

**Exhibit No. KHB-3  
Dockets UE-090704 and UG-090705  
Witness: Kathryn H. Breda**

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**DOCKET UE-090704**

**DOCKET UG-090705**

**EXHIBIT TO TESTIMONY OF**

**KATHRYN H. BREDA**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Gas Results of Operations and Revenue Requirement*

**November 17, 2009  
Revised December 11, 2009**

Puget Sound Energy - Gas  
 Pro Forma Results of Operations  
 For the Twelve Months Ended December 31, 2008

Line No.	Description	Actual Results of Operations (a)	Total Adjustments (b)	Adjusted Results of Operations (c)=(a)+(b)	Revenue Requirement Deficiency (d)	Achieved Results of Operations (e)
1	Operating Revenues:					
2	Sales to Customers	\$ 1,149,587,391	\$ 61,608,936	\$ 1,211,196,327	\$ 7,926,564	\$ 1,219,122,891
3	Municipal Additions	49,951,006	(49,951,006)	-	-	-
4	Other Operating Revenues	17,329,860	(738,828)	16,591,033	205,780	16,796,813
5	<b>Total Operating Revenues</b>	<b>\$ 1,216,868,256</b>	<b>\$ 10,919,103</b>	<b>\$ 1,227,787,359</b>	<b>\$ 8,132,344</b>	<b>\$ 1,235,919,703</b>
6						
7	Operating Revenue Deductions:					
8	Gas Costs:					
9	Purchased Gas	\$ 737,851,058	\$ 50,189,196	\$ 788,040,254	\$ -	\$ 788,040,254
10	<b>Total Production Expenses</b>	<b>\$ 737,851,058</b>	<b>\$ 50,189,196</b>	<b>\$ 788,040,254</b>	<b>\$ -</b>	<b>\$ 788,040,254</b>
11						
12	Other Energy Supply Expenses	1,873,117	23,880	1,896,997	-	1,896,997
13	Transmission Expense	394,280	4,041	398,321	-	398,321
14	Distribution Expense	51,612,729	552,348	52,165,077	-	52,165,077
15	Customer Accounts Expense	28,177,045	(499,852)	27,677,193	23,039	27,700,232
16	Customer Service Expense	4,829,560	(3,403,137)	1,426,423	-	1,426,423
17	Conservation Amortization	7,669,601	(7,669,601)	0	-	0
18	Administrative & General Expense	44,215,773	1,051,642	45,267,415	16,265	45,283,680
19	Depreciation	82,190,938	6,298,798	88,489,737	-	88,489,737
20	Amortization	15,618,788	0	15,618,788	-	15,618,788
21	Amortization Property Gain/Loss	-	-	-	-	-
22	Other Operating Expense	781,404	(932,759)	(151,355)	-	(151,355)
23	FAS 133	-	-	-	-	-
24	Taxes Other than Income Taxes	108,410,162	(48,920,577)	59,489,585	312,371	59,801,956
25	Income Taxes	(21,984,884)	16,360,244	(5,624,640)	2,723,237	(2,901,403)
26	Deferred Income Taxes	43,878,484	(1,827,805)	42,050,679	-	42,050,679
27	<b>Total Operating Expense</b>	<b>\$ 1,105,518,056</b>	<b>\$ 11,226,419</b>	<b>\$ 1,116,744,475</b>	<b>\$ 3,074,912</b>	<b>\$ 1,119,819,387</b>
28						
29	<b>Net Operating Income:</b>	<b>\$ 111,350,201</b>	<b>\$ (307,316)</b>	<b>\$ 111,042,885</b>	<b>\$ 5,057,432</b>	<b>\$ 116,100,317</b>
30						
31	<b>Rate Base:</b>					
32	Gross Utility Plant In Service	2,496,529,564	4,805,828	2,501,335,392	\$ -	2,501,335,392
33	Accum. Depreciation and Amortization	(837,320,044)	(3,439,575)	(840,759,619)	-	(840,759,619)
34	Deferred Taxes	(208,946,049)	(1,018,707)	(209,964,756)	-	(209,964,756)
35	Other	(27,028,861)	(8,796,188)	(35,825,049)	-	(35,825,049)
36	Total Net Investment	1,423,234,610	(8,448,642)	1,414,785,968	-	1,414,785,968
37	<b>Allowance for Working Capital</b>	<b>\$ 52,980,352</b>	<b>\$ -</b>	<b>\$ 52,980,352</b>	<b>\$ -</b>	<b>\$ 52,980,352</b>
38	Total Rate Base	\$ 1,476,214,962	\$ (8,448,642)	\$ 1,467,766,320	\$ -	\$ 1,467,766,320
39						
40	Rate of Return	7.54%		7.57%		7.91%

Puget Sound Energy - Gas  
 Pro Forma Results of Operations  
 For the Twelve Months Ended December 31, 2008  
 Adjustment Detail (Page 1)

Line No.	Description	Actual Results of Operations (a)	Temperature Normalization Adj. 9.01 (b)	Revenues and Expenses Adj. 9.02 (c)	Net Interest to IRS Adj. 9.03 (d)	Federal Income Tax Adj. 9.04 (e)	Tax Benefit of Pro Forma Interest Adj. 9.05 (f)	Depreciation Study Adj. 9.06 (g)
1	Operating Revenues:							
2	Sales to Customers	\$ 1,149,587,391	\$ (55,696,079)	\$ 76,028,962	\$ -	\$ -	\$ -	\$ -
3	Municipal Additions	49,951,006						
4	Other Operating Revenues	17,329,860		(1,203,189)				
5	<b>Total Operating Revenues</b>	<b>\$ 1,216,868,256</b>	<b>\$ (55,696,079)</b>	<b>\$ 74,825,773</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
6								
7	Operating Revenue Deductions:							
8	Gas Costs:							
9	Purchased Gas	\$ 737,851,058	\$ (39,777,834)	\$ 39,406,641	\$ -	\$ -	\$ -	\$ -
10	<b>Total Production Expenses</b>	<b>\$ 737,851,058</b>	<b>\$ (39,777,834)</b>	<b>\$ 39,406,641</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
11								
12	Other Energy Supply Expenses	1,873,117	-	-	-	-	-	-
13	Transmission Expense	394,280						
14	Distribution Expense	51,612,729						
15	Customer Accounts Expense	28,177,045	(157,787)	211,981				
16	Customer Service Expense	4,829,560						
17	Conservation Amortization	7,669,601						
18	Administrative & General Expense	44,215,773	(111,392)	149,652				
19	Depreciation	82,190,938						6,218,349
20	Amortization	15,618,788						0
21	Amortization Property Gain/Loss	-						
22	Other Operating Expense	781,404						
23	FAS 133	-						
24	Taxes Other than Income Taxes	108,410,162	(2,139,342)	2,874,133				
25	Income Taxes	(21,984,884)	(4,728,403)	11,264,178		1,038,077	8,282,386	
26	Deferred Income Taxes	43,878,484				(1,953,835)		
27	<b>Total Operating Expense</b>	<b>\$ 1,105,518,056</b>	<b>\$ (46,914,758)</b>	<b>\$ 53,906,584</b>	<b>\$ -</b>	<b>\$ (915,758)</b>	<b>\$ 8,282,386</b>	<b>\$ 6,218,349</b>
28								
29	<b>Net Operating Income:</b>	<b>\$ 111,350,201</b>	<b>\$ (8,781,321)</b>	<b>\$ 20,919,189</b>	<b>\$ -</b>	<b>\$ 915,758</b>	<b>\$ (8,282,386)</b>	<b>\$ (6,218,349)</b>
30								
31	<b>Rate Base:</b>							
32	Gross Utility Plant In Service	\$ 2,496,529,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Accum. Depreciation and Amortization	(837,320,044)			(621,138)			(3,109,174)
34	Deferred Taxes	(208,946,049)			(1,822,433)			
35	Other	(27,028,861)			(2,443,571)			(3,109,174)
36	<b>Total Net Investment</b>	<b>\$ 1,423,234,610</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,443,571)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,109,174)</b>
37	Allowance for Working Capital	\$ 52,980,352						
38	<b>Total Rate Base</b>	<b>\$ 1,476,214,962</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,443,571)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,109,174)</b>



