

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION****Docket Nos. UE-060266 & UG-060267  
Puget Sound Energy, Inc.'s  
2006 General Rate Case****BENCH REQUEST NO. 10****BENCH REQUEST NO. 10:**

The agreement between PSE and Staff on various revenue requirement issues, Exhibit No. 4C, page 1, states that Staff agrees to the Company's adjustment for Everett Delta. On page 11 of Attachment A to the Agreement, however, line 25 shows PSE's NOI adjustment for Everett Delta as \$48,303 and Staff's NOI adjustment for this line item as \$(154,839). Thus, though this page states it was updated as of the date of the Agreement, September 15, 2006, the Company and Staff do not appear to be in agreement. Similarly, on page 15 of attachment A, the NOI effect of the Everett Delta adjustment is shown to be \$(154,839), while on page 13 of attachment B the NOI effect of the Everett Delta adjustment is shown as \$48,303.

Please explain these apparent discrepancies and state the amount of the adjustment to which PSE and Staff have agreed.

**Response:**

The appearance of a discrepancy is the result of the Everett Delta adjustment ("Adj. 12.21") being dependant upon the after-tax rate of return. Because Adj. KRK-12 contains a ratebase component and because Puget Sound Energy, Inc. ("PSE") and Commission Staff ("Staff") are proposing different rates of return, there is an inherent difference in revenue deficiency associated with this adjustment. PSE and Staff have both confirmed this as the sole reason for the revenue deficiency difference of \$326,805 shown on page 11 of Attachment A to the agreement between PSE and Staff on various revenue requirement issues (the "Agreement").

This adjustment cannot be finalized until the Commission rules on the final allowed rate of return, at which time any difference between PSE result and Staff result will be eliminated by virtue of applying the same after-tax rate of return.

Attached as Attachment A to PSE's Response to Bench Request No. 010, please find a document demonstrating that if PSE changes Adjustment 12.21 to include Staff's proposed after-tax rate of return of 6.61%, the impact on net operating income becomes

a decrease of \$154,839, which equals the impact on net operating income reflected by Staff on page 15 of Attachment A to the Agreement.

This response in no way indicates that PSE is in agreement with the after-tax rate of return of 6.61% proposed by Staff.

**ATTACHMENT A TO BENCH REQUEST 10  
PRESENTATION OF KRK-12 ADJUSTMENT 12.21  
USING STAFF PROPOSED AFTER TAX  
RATE OF RETURN OF 6.61%**

Docket Numbers UE-060266  
Exhibit No. (KRK-12)  
**PAGE 12.21**

**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	(238,214)	3,096,572
5	TOTAL OPERATING REVENUES	<u>\$ 3,334,786</u>	<u>\$ (238,214)</u>	<u>\$ 3,096,572</u>
6				
7				
8	OPERATING REVENUE DEDUCTIONS			
9				
10	GAS COSTS:			
11				
12	PURCHASED GAS	\$ -	\$ -	\$ -
13				
14	TOTAL PRODUCTION EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>
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	(83,375)	753,155
30	DEFERRED INCOME TAXES	-	-	-
31	TOTAL OPERATING REV. DEDUCT.	<u>1,781,231</u>	<u>(83,375)</u>	<u>1,697,857</u>
32				
33	NET OPERATING INCOME	<u>\$ 1,553,554</u>	<u>\$ (154,839)</u>	<u>\$ 1,398,716</u>
34				
35	RATE BASE	<u>\$ 21,160,598</u>	<u>\$ 0</u>	<u>\$ 21,160,598</u>
36				
37	RATE OF RETURN	7.34%		6.61%
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 - LIBERALIZEI	(4,357,192)	-	(4,357,192)
43	OTHER	-	-	-
44	TOTAL NET INVESTMENT	<u>21,160,598</u>	<u>-</u>	<u>21,160,598</u>
45	ALLOWANCE FOR WORKING CAPITAL	-	-	-
46	TOTAL RATE BASE	<u>\$ 21,160,598</u>	<u>\$ -</u>	<u>\$ 21,160,598</u>
47				
48	AFTER TAX PROPOSED for RATE of RETURN	6.61%		6.61%
49	OPERATING INCOME REQUIREMENT (Line 46 x Line 48)	<u>\$ 1,398,716</u>	<u>\$ -</u>	<u>\$ 1,398,716</u>
50	NET OPERATING INCOME (Line 33)	1,553,554		1,398,716
51	OPERATING INCOME DEFICIENCY (Line 48 - Line 50)	(154,839)		-
52	CONVERSION FACTOR	65%		65%
53	LEASE REVENUE ADJUSTMENT (Line 50 / Line 51)	<u>\$ (238,214)</u>	<u>\$ -</u>	<u>\$ -</u>