

**Exhibit No. \_\_\_ (CTM-2)**  
**Dockets UE-111048/UG-111049**  
**Witness: Christopher T. Mickelson**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**DOCKETS UE-111048  
DOCKET UG-111049  
(Consolidated)**

**EXHIBIT TO  
TESTIMONY OF**

**CHRISTOPHER T. MICKELSON**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Natural Gas Results of Operations and Revenue Requirement*

**December 7, 2011**

**Puget Sound Energy - Gas**  
**RESULTS OF OPERATIONS**  
**For the Twelve Months Ended December 31, 2010**  
**General Rate Case**

| Adj. No. (a) | Description (b)                       | PSE Direct               |                      |                     |                         | Staff                    |                      |                     |                         |                     |
|--------------|---------------------------------------|--------------------------|----------------------|---------------------|-------------------------|--------------------------|----------------------|---------------------|-------------------------|---------------------|
|              |                                       | Net Operating Income (c) | Rate Base (d)        | Rev Req @ 8.42% (e) | Return on Rate Base (f) | Net Operating Income (c) | Rate Base (d)        | Rev Req @ 7.59% (e) | Return on Rate Base (f) | Difference (g)      |
|              | Actual Results of Operations          | \$ 102,661,460           | 1,660,735,111        | 59,811,802          | 6.18%                   | \$ 102,661,460           | 1,660,735,111        | 37,632,682          | 6.18%                   | (22,179,120)        |
| 5.01         | Water Heater Depreciation             | 4,071,209                | (2,218,846)          | (6,851,355)         | 0.25%                   | 4,071,209                | (2,218,846)          | (6,821,702)         | 0.25%                   | 29,633              |
| 5.02         | Reclass Bare to Wrapped Steel         | (195,347)                | (97,673)             | 301,087             | -0.01%                  | (195,347)                | (97,673)             | 302,392             | -0.01%                  | 1,304               |
| 5.03         | Contract Charges                      | 640,161                  | -                    | (1,030,042)         | 0.04%                   | 640,160                  | -                    | (1,030,040)         | 0.04%                   | 1                   |
| 6.01         | Temperature Normalization             | 6,651,267                | -                    | (10,702,131)        | 0.40%                   | 6,651,267                | -                    | (10,702,131)        | 0.40%                   | -                   |
| 6.02         | Revenues & Expenses                   | 17,299,412               | -                    | (27,835,383)        | 1.04%                   | 17,299,411               | -                    | (27,835,382)        | 1.04%                   | 2                   |
| 6.03         | Pass-Through Revenue & Expense        | 154,724                  | -                    | (248,957)           | 0.01%                   | 154,724                  | -                    | (248,956)           | 0.01%                   | 1                   |
| 6.04         | Federal Income Tax                    | (28,834,101)             | -                    | 46,395,117          | -1.74%                  | (28,834,101)             | (24,564,298)         | 43,395,181          | -1.67%                  | (2,999,936)         |
| 6.05         | Tax Benefit of Proforma Interest      | 18,805,185               | -                    | (30,258,226)        | 1.13%                   | 18,265,630               | -                    | (29,390,062)        | 1.10%                   | 868,164             |
| 6.06         | Operating Expenses                    | 260,363                  | -                    | (418,934)           | 0.02%                   | 306,610                  | -                    | (493,346)           | 0.02%                   | (74,412)            |
| 6.07         | General Plant Depreciation            | 384,999                  | (113,067)            | (634,796)           | 0.02%                   | 384,999                  | (113,067)            | (633,286)           | 0.02%                   | 1,510               |
| 6.08         | Injuries & Damages                    | (54,310)                 | -                    | 87,386              | 0.00%                   | (54,310)                 | -                    | 87,386              | 0.00%                   | -                   |
| 6.09         | Bad Debt                              | 1,574,431                | -                    | (2,533,317)         | 0.09%                   | 1,574,431                | -                    | (2,533,317)         | 0.09%                   | -                   |
| 6.10         | Incentive Pay                         | 246,621                  | -                    | (396,822)           | 0.01%                   | 1,117,331                | -                    | (1,797,826)         | 0.07%                   | (1,401,005)         |
| 6.11         | Property Tax                          | (1,668,296)              | -                    | 2,684,348           | -0.10%                  | (545,997)                | -                    | 878,529             | -0.03%                  | (1,805,819)         |
| 6.12         | Excise Tax & Filing Fee               | (49,256)                 | -                    | 79,254              | 0.00%                   | (49,256)                 | -                    | 79,254              | 0.00%                   | (0)                 |
| 6.13         | D&O Insurance                         | 23,376                   | -                    | (37,614)            | 0.00%                   | 54,009                   | -                    | (86,902)            | 0.00%                   | (49,288)            |
| 6.14         | Interest on Customer Deposits         | (21,705)                 | -                    | 34,924              | 0.00%                   | (21,705)                 | -                    | 34,924              | 0.00%                   | -                   |
| 6.15         | Rate Case Expense                     | (142,724)                | -                    | 229,648             | -0.01%                  | -                        | -                    | -                   | 0.00%                   | (229,648)           |
| 6.16         | Deferred G/L on Property Sales        | (92,595)                 | -                    | 148,988             | -0.01%                  | (92,595)                 | -                    | 148,988             | -0.01%                  | -                   |
| 6.17         | Property and Liability Insurance      | 35,752                   | -                    | (57,526)            | 0.00%                   | 35,752                   | -                    | (57,526)            | 0.00%                   | -                   |
| 6.18         | Pension Plan                          | (582,788)                | -                    | 937,727             | -0.04%                  | (582,788)                | -                    | 937,727             | -0.04%                  | -                   |
| 6.19         | Wage Increase                         | (1,250,164)              | -                    | 2,011,560           | -0.08%                  | (769,423)                | -                    | 1,238,029           | -0.05%                  | (773,531)           |
| 6.20         | Investment Plan                       | (52,354)                 | -                    | 84,239              | 0.00%                   | (40,613)                 | -                    | 65,348              | 0.00%                   | (18,890)            |
| 6.21         | Employee Insurance                    | (39,703)                 | -                    | 63,883              | 0.00%                   | 33,966                   | -                    | (54,653)            | 0.00%                   | (118,536)           |
| 6.22         | Allowance for Working Capital         | -                        | -                    | -                   | 0.00%                   | -                        | (13,011,001)         | (1,588,980)         | 0.05%                   | (1,588,980)         |
|              | <b>Total Adjustment</b>               | <b>17,164,159</b>        | <b>(2,429,587)</b>   | <b>(27,946,918)</b> | <b>1.04%</b>            | <b>19,403,364</b>        | <b>(40,004,886)</b>  | <b>(36,106,349)</b> | <b>1.29%</b>            | <b>(8,159,431)</b>  |
|              | <b>Adjusted Results of Operations</b> | <b>119,825,618</b>       | <b>1,658,305,524</b> | <b>31,864,884</b>   | <b>7.23%</b>            | <b>122,064,824</b>       | <b>1,620,730,225</b> | <b>1,526,333</b>    | <b>7.53%</b>            | <b>(30,338,552)</b> |



