

**EXHIBIT NO. \_\_\_(JHS-16)  
DOCKET NO. UE-072300/UG-072301  
2007 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-072300  
Docket No. UG-072301**

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

**JULY 3, 2008**

**PUGET SOUND ENERGY-ELECTRIC  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007  
GENERAL RATE INCREASE**

| <b>LINE<br/>NO.</b> | <b>DESCRIPTION</b>             |                         |
|---------------------|--------------------------------|-------------------------|
| 1                   | RATE BASE                      | <b>\$ 3,298,173,579</b> |
| 2                   | RATE OF RETURN                 | <b>8.51%</b>            |
| 3                   |                                |                         |
| 4                   | OPERATING INCOME REQUIREMENT   | <b>280,674,572</b>      |
| 5                   |                                |                         |
| 6                   | PRO FORMA OPERATING INCOME     | <b>178,053,576</b>      |
| 7                   | OPERATING INCOME DEFICIENCY    | <b>102,620,995</b>      |
| 8                   |                                |                         |
| 9                   | CONVERSION FACTOR              | <b>0.6213371</b>        |
| 10                  | REVENUE REQUIREMENT DEFICIENCY | <b>165,161,545</b>      |
| 11                  |                                | -                       |
| 12                  | SALES FROM RESALE-FIRM         | <b>\$ 102,391</b>       |
| 13                  | REVENUE REQUIREMENT DEFICIENCY | <b>\$ 165,059,154</b>   |

*(Note) Amounts presented in bold italic type have changed since the April 14, 2008 supplemental filing.*

**PUGET SOUND ENERGY-ELECTRIC  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007  
GENERAL RATE INCREASE**

| LINE<br>NO. | DESCRIPTION                     | PRO FORMA<br>CAPITAL % | COST %              | COST OF<br>CAPITAL  |
|-------------|---------------------------------|------------------------|---------------------|---------------------|
| 1           | DEBT                            | 54.97%                 | <b><i>6.64%</i></b> | <b><i>3.65%</i></b> |
| 2           | PREFERRED                       | 0.03%                  | 8.61%               | 0.00%               |
| 3           | EQUITY                          | 45.00%                 | 10.80%              | 4.86%               |
| 4           | TOTAL                           | 100.00%                |                     | <b><i>8.51%</i></b> |
| 5           |                                 |                        |                     |                     |
| 6           | AFTER TAX DEBT ( LINE 1 * 65%)  | 54.97%                 | <b><i>4.32%</i></b> | <b><i>2.37%</i></b> |
| 7           | PREFERRED                       | 0.03%                  | 8.61%               | 0.00%               |
| 8           | EQUITY                          | 45.00%                 | 10.80%              | 4.86%               |
| 9           | TOTAL AFTER TAX COST OF CAPITAL | 100.00%                |                     | <b><i>7.23%</i></b> |

*(Note) Amounts presented in bold italic type have changed since the April 14, 2008 supplemental filing.*

**PUGET SOUND ENERGY-ELECTRIC  
CONVERSION FACTOR  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007  
GENERAL RATE INCREASE**

| LINE<br>NO. | DESCRIPTION   | RATE  |
|-------------|---|---|
| 1           | BAD DEBTS   | 0.0035024   |
| 2           | ANNUAL FILING FEE   | 0.0020000   |
| 3           | STATE UTILITY TAX ( 3.873% - ( LINE 1 * 3.873% ) )            | 3.873% <u>0.0385944</u>   |
| 4           |   |   |
| 5           | SUM OF TAXES OTHER  | 0.0440968   |
| 6           |   |   |
| 7           | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE 5 ) | 0.9559032   |
| 8           | FEDERAL INCOME TAX ( LINE 7 * 35% )                           | 35% 0.3345661   |
| 9           | CONVERSION FACTOR INCL FEDERAL INCOME TAX ( LINE 7 - LINE 8 ) | <span style="border: 1px solid black; padding: 2px;">0.6213371</span> |