114	115,267,584	865,850,698	865,850,698
16					
17	OTHER POWER SUPPLY EXPENSES	\$ 53,185,137	\$ 24,728,796	\$ 77,913,933	\$ -
18	TRANSMISSION EXPENSE	3,786,749	369,363	4,156,112	4,156,112
19	DISTRIBUTION EXPENSE	56,397,075	5,396,061	61,793,136	61,793,136
20	CUSTOMER ACCOUNT EXPENSES	32,311,231	3,856,520	36,167,751	(146,016)
21	CUSTOMER SERVICE EXPENSES	9,266,102	(7,727,470)	1,538,632	1,538,632
22	CONSERVATION AMORTIZATION	18,233,848	(18,233,848)	-	-
23	ADMIN & GENERAL EXPENSE	64,934,552	8,940,330	73,874,882	(60,671)
24	DEPRECIATION	129,900,123	21,488,531	151,388,654	151,388,654
25	AMORTIZATION	24,582,050	563,341	25,147,391	25,147,391
26	AMORTIZ OF PROPERTY GAIN/LOSS	7,937,131	(3,180,069)	4,757,062	4,757,062
27	OTHER OPERATING EXPENSES	(2,317,679)	2,085,161	(232,518)	(232,518)
28	FAS 133	911,373	(911,373)	-	-
29	TAXES OTHER THAN INCOME TAXES	140,165,789	(29,864,137)	110,301,652	(1,231,069)
30	INCOME TAXES	101,303,182	(9,785,063)	91,518,114	(10,672,964)
31	DEFERRED INCOME TAXES	(17,512,885)	17,549,292	(163,593)	(163,593)
32	TOTAL OPERATING REV. DEDUCT.	1,373,666,892	130,345,012	1,504,011,904	(12,110,719)
33					1,491,901,185
34	NET OPERATING INCOME	\$ 231,281,640	\$ 22,238,904	\$ 253,520,544	\$ (19,821,222)
35	RATE BASE	\$ 2,513,582,619	\$ 463,733,574	\$ 2,977,316,193	\$ -
36					2,977,316,193
37	RATE OF RETURN	9.20%		8.52%	7.85%
38					
39					
40	RATE BASE:				
41	GROSS UTILITY PLANT IN SERVICE	\$ 4,571,327,301	\$ 567,923,997	\$ 5,139,251,298	
42	ACCUM DEPR AND AMORT	(1,971,832,341)	(13,085,187)	(1,984,917,528)	
43	DEFERRED DEBITS	353,317,604	(48,376,550)	304,941,054	
44	DEFERRED TAXES	(387,242,755)	(42,730,666)	(429,973,441)	
45	ALLOWANCE FOR WORKING CAPITAL	(52,187,190)	-	(52,187,190)	
46	OTHER	2,513,582,619	463,733,574	2,977,316,193	
	TOTAL RATE BASE	\$ 2,513,582,619	\$ 463,733,574	\$ 2,977,316,193	

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

LINE NO.	(Uncontested) OPERATIONS	(Uncontested) TEMPERATURE NORMALIZATION E.01	(Uncontested) REVENUES & EXPENSES E.02	POWER COSTS E.03	(Uncontested) FEDERAL INCOME TAX E.04	(Uncontested) TAX BENEFIT OF PRO FORMA INTEREST E.05	(Uncontested) CONSERVATION E.06	(Uncontested) BAD DEBITS E.07
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ 1,997,539,936	\$ 303,116,962	\$ -	\$ -	\$ -	\$ -	\$ -
3	SALES FROM RESALE-FIRM	350,901	123,117					
4	SALES TO OTHER UTILITIES	151,158,328		(142,929,914)				
5	OTHER OPERATING REVENUES	55,899,367	908,826	(20,574,133)				
6	TOTAL OPERATING REVENUES	\$ 1,604,948,532	\$ 304,147,905	\$ (163,504,047)	\$ -	\$ -	\$ -	\$ -
7								
8	OPERATING REVENUE DEDUCTIONS:							
9								
10	POWER COSTS:							
11	FUEL	\$ 75,039,738	\$ -	\$ 12,933,963	\$ -	\$ -	\$ -	\$ -
12	PURCHASED AND INTERCHANGED	868,898,930		(93,428,664)				
13	WHEELING	43,994,427		9,913,466				
14	RESIDENTIAL EXCHANGE	(177,350,021)		177,350,021				
15	TOTAL PRODUCTION EXPENSES	\$ 750,583,114	\$ -	\$ 106,768,787	\$ -	\$ -	\$ -	\$ -
16								
17	OTHER POWER SUPPLY EXPENSES	\$ 53,185,137	\$ -	\$ 9,852,208	\$ -	\$ -	\$ -	\$ -
18	TRANSMISSION EXPENSE	3,786,749		257,787				
19	DISTRIBUTION EXPENSE	56,397,075						
20	CUSTOMER ACCTS EXPENSES	32,311,231	54,690	1,350,782				1,606,696
21	CUSTOMER SERVICE EXPENSES	9,266,102						
22	CONSERVATION AMORTIZATION	18,233,848					(18,233,848)	
23	ADMIN & GENERAL EXPENSE	64,934,552	22,724	577,881				
24	DEPRECIATION	129,900,133						
25	AMORTIZATION	24,582,030						
26	AMORTIZ OF PROPERTY GAIN/LOSS	7,937,131						
27	OTHER OPERATING EXPENSES	(2,317,679)						
28	FAS 133	911,373						
29	TAXES OTHER THAN INCOME TAXES	140,165,789	461,095	(34,215,282)				
30	INCOME TAXES	101,303,182	3,997,542	117,738,084	(21,216,124)	1,104,187	6,381,847	(562,344)
31	DEFERRED INCOME TAXES	(17,512,885)			17,030,311			
32	TOTAL OPERATING REV. DEDUCT.	\$ 1,373,666,892	\$ 4,536,051	\$ 85,491,464	\$ 18,720,596	\$ 1,104,187	\$ (11,852,001)	\$ 1,044,352
33								
34	NET OPERATING INCOME	\$ 231,281,640	\$ 7,424,007	\$ 218,656,441	\$ (4,185,813)	\$ (1,104,187)	\$ 11,852,001	\$ (1,044,352)
35	RATE BASE	\$ 2,513,582,619					\$ (28,822)	
36								
37	RATE OF RETURN	9.20%						
38								
39								
40	RATE BASE:							
41	GROSS UTILITY PLANT IN SERVICE	\$ 4,571,527,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	ACCUM DEPR AND AMORT	(1,971,832,341)						
43	DEFERRED DEBITS	353,317,604						(28,822)
44	DEFERRED TAXES	(387,242,755)						
45	ALLOWANCE FOR WORKING CAPITAL							
46	OTHER	(52,187,190)						
47	TOTAL RATE BASE	\$ 2,513,582,619	\$ -	\$ -	\$ -	\$ -	\$ (28,822)	\$ (28,822)



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

LINE NO.	(Uncontested) MISCELLANEOUS OPERATING EXP. E.08	(Uncontested) PROPERTY TAXES E.09	(Uncontested) HOPKINS RIDGE WIND PLANT E.10	(Uncontested) EXCISE TAX & FILING FEE E.11	(Uncontested) D&O INSURANCE E.12	(Uncontested) MONTANA ELECTRIC ENERGY TAX E.13	(Uncontested) INTEREST ON CUST DEPOSITS E.14	(Uncontested) SFAS 133 E.15	(Uncontested) RATE CASE EXPENSES E.16
1									
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3									
4									
5									
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7									
8									
9									
10									
11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12									
13			1,653,530						
14									
15	\$ -	\$ -	1,653,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16									
17									
18			4,729,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	983,429								
20							227,184		
21									
22									
23			195,041	45,737	(483,481)				(524,180)
24	87,231		7,099,187						
25	592,355								
26									
27	2,057,240								
28								(911,373)	
29	745,360	(589,513)	768,326	545,515		(13,165)			
30	(1,562,963)	206,330	(5,055,779)	(206,938)	169,918	4,608			183,463
31								318,981	
32	\$ 2,902,650	\$ (383,183)	\$ 9,389,205	\$ 384,314	\$ (315,563)	\$ (8,557)	\$ 227,184	\$ (592,392)	\$ (340,717)
33									
34	\$ (2,902,650)	\$ 383,183	\$ (9,389,205)	\$ (384,314)	\$ 315,563	\$ 8,557	\$ (227,184)	\$ 592,392	\$ 340,717
35									
36	\$ 29,572,082		\$ 147,154,987						
37									
38									
39									
40									
41	\$ 30,069,859	\$ -	\$ 177,479,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	(697,777)		(13,226,558)						
43			8,742,500						
44			(25,840,833)						
45									
46	\$ 29,572,082	\$ -	\$ 147,154,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

LINE NO.	(Uncontested) PROPERTY SALES E.17	(Uncontested) DEFERRED G/L ON PROPERTY SALES E.17	(Uncontested) LIABILITY INS E.18	(Uncontested) PENSION PLAN E.19	(Uncontested) WAGE INCREASE E.2	(Uncontested) INVESTMENT PLAN E.21	(Uncontested) EMPLOYEE INSURANCE E.22	(Uncontested) MONTANA CORP. TAX E.23	(Uncontested) STORM DAMAGE E.24	(Uncontested) REGULATORY ASSETS & LIABILITIES E.25
1	OPERATING REVENUES									
2	SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	SALES FROM RESALE-FIRM									
4	SALES TO OTHER UTILITIES									
5	OTHER OPERATING REVENUES									
6	TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	OPERATING REVENUE DEDUCTIONS:									
8	POWER COSTS:									
10	FUEL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(2,783,753)
12	PURCHASED AND INTERCHANGED				101,827					7,226,000
13	WHEELING									
14	RESIDENTIAL EXCHANGE									
15	TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ 101,827	\$ -	\$ -	\$ -	\$ -	\$ 4,442,247
16	OTHER POWER SUPPLY EXPENSES									
17	TRANSMISSION EXPENSE	\$ -	\$ -	\$ -	\$ 475,978	\$ -	\$ -	\$ -	\$ -	\$ -
18	DISTRIBUTION EXPENSE				61,416				70,367	
19	CUSTOMER ACCTS EXPENSES				1,315,409				3,400,410	
20	CUSTOMER SERVICE EXPENSES				743,838					
21	CONSERVATION AMORTIZATION				96,650					
22	ADMIN & GENERAL EXPENSE				846,988	152,948	1,030,188			
23	DEPRECIATION									
24	AMORTIZATION									
25	AMORTIZ OF PROPERTY GAIN/LOSS									
26	OTHER OPERATING EXPENSES									
27	FAS 133	27,921							(3,166,751)	
28	TAXES OTHER THAN INCOME TAXES									
29	INCOME TAXES	(9,772)	(155,526)	(1,381,568)	(1,352,641)	(53,532)	(360,566)	167,307	(106,409)	(1,554,786)
30	DEFERRED INCOME TAXES									
31	TOTAL OPERATING REV. DEDUCT.	\$ 18,149	\$ 288,833	\$ 2,565,770	\$ 2,512,047	\$ 99,416	\$ 669,622	\$ 167,307	\$ 197,617	\$ 2,887,461
32	NET OPERATING INCOME	\$ (18,149)	\$ (288,833)	\$ (2,565,770)	\$ (2,512,047)	\$ (99,416)	\$ (669,622)	\$ (167,307)	\$ (197,617)	\$ (2,887,461)
33	RATE BASE									\$ (54,943,645)
34	RATE OF RETURN									
35	RATE BASE:									
36	GROSS UTILITY PLANT IN SERVICE									
37	ACCUM DEPR AND AMORT									
38	DEFERRED DEBITS									
39	DEFERRED TAXES									
40	ALLOWANCE FOR WORKING CAPITAL									
41	OTHER									
42	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (54,943,645)

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

LINE NO.	(Uncontested) WIND HORSE WIND PLANT E.26	(Uncontested) INCENTIVE PAY E.27	(Uncontested) GENERAL OFFICE RELOCATION E.28	(Uncontested) OTHER AMORTIZATION E.29	(Uncontested) DEMAND RESPONSE PROGRAM E.4.30	(Uncontested) DEPRECIATION E.31	(Uncontested) PRODUCTION ADJUSTMENT E.32	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES							\$ 315,071,415	\$ 1,712,611,351
2	SALES TO CUSTOMERS							127,722	478,623
3	SALES FROM RESALE-FIRM							(142,929,914)	8,228,414
4	SALES TO OTHER UTILITIES							(19,665,307)	35,234,060
5	OTHER OPERATING REVENUES							152,603,916	1,757,552,448
6	TOTAL OPERATING REVENUES								
7	OPERATING REVENUE DEDUCTIONS:								
8	POWER COSTS:								
9	FUEL							10,156,621	85,196,379
10	PURCHASED AND INTERCHANGED							(86,389,683)	722,599,267
11	WHEELING							(4,150,625)	58,145,052
12	RESIDENTIAL EXCHANGE	2,621,721	(39,976)					177,350,021	
13	TOTAL PRODUCTION EXPENSES							115,267,584	865,850,698
14	OTHER POWER SUPPLY EXPENSES							24,728,796	77,913,933
15	TRANSMISSION EXPENSE							369,363	4,156,112
16	DISTRIBUTION EXPENSE							5,396,061	61,793,136
17	CUSTOMER ACCTS EXPENSES							3,856,520	36,167,751
18	CUSTOMER SERVICE EXPENSES							(7,727,470)	1,538,632
19	CONSERVATION AMORTIZATION							(18,233,848)	73,874,882
20	ADMIN & GENERAL EXPENSE	264,209	(316,322)					8,940,330	151,388,654
21	DEPRECIATION	15,066,967	(228,850)					21,488,531	25,147,391
22	AMORTIZ OF PROPERTY GAIN/LOSS							365,341	4,757,062
23	OTHER OPERATING EXPENSES							(3,180,069)	(232,518)
24	FAS 133							(911,373)	
25	TAXES OTHER THAN INCOME TAXES	2,457,440	(9,422)					(29,864,137)	110,301,652
26	INCOME TAXES	(10,616,092)	(371,635)					(9,785,068)	91,518,114
27	DEFERRED INCOME TAXES							17,349,292	(163,593)
28	TOTAL OPERATING REV. DEDUCT.							130,345,012	1,504,011,904
29	NET OPERATING INCOME							22,258,904	253,540,544
30	RATE BASE							463,733,574	2,977,316,193
31	RATE OF RETURN								8.52%
32	RATE BASE:							567,925,997	5,139,453,298
33	GROSS UTILITY PLANT IN SERVICE							(13,085,187)	(1,984,917,528)
34	ACCUM DEPR AND AMORT							(48,376,550)	304,941,054
35	DEFERRED DEBITS							(42,730,686)	(429,973,441)
36	DEFERRED TAXES								(52,187,190)
37	ALLOWANCE FOR WORKING CAPITAL							463,733,574	2,977,316,193
38	OTHER								
39	TOTAL RATE BASE							463,733,574	2,977,316,193

**PUGET SOUND ENERGY-ELECTRIC**  
**E.03 - POWER COSTS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1 SALES FOR RESALE	\$ 151,158,328	<del>82,238,114</del>	\$ (142,929,914)
2			
3 PURCHASES/SALES OF NON-CORE GAS	20,154,644	547,386	(19,607,258)
4 WHEELING FOR OTHERS	11,340,015	10,373,140	(966,875)
5	31,494,659	10,920,526	(20,574,133)
6			
7 TOTAL OPERATING REVENUES	182,652,987	19,148,940	(163,504,047)
8			
9 FUEL	\$ 72,975,508	<del>85,909,471</del>	\$ 12,933,963
10			
11 PURCHASED AND INTERCHANGED	788,255,330	<del>706,635,940</del>	(81,621,390)
12 RATE DISALLOWANCES FOR MARCH POINT 2 AND TENASKA	-	<del>(11,807,274)</del>	(11,807,274)
13 SUBTOTAL PURCHASED AND INTERCHANGED	\$ 788,255,330	\$ 694,828,666	\$ (93,428,664)
14 WHEELING	43,994,427	<del>53,907,894</del>	9,913,466
15 SCH. 94 - RES./FARM CREDIT	(177,350,021)	-	177,350,021
16 TOTAL PRODUCTION EXPENSES	\$ 727,875,244	\$ 834,644,031	\$ 106,768,787
17 HYDRO AND OTHER POWER	53,185,137	<del>63,157,548</del>	9,852,208
18 TRANS. EXP. INCL. 500KV O&M	604,461	862,248	257,787
19			
20 TOTAL OPERATING EXPENSES	\$ 781,664,842	\$ 898,543,624	\$ 116,878,782
21			
22 INCREASE (DECREASE) OPERATING INCOME (LINE 7 - LINE 20)	\$ (599,011,855)	\$ (879,394,684)	\$ (280,382,829)
23			
24 REDUCTION TO STATE UTILITY TAX SAVINGS FOR LINE 4	3.85%		(37,225)
25 INCREASE (DECREASE) INCOME			\$ (280,345,604)
26 INCREASE (DECREASE) FIT @	35%		(98,120,961)
27 INCREASE (DECREASE) NOI			<u>\$ (182,224,643)</u>

**PUGET SOUND ENERGY**  
**GENERAL RATE CASE**  
**DETERMINATION OF NET POWER COSTS FOR GRC PAGE 4.0:**  
**TEST YEAR ENDED SEPTEMBER 30, 2001**  
**RATE YEAR ENDED DECEMBER 31, 2001**

Line FERC	Description	Rate Year 12/31/2007	Less Hopkins Ridge	Less Wild Horse	Less Amt of Reg Assets	Remove Ben&Tax	Net Before Prod Factor	After Prod Factor of 0.99109
1	Fuel:							
2	501 Steam Fuel	\$ 52,239,184			\$	\$	\$ 52,239,184	\$ 51,773,733
3	547 Fuel	33,723,119			719,503	-	34,442,622	34,135,738
4		85,962,303			719,503	-	86,681,806	85,909,471
5	Purchased and Interchanged							
6	555 Purchased Power	733,833,000			(27,869,620)	-	705,963,380	699,673,246
6a	555 Tenaska Buyout Disallowance	(8,322,633)					(8,322,633)	(8,248,478)
6a	555 Tenaska Prudence Disallowance	(2,519,097)					(2,519,097)	(2,496,652)
6a	555 March Point 2 Prudence Disallowance	(1,071,693)					(1,071,693)	(1,062,144)
7	557 Other Power Expense	7,699,594				(676,323)	7,023,271	6,960,694
8		729,619,171			(27,869,620)	(676,323)	701,073,228	694,826,666
9								
10	565 Wheeling	58,667,782			(1,653,530)	-	54,382,531	53,907,893
11								
12	various Hydro and Other Power	80,386,904	(4,729,000)	(9,921,354)		(2,132,493)	63,604,057	63,037,345
13								
14	various Trans. Exp. Incl. 500Kv O&M	870,000					870,000	862,248
15	447 Sales for Resale	(8,302,389)					(8,302,389)	(8,228,414)
16	456 Purchases/Sales Of Non-Care Gas	(552,307)					(552,307)	(547,386)
17		(7,984,695)					(7,984,695)	(7,913,552)
18								
19	Net Power Costs	\$946,651,465	-\$4,729,000	-\$12,543,075	-\$28,803,647	-\$2,808,816	\$897,766,927	\$889,767,824
20	various Variable Transmission Income	(10,466,396)					(10,466,396)	(10,373,140)
21								
22	Power Costs Page 4.03 Line 21	\$ 936,185,070	\$ (4,729,000)	\$ (12,543,075)	\$ (28,803,647)	\$ (2,808,816)	\$ 887,300,532	\$ 879,394,684

*includes agreed upon charges of  
 of 9/15/06*

**PUGET SOUND ENERGY-ELECTRIC  
E.08 - MISCELLANEOUS OPERATING EXPENSE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1 <u>OPERATING EXPENSES</u>			
2 AMORTIZATION OF DEFERRAL PURSUANT TO WUTC DOCKET NO. UE-051527	-	1,834,669	1,834,669
3 RECOVER NORMALIZED CARRYING COSTS RELATED TO LINE 2 ABOVE	-	222,571	222,571
4 MISCELLANEOUS NON- OPERATING	964	-	(964)
5 OREGON BACK TAXES	-	745,360	745,360
6 AMORTIZATION OF BAKER LAKE RELICENSING	-	593,319	593,319
7 TREE WATCH	1,016,571	2,000,000	983,429
8 NYSE PSE COMMON STOCK FEES	55,825	55,825	-
9 CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT - DEP EXP		87,231	87,231
10			
11 INCREASE (DECREASE) IN EXPENSE	\$ 1,073,360	\$ 5,538,975	\$ 4,465,615
12			
13 INCREASE(DECREASE) OPERATING EXPENSE			4,465,615
14 INCREASE(DECREASE) FIT @		35%	(1,562,965)
15			
16 INCREASE(DECREASE) NOI			<u>\$ (2,902,650)</u>
17			
18 <u>RATEBASE</u>			
19 CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT	-	3,370,522	3,370,522
20 CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT - ACC DEP	-	(52,788)	(52,788)
21 BAKER LAKE RELICENSING GROSS UTILITY PLANT	-	26,699,337	26,699,337
22 BAKER LAKE RELICENSING ACCUMULATED AMORTIZATION (AMA)	-	(444,989)	(444,989)
23			
24 TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 29,572,082</u>

**COMPARISON BETWEEN PSE AND STAFF DIRECT CASES (as revised, after 9/15 settlement)**

(Shading indicates contested adjustments)

**GAS**

Adj. No.	Adjustment	PSE			STAFF			Rev. Req. Difference
		NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement	
1	Per Books	\$72,496,462	\$1,179,240,567	\$49,557,588	\$72,496,462	\$1,179,240,567	\$32,293,940	(\$17,263,649)
2	Rev. & Exp., Temp. Normalizer	\$ 13,696,529		(\$22,034,303)	\$ 13,696,529		(\$22,034,303)	\$0
3	Federal Income Tax	490,787		(789,554)	490,787		(\$789,554)	(\$0)
4	Tax Benefit of Pro Forma Interest	(7,280,941)		11,713,220	(6,778,498)		\$10,904,914	(\$808,306)
5	Conservation	2,426,926		(3,904,319)	2,426,926		(\$3,904,320)	(\$1)
6	Bad Debts	(236,343)		380,217	(236,343)		\$380,217	\$0
7	Remove Penalties	348		(560)	348		(\$560)	\$0
8	Amort. Of Def. Taxes Reg. Asset	(923,574)		1,485,800	(923,574)		\$1,485,800	\$0
9	Depreciation on CWIP In-Service	(55,461)		89,222	(55,461)		\$89,222	(\$0)
10	Rate Base Adj. CWIP In-Service		2,857,353			2,857,353		(\$41,831)
11	Property Taxes	469,425		402,677	469,425		\$360,846	(\$1)
12	Excise Tax & Filing Fee	389,325		(626,327)	389,325		(\$626,327)	(\$0)
13	Rate Case Expenses	(78,781)		126,739	(78,781)		\$126,739	\$0
14	Property & Liability Ins	123,942		(199,392)	123,942		(\$199,392)	\$0
15	Pension Plan	(1,603,511)		2,579,650	(1,603,511)		\$2,579,650	\$0
16	Wage Increase	(1,460,754)		2,349,989	(1,460,754)		\$2,349,989	\$0
17	Investment Plan	(62,124)		99,943	(62,124)		\$99,943	\$0
18	Employee Insurance	(418,486)		673,240	(418,486)		\$673,240	\$0
19	Incentive Pay	431,333		(693,907)	431,333		(\$693,907)	\$0
20	Interest On Cust. Deposits	(131,750)		211,953	(131,750)		\$211,953	\$0
21	Prop. Sales Def. Gains/Losses	456,881		(735,008)	456,881		(\$735,007)	\$1
22	General Office Relocation	(914,888)		1,225,744	(914,887)		\$1,251,306	\$25,562
23	Low Income Amortization	1,361,790		(2,190,781)	1,361,790		(\$2,190,781)	(\$0)
25	Everett Delta Pipeline Expansion	48,303		(77,707)	48,303		(\$77,707)	\$326,805
26	Spirit Ridge Adjustment			0			\$0	\$0
27	Working Capital			0			\$0	\$0
28	Total	\$79,216,493	\$1,180,351,743	\$38,905,327	\$79,737,140	\$1,180,351,743	\$20,785,319	(\$18,717,508)
29	Depreciation Tracker Impact			10,884,680				(\$10,884,680)
30	Total Increase			\$49,788,007				(\$23,002,189)
31	Rate of Return							7.85%
32	Conversion Factor							0.6216003

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

LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE	
1	OPERATING REVENUES:					
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ 114,085,076	\$ 943,356,872	\$ 20,785,819	\$ 964,142,691
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)	-	-	17,355,741
4	OTHER OPERATING REVENUES	15,438,897	1,916,844	17,355,741	-	-
5	TOTAL OPERATING REVENUES	\$ 879,440,289	\$ 81,272,324	\$ 960,712,613	\$ 20,785,819	\$ 981,498,432
6						
7						
8	OPERATING REVENUE DEDUCTIONS					
9						
10	GAS COSTS:					
11						
12	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
13						
14	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
15						
16	OTHER POWER SUPPLY EXPENSES	\$ 1,520,542	\$ 35,258	\$ 1,555,800	\$ -	\$ 1,555,800
17	TRANSMISSION EXPENSE	445,738	8,410	454,148	-	454,148
18	DISTRIBUTION EXPENSE	33,307,919	770,419	34,078,338	-	34,078,338
19	CUSTOMER ACCOUNT EXPENSES	22,239,694	1,114,334	23,354,028	70,731	23,424,759
20	CUSTOMER SERVICE EXPENSES	3,914,552	(2,051,045)	1,863,509	-	1,863,509
21	CONSERVATION AMORTIZATION	3,454,161	(3,733,733)	(279,572)	-	(279,572)
22	ADMIN & GENERAL EXPENSE	36,522,434	4,795,866	41,318,300	39,493	41,357,793
23	DEPRECIATION	64,997,955	(41,961)	64,955,994	-	64,955,994
24	AMORTIZATION OF PROPERTY LOSS	11,302,712	0	11,302,712	-	11,302,712
25	OTHER OPERATING EXPENSES	3,287	0	3,287	-	3,287
26		150,234	717,990	868,224	-	868,224
27	FAS 133	0	0	0	-	0
28	TAXES OTHER THAN INCOME TAXES	83,922,287	(32,836,534)	51,085,753	797,945	51,883,698
29	INCOME TAXES	9,529,694	1,439,838	10,969,532	6,957,177	17,926,709
30	DEFERRED INCOME TAXES	(4,023,283)	12,203,333	8,180,050	-	8,180,050
31	TOTAL OPERATING REV. DEDUCT.	\$ 267,287,926	\$ (17,567,825)	\$ 249,720,101	\$ 7,865,347	\$ 257,585,448
32						
33	NET OPERATING INCOME	\$ 72,496,462	\$ 7,240,679	\$ 79,737,141	\$ 12,920,472	\$ 92,657,613
34						
35	RATE BASE	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743
36						
37	RATE OF RETURN	6.15%		6.76%		7.85%
38						
39	RATE BASE:					
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ (901,242)	\$ 2,006,446,375		
41	ACCUMULATED DEPRECIATION	(650,335,811)	1,503,898	(648,831,913)		
42	ACCUMULATED DEFERRED FIT - LIBERALIZEI	(174,512,354)	508,520	(174,003,834)		
43	OTHER	(14,234,907)	-	(14,234,907)		
44	TOTAL NET INVESTMENT	\$ 1,168,264,545	\$ 1,111,176	\$ 1,169,375,721		
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022	-	10,976,022		
46	TOTAL RATE BASE	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743		



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.	(Uncontested) OPERATIONS 12ME Sept. 30, 2005	(Uncontested) REVENUE & EXPENSES G.01	(Uncontested) FEDERAL INCOME TAX G.02	(Uncontested) TAX BENEFIT OF PRO FORMA INTEREST G.03	(Uncontested) CONSERVATION G.04	(Uncontested) BAD DEBTS G.05	(Uncontested) MISCELLANEOUS OPERATING EXPENSE G.06	(Uncontested) PROPERTY TAXES G.07
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ 114,333,290	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)					
4	OTHER OPERATING REVENUE	15,438,897	1,916,844					
5	TOTAL OPERATING REVENUE	\$ 879,440,289	\$ 81,510,538	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	OPERATING REVENUE DEDUCTIONS							
8								
9								
10	GAS COSTS:							
11	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$ -	\$ -	\$ -	\$ -	\$ -
12								
13	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ 91,599,470	\$ -	\$ -	\$ -	\$ -	\$ -
14								
15	OTHER ENERGY SUPPLY EXPENSES	\$ 1,520,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	TRANSMISSION EXPENSE	448,738						
17	DISTRIBUTION EXPENSE	33,307,919						
18	CUSTOMER ACCTS EXPENSES	22,239,694				363,605		
19	CUSTOMER SERVICE EXPENSES	3,914,552	277,369					
20	CONSERVATION AMORTIZATION	3,454,161			(3,733,733)			
21	ADMIN & GENERAL EXPENSE	36,522,434	154,870				(536)	
22	DEPRECIATION	64,997,955					85,324	
23	AMORTIZATION	11,302,712					1,420,883	
24	AMORTIZATION OF PROPERTY LOSS	150,234						
25	OTHER OPERATING EXPENSES							
26	PAS 133							
27	TAXES OTHER THAN INCOME TAXES	83,922,287	(91,693,754)					(722,193)
28	INCOME TAXES	9,529,694	7,475,054	(12,694,120)	1,306,807	(127,262)	(526,985)	252,768
29	DEFERRED INCOME TAXES	(4,023,283)	12,203,333					
30	TOTAL OPERATING REV. DEDUCT.	\$ 267,281,926	\$ (23,785,461)	\$ (490,787)	\$ (2,426,926)	\$ 236,343	\$ 978,686	\$ (469,425)
31								
32	NET OPERATING INCOME	\$ 72,496,462	\$ 13,696,529	\$ 490,787	\$ 2,426,926	\$ (236,343)	\$ (978,686)	\$ 469,425
33								
34	RATE BASE	\$ 1,179,240,567						
35								
36	RATE OF RETURN	6.15%						
37								
38	RATE BASE							
39	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ -	\$ -	\$ -	\$ -	\$ 2,912,989	\$ -
40	ACCUMULATED DEPRECIATION	(650,335,811)					(55,636)	
41	ACCUMULATED DEFERRED FIT - LIBERALIZED	(174,512,560)						
42	OTHER	(14,234,907)						
43	TOTAL NET INVESTMENT	\$ 1,168,264,349	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -
44	ALLOWANCE FOR WORKING CAPITAL	10,976,022						
45	TOTAL RATE BASE	\$ 1,179,240,567	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -
46								

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

LINE NO.	(Uncontested) EXCISE TAX & FILING FEE G.08	(Uncontested) RATE CASE EXPENSES G.09	(Uncontested) PROPERTY & LIABILITY INS G.10	(Uncontested) PENSION PLAN G.11	(Uncontested) WAGE INCREASE G.12	(Uncontested) INVESTMENT PLAN G.13	(Uncontested) EMPLOYEE INSURANCE G.14	(Uncontested) INCENTIVE PAY G.15
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS							
4	OTHER OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	OPERATING REVENUE DEDUCTIONS:							
8								
9								
10	GAS COSTS:							
11	PURCHASED GAS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12								
13	TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14								
15	OTHER ENERGY SUPPLY EXPENSES	\$ -	\$ -	\$ -	\$ 52,231	\$ -	\$ -	\$ (16,973)
16	TRANSMISSION EXPENSE	\$ -	\$ -	\$ -	\$ 11,946	\$ -	\$ -	\$ (3,536)
17	DISTRIBUTION EXPENSE	\$ -	\$ -	\$ -	\$ 1,067,461	\$ -	\$ -	\$ (297,042)
18	CUSTOMER ACCTS EXPENSES	\$ -	\$ -	\$ -	\$ 448,267	\$ -	\$ -	\$ (196,657)
19	CUSTOMER SERVICE EXPENSES	\$ -	\$ -	\$ -	\$ 65,719	\$ -	\$ -	\$ (21,700)
20	CONSERVATION AMORTIZATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	ADMIN & GENERAL EXPENSE	\$ (1,544)	\$ 121,202	\$ (190,680)	\$ 467,438	\$ 95,575	\$ 643,825	\$ (174,502)
22	DEPRECIATION							
23	AMORTIZATION							
24	AMORTIZATION OF PROPERTY LOSS							
25	OTHER OPERATING EXPENSES							
26								
27	FAS 133							
28	TAXES OTHER THAN INCOME TAXES	\$ (597,418)			\$ 134,252			\$ (43,180)
29	INCOME TAXES	\$ 209,637	\$ (42,421)	\$ 66,738	\$ (786,560)	\$ (33,451)	\$ (225,539)	\$ 232,287
30	DEFERRED INCOME TAXES							
31	TOTAL OPERATING REV. DEDUCT.	\$ (389,325)	\$ 78,781	\$ (123,942)	\$ 1,460,754	\$ 62,124	\$ 418,486	\$ (431,333)
32	NET OPERATING INCOME	\$ 389,325	\$ (78,781)	\$ 123,942	\$ (1,460,754)	\$ (62,124)	\$ (418,486)	\$ 431,333
33	RATE BASE							
34								
35	RATE OF RETURN							
36								
37								
38	RATE BASE:							
39	UTILITY PLANT IN SERVICE							
40	ACCUMULATED DEPRECIATION							
41	ACCUMULATED DEFERRED FIT - LIBERALIZED							
42	OTHER							
43	TOTAL NET INVESTMENT							
44	ALLOWANCE FOR WORKING CAPITAL							
45	TOTAL RATE BASE							
46								

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

LINE NO.	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)	(Uncontested)
	INTEREST ON	DEFERRED GAINS/	GENERAL OFFICE	LOW INCOME	D&O	EVERETT	SPIRIT RIDGE	TOTAL	ADJUSTED	ADJUSTMENTS	RESULTS OF	OPERATIONS
	G.16	G.17	G.18	G.19	G.20	G.21	G.22					
1												
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**ATTACHMENT B**

**FUGET SOUND ENERGY-ELECTRIC**  
**RESULTS OF OPERATIONS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	ACTUAL RESULTS OF OPERATION	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE
1	OPERATING REVENUES:				
2	SALES TO CUSTOMERS	\$ 1,397,539,956	\$ 315,071,416	\$ 1,712,611,352	\$ 1,746,083,583
3	SALES FROM RESALE-FIRM	350,901	127,722	478,623	478,623
4	SALES TO OTHER UTILITIES	151,158,328	(142,081,018)	9,077,310	9,077,310
5	OTHER OPERATING REVENUES	55,899,367	(49,712,724)	6,186,643	56,186,643
6	TOTAL OPERATING REVENUES	1,604,948,552	153,465,396	1,758,413,928	1,791,826,159
7				33,472,231	
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	POWER COSTS:				
11	FUEL	\$ 75,039,758	\$ 11,799,730	\$ 86,839,488	\$ 86,839,488
12	PURCHASED AND INTERCHANGED	808,998,950	(68,778,949)	740,220,001	740,120,001
13	WHEELING	43,994,427	14,150,625	58,145,052	58,145,052
14	RESIDENTIAL EXCHANGE	(177,350,021)	177,350,021	-	-
15	TOTAL PRODUCTION EXPENSES	750,583,114	134,521,427	885,104,541	885,104,541
16					
17	OTHER POWER SUPPLY EXPENSES	\$ 53,185,137	\$ 24,567,467	\$ 77,752,604	\$ 77,752,604
18	TRANSMISSION EXPENSE	3,786,749	369,362	4,156,111	4,156,111
19	DISTRIBUTION EXPENSE	56,397,075	5,396,061	61,793,136	61,793,136
20	CUSTOMER ACCOUNT EXPENSES	323,112,231	3,856,520	326,968,751	326,968,751
21	CUSTOMER SERVICE EXPENSES	9,266,102	(7,227,470)	2,038,632	1,538,632
22	CONSERVATION AMORTIZATION	18,233,848	(18,233,848)	-	-
23	ADMIN & GENERAL EXPENSE	64,934,552	9,445,296	74,379,848	74,443,445
24	DEPRECIATION	129,900,123	21,488,530	151,388,653	151,388,653
25	AMORTIZATION	24,582,030	566,304	25,148,334	25,148,334
26	AMORTIZ OF PROPERTY GAINLOSS	7,937,131	(3,180,069)	4,757,062	4,757,062
27	OTHER OPERATING EXPENSES	(2,317,679)	2,085,161	(232,518)	(232,518)
28	FAS 133	911,373	(911,373)	-	-
29	TAXES OTHER THAN INCOME TAXES	140,165,789	(29,864,137)	110,301,652	111,592,104
30	INCOME TAXES	101,305,182	(15,077,054)	86,228,128	97,413,920
31	DEFERRED INCOME TAXES	(17,512,865)	17,349,292	(163,593)	(163,593)
32	TOTAL OPERATING REV. DEDUCT.	1,373,665,892	144,651,470	1,518,318,362	1,531,013,261
33					
34	NET OPERATING INCOME	\$ 231,281,640	\$ 8,753,927	\$ 240,035,567	\$ 260,812,898
35					
36	RATE BASE	\$ 2,513,582,619	\$ 463,733,574	\$ 2,977,316,193	\$ 2,977,316,193
37					
38	RATE OF RETURN	9.20%	8.06%		8.76%
39					
40	RATE BASE:				
41	GROSS UTILITY PLANT IN SERVICE	\$ 4,571,527,301	\$ 567,925,996	\$ 5,139,453,298	
42	ACCUM DEPR AND AMORT	(1,971,832,341)	(13,085,187)	(1,984,917,528)	
43	DEFERRED DEBITS	353,317,604	(68,376,550)	284,941,054	
44	DEFERRED TAXES	(387,242,755)	(42,730,686)	(429,973,441)	
45	ALLOWANCE FOR WORKING CAPITAL	-	-	-	
46	OTHER	(52,187,190)	(52,187,190)	-	
47	TOTAL RATE BASE	\$ 2,513,582,619	\$ 463,733,574	\$ 2,977,316,193	
48					
49					



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

LINE NO.	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED
	MISCELLANEOUS OPERATING EXPENSE	PROPERTY TAXES	HOPKINS RIDGE WIND PLANT	EXCISE TAX & FILING FEE	D&O INSURANCE	MONTANA ELECTRIC ENERGY TAX	INTEREST ON CUST DEPOSITS	SPAS 133	RATE CASE EXPENSES				
	20.08	20.09	20.10	20.11	20.12	20.13	20.14	20.15	20.16				
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PUGET SOUND ENERGY-ELECTRIC  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
RESTATEING AND PRO FORMA ADJUSTMENTS

LINE NO.	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED
	DEFERRED G/L ON	PROPERTY & LIABILITY INS	PENSION PLAN	WAGE INCREASE	INVESTMENT PLAN	EMPLOYEE INSURANCE	MONTANA CORP LICENSE TAX	STORM DAMAGE	REGULATORY ASSETS					
	20.17	20.18	20.19	20.20	20.21	20.22	20.23	20.24	20.25					
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INCLUDES AGREED UPON CHANGES AS OF  
AS OF 9/15/2006

Docket Numbers UE-060266  
Exhibit No. (JHS-20)

PAGE 20.03

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

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1	SALES FOR RESALE	\$ 151,158,328	\$ 9,077,310	\$ (142,081,018)
2				
3	PURCHASES/SALES OF NON-CORE GAS	20,154,644	499,969	(19,654,675)
4	WHEELING FOR OTHERS	11,340,015	10,373,140	(966,875)
5		31,494,659	10,873,109	(20,621,550)
6				
7	TOTAL OPERATING REVENUES	182,652,987	19,950,419	(162,702,568)
8				
9	FUEL	\$ 72,975,508	\$ 87,552,580	\$ 14,577,072
10				
11	PURCHASED AND INTERCHANGED	788,255,330	724,228,155	(64,027,175)
12	RATE DISALLOWANCES FOR MARCH POINT 2 AND TENASK	-	(11,790,755)	(11,790,755)
13	SUBTOTAL PURCHASED AND INTERCHANGED	\$ 788,255,330	\$ 712,437,400	\$ (75,817,930)
14	WHEELING	43,994,427	53,907,894	9,913,467
15	SCH. 94 - RES./FARM CREDIT	(177,350,021)	-	177,350,021
16	TOTAL PRODUCTION EXPENSES	\$ 727,875,244	\$ 853,897,873	\$ 126,022,629
17	HYDRO AND OTHER POWER	53,185,137	62,876,016	9,690,879
18	TRANS. EXP. INCL. 500KV O&M	604,461	862,248	257,787
19				
20	TOTAL OPERATING EXPENSES	\$ 781,664,842	\$ 917,636,138	\$ 135,971,296
21				
22	INCREASE (DECREASE) OPERATING INCOME (LINE 7 - LINE 20)	\$ (599,011,855)	\$ (897,685,718)	\$ (298,673,863)
23				
24	REDUCTION TO STATE UTILITY TAX SAVINGS FOR LINE 4	3.85%		(37,225)
25	INCREASE (DECREASE) INCOME			\$ (298,636,639)
26	INCREASE (DECREASE) FIT @	35%		(104,522,824)
27	INCREASE (DECREASE) NOI			\$ (194,113,815)

**PUGET SOUND ENERGY  
GENERAL RATE CASE  
DETERMINATION OF NET POWER COSTS FOR GRC PAGE 16.03  
TEST YEAR ENDED SEPTEMBER 30, 2001  
RATE YEAR ENDED DECEMBER 31, 2001**

Line	FERC	Description	Rate Year 12ME 12/31/2007	Less Hopkins Ridge	Less Wild Horse	Less Amort of Reg Assets	Remove Ben&Tax	Net Before Prod Factor	After Prod Factor of 0.99109
1		Fuel:							
2	501	Steam Fuel	\$ 52,243,830				\$ -	\$ 52,243,830	\$ 51,778,337
3	547	Fuel	35,376,354			719,503	-	36,095,857	35,714,243
4			87,620,184			719,503		88,339,687	87,552,580
5		Purchased and Interchanged:							
6	555	Purchased Power	751,585,389			(27,869,620)	-	723,715,769	717,267,461
6a	555	Tenaska Buyout Disallowance	(8,322,633)					(8,322,633)	(8,248,478)
6a	555	Tenaska Prudence Disallowance	(2,507,801)					(2,507,801)	(2,486,466)
6a	555	March Point 2 Prudence Disallowance	(1,066,322)					(1,066,322)	(1,056,821)
7	557	Other Power Expense	7,669,594				(676,323)	7,023,271	6,980,894
8			747,389,227			(27,869,620)	(676,323)	718,842,284	712,437,400
9									
10	555	Wheeling	58,667,782		(2,621,721)	(1,653,530)	-	54,392,531	53,907,894
11									
12	various	Hydro and Other Power	80,224,125	(4,729,000)	(9,921,354)		(2,132,493)	63,441,278	62,876,016
13									
14	various	Trans. Exp. Incl. 500Kv O&M	870,000					870,000	862,248
15	447	Sales for Resale	(9,158,916)					(9,158,916)	(9,077,310)
16	456	Purchases/Sales Of Non-Core Gas	(504,484)					(504,484)	(496,969)
17			(8,783,380)					(8,783,380)	(8,715,031)
18									
19		Net Power Costs	865,106,938	(4,729,000)	(12,543,075)	(28,803,647)	(2,808,816)	916,222,400	908,058,858
20	various	Variable Transmission Income	(10,466,386)					(10,466,386)	(10,373,140)
21									
22		Power Costs Page 16.03 Line 22	\$ 854,640,542	\$ (4,729,000)	\$ (12,543,075)	\$ (28,803,647)	\$ (2,808,816)	\$ 905,756,004	\$ 897,685,719
23									
24									
25									
26									
27		Power Costs Provided by Power Cost Analysis Dept.						\$ 865,106,938	\$ 956,507,835
28		Benefits and Taxes						(2,808,816)	(2,783,769)
29		Variable Transmission Income						(10,466,386)	(10,373,140)
30		New Plants						(17,272,075)	(17,118,180)
31		Amortization of Regulatory Assets						(28,803,647)	(28,547,007)
32		Power Costs Page 16.03 Line 22						\$ 905,756,005	\$ 897,685,719
33									
34		Power Costs Page 16.03 Line 22						\$ 905,756,005	\$ 897,685,719
35		Add Amortization of Regulatory Assets						30,298,349	30,028,391
36		Add Other Costs to 557						5,626,810	5,576,675
37		New Plants						17,272,075	17,118,180
38		Purchased Power						61,851	61,300
39		Other Power Supply						359,376	356,769
40		Less Transmission Income not related to 3 allowed transmission lines						6,561,861	6,503,384
41		Lines 34 - 41 and Power Cost Portion of Line 23a of Exhibit A-1						\$ 985,936,926	\$ 957,330,428
42									

includes agreed upon changes  
as of 9/15/06

INCLUDES AGREED UPON CHANGES AS OF  
AS OF 9/15/2006

Docket Numbers UE-060266  
Exhibit No. (JHS-20)

PAGE 20.16

PUGET SOUND ENERGY-ELECTRIC  
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 @ 9/30/2005	\$ 609,277
4	LESS 2001 GRC AMORTIZATION FROM 10/01/05 - 12/31/06	315,000
5	REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	<u>294,277</u>
6		
7	ANNUAL AMORTIZATION (LINE 5 + 2)	147,139
8	LESS TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	466,695
9	INCREASE (DECREASE) EXPENSE	<u>(319,556)</u> \$ (319,556)
10		
11	2004 GRC EXPENSES BALANCE @ 9/30/05	\$ 868,449
12	LESS 2004 GRC AMORTIZATION FROM 10/01/05-12/31/06	449,198
13	REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	<u>419,251</u>
14		
15	ANNUAL AMORTIZATION (LINE 13 + 2)	209,626
16	LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	209,626
17	INCREASE (DECREASE) EXPENSE	<u>0</u> \$
18		
19		
20	EXPENSES TO BE NORMALIZED:	
21		
22	ESTIMATED GRC EXPENSES TO BE NORMALIZED	<u>\$ 1,960,000</u>
23		
24	ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	980,000
25	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO FERC 928	1,143,911
26	INCREASE (DECREASE) EXPENSE	<u>\$ (163,911)</u>
27		
28		
29	ESTIMATED PCORC EXPENSES TO BE NORMALIZED	<u>\$ 500,000</u>
30		
31	ANNUAL NORMALIZATION (LINE 29 / 2)	250,000
32	LESS TEST YEAR EXPENSE: PCORC DIRECT CHARGES	290,712
33	INCREASE (DECREASE) EXPENSE	<u>\$ (40,712)</u>
34		
35		
36		
37	TOTAL INCREASE (DECREASE) EXPENSE	\$ (524,179)
38		
39	INCREASE(DECREASE) FIT @	35% 183,463
40	INCREASE(DECREASE) NOI	<u>\$ 340,716</u>

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

LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	REVISED OPERATIONS	REVISED ADJUSTED RESULTS OF OPERATIONS	REVISED REVENUE REQUIREMENT DEFICIENCY	REVISED AFTER RATE INCREASE
1	OPERATING REVENUES:					
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ 114,323,290	\$ 943,595,086	\$ 38,063,094	\$ 981,658,180
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)			
4	OTHER OPERATING REVENUES	15,438,897	1,991,156	17,430,053	840,230	18,270,283
5	TOTAL OPERATING REVENUES	\$ 879,440,289	\$ 81,584,850	\$ 961,025,139	\$ 38,903,324	\$ 999,928,463
6						
7	OPERATING REVENUE DEDUCTIONS:					
8						
9						
10	GAS COSTS:					
11						
12	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
13						
14	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
15						
16	OTHER POWER SUPPLY EXPENSES	\$ 1,530,542	\$ 35,258	\$ 1,565,800	\$ -	\$ 1,565,800
17	TRANSMISSION EXPENSE	454,738	8,410	463,148	454,148	454,148
18	DISTRIBUTION EXPENSE	33,307,919	770,419	34,078,338	34,078,338	34,078,338
19	CUSTOMER ACCOUNT EXPENSES	22,239,694	1,114,334	23,354,028	132,382	23,486,410
20	CUSTOMER SERVICE EXPENSES	3,914,552	(2,330,615)	1,583,937		1,583,937
21	CONSERVATION AMORTIZATION	3,454,161	(3,454,161)			
22	ADMIN & GENERAL EXPENSE	36,522,434	5,136,395	41,658,829	73,916	41,732,746
23	DEPRECIATION	64,997,955	(41,961)	64,955,994	64,955,994	64,955,994
24	AMORTIZATION	11,302,712	0	11,302,712	11,302,712	11,302,712
25	AMORTIZATION OF PROPERTY LOSS	3,287	0	3,287	3,287	3,287
26	OTHER OPERATING EXPENSES	150,234	717,990	868,224	868,224	868,224
27	FAS 133		0			
28	TAXES OTHER THAN INCOME TAXES	83,922,287	(32,826,534)	51,095,753	1,493,457	52,589,210
29	INCOME TAXES	9,529,694	1,932,479	11,462,173	13,021,249	24,483,422
30	DEFERRED INCOME TAXES	(4,023,283)	12,203,333	8,180,050		8,180,050
31	TOTAL OPERATING REV. DEDUCT.	\$ 267,287,926	\$ (16,734,653)	\$ 250,553,273	\$ 14,721,004	\$ 265,274,278
32						
33	NET OPERATING INCOME	\$ 72,496,462	\$ 6,720,033	\$ 79,216,495	\$ 24,182,320	\$ 103,398,815
34						
35	RATE BASE	\$ 1,179,240,567	\$ 51,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743
36						
37	RATE OF RETURN	6.15%		6.71%		8.76%
38						
39	RATE BASE:					
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ (901,242)	\$ 2,006,446,375		
41	ACCUMULATED DEPRECIATION	(650,335,811)	1,503,898	(648,831,913)		
42	ACCUMULATED DEFERRED INT - LIBERALIZED	(174,512,354)	508,520	(174,003,834)		
43	OTHER	(14,234,907)	(14,234,907)			
44	TOTAL NET INVESTMENT	\$ 1,168,264,546	\$ 1,111,176	\$ 1,169,375,722		
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022	-	10,976,022		
46	TOTAL RATE BASE	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743		

INCLUDES AGREED UPON CHANGES AS OF 9/15/2006

LINE NO.	PUCKET SOUND ENERGY-GAS STATEMENT OF OPERATING INCOME AND ADJUSTMENTS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006 RESTATING AND PRO FORMA ADJUSTMENTS									
	UNCONTESTED ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2005	UNCONTESTED REVENUE & EXPENSES 12.01	UNCONTESTED FEDERAL INCOME TAX 12.02	UNCONTESTED TAX BENEFIT OF PRO FORMA INTEREST 12.03	UNCONTESTED CONSERVATION 12.04	UNCONTESTED BAD DEBTS 12.05	UNCONTESTED MISCELLANEOUS OPERATING EXPENSE 12.06	UNCONTESTED PROPERTY TAXES 12.07		
1	OPERATING REVENUES									
2	SALES TO CUSTOMERS	\$ 829,271,796	\$	\$	\$	\$	\$	\$	\$	\$
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)							
4	OTHER OPERATING REVENUES	15,438,887	1,916,844							
5	TOTAL OPERATING REVENUES	\$ 879,440,289	\$ 81,510,538	\$	\$	\$	\$	\$	\$	\$
6										
7	OPERATING REVENUE DEDUCTIONS:									
8										
9										
10	GAS COSTS:									
11										
12	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$	\$	\$	\$	\$	\$	\$
13										
14	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ 91,599,470	\$	\$	\$	\$	\$	\$	\$
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							
20	CUSTOMER SERVICE EXPENSES	3,914,552								
21	CONSERVATION AMORTIZATION	3,454,161								
22	ADMIN & GENERAL EXPENSE	36,522,434	154,870							
23	DEPRECIATION	64,997,955								
24	AMORTIZATION OF PROPERTY LOSS	11,302,712								
25	AMORTIZATION OF PROPERTY LOSS	3,287								
26	OTHER OPERATING EXPENSES	150,234								
27	FAS 133									
28	TAXES OTHER THAN INCOME TAXES	83,922,287								
29	INCOME TAXES	9,529,694	7,375,054							
30	DEFERRED INCOME TAXES	(4,023,283)	(12,694,120)							
31	TOTAL OPERATING REV. DEDUCT.	\$ 267,287,926	\$ (23,785,461)	\$ (490,787)	\$ 7,380,941	\$ 1,306,807	\$ (127,262)	\$ 236,343	\$ 978,686	\$ (722,193)
32										
33	NET OPERATING INCOME	\$ 72,496,462	\$ 13,696,529	\$ 490,787	\$ (7,380,941)	\$ 2,426,926	\$ (236,343)	\$ 469,425	\$	\$
34										
35	RATE BASE	\$ 1,179,240,567								
36										
37	RATE OF RETURN	6.15%								
38										
39	RATE BASE:									
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$	\$	\$	\$	\$	\$	\$	\$
41	ACCUMULATED DEPRECIATION	(650,335,811)								
42	ACCUMULATED DEFERRED FIT - LIBERALIZED	(174,512,354)								
43	OTHER	(14,234,907)								
44	TOTAL NET INVESTMENT	\$ 1,168,264,545	\$	\$	\$	\$	\$	\$	\$	\$
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022								
46	TOTAL RATE BASE	\$ 1,179,240,567	\$	\$	\$	\$	\$	\$	\$	\$

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.	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED	UNCONTESTED
	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												
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3												
4												
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9												
10												
11												
12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13												
14												
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16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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REFLECTS AGREED UPON CHANGES  
AS OF 9/15/2006

Docket Numbers UE-060266  
Exhibit No. (KRK-12)  
**PAGE 12.09**

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	431,310	
5	REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	<u>402,567</u>	
6			
7	ANNUAL AMORTIZATION (LINE 5 + 2)	201,284	
8	LESS TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	451,668	
9	INCREASE (DECREASE) EXPENSE	<u>(250,385)</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	192,720	
13	REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	<u>186,606</u>	
14			
15	ANNUAL AMORTIZATION (LINE 13 + 2)	93,303	
16	LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	89,936	
17	INCREASE (DECREASE) EXPENSE	<u>3,367</u>	3,367
18			
19			
20	EXPENSES TO BE NORMALIZED:		
21			
22	ESTIMATED GRC EXPENSES TO BE NORMALIZED	\$ 1,960,000	
23			
24	ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	980,000	
25	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M	611,781	
26			
27	INCREASE (DECREASE) EXPENSE	<u>\$ 368,219</u>	\$ 368,219
28			
29			
30	TOTAL INCREASE (DECREASE) EXPENSE		\$ 121,202
31			
32	INCREASE(DECREASE) FIT @	35%	(42,421)
33	INCREASE(DECREASE) NOI		<u>\$ (78,781)</u>