Puget Sound Energy - Gas  
 Pro Forma Results of Operations  
 For the Twelve Months Ended December 31, 2008  
 Adjustment Detail (Page 3)

Line No.	Description	Rate Case Expenses Adj. 9,14 (o)	Deferred Gain/Loss on Property Sales Adj. 9,15 (p)	Property & Liability Insurance Adj. 9,16 (q)	Pension Plan Adj. 9,17 (r)	Wage Increase Adj. 9,18 (s)	Investment Plan Adj. 9,19 (t)	Employee Insurance Adj. 9,20 (u)
1	Operating Revenues:							
2	Sales to Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Municipal Additions							
4	Other Operating Revenues							
5	<b>Total Operating Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	Operating Revenue Deductions:							
8	Gas Costs:							
9	Purchased Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	<b>Total Production Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11								
12	Other Energy Supply Expenses	\$ -	\$ -	\$ -	\$ -	\$ 49,226	\$ -	\$ -
13	Transmission Expense					7,637		
14	Distribution Expense					990,184		
15	Customer Accounts Expense					293,660		
16	Customer Service Expense					38,264		
17	Conservation Amortization							
18	Administrative & General Expense	(236,859)		(360,085)	2,277,375	310,175	83,402	643,303
19	Depreciation							
20	Amortization							
21	Amortization Property Gain/Loss							
22	Other Operating Expense		482,172					
23	FAS 133							
24	Taxes Other than Income Taxes	82,901	(168,760)	126,030	(797,081)	115,136	(29,191)	(225,156)
25	Income Taxes					(631,499)		
26	Deferred Income Taxes							
27	<b>Total Operating Expense</b>	\$ (153,958)	\$ 313,412	\$ (234,055)	\$ 1,480,293	\$ 1,172,783	\$ 54,211	\$ 418,147
28								
29	<b>Net Operating Income:</b>	\$ 153,958	\$ (313,412)	\$ 234,055	\$ (1,480,293)	\$ (1,172,783)	\$ (54,211)	\$ (418,147)
30								
31	<b>Rate Base:</b>							
32	Gross Utility Plant In Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Accum. Depreciation and Amortization							
34	Deferred Taxes							
35	Other							
36	Total Net Investment							
37	Allowance for Working Capital							
38	<b>Total Rate Base</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Deferred Taxes							
40	Allowance for Working Capital							
41	Other							
42	<b>Total Rate Base</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43								
44	Rate of Return							

Puget Sound Energy - Gas  
 Pro Forma Results of Operations  
 For the Twelve Months Ended December 31, 2008  
 Adjustment Detail (Page 4)

Line No.	Description	Incentive Pay Adj. 9.21 (v)	Merger Savings Adj. 9.22 (w)	Fleet Vehicles Adj. 9.23 (x)	Total Adjustment (y)	Adjusted Results of Operations (z)
1	Operating Revenues:					
2	Sales to Customers	\$ -	\$ -	\$ -	\$ 61,608,936	\$ 1,211,196,327
3	Municipal Additions				(49,951,006)	-
4	Other Operating Revenues				(738,828)	16,591,033
5	<b>Total Operating Revenues</b>	\$ -	\$ -	\$ -	\$ 10,919,103	\$ 1,227,787,359
6						
7	Operating Revenue Deductions:					
8	Gas Costs:					
9	Purchased Gas	\$ -	\$ -	\$ -	\$ 50,189,196	\$ 788,040,254
10	<b>Total Production Expenses</b>	\$ -	\$ -	\$ -	\$ 50,189,196	\$ 788,040,254
11						
12	Other Energy Supply Expenses	\$ (25,346)	\$ -	\$ -	\$ 23,880	\$ 1,896,997
13	Transmission Expense	(3,596)			4,041	398,321
14	Distribution Expense	(437,836)			552,348	52,165,077
15	Customer Accounts Expense	(154,061)			(499,852)	27,677,193
16	Customer Service Expense	(23,856)			(3,403,137)	1,426,423
17	Conservation Amortization				(7,669,601)	0
18	Administrative & General Expense	(232,356)	(478,634)	(1,512,141)	1,051,642	45,267,415
19	Depreciation			440,534	6,298,798	88,489,737
20	Amortization			0	0	15,618,788
21	Amortization Property Gain/Loss				(932,759)	(151,355)
22	Other Operating Expense					-
23	FAS 133					-
24	Taxes Other than Income Taxes	(70,311)			(48,920,577)	59,489,585
25	Income Taxes	331,577	167,522	375,062	16,360,244	(5,624,640)
26	Deferred Income Taxes				(1,827,805)	42,050,679
27	<b>Total Operating Expense</b>	\$ (615,785)	\$ (311,112)	\$ (696,545)	\$ 11,226,419	\$ 1,116,744,475
28						
29	<b>Net Operating Income:</b>	\$ 615,785	\$ 311,112	\$ 696,545	\$ (307,316)	\$ 111,042,885
30						
31	<b>Rate Base:</b>					
32	Gross Utility Plant In Service	\$ -	\$ -	\$ 4,805,828	\$ 4,805,828	\$ 2,501,335,392
33	Accum. Depreciation and Amortization			(330,401)	(3,439,575)	(840,759,619)
34	Deferred Taxes			(397,569)	(1,018,707)	(209,964,756)
35	Other				(8,796,188)	(35,825,049)
36	Total Net Investment	\$ -	\$ -	\$ 4,077,858	\$ (8,448,642)	\$ 1,414,785,968
37	Allowance for Working Capital					52,980,352
38	Total Rate Base	\$ -	\$ -	\$ 4,077,858	\$ (8,448,642)	\$ 1,467,766,320

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.01 TEMPERATURE NORMALIZATION  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	TEMPERATURE NORMALIZATION ADJUSTMENT:			
2		ACTUAL	TEMP ADJ	THERMS
3		<u>THERMS</u>	<u>THERMS</u>	<u>CHANGE</u>
4	Jan-08	168,295,469	154,988,222	(13,307,247)
5	Feb-08	138,172,032	140,517,165	2,345,133
6	Mar-08	131,490,969	115,895,730	(15,595,239)
7	Apr-08	109,964,622	95,180,930	(14,783,692)
8	May-08	76,590,248	76,738,761	148,513
9	Jun-08	57,746,204	52,990,507	(4,755,697)
10	Jul-08	44,469,072	44,469,072	0
11	Aug-08	44,755,273	44,755,273	0
12	Sep-08	52,251,636	52,894,735	643,099
13	Oct-08	82,272,893	79,217,192	(3,055,701)
14	Nov-08	104,695,969	121,277,545	16,581,576
15	Dec-08	157,188,316	141,383,989	(15,804,327)
16		<u>1,167,892,703</u>	<u>1,120,309,121</u>	<u>(47,583,582)</u>
17				
18	REVENUE ADJUSTMENT:			\$ (39,901,123)
19	Residential (23, 53)			0
20	Residential (16)			(12,695,194)
21	Commercial & industrial (31)			(1,068,987)
22	Large volume (41)			0
23	Compressed natural gas (50)			(259,451)
24	Interruptible (85)			(892,487)
25	Limited interruptible (86)			(834,177)
26	Non exclusive interruptible (87)			(30,254)
27	Transportation (57)			<u>(14,406)</u>
28	Contracts (99)			\$ (55,696,079)
29	INCREASE (DECREASE) SALES TO CUSTOMERS			
30	OPERATING EXPENSES			
31	PURCHASED GAS COSTS			\$ (39,777,834)
32				\$ (39,777,834)
33				
34	UNCOLLECTIBLES @		0.00283	\$ (157,787)
35	ANNUAL FILING FEE @		0.00200	(111,392)
36	INCREASE (DECREASE) EXPENSES			(269,179)
37				
38	STATE UTILITY TAX @		0.03841	\$ (2,139,342)
39	INCREASE (DECREASE) TAXES OTHER			<u>(2,139,342)</u>
40				
41	INCREASE (DECREASE) INCOME			(13,509,724)
42				
43	INCREASE (DECREASE) FIT @		35%	(4,728,403)
44	INCREASE (DECREASE) NOI			<u>\$ (8,781,321)</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.02 REVENUE AND EXPENSES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	SALES TO CUSTOMERS:	
2	ADD GRC INCREASE DOCKET UG-072301	\$ 38,581,189
3	RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO	
4	OTHER OPERATING	(1,004,369)
5	OCTOBER 2007 PURCHASED GAS	
6	ADJUSTMENT, DOCKET UG-071775.	49,392,484
7	CONSERVATION ADJUSTMENT	-
8	TRUE UP CHANGE IN UNBILLED	(10,981,123)
9	OTHER ADJUSTMENTS	40,781
10	RESTATING ADJUSTMENTS SALES TO CUSTOMERS	<u>76,028,962</u>
11		
12	TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS	\$ 76,028,962
13		
14	OTHER OPERATING REVENUES	
15	RENTALS:	
16	ADD GRC INCREASE DOCKET 060266	888,730
17	TRUE UP CHANGE IN UNBILLED	112,972
18	OTHER OPERATING REVENUES	
19	RECLASS PENALTIES AND NEW CUSTOMER REVENUE	
20	FROM SALES TO CUSTOMERS	1,004,369
21	REMOVE EVERETT DELTA LEASE REVENUES	<u>(3,209,260)</u>
22	TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE	<u>(1,203,189)</u>
23		
24	TOTAL INCREASE (DECREASE) REVENUES	74,825,773
25		
26	OPERATING EXPENSES:	
27	PURCHASED GAS COSTS	
28	2007 GRC INCREASE DOCKET UG-072301	\$ 14,999
29	RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO	
30	OTHER OPERATING	\$ -
31	OCTOBER 2007 PURCHASED GAS ADJUSTMENT	
32	DOCKET UG-071775	\$ 47,259,204
33	CONSERVATION	\$ -
34	TRUE UP CHANGE IN UNBILLED	\$ (7,866,368)
35	OTHER ADJUSTMENTS	<u>\$ (1,194)</u>
36	TOTAL PURCHASE GAS COSTS	<u>\$ 39,406,641</u>
37		
38	UNCOLLECTIBLES @	0.00283 \$ 211,981
39	ANNUAL FILING FEE @	0.00200 149,652
40	INCREASE (DECREASE) EXPENSES	<u>39,768,274</u>
41		
42	STATE UTILITY TAX @	0.03841 \$ <u>2,874,133</u>
43		
44	INCREASE (DECREASE) TAXES OTHER	<u>2,874,133</u>
45		
46	INCREASE (DECREASE) INCOME	32,183,367
47	INCREASE (DECREASE) FIT @	35% <u>11,264,178</u>
48	INCREASE (DECREASE) NOI	<u>\$ 20,919,189</u>



**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.03 NET INTEREST PAID TO IRS ON SSCM  
FOR TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	ADJUSTED RATE YEAR	ADJUSTMENT
1	<u>DEFERRED SSCM NET INTEREST PAID TO IRS</u>			
2	GROSS DEFERRED BALANCE	\$ 1,822,433	\$ -	\$ (1,822,433)
3	ACCUM AMORTIZATION			-
4	DEFERRED FEDERAL INCOME TAX	621,138		(621,138)
5	NET DEFERRED INTEREST ADDITION TO F	<u>\$ 2,443,571</u>	<u>\$ -</u>	<u>\$ (2,443,571)</u>
6				
7	<u>AMORTIZATION OF DEFERRED SSCM NET INTEREST PAID TO IRS</u>			
8	AMORTIZATION EXPENSE			-
9	TOTAL OPERATING EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
10				
11	INCREASE (DECREASE) EXPENSE			\$ -
12				
13	INCREASE (DECREASE) FIT @		35%	-
14	INCREASE (DECREASE) NOI			<u>\$ -</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.04 INCOME TAX  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE CASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (59,848,019)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(20,946,807)
5	DEFERRED FIT - DEBIT	47,432,293
6	DEFERRED FIT - CREDIT	(4,870,567)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(637,077)
8	TOTAL RESTATED FIT	<u>\$ 20,977,842</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ (21,984,884)
12	DEFERRED FIT - DEBIT	54,835,444
13	DEFERRED FIT - CREDIT	(10,319,883)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(637,077)</u>
15		
16	TOTAL CHARGED TO EXPENSE	\$ 21,893,600
17		
18	INCREASE(DECREASE) FIT	\$ 1,038,077
19	INCREASE(DECREASE) DEFERRED FIT	(1,953,835)
20	INCREASE(DECREASE) ITC	-
21	INCREASE(DECREASE) NOI	<u>\$ 915,758</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.05 BENEFIT OF PRO FORMA INTEREST  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,467,766,320
2		
3	NET RATE BASE	<u>\$ 1,467,766,320</u>
4		
5	WEIGHTED COST OF DEBT	<u>3.41%</u>
6	PROFORMA INTEREST	\$ 50,050,831
7		
8		
9	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
10	INTEREST ON LONG TERM DEBT	\$ 64,633,838
11	AMORTIZATION OF DEBT DISCOUNT	
12	AND EXPENSE, NET OF PREMIUMS	1,199,627
13	INTEREST ON DEBT TO ASSOCIATED	
14	ASSOCIATED COMPANIES	288,111
15	OTHER INTEREST EXPENSE	7,623,489
16	LESS: INTEREST ON CUSTOMER DEPOSITS	<u>(30,273)</u>
17	CHARGED TO EXPENSE IN TEST YEAR	<u>73,714,792</u>
18		
19	INCREASE (DECREASE) INCOME	\$ 23,663,960
20		
21	INCREASE (DECREASE) FIT @	35% 8,282,386
22	INCREASE (DECREASE) NOI	<u><u>\$ (8,282,386)</u></u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.06 DEPRECIATION STUDY  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>ADJUSTMENT TO OPERATING EXPENSES</u>			
2	403 DEPRECIATION EXPENSE	\$ 76,528,830	\$ 81,276,393	\$ 4,747,564
3	403 GAS PORTION OF COMMON	2,951,555	4,422,340	1,470,785
4	403 DEPR. EXP. ON ASSETS NOT INCLUDED IN STUDY	1,147,453	1,147,453	-
5	SUBTOTAL DEPRECIATION EXPENSE 403	<u>\$ 80,627,838</u>	<u>\$ 86,846,187</u>	<u>\$ 6,218,349</u>
6				
7	403.1 DEPR. EXP- FAS 143 (RECOVERED IN RATES)	1,562,355	1,563,100	745
8	403.1 DEPR. EXP - FAS 143 (NOT RECOVERED IN RATES)	745	-	(745)
9	SUBTOTAL DEPRECIATION EXPENSE 403.1	<u>\$ 1,563,100</u>	<u>\$ 1,563,100</u>	<u>\$ (0)</u>
10				
11	TOTAL DEPRECIATION EXPENSE.	<u>82,190,938</u>	<u>88,409,287</u>	<u>6,218,349</u>
12				
13	4111 ACCRETION EXP. - FAS 143 (RECOVERED IN RATES)	403,917	404,887	970
14	4111 ACCRETION EXP. - FAS 143 (NOT RECOVERED IN RATES)	970	-	(970)
15	SUBTOTAL ACCRETION EXPENSE 411.1	<u>\$ 404,887</u>	<u>\$ 404,887</u>	<u>\$ 0</u>
16				
17	FLEET DEPR. EXP. ON INC STMNT NOT RECORDED IN 403			\$ -
18				
19	INCREASE(DECREASE) EXPENSE			\$ 6,218,349
20	INCREASE(DECREASE) FIT			-
21	INCREASE(DECREASE) DFIT			-
22	INCREASE(DECREASE) FIT @		35%	
23	INCREASE(DECREASE) NOI			<u>\$ (6,218,349)</u>
24				
25				
26	<u>ADJUSTMENT TO RATE BASE</u>			
27	ADJUST ACCUM DEPR FOR ADDITIONAL DEPR EXP (50% OF LINE 19)			\$ (3,109,174)
28	ADJUST ACCUMULATED DFIT FOR ADDITIONAL EXPENSE (50% OF LINE 21)			-
29	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ (3,109,174)</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.07 PASS THROUGH REVENUE AND EXPENSE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u>	
2	REMOVE LOW INCOME - SCHEDULE 129	\$ 3,573,781 a
3	REMOVE CONSERVATION - SCHEDULE 120	8,020,557 a
4	REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106	(52,870,391) a
5	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	49,586,556 b
6	REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV	364,449 b
7	TOTAL (INCREASE) DECREASE REVENUES	<u>\$ 8,674,952</u>
8		
9	<u>ADJUST REVENUE SENSITIVE ITEMS FOR REMOVAL OF REVENUE:</u>	
10	BAD DEBTS	0.283300% (24,576)
11	ANNUAL FILING FEE	0.200000% (17,350)
12	STATE UTILITY TAX	3.841100% (333,214)
13	TOTAL INCREASE (DECREASE) EXPENSE	<u>4.369178% \$ (375,140)</u>
14		
15	<u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u>	
16	REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129	(3,417,545)
17	REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120	(7,669,601)
18	REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106	50,560,390
19	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	(48,300,625)
20	REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV	<u>INCL. ABOVE</u>
21	TOTAL INCREASE (DECREASE) EXPENSE	<u>\$ (8,827,381)</u>
22		
23	INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES	527,569
24	INCREASE (DECREASE) FIT	184,649
25	INCREASE (DECREASE) NOI	<u>\$ 342,920</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.08 BAD DEBTS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	AMOUNT
1	12 MOS ENDED			
		DECEMBER	AUGUST	
2	2004	\$ 2,215,292	\$ 727,351,085	0.3046%
3	2005	\$ 2,918,686	\$ 1,224,844,682	0.2383%
4	2007	\$ 3,664,592	\$ 1,193,302,341	0.3071%
5	3-Yr Average of Net Write Off Rate			<u>0.2833%</u>
6				
7	Test Period Revenues		\$ 1,216,868,256	
8				
9	PROFORMA BAD DEBT RATE		<u>0.2833%</u>	
10	PROFORMA BAD DEBTS		\$ 3,447,388	
11				
12	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR		<u>4,146,730</u>	
13	INCREASE (DECREASE) EXPENSE			\$ (699,342)
14				
15	INCREASE (DECREASE) FIT		35%	<u>244,770</u>
16	INCREASE (DECREASE) NOI			<u><u>\$ 454,572</u></u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.09 MISCELLANEOUS OPERATING EXPENS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	Test Year	Company Adjustment	Staff Adjustment	Staff Proposed
1	<u>OPERATING REVENUES</u>				
2	Other Operating Revenues				
	<i>Amortization of Summit Buyout Purchase</i>				
3	<i>Option</i>	<u>92,873</u>	<u>557,235</u>	<u>557,235</u>	<u>464,361</u>
4	<i>Increase (Decrease) in Revenue</i>	<u>92,873</u>	<u>557,235</u>	<u>557,235</u>	<u>464,361</u>
5					
6					
7	<u>OPERATING EXPENSES</u>				
8	Amort of Deferred Taxes of Indirect Overheads Regulatory Asset (WUTC DOC # UG-				
9	051528)	1,414,931	0	0	(1,414,931) b
10	Increase in Service Contract O&M Baseline Charges, Transmission	60,713	63,718	60,713	0
11	Increase in Service Contract O&M Baseline Charges, Distribution	13,419,246	14,114,477	13,419,246	0
12	Company Store- Net Purchase/Sales of Merchandise in A&G Summit Building Contractual Rent 4th Floor-	(1,301)	0	0	1,301 a
13	New	106,062	277,205	277,205	171,143 a
14	Summit Building Contractual Rent Increases	888,289	1,233,184	1,233,184	344,895 a
15	Airport Parking	7,193	0	0	(7,193) a
16	Athletic Events - Charged Above the Line	7,394	0	0	(7,394) a
17	Increase(Decrease ) in Expense	15,902,527	\$ 15,688,584	14,990,348	(912,179)
18					
19	<i>Total Increase(Decrease ) in Income</i>				<u>(1,376,540)</u>
20	<i>Increase(Decrease ) FIT @ 35%</i>		35%		<u>481,789</u>
21					
22	<u><i>Increase(Decrease ) NOI</i></u>				<u>894,751</u>
23					

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.10 PROPERTY TAX  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

**Staff**

	<b>DESCRIPTION</b>		<b>TOTAL</b>
1	RESTATED PROPERTY TAX		10,262,423
2	CHARGED TO EXPENSE IN TY		10,262,423
3	INCREASE(DECREASE) OPERATING EXPENSE	\$	-
4			
5	TOTAL INCREASE(DECREASE) OPERATING EXPENSE (LINE 3)	\$	-
6	INCREASE(DECREASE) FIT @ 35%		-
7	INCREASE(DECREASE) NOI	\$	-



**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.11 EXCISE TAX & FILING FEE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 45,358,667
2	CHARGED TO EXPENSE FOR TEST YEAR	46,425,021
3	INCREASE(DECREASE) EXCISE TAX	\$ (1,066,354)
4		
5	RESTATED WUTC FILING FEE	\$ 2,377,938
6	CHARGED TO EXPENSE FOR TEST YEAR	2,377,938
7	INCREASE(DECREASE) WUTC FILING FEE	\$ 0
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ (1,066,354)
10		
11	INCREASE(DECREASE) FIT 35%	\$ 373,224
12	INCREASE(DECREASE) NOI	\$ 693,130

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.12 D&O INSURANCE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

<u>Line No.</u>			<u>Company</u>	<u>Staff</u>
1				
2				
3				
4	<b>Gas 9.12</b>			
5				
6	Test Period D&O Insurance Expe	40.95%	433,404 <sup>1</sup>	433,404
7	Restated D&O Insurance Expense		<u>214,240</u> <sup>2</sup>	<u>107,120</u> <sup>3</sup>
8	Adjustment		(219,164)	(326,284)
9				
10	Income Taxes	35%	<u>76,707</u>	<u>114,199</u>
11				
12	Impact on Net Operating Income		<u>(142,457)</u>	<u>(212,085)</u>
13				
14	Revenue Requirement Impact	0.621891	<u>(229,070)</u>	<u>(341,032)</u>

<sup>1</sup> Exhibit No. MJS-9, Page 9.12

<sup>2</sup> Exhibit No. AMCL-2

<sup>3</sup> Id.

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.13 INTEREST ON CUSTOMER DEPOSITS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
2009 GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	INTEREST EXPENSE FOR THE RESTATED TEST YEAR	\$ 30,273
2		
3	INCREASE (DECREASE) NOI	<u>\$ (30,273)</u>
4		
5	Decrease Operating Investment: Rate Base -Other	\$ (6,973,756)
6	<i>Increase Allowance for Working Capital</i>	<u>-</u>
7	<b><i>DECREASE GAS NET RATE BASE</i></b>	<u><b>\$ (6,973,756)</b></u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.14 RATE CASE EXPENSES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	EXPENSES TO BE NORMALIZED:	
2		
3	ESTIMATED 2006 and 2007 GRC EXPENSES TO BE NORM	\$ 1,139,000
4		
5	ANNUAL NORMALIZATION (LINE 3 / 2 YEARS)	569,500
6	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES	806,359
7		
8	INCREASE (DECREASE) EXPENSE	\$ (236,859) (236,859)
9		
10		
11	TOTAL INCREASE (DECREASE) EXPENSE	\$ (236,859)
12		
13	INCREASE(DECREASE) FIT @ 35%	82,901
14	INCREASE(DECREASE) NOI	\$ 153,958

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.15 DEFERRED GAINS/LOSSES ON PROPERTY SALES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

---

1	DEFERRED GAIN RECORDED SINCE UE-072300, <i>et al.</i> at 03/31/2010		\$ (618,994)
2	DEFERRED LOSS RECORDED SINCE UE-072300, <i>et al.</i> at 03/31/2010		<u>164,927</u>
3	TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE		<u>\$ (454,067)</u>
4			
5	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years)		(151,356)
6			
7	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR		(633,528)
8			
9	INCREASE (DECREASE) EXPENSE (Line 5 - Line 7)		<u>\$ 482,172</u>
10			
11	INCREASE (DECREASE) FIT @ 35%	35%	<u>(168,760)</u>
12			
13	INCREASE (DECREASE) NOI		<u><u>\$ (313,412)</u></u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.16 PROPERTY & LIABILITY INSURANCE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 954,479	\$ 521,578	\$ (432,901)
2	LIABILITY INSURANCE EXPENSE	749,653	822,470	72,817
3	INCREASE(DECREASE) EXPENSE	\$ 1,704,133	\$ 1,344,048	\$ (360,085)
4				
5				
6	INCREASE (DECREASE) FIT @	35%		126,030
7	INCREASE (DECREASE) NOI			<u>\$ 234,055</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.17 PENSION PLAN  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ (84,802)	\$ 1,994,055	\$ 2,078,857
2	SERP PLAN	956,338	1,154,856	198,518
3				
4	INCREASE(DECREASE) EXPENSE	\$ 871,537	\$ 3,148,911	\$ 2,277,375
5				
6				
7	INCREASE (DECREASE) FIT @	35%		(797,081)
8	INCREASE (DECREASE) NOI			<u>\$ (1,480,293)</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 10.18 WAGE INCREASE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
2008 GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 157,210	\$ 164,228	\$ 7,018
3	OTHER GAS SUPPLY	513,380	532,429	19,049
4	STORAGE, LNG T&G	517,951	541,110	23,159
5	TRANSMISSION	168,404	176,041	7,637
6	DISTRIBUTION	20,616,696	21,606,880	990,184
7	CUSTOMER ACCTS	7,375,878	7,669,538	293,660
8	CUSTOMER SERVICE	1,087,202	1,124,547	37,345
9	SALES	27,852	28,771	919
10	ADMIN. & GENERAL	10,569,517	10,879,692	310,175
11	TOTAL WAGE INCREASE	41,034,090	42,723,236	1,689,146
12				
13	PAYROLL TAXES	3,528,068	3,643,204	115,136
14	TOTAL WAGES & TAXES	\$ 44,562,158	\$ 46,366,440	\$ 1,804,282
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 1,804,282
17	INCREASE (DECREASE) FIT @ 35%			(631,499)
18	INCREASE (DECREASE) NOI			<u>\$ (1,172,783)</u>



**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.19 INVESTMENT PLAN  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
2009 GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<b><u>NON-UNION (EXCLUDING EXECUTIVES)</u></b>	
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT	\$2,765,561
3	RATE YEAR MANAGEMENT WAGE INCRE 3.28%	90,710
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT	<u>2,856,272</u>
5		
6	<b><u>NON-UNION ( EXECUTIVES)</u></b>	
7	INVESTMENT PLAN APPLICABLE TO IBEW	63,068
8	RATE YEAR IBEW WAGE INCREASE 0.00%	<u>0</u>
9	TOTAL COMPANY CONTRIBUTION FOR IBEW	63,068
10		
11	<b><u>IBEW</u></b>	
12	INVESTMENT PLAN APPLICABLE TO IBEW	608,253
13	RATE YEAR IBEW WAGE INCREASE 4.09%	<u>24,878</u>
14	TOTAL COMPANY CONTRIBUTION FOR IBEW	633,130
15		
16	<b><u>UA</u></b>	
17	INVESTMENT PLAN APPLICABLE TO UA	466,526
18	RATE YEAR UA WAGE INCREASE 5.32%	<u>24,819</u>
19	TOTAL COMPANY CONTRIBUTION FOR UA	<u>491,346</u>
20		
21	<b><u>TOTAL</u></b>	
22	TOTAL PROFORMA COSTS (LN 4 + LN 9 + LN 14 + LN 19)	4,043,815
23	PRO FORMA COSTS APPLICABLE TO OPEF 59.40%	2,402,026
24	CHARGED TO EXPENSE FOR YEAR ENDED 12/31/08	<u>2,318,625</u>
25	INCREASE (DECREASE) EXPENSE	83,402
26		
27	INCREASE (DECREASE) FIT @ 35%	<u>(29,191)</u>
28	INCREASE (DECREASE) NOI	<u><u>(\$54,211)</u></u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.20 EMPLOYEE INSURANCE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 5,483,273
3	UNION EMPLOYEES	<u>4,886,197</u>
4	PRO FORMA INSURANCE COSTS	10,369,470
5		
6	APPLICABLE TO OPERATIONS @ 59.40%	6,159,465
7	CHARGED TO EXPENSE 12 MONTH ENDING DECEMBER 2008	<u>5,516,162</u>
8	INCREASE(DECREASE) OPERATING EXPENSE	643,303
9		
10	INCREASE(DECREASE) FIT @ 35%	(225,156)
11		
12	INCREASE(DECREASE) NOI	<u>\$ (418,147)</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.21 INCENTIVE PAY  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 13,951	\$ 10,619	\$ (3,332)
3	OTHER GAS SUPPLY	45,892	34,929	\$ (10,963)
4	STORAGE, LNG T&G	46,260	35,209	\$ (11,051)
5	TRANSMISSION	15,053	11,457	\$ (3,596)
6	DISTRIBUTION	1,844,509	1,406,673	\$ (437,836)
7	CUSTOMER ACCTS	660,117	506,056	\$ (154,061)
8	CUSTOMER SERVICE	97,292	74,050	\$ (23,242)
9	SALES	2,570	1,956	\$ (614)
10	ADMIN. & GENERAL	945,752	713,396	\$ (232,356)
11	TOTAL INCENTIVE PAY	\$ 3,671,396	\$ 2,794,345	\$ (877,051)
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	294,328	224,017	(70,311)
14	INCREASE(DECREASE) EXPENSE	3,965,724	3,018,362	(947,362)
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			(947,362)
17				
18	INCREASE(DECREASE) FIT @		35%	331,577
19	INCREASE(DECREASE) NOI			<u>\$ 615,785</u>

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.22 MERGER SAVINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>ACTUAL</b>	<b>PROFORMA RESTATE</b>	<b>ADJUSTMENT</b>
1				
2	OPERATING EXPENSES			
3	MEGER COSTS	478,634	-	(478,634)
4	TOTAL INCREASE (DECREASE) EXPENSES			(478,634)
5				
6	INCREASE (DECREASE) INCOME			478,634
7				
8	INCREASE (DECREASE) FIT @	35%		\$ 167,522
9	INCREASE (DECREASE) NOI			\$ 311,112

**PUGET SOUND ENERGY-GAS  
ADJUSTMENT 9.23 FLEET VEHICLES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	<u>RATEBASE</u>			
2	FLEET BALANCE	\$ -	\$ 4,805,828	\$ 4,805,828
3	ACCUMULATED DEPRECIATION	-	(330,401)	(330,401)
4	DEFERRED FIT	-	(397,569)	(397,569)
5	<u>NET FLEET RATEBASE</u>	<u>\$ -</u>	<u>\$ 4,077,858</u>	<u>\$ 4,077,858</u>
6				
7				
8	<u>FLEET OPERATING EXPENSES</u>			
9	LEASE PAYMENT	\$ 1,512,141	\$ -	\$ (1,512,141)
10	DEPRECIATION EXPENSE		\$ 440,534	440,534
11	INCREASE (DECREASE) EXPENSE	\$ 1,512,141	\$ 440,534	\$ (1,071,607)
12				
13	INCREASE (DECREASE) EXPENSE	1,512,141	440,534	(1,071,607)
14				
15			35.00%	
16	INCREASE (DECREASE) FIT @	(529,249)	(154,187)	375,062
17	INCREASE (DECREASE) NOI	<u>\$ (982,892)</u>	<u>\$ (286,347)</u>	<u>\$ 696,545</u>

Puget Sound Energy  
Docket UE-090704/UG-090705

**PUGET SOUND ENERGY-GAS  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		
1	RATE BASE	\$	1,467,766,320
2	RATE OF RETURN		7.91%
3			
4	OPERATING INCOME REQUIREMENT		116,100,316
5			
6	PRO FORMA OPERATING INCOME		111,042,885
7	OPERATING INCOME DEFICIENCY		5,057,431
8			
9	CONVERSION FACTOR		0.6218910
10	REVENUE REQUIREMENT DEFICIENCY		8,132,344
11	OTHER OPERATING REVENUES		205,780
12			
13	REVENUE REQUIREMENT DEFICIENCY	\$	7,926,564

Puget Sound Energy  
Docket UE-090704/UG-090705



**PUGET SOUND ENERGY-ELECTRIC  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	SHORT TERM DEBT	3.95%	2.47%	0.10%
2	<b>LONG TERM DEBT</b>	51.05%	<b>6.48%</b>	<b>3.31%</b>
3	PREFERRED	0.00%	0.00%	0.00%
4	EQUITY	45.00%	10.00%	4.50%
5	TOTAL	100.00%		<b>7.91%</b>
6				
7	AFTER TAX SHORT TERM DEBT ( (LINE 1)* 65%)	3.95%	1.61%	0.07%
8	<b>AFTER TAX LONG TERM DEBT ( (LINE 2)* 65%)</b>	51.05%	<b>4.21%</b>	<b>2.15%</b>
9	PREFERRED	0.00%	0.00%	0.00%
10	EQUITY	45.00%	10.00%	4.50%
11	TOTAL AFTER TAX COST OF CAPITAL	100.00%		<b>6.72%</b>

**PUGET SOUND ENERGY-ELECTRIC  
CONVERSION FACTOR  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		RATE
1	BAD DEBTS		0.002833
2	ANNUAL FILING FEE		0.002000
3	STATE UTILITY TAX ( 3.852% - ( LINE 1 * 3.852% ) )	3.852%	<u>0.038411</u>
4			
5	SUM OF TAXES OTHER		0.043244
6			
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE )		0.956756
8	FEDERAL INCOME TAX ( LINE 7 * 35% )	35%	<u>0.334865</u>
9	CONVERSION FACTOR INCL FEDERAL INCOME TAX ( LINE 7 - LINE 8 )		<u>0.621891</u>



Puget Sound Energy  
UE 090704  
Test Year December 31, 2008  
Revenue Requirement Summary  
Gas Operations

Adj. No. (a)	Description (b)	Staff			Company			Difference		
		NOI (f)	Rate Base (g)	Rev Req (h)	NOI (c)	Rate Base (d)	Rev Req (e)	NOI (i)	Rate Base (j)	Rev Req (k)
	<b>Actual Results of Operations</b>	\$ 111,350,201	\$ 1,476,214,962	\$ 8,238,035	111,350,201	1,474,337,487	\$ 22,461,308	\$ (0)	\$ 1,877,475	\$ (14,223,273)
9.01	Temperature Normalization	(8,781,321)	-	14,120,354	(8,781,321)	-	14,120,354	0	-	(0)
9.02	Revenues & Expenses	20,919,189	-	(33,638,031)	20,539,623	-	(33,061,129)	379,566	-	(576,902)
9.03	Net Interest Paid to IRS	-	(2,443,571)	(310,019)	(1,018,402)	(915,968)	1,513,926	1,018,402	(1,527,603)	(1,823,945)
9.04	Federal Income Tax	915,758	-	(1,472,537)	915,758	-	(1,474,029)	(0)	-	1,491
9.05	Tax Benefits of Pro Forma Interest	(8,282,386)	-	13,318,067	(8,358,141)	-	13,453,488	75,755	-	(135,421)
9.06	Depreciation Study	(6,218,349)	(3,109,174)	9,604,633	(6,218,349)	(3,109,174)	9,583,830	0	(0)	20,803
9.07	Pass-Through Revenue & Expense	342,920	-	(551,414)	342,920	-	(551,973)	(0)	-	559
9.08	Bad Debt	454,572	-	(730,951)	454,572	-	(731,691)	-	-	740
9.09	Miscellaneous Operating Expense	894,751	-	(1,438,759)	440,899	-	(709,683)	453,852	-	(729,076)
9.10	Property Tax	-	-	-	(850,450)	-	1,368,907	850,450	-	(1,368,907)
9.11	Excise Tax & Filing Fee	693,130	-	(1,114,552)	693,130	-	(1,115,681)	0	-	1,128
9.12	D&O Insurance	212,085	-	(341,032)	142,454	-	(229,298)	69,631	-	(111,734)
9.13	Interest on Customer Deposits	(30,273)	(6,973,756)	(836,089)	(30,273)	-	48,728	(0)	(6,973,756)	(884,817)
9.14	Rate Case Expense	153,958	-	(247,565)	153,958	-	(247,815)	0	-	250
9.15	Deferred G/L on Property Sales	(313,412)	-	503,966	(313,412)	-	504,476	(0)	-	(510)
9.16	Property & Liability Insurance	234,055	-	(376,360)	233,199	-	(375,363)	856	-	(997)
9.17	Pension Plan	(1,480,293)	-	2,380,310	(1,480,293)	-	2,382,719	(0)	-	(2,409)
9.18	Wage Increase	(1,172,783)	-	1,885,834	(1,898,225)	-	3,055,434	725,442	-	(1,169,600)
9.19	Investment Plan	(54,211)	-	87,171	(100,005)	-	160,971	45,794	-	(73,800)
9.20	Employee Insurance	(418,147)	-	672,380	(544,180)	-	875,927	126,033	-	(203,547)
9.21	Incentive Pay	615,785	-	(990,182)	615,785	-	(991,184)	-	-	1,003
9.22	Merger Savings	311,112	-	(500,268)	311,112	-	(500,774)	0	-	506
9.23	Fleet Vehicles	696,545	4,077,858	(602,681)	696,545	4,077,858	(563,252)	(0)	0	(39,429)
	<b>Total Adjustment</b>	\$ (307,316)	\$ (8,448,642)	\$ (577,725)	(4,053,096)	52,716	\$ 6,524,579	\$ 3,745,780	\$ (8,501,358)	\$ (7,094,613)
	<b>Adjusted Results of Operations</b>	\$ 111,042,885	\$ 1,467,766,320	\$ 7,660,310	107,297,105	1,474,390,203	\$ 28,985,887	\$ 3,745,780	\$ (6,623,883)	\$ (21,317,886)

Puget Sound Energy  
 UE 090704/090705  
 Test Year December 31, 2008  
 Company Revenue Requirement Summary  
 Gas Operations

Adj. No. (a)	Description (b)	Net Operating Income (c)	Rate Base (d)	Rev Req @8.50 (e)	Rev Req @7.89% (f)
<b>Actual Results of Operations</b>					
9.01	Temperature Normalization	111,350,201	1,474,337,487	22,461,308	7,999,837
9.02	Revenues & Expenses	(8,781,321)	-	14,120,354	14,120,354
9.03	Net Interest Paid to IRS	20,539,623	-	(33,027,690)	(33,027,690)
9.04	Federal Income Tax	(1,018,402)	(915,968)	1,512,395	1,521,379
9.05	Tax Benefits of Pro Forma Interest	915,758	-	(1,472,538)	(1,472,538)
9.06	Depreciation Study	(8,358,141)	-	13,439,881	13,439,881
9.07	Pass-Through Revenue & Expense	(6,218,349)	(3,109,174)	9,574,136	9,604,634
9.08	Bad Debt	342,920	-	(551,415)	(551,415)
9.09	Miscellaneous Operating Expense	454,572	-	(730,951)	(730,951)
9.10	Property Tax	440,899	-	(708,965)	(708,965)
9.11	Excise Tax & Filing Fee	(850,450)	-	1,367,523	1,367,523
9.12	D&O Insurance	693,130	-	(1,114,552)	(1,114,552)
9.13	Interest on Customer Deposits	142,454	-	(229,066)	(229,066)
9.14	Rate Case Expense	(30,273)	-	48,679	48,679
9.15	Deferred G/L on Property Sales	153,958	-	(247,564)	(247,564)
9.16	Property & Liability Insurance	(313,412)	-	503,966	503,966
9.17	Pension Plan	233,199	-	(374,984)	(374,984)
9.18	Wage Increase	(1,480,293)	-	2,380,309	2,380,309
9.19	Investment Plan	(1,898,225)	-	3,052,344	3,052,344
9.20	Employee Insurance	(100,005)	-	160,808	160,808
9.21	Incentive Pay	(544,180)	-	875,041	875,041
9.22	Merger Savings	615,785	-	(990,182)	(990,182)
9.23	Fleet Vehicles	311,112	-	(500,268)	(500,268)
		696,545	4,077,858	(562,682)	(602,681)
	<b>Total Adjustment</b>	<b>(4,053,096)</b>	<b>52,716</b>	<b>6,524,579</b>	<b>6,524,062</b>
	<b>Adjusted Results of Operations</b>	<b>107,297,105</b>	<b>1,474,390,203</b>	<b>28,985,887</b>	<b>14,523,899</b>

This does not agree with Stranik testimony because it does not reflect the change from 8.56 to 8.50  
 Breda Exhibit KHB-3 Gas Results of Operations and Revenue Requirement update.xlsx Company Gas 12/10/2009

Puget Sound Energy  
 UE 090704  
 Test Year December 31, 2008  
 Staff Revenue Requirement Summary  
 Gas Operations

Adj. No. (a)	Description (b)	Net Operating Income (c)	Rate Base (d)	Rev Req @ 8.50 (e)	Rev Req @7.89% (f)	Cost of Capital Difference (g)
<b>Actual Results of Operations</b>						
9.01	Temperature Normalization	111,350,201	1,476,214,962	22,717,922	8,238,035	(14,479,887)
9.02	Revenues & Expenses	(8,781,321)	-	14,120,354	14,120,354	-
9.03	Net Interest Paid to IRS	20,919,189	-	(33,638,031)	(33,638,031)	-
9.04	Federal Income Tax	-	(2,443,571)	(333,987)	(310,019)	23,968
9.05	Tax Benefits of Pro Forma Interest	915,758	-	(1,472,537)	(1,472,537)	-
9.06	Depreciation Study	(8,282,386)	-	13,318,067	13,318,067	-
9.07	Pass-Through Revenue & Expense	(6,218,349)	(3,109,174)	9,574,136	9,604,633	30,497
9.08	Bad Debt	342,920	-	(551,414)	(551,414)	-
9.09	Miscellaneous Operating Expense	454,572	-	(730,951)	(730,951)	-
9.10	Property Tax	894,751	-	(1,438,759)	(1,438,759)	-
9.11	Excise Tax & Filing Fee	-	-	-	-	-
9.12	D&O Insurance	693,130	-	(1,114,552)	(1,114,552)	-
9.13	Interest on Customer Deposits	212,085	-	(341,032)	(341,032)	-
9.14	Rate Case Expense	(30,273)	(6,973,756)	(904,493)	(836,089)	68,404
9.15	Deferred G/L on Property Sales	153,958	-	(247,565)	(247,565)	-
9.16	Property & Liability Insurance	(313,412)	-	503,966	503,966	-
9.17	Pension Plan	234,055	-	(376,360)	(376,360)	-
9.18	Wage Increase	(1,480,293)	-	2,380,310	2,380,310	-
9.19	Investment Plan	(1,172,783)	-	1,885,834	1,885,834	-
9.20	Employee Insurance	(54,211)	-	87,171	87,171	-
9.21	Incentive Pay	(418,147)	-	672,380	672,380	-
9.22	Merger Savings	615,785	-	(990,182)	(990,182)	-
9.23	Fleet Vehicles	311,112	-	(500,268)	(500,268)	-
		696,545	4,077,858	(562,682)	(602,681)	(39,999)
	<b>Total Adjustment</b>	(307,316)	(8,448,642)	(660,596)	(577,725)	82,871
	<b>Adjusted Results of Operations</b>	111,042,885	1,467,766,320	22,057,326	7,660,310	(14,397,016)