PUGET SOUND ENERGY-GAS  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
For the Twelve Months Ended December 31, 2010  
Adjustment Summary (Page 1 of 4)

| LINE NO. | DESCRIPTION                   | CONTESTED<br>12ME December 31, 2010 | CONTESTED<br>DEPRECIATION | CONTESTED<br>WRAPPED STEEL | UNCONTESTED<br>CONTRACT CHANGES | UNCONTESTED<br>TEMPERATURE NORMALIZATION | UNCONTESTED<br>REVENUE & EXPENSES |
|----------|-------------------------------|-------------------------------------|---------------------------|----------------------------|---------------------------------|--|-----------------------------------|
|          |                               | 5.01                                | 5.02                      | 5.03                       | 6.01                            | 6.02                                     |                                   |
| 1        | OPERATING REVENUES            |                                     |                           |                            |                                 |  |                                   |
| 2        | SALES TO CUSTOMERS            | \$ 953,445,526                      | \$ -                      | \$ -                       | \$ 33,261,442                   | \$ 11,352,119                            |                                   |
| 3        | MUNICIPAL ADDITIONS           | 43,761,997                          |                           |                            |                                 |  |                                   |
| 4        | OTHER OPERATING REVENUES      | 14,322,994                          |                           |                            |                                 |  | 575,830                           |
| 5        | TOTAL OPERATING REVENUES      | \$ 1,011,530,516                    | \$ -                      | \$ -                       | \$ 33,261,442                   | \$ 11,927,949                            |                                   |
| 6        |                               |                                     |                           |                            |                                 |  |                                   |
| 7        |                               |                                     |                           |                            |                                 |  |                                   |
| 8        | OPERATING REVENUE DEDUCTIONS: |                                     |                           |                            |                                 |  |                                   |
| 9        |                               |                                     |                           |                            |                                 |  |                                   |
| 10       | GAS COSTS:                    |                                     |                           |                            |                                 |  |                                   |
| 11       |                               |                                     |                           |                            |                                 |  |                                   |
| 12       | PURCHASED GAS                 | \$ 535,932,510                      | \$ -                      | \$ -                       | \$ 21,569,842                   | \$ (15,209,702)                          |                                   |
| 13       |                               |                                     |                           |                            |                                 |  |                                   |
| 14       | TOTAL PRODUCTION EXPENSES     | \$ 535,932,510                      | \$ -                      | \$ -                       | \$ 21,569,842                   | \$ (15,209,702)                          |                                   |
| 15       |                               |                                     |                           |                            |                                 |  |                                   |
| 16       | OTHER POWER SUPPLY EXPENSES   | \$ 1,937,122                        | \$ -                      | \$ -                       | \$ -                            | \$ -                                     |                                   |
| 17       | TRANSMISSION EXPENSE          | 226,853                             |                           |                            |                                 |  |                                   |
| 18       | DISTRIBUTION EXPENSE          | 50,238,405                          |                           | (984,861)                  |                                 |  | 41,450                            |
| 19       | CUSTOMER ACCOUNT EXPENSES     | 32,629,594                          |                           |                            |                                 |  |                                   |
| 20       | CUSTOMER SERVICE EXPENSES     | 4,454,346                           |                           |                            |                                 |  |                                   |
| 21       | CONSERVATION AMORTIZATION     | 14,771,682                          |                           |                            |                                 |  |                                   |
| 22       | ADMIN & GENERAL EXPENSE       | 42,818,070                          |                           |                            |                                 |  |                                   |
| 23       | DEPRECIATION                  | 102,386,843                         | (6,263,399)               | 300,534                    |                                 |  | 23,856                            |
| 24       | AMORTIZATION                  | 12,778,120                          |                           |                            |                                 |  |                                   |
| 25       | AMORTIZATION OF PROPERTY LOSS |                                     |                           |                            |                                 |  |                                   |
| 26       | OTHER OPERATING EXPENSES      | (187,824)                           |                           |                            |                                 |  |                                   |
| 27       | FAS 133                       |                                     |                           |                            |                                 |  |                                   |
| 28       | TAXES OTHER THAN INCOME TAXES | 98,746,988                          |                           |                            | 1,276,774                       |  | 457,866                           |
| 29       | INCOME TAXES                  | 15,204,117                          | (105,187)                 | 344,701                    |                                 |  | 9,315,068                         |
| 30       | DEFERRED INCOME TAXES         | (3,067,771)                         |                           |                            |                                 |  |                                   |
| 31       | TOTAL OPERATING REV. DEDUCT.  | \$ 908,869,057                      | \$ (4,071,209)            | \$ 195,347                 | \$ (640,160)                    | \$ 26,610,175                            | \$ (5,371,462)                    |
| 32       |                               |                                     |                           |                            |                                 |  |                                   |
| 33       | NET OPERATING INCOME          | \$ 102,661,460                      | \$ 4,071,209              | \$ (195,347)               | \$ 640,160                      | \$ 6,651,267                             | \$ 17,299,411                     |
| 34       |                               |                                     |                           |                            |                                 |  |                                   |
| 35       | RATE BASE                     | \$ 1,660,735,111                    | \$ (2,218,846)            | \$ (97,673)                | \$ -                            | \$ -                                     | \$ -                              |
| 36       |                               |                                     |                           |                            |                                 |  |                                   |
| 37       | RATE OF RETURN                | 6.18%                               |                           |                            |                                 |  |                                   |
| 38       |                               |                                     |                           |                            |                                 |  |                                   |
| 39       | RATE BASE:                    |                                     |                           |                            |                                 |  |                                   |
| 40       | UTILITY PLANT IN SERVICE      | \$ 2,787,911,459                    | \$ -                      | \$ -                       | \$ -                            | \$ -                                     | \$ -                              |
| 41       | ACCUMULATED DEPRECIATION      | (924,038,095)                       | (2,431,349)               | (150,267)                  |                                 |  |                                   |
| 42       | ACCUMULATED DEFERRED FIT      | (254,856,083)                       | 212,503                   | 52,593                     |                                 |  |                                   |
| 43       | OTHER                         | (27,129,125)                        |                           |                            |                                 |  |                                   |
| 44       | TOTAL NET INVESTMENT          | \$ 1,581,888,156                    | \$ (2,218,846)            | \$ (97,673)                | \$ -                            | \$ -                                     | \$ -                              |
| 45       | ALLOWANCE FOR WORKING CAPITAL | 78,846,955                          |                           |                            |                                 |  |                                   |
| 46       | TOTAL RATE BASE               | \$ 1,660,735,111                    | \$ (2,218,846)            | \$ (97,673)                | \$ -                            | \$ -                                     | \$ -                              |

PUGET SOUND ENERGY-GAS  
 STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
 For the Twelve Months Ended December 31, 2010  
 Adjustment Summary (Page 2 of 4)

| LINE NO. | DESCRIPTION                   | UNCONTESTED<br>PASS THROUGH<br>REVENUE & EXPENSE | CONTESTED<br>FEDERAL<br>INCOME TAX | CONTESTED<br>TAX BENEFIT OF<br>PRO FORMA INTEREST | CONTESTED<br>MISCELLANEOUS<br>OPERATING EXPENSE | CONTESTED<br>GENERAL PLANT<br>DEPRECIATION | UNCONTESTED<br>NORMALIZE<br>INJURIES & DAMAGES |
|----------|-------------------------------|--|------------------------------------|---|---|--|--|
|          |                               | 6.03   | 6.04                               | 6.05  | 6.06  | 6.07                                       | 6.08   |
| 1        | OPERATING REVENUES            |  |                                    |   |   |  |  |
| 2        | SALES TO CUSTOMERS            | \$ 42,363,147                                    | \$ -                               | \$ -  | \$ -  | \$ -                                       | \$ -   |
| 3        | MUNICIPAL ADDITIONS           | (43,761,997)                                     |                                    |   |   |  |  |
| 4        | OTHER OPERATING REVENUES      |  |                                    |   |   |  |  |
| 5        | TOTAL OPERATING REVENUES      | \$ (1,398,850)                                   | \$ -                               | \$ -  | \$ -  | \$ -                                       | \$ -   |
| 6        |                               |  |                                    |   |   |  |  |
| 7        |                               |  |                                    |   |   |  |  |
| 8        | OPERATING REVENUE DEDUCTIONS: |  |                                    |   |   |  |  |
| 9        |                               |  |                                    |   |   |  |  |
| 10       | GAS COSTS:                    |  |                                    |   |   |  |  |
| 11       |                               |  |                                    |   |   |  |  |
| 12       | PURCHASED GAS                 | \$ 58,642,444                                    | \$ -                               | \$ -  | \$ -  | \$ -                                       | \$ -   |
| 13       |                               |  |                                    |   |   |  |  |
| 14       | TOTAL PRODUCTION EXPENSES     | \$ 58,642,444                                    | \$ -                               | \$ -  | \$ -  | \$ -                                       | \$ -   |
| 15       |                               |  |                                    |   |   |  |  |
| 16       | OTHER POWER SUPPLY EXPENSES   |  |                                    |   |   |  |  |
| 17       | TRANSMISSION EXPENSE          |  |                                    |   |   |  |  |
| 18       | DISTRIBUTION EXPENSE          | (4,861)  |                                    |   | (72,885)  |  |  |
| 19       | CUSTOMER ACCOUNT EXPENSES     | (3,337,444)                                      |                                    |   |   |  |  |
| 20       | CUSTOMER SERVICE EXPENSES     | (14,771,682)                                     |                                    |   |   |  |  |
| 21       | CONSERVATION AMORTIZATION     | (2,798)  |                                    |   |   |  | 83,553   |
| 22       | ADMIN & GENERAL EXPENSE       |  |                                    |   |   | (592,306)                                  |  |
| 23       | DEPRECIATION                  |  |                                    |   |   |  |  |
| 24       | AMORTIZATION                  |  |                                    |   |   |  |  |
| 25       | AMORTIZATION OF PROPERTY LOSS |  |                                    |   |   |  |  |
| 26       | OTHER OPERATING EXPENSES      |  |                                    |   |   |  |  |
| 27       | FAS 133                       |  |                                    |   |   |  |  |
| 28       | TAXES OTHER THAN INCOME TAXES | (42,162,546)                                     |                                    |   |   |  |  |
| 29       | INCOME TAXES                  | 83,313   | (16,846,707)                       | (18,265,630)                                      | (13,987)  | 207,307                                    | (29,243)                                       |
| 30       | DEFERRED INCOME TAXES         | 45,680,808                                       |                                    |   |   |  |  |
| 31       | TOTAL OPERATING REV. DEDUCT.  | \$ (1,553,574)                                   | \$ 28,834,101                      | \$ (18,265,630)                                   | \$ (306,610)                                    | \$ (384,999)                               | \$ 54,310                                      |
| 32       |                               |  |                                    |   |   |  |  |
| 33       | NET OPERATING INCOME          | \$ 154,724                                       | \$ (28,834,101)                    | \$ 18,265,630                                     | \$ 306,610                                      | \$ 384,999                                 | \$ (54,310)                                    |
| 34       |                               |  |                                    |   |   |  |  |
| 35       | RATE BASE                     |  |                                    |   |   |  |  |
| 36       |                               |  |                                    |   |   |  |  |
| 37       | RATE OF RETURN                |  |                                    |   |   |  |  |
| 38       |                               |  |                                    |   |   |  |  |
| 39       | RATE BASE:                    |  |                                    |   |   |  |  |
| 40       | UTILITY PLANT IN SERVICE      |  |                                    |   |   |  |  |
| 41       | ACCUMULATED DEPRECIATION      |  |                                    |   |   |  |  |
| 42       | ACCUMULATED DEFERRED FIT      | \$ (24,564,298)                                  |                                    |   |   |  |  |
| 43       | OTHER                         |  |                                    |   |   |  |  |
| 44       | TOTAL NET INVESTMENT          | \$ -   | \$ (24,564,298)                    | \$ -  | \$ -  | \$ (113,067)                               | \$ -   |
| 45       | ALLOWANCE FOR WORKING CAPITAL |  |                                    |   |   |  |  |
| 46       | TOTAL RATE BASE               | \$ -   | \$ (24,564,298)                    | \$ -  | \$ -  | \$ (113,067)                               | \$ -   |



PUGET SOUND ENERGY-GAS  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
For the Twelve Months Ended December 31, 2010  
Adjustment Summary (Page 4 of 4)

| LINE NO. | DESCRIPTION                   | UNCONTESTED PROPERTY & LIABILITY INS 6.17 | UNCONTESTED PENSION PLAN 6.18 | CONTESTED WAGE INCREASE 6.19 | CONTESTED INVESTMENT PLAN 6.20 | CONTESTED EMPLOYEE INSURANCE 6.21 | CONTESTED ALLOWANCE FOR WORKING CAPITAL ADJUSTMENTS 6.22 | TOTAL ADJUSTMENTS | ADJUSTED RESULTS OF OPERATIONS |
|----------|-------------------------------|---|-------------------------------|------------------------------|--------------------------------|-----------------------------------|--|-------------------|--------------------------------|
| 1        | OPERATING REVENUES            |   |                               |                              |                                |                                   |  |                   |                                |
| 2        | SALES TO CUSTOMERS            | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ 86,976,708     |                                |
| 3        | MUNICIPAL ADDITIONS           |   |                               |                              |                                |                                   |  | \$ (43,761,997)   |                                |
| 4        | OTHER OPERATING REVENUES      |   |                               |                              |                                |                                   |  | \$ 575,830        |                                |
| 5        | TOTAL OPERATING REVENUES      | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ 43,790,541     |                                |
| 6        |                               |   |                               |                              |                                |                                   |  | \$ 1,055,321,057  |                                |
| 7        |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 8        | OPERATING REVENUE DEDUCTIONS: |   |                               |                              |                                |                                   |  |                   |                                |
| 9        |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 10       | GAS COSTS:                    |   |                               |                              |                                |                                   |  |                   |                                |
| 11       |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 12       | PURCHASED GAS                 | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ 65,002,584     |                                |
| 13       |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 14       | TOTAL PRODUCTION EXPENSES     | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ 65,002,584     |                                |
| 15       |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 16       | OTHER POWER SUPPLY EXPENSES   | \$ -                                      | \$ -                          | \$ 31,909                    | \$ -                           | \$ -                              | \$ -   | \$ (12,184)       |                                |
| 17       | TRANSMISSION EXPENSE          |   |                               | 2,307                        |                                |                                   |  | \$ (1,167)        |                                |
| 18       | DISTRIBUTION EXPENSE          |   |                               | 549,544                      |                                |                                   |  | \$ (1,324,566)    |                                |
| 19       | CUSTOMER ACCOUNT EXPENSES     |   |                               | 215,964                      |                                |                                   |  | \$ (2,362,681)    |                                |
| 20       | CUSTOMER SERVICE EXPENSES     |   |                               | 27,423                       |                                |                                   |  | \$ (3,346,360)    |                                |
| 21       | CONSERVATION AMORTIZATION     |   |                               |                              |                                |                                   |  | \$ (14,771,682)   |                                |
| 22       | ADMIN & GENERAL EXPENSE       | (55,003)                                  | 896,597                       | 284,336                      | 62,481                         | (52,256)                          |  | \$ 479,507        |                                |
| 23       | DEPRECIATION                  |   |                               |                              |                                |                                   |  | \$ (6,555,172)    |                                |
| 24       | AMORTIZATION                  |   |                               |                              |                                |                                   |  | \$ -              |                                |
| 25       | AMORTIZATION OF PROPERTY LOSS |   |                               |                              |                                |                                   |  | \$ 142,453        |                                |
| 26       | OTHER OPERATING EXPENSES      |   |                               |                              |                                |                                   |  | \$ -              |                                |
| 27       | FAS 133                       |   |                               |                              |                                |                                   |  | \$ (45,370)       |                                |
| 28       | TAXES OTHER THAN INCOME TAXES |   |                               | 72,244                       |                                |                                   |  | \$ (39,582,397)   |                                |
| 29       | INCOME TAXES                  | 19,251                                    | (313,809)                     | (414,304)                    | (21,868)                       | 18,290                            |  | \$ (18,961,967)   |                                |
| 30       | DEFERRED INCOME TAXES         |   |                               |                              |                                |                                   |  | \$ (3,757,850)    |                                |
| 31       | TOTAL OPERATING REV. DEDUCT.  | \$ (35,752)                               | \$ 582,788                    | \$ 769,423                   | \$ 40,613                      | \$ (33,966)                       | \$ -   | \$ 24,387,177     |                                |
| 32       |                               |   |                               |                              |                                |                                   |  | \$ 933,256,234    |                                |
| 33       | NET OPERATING INCOME          | \$ 35,752                                 | \$ (582,788)                  | \$ (769,423)                 | \$ (40,613)                    | \$ 33,966                         | \$ -   | \$ 19,403,364     |                                |
| 34       |                               |   |                               |                              |                                |                                   |  | \$ 122,064,824    |                                |
| 35       | RATE BASE                     | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ (13,011,001)  | \$ (40,004,886)   |                                |
| 36       |                               |   |                               |                              |                                |                                   |  | \$ 1,620,730,225  |                                |
| 37       | RATE OF RETURN                |   |                               |                              |                                |                                   |  | 7.53%             |                                |
| 38       |                               |   |                               |                              |                                |                                   |  |                   |                                |
| 39       | RATE BASE:                    |   |                               |                              |                                |                                   |  |                   |                                |
| 40       | UTILITY PLANT IN SERVICE      | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ 2,787,911,459  |                                |
| 41       | ACCUMULATED DEPRECIATION      |   |                               |                              |                                |                                   |  | \$ (2,755,565)    |                                |
| 42       | ACCUMULATED DEFERRED FIT      |   |                               |                              |                                |                                   |  | \$ (24,238,320)   |                                |
| 43       | OTHER                         |   |                               |                              |                                |                                   |  | \$ (27,129,125)   |                                |
| 44       | TOTAL NET INVESTMENT          | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ -   | \$ (26,993,885)   |                                |
| 45       | ALLOWANCE FOR WORKING CAPITAL |   |                               |                              |                                |                                   |  | \$ (13,011,001)   |                                |
| 46       | TOTAL RATE BASE               | \$ -                                      | \$ -                          | \$ -                         | \$ -                           | \$ -                              | \$ (40,004,886)  | \$ 1,620,730,225  |                                |

Puget Sound Energy - Gas  
**WATER HEATER DEPRECIATION**  
 For the Twelve Months Ended December 31, 2010  
 Adjustment Number - 5.01

| LINE NO. | DESCRIPTION                              | ACTUAL      | RESTATED     | ADJUSTMENT     |
|----------|--|-------------|--------------|----------------|
| 1        | <u>ADJUSTMENT TO OPERATING EXPENSES</u>  |             |              |                |
| 2        | DEPRECIATION EXPENSE                     | \$7,798,988 | \$ 1,535,589 | \$ (6,263,399) |
| 3        | TOTAL WATER HEATERS DEPRECIATION EXPENSE | 7,798,988   | 1,535,589    | (6,263,399)    |
| 4        |  |             |              |                |
| 5        | INCREASE (DECREASE) EXPENSE              |             |              | \$ (6,263,399) |
| 6        |  |             |              |                |
| 7        | INCREASE (DECREASE) FIT EXPENSE          |             | 35%          | \$ 2,192,190   |
| 8        |  |             |              |                |
| 9        | INCREASE (DECREASE) NOI                  |             |              | \$ 4,071,209   |
| 10       |  |             |              |                |
| 11       | <u>ADJUSTMENT TO RATE BASE</u>           |             |              |                |
| 12       | IMPACT ON ACCUMULATED DEPRECIATION       |             |              | \$ (2,431,349) |
| 13       | DEFERRED FEDERAL INCOME TAX BENEFIT      |             |              | \$ 212,503     |
| 14       |  |             |              |                |
| 15       | TOTAL ADJUSTMENT TO RATEBASE             |             |              | \$ (2,218,846) |



Puget Sound Energy - Gas  
**RECLASSIFICATION OF BARE STEEL PIPE TO WRAPPED STEEL PIPE**  
 For the Twelve Months Ended December 31, 2010  
 Adjustment Number - 5.02

| LINE NO. | DESCRIPTION                             | ACTUAL      | RESTATED     | ADJUSTMENT             |
|----------|---|-------------|--------------|------------------------|
| 1        | <u>ADJUSTMENT TO OPERATING EXPENSES</u> |             |              |                        |
| 2        | 403 DEPRECIATION EXPENSE                | \$1,062,621 | \$ 1,363,155 | \$ 300,534             |
| 3        |   |             |              |                        |
| 4        | INCREASE (DECREASE) EXPENSE             |             | \$           | 300,534                |
| 5        |   |             |              |                        |
| 6        | INCREASE (DECREASE) FIT EXPENSE         |             | 35% \$       | (105,187)              |
| 7        |   |             |              |                        |
| 8        | INCREASE(DECREASE) NOI                  |             | \$           | <u>(195,347)</u>       |
| 9        |   |             |              |                        |
| 10       | <u>ADJUSTMENT TO RATE BASE</u>          |             |              |                        |
| 11       | ADJUSTMENT TO ACCUM. DEPREC.            |             | \$           | (150,267)              |
| 12       | DEFERRED FEDERAL INCOME TAXES           |             | 35% \$       | 52,593                 |
| 13       | TOTAL ADJUSTMENT TO RATEBASE            |             |              | <u><u>(97,673)</u></u> |

Puget Sound Energy - Gas  
 CONTRACT CHANGES  
 For the Twelve Months Ended December 31, 2010  
 Adjustment Number - 5.03

| LINE NO. | DESCRIPTION                                       | ACTUAL      | RESTATED    | ADJUSTMENT   |
|----------|---|-------------|-------------|--------------|
| 1        | <u>ADJUSTMENT TO OPERATING EXPENSES</u>           |             |             |              |
| 2        | DECREASE IN SERVICE CONTRACT O&M BASELINE CHARGES | \$8,525,942 | \$7,541,081 | \$ (984,861) |
| 3        | INCREASE (DECREASE) IN EXPENSE                    | \$8,525,942 | \$7,541,081 | \$ (984,861) |
| 4        |   |             |             |              |
| 5        | TOTAL INCREASE (DECREASE) IN INCOME               |             |             | \$ 984,861   |
| 6        | INCREASE (DECREASE) FIT @ 35%                     |             | 35.00%      | \$ 344,701   |
| 7        |   |             |             |              |
| 8        | INCREASE (DECREASE) NOI                           |             |             | \$ 640,160   |

PUGET SOUND ENERGY-GAS  
TEMPERATURE NORMALIZATION  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
Adjustment Number - 6.01

| LINE NO. | DESCRIPTION                            | ADJUSTMENT                         |                      |                      |
|----------|--|------------------------------------|----------------------|----------------------|
| 1        | TEMPERATURE NORMALIZATION ADJUSTMENT:  |                                    |                      |                      |
| 2        |  | ACTUAL                             | TEMP ADJ             | THERMS               |
| 3        |  | <u>THERMS</u>                      | <u>THERMS</u>        | <u>CHANGE</u>        |
| 4        | Jan-10                                 | 128,745,037                        | 151,950,258          | 23,205,221           |
| 5        | Feb-10                                 | 107,438,064                        | 123,124,539          | 15,686,475           |
| 6        | Mar-10                                 | 111,751,311                        | 115,718,871          | 3,967,560            |
| 7        | Apr-10                                 | 92,608,601                         | 89,726,214           | (2,882,387)          |
| 8        | May-10                                 | 74,871,802                         | 67,935,817           | (6,935,985)          |
| 9        | Jun-10                                 | 56,233,149                         | 52,834,021           | (3,399,128)          |
| 10       | Jul-10                                 | 45,903,282                         | 44,771,928           | (1,131,354)          |
| 11       | Aug-10                                 | 44,931,621                         | 43,877,935           | (1,053,686)          |
| 12       | Sep-10                                 | 49,140,650                         | 49,056,667           | (83,983)             |
| 13       | Oct-10                                 | 77,063,217                         | 79,839,487           | 2,776,270            |
| 14       | Nov-10                                 | 121,261,601                        | 111,333,789          | (9,927,812)          |
| 15       | Dec-10                                 | 146,682,208                        | 159,387,099          | 12,704,891           |
| 16       |  | <u>1,056,630,543</u>               | <u>1,089,556,625</u> | <u>32,926,082</u>    |
| 17       |  |                                    |                      |                      |
| 18       | REVENUE ADJUSTMENT:                    | Residential (23)                   |                      | \$ 23,283,585        |
| 19       |  | Commercial & industrial (31)       |                      | \$ 8,285,263         |
| 20       |  | Large volume (41)                  |                      | \$ 759,944           |
| 21       |  | Transportation -Large volume (41T) |                      | \$ 2,198             |
| 22       |  | Interruptible (85)                 |                      | \$ 253,251           |
| 23       |  | Limited interruptible (86)         |                      | \$ 302,794           |
| 24       |  | Non exclusive interruptible (87)   |                      | \$ 353,348           |
| 25       |  | Transportation (87T)               |                      | \$ 12,177            |
| 26       |  | Contracts (99,199,299)             |                      | <u>\$ 8,880</u>      |
| 27       | INCREASE (DECREASE) SALES TO CUSTOMERS |                                    |                      | \$ 33,261,442        |
| 28       |  |                                    |                      |                      |
| 29       | OPERATING EXPENSES                     |                                    |                      |                      |
| 30       | PURCHASED GAS COSTS                    |                                    |                      | <u>\$ 21,569,842</u> |
| 31       |  |                                    |                      | \$ 21,569,842        |
| 32       |  |                                    |                      |                      |
| 33       | UNCOLLECTIBLES @                       |                                    | 0.003475             | \$ 115,584           |
| 34       | ANNUAL FILING FEE @                    |                                    | 0.002000             | <u>\$ 66,523</u>     |
| 35       | INCREASE (DECREASE) EXPENSES           |                                    |                      | \$ 182,107           |
| 36       |  |                                    |                      |                      |
| 37       | STATE UTILITY TAX @                    |                                    | 0.038386             | <u>\$ 1,276,774</u>  |
| 38       | INCREASE (DECREASE) TAXES OTHER        |                                    |                      | \$ 1,276,774         |
| 39       |  |                                    |                      |                      |
| 40       | INCREASE (DECREASE) INCOME             |                                    |                      | \$ 10,232,719        |
| 41       |  |                                    |                      |                      |
| 42       | INCREASE (DECREASE) FIT @              |                                    | 35%                  | <u>\$ 3,581,452</u>  |
| 43       | INCREASE (DECREASE) NOI                |                                    |                      | <u>\$ 6,651,267</u>  |
| 44       |  |                                    |                      |                      |
| 45       |  |                                    |                      |                      |

Puget Sound Energy - Gas  
REVENUE AND EXPENSES  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.02

| LINE NO. | DESCRIPTION   |                        | ADJUSTMENT           |
|----------|---|------------------------|----------------------|
| 1        | SALES TO CUSTOMERS:                                     |                        |                      |
| 2        | ADD GRC INCREASE DOCKET UG-090705                       | \$ 3,273,299           |                      |
| 3        | ADD GTIF INCREASE DOCKET UG-101644                      | \$ 18,001,389          |                      |
| 4        | RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO           | \$ -                   |                      |
| 5        | OTHER OPERATING   | \$ (1,206,883)         |                      |
| 6        | OCTOBER 2010 PURCHASED GAS                              | \$ -                   |                      |
| 7        | ADJUSTMENT, DOCKET UG-101642 - REDUCE REVENUES FROM PGA | \$ (21,345,994)        |                      |
| 8        | TRUE UP CHANGE IN UNBILLED                              | \$ 10,634,442          |                      |
| 9        | MIGRATION ADJUSTMENT FOR SCHEDULES 41T AND 86T          | \$ (1,035,101)         |                      |
| 10       | MIGRATION ADJUSTMENT FOR SCHEDULE 41                    | \$ (415,904)           |                      |
| 11       | MERGER RATE CREDIT SCHEDULE 132                         | \$ 3,430,013           |                      |
| 12       | OTHER ADJUSTMENTS                                       | \$ 16,858              |                      |
| 13       | RESTATING ADJUSTMENTS SALES TO CUSTOMERS                | <u>\$ 11,352,119</u>   |                      |
| 14       |   |                        |                      |
| 15       | TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS            |                        | \$ 11,352,119        |
| 16       |   |                        |                      |
| 17       | OTHER OPERATING REVENUES                                |                        |                      |
| 18       | RENTALS:  |                        |                      |
| 19       | 2009 GRC INCREASE DOCKET UG-090705                      | \$ 51,275              |                      |
| 20       | ADD GTIF INCREASE DOCKET UG-101644                      | \$ 381,350             |                      |
| 21       | TRUE UP CHANGE IN UNBILLED                              | \$ 66,948              |                      |
| 22       | OTHER OPERATING REVENUES                                | \$ -                   |                      |
| 23       | RECLASS PENALTIES AND NEW CUSTOMER REVENUE              | \$ -                   |                      |
| 24       | FROM SALES TO CUSTOMERS                                 | \$ 1,206,883           |                      |
| 25       | REMOVE STORAGE RENTAL REVENUE                           | \$ (1,130,625)         |                      |
| 26       |   |                        |                      |
| 27       | TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE       |                        | <u>\$ 575,830</u>    |
| 28       |   |                        |                      |
| 29       | TOTAL INCREASE (DECREASE) REVENUES                      |                        | \$ 11,927,949        |
| 30       |   |                        |                      |
| 31       | OPERATING EXPENSES:                                     |                        |                      |
| 32       | PURCHASED GAS COSTS                                     |                        |                      |
| 33       | 2009 GRC INCREASE DOCKET UG-090705                      | \$ -                   |                      |
| 34       | RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO           |                        |                      |
| 35       | OTHER OPERATING   | \$ -                   |                      |
| 36       | NOVEMBER 2010 PURCHASED GAS                             | \$ -                   |                      |
| 37       | ADJUSTMENT, DOCKET UG-101642 REDUCE GAS COSTS FROM PGA  | \$ (20,443,597)        |                      |
| 38       | TRUE UP CHANGE IN UNBILLED - GAS COSTS                  | \$ 6,264,490           |                      |
| 39       | MIGRATION ADJUSTMENT FOR SCHEDULES 41T AND 86T          | \$ (991,036)           |                      |
| 40       | MIGRATION ADJUSTMENT FOR SCHEDULE 41                    | \$ (39,559)            |                      |
| 41       | OTHER ADJUSTMENTS                                       | \$ -                   |                      |
| 42       | TOTAL PURCHASE GAS COSTS                                | <u>\$ (15,209,702)</u> |                      |
| 43       |   |                        |                      |
| 44       | UNCOLLECTIBLES @  | 0.003475 \$ 41,450     |                      |
| 45       | ANNUAL FILING FEE @                                     | 0.002000 \$ 23,856     |                      |
| 46       | INCREASE (DECREASE) EXPENSES                            |                        | \$ (15,144,397)      |
| 47       |   |                        |                      |
| 48       | STATE UTILITY TAX @                                     | 0.038386 \$ 457,866    |                      |
| 49       |   |                        |                      |
| 50       | INCREASE (DECREASE) TAXES OTHER                         |                        | \$ 457,866           |
| 51       |   |                        |                      |
| 52       | INCREASE (DECREASE) INCOME                              |                        | \$ 26,614,479        |
| 53       | INCREASE (DECREASE) FIT @                               | 35%                    | \$ 9,315,068         |
| 54       | INCREASE (DECREASE) NOI                                 |                        | <u>\$ 17,299,411</u> |

PUGET SOUND ENERGY-GAS  
PASS THROUGH REVENUE AND EXPENSE  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.03

| LINE NO. | DESCRIPTION   | ADJUSTMENT                 |
|----------|---|----------------------------|
| 1        | <u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u>                |                            |
| 2        | REMOVE LOW INCOME - SCHEDULE 129                              | \$ 3,488,171               |
| 3        | REMOVE CONSERVATION - SCHEDULE 120                            | \$ 15,438,475              |
| 4        | REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106     | \$ (61,289,793)            |
| 5        | REMOVE MUNICIPAL TAXES  | \$ 43,761,997              |
| 6        |   |                            |
| 7        | TOTAL (INCREASE) DECREASE REVENUES                            | <u>\$ 1,398,850</u>        |
| 8        |   |                            |
| 9        | <u>ADJUST REVENUE SENSITIVE ITEMS FOR REMOVAL OF REVENUE:</u> |                            |
| 10       | BAD DEBTS   | 0.3475% \$ (4,861)         |
| 11       | ANNUAL FILING FEE   | 0.2000% \$ (2,798)         |
| 12       | STATE UTILITY TAX   | 3.8386% \$ (53,696)        |
| 13       | TOTAL INCREASE (DECREASE) EXPENSE                             | <u>4.3861% \$ (61,355)</u> |
| 14       |   |                            |
| 15       | <u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u>                 |                            |
| 16       | REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129                 | \$ (3,337,444)             |
| 17       | REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120               | \$ (14,771,682)            |
| 18       | REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106           | \$ 58,642,444              |
| 19       | REMOVE MUNICIPAL TAXES  | \$ (42,108,850)            |
| 20       |   |                            |
| 21       | TOTAL INCREASE (DECREASE) EXPENSE                             | <u>\$ (1,575,532)</u>      |
| 22       |   |                            |
| 23       | INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES          | \$ 238,036                 |
| 24       | INCREASE (DECREASE) FIT                                       | 35% \$ 83,313              |
| 25       | INCREASE (DECREASE) NOI                                       | <u>\$ 154,724</u>          |

Puget Sound Energy - Gas  
**FEDERAL INCOME TAX**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.04

| LINE NO. | DESCRIPTION   | ADJUSTMENT         |
|----------|---|--------------------|
| 1        | TAXABLE INCOME (LOSS) (NOTE 1)                                  | \$ (4,693,113)     |
| 2        |   |                    |
| 3        | FEDERAL INCOME TAX  |                    |
| 4        | CURRENT FIT @   | 35% \$ (1,642,590) |
| 5        | DEFERRED FIT - DEBIT  | \$ 45,915,086      |
| 6        | DEFERRED FIT - CREDIT   | \$ (3,097,484)     |
| 7        | DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION              | \$ (204,565)       |
| 8        | TOTAL RESTATED FIT  | \$ 40,970,448      |
| 9        |   |                    |
| 10       | FIT PER BOOKS:  |                    |
| 11       | CURRENT FIT   | \$ 15,204,117      |
| 12       | DEFERRED FIT - DEBIT  | \$ 59,583,058      |
| 13       | DEFERRED FIT - CREDIT   | \$ (62,446,264)    |
| 14       | DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION              | \$ (204,565)       |
| 15       |   |                    |
| 16       | TOTAL CHARGED TO EXPENSE  | \$ 12,136,346      |
| 17       |   |                    |
| 18       | INCREASE(DECREASE) FIT  | \$ (16,846,707)    |
| 19       | INCREASE(DECREASE) DEFERRED FIT                                 | \$ 45,680,808      |
| 20       | INCREASE(DECREASE) ITC  | \$ -               |
| 21       | INCREASE(DECREASE) NOI  | \$ (28,834,101)    |
| 22       |   |                    |
| 23       | <u>ADJUSTMENT TO RATE BASE</u>                                  |                    |
| 24       | ACCOUNT 282 REPAIRS   | \$ (24,996,849)    |
| 25       | ACCOUNT 282 RETIREMENTS   | \$ 432,551         |
| 26       | TOTAL ADJUSTMENT TO RATEBASE                                    | \$ (24,564,298)    |
| 27       |   |                    |
| 28       | (NOTE 1)  |                    |
| 29       | DOES NOT INCLUDE A DEDUCTION FOR INTEREST AS THE TAX EFFECT FOR |                    |
| 30       | TOTAL PROFORMA INTEREST IS CALCULATED IN ADJUSTMENT 6.05        |                    |

Puget Sound Energy - Gas  
**TAX BENEFIT OF PRO FORMA INTEREST**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.05

| LINE NO. | DESCRIPTION                |                  | ADJUSTMENT      |
|----------|----------------------------|------------------|-----------------|
| 1        | RATE BASE                  | \$ 1,620,730,225 |                 |
| 2        |                            |                  |                 |
| 3        | NET RATE BASE              | \$ 1,620,730,225 |                 |
| 4        |                            |                  |                 |
| 5        | WEIGHTED COST OF DEBT      | 3.22%            |                 |
| 6        | PROFORMA INTEREST          |                  | \$ 52,187,513   |
| 7        |                            |                  |                 |
| 8        | INCREASE (DECREASE) INCOME |                  | \$ (52,187,513) |
| 9        |                            |                  |                 |
| 10       | INCREASE (DECREASE) FIT @  | 35%              | \$ (18,265,630) |
| 11       | INCREASE (DECREASE) NOI    |                  | \$ 18,265,630   |

Puget Sound Energy - Gas  
**MISCELLANEOUS OPERATING EXPENSE**  
**For the Twelve Months Ended December 31, 2010**  
**Adjustment Number - 6.06**

| LINE NO. | DESCRIPTION   | ACTUAL     | RESTATED  | ADJUSTMENT   |
|----------|---|------------|-----------|--------------|
| 1        | <u>OPERATING REVENUES</u>   |            |           |              |
| 2        | LAI D OFF EMPLOYEES:  |            |           |              |
| 3        | DISTRIBUTION  | \$ 72,885  | \$ -      | \$ (72,885)  |
| 4        | ADMIN & GENERAL   | \$ 17,150  | \$ -      | \$ (17,150)  |
| 5        | EXECUTIVE SALARY  | \$ 253,236 | \$ 2,465  | \$ (250,770) |
| 6        | BENEFITS ON THE ABOVE WAGE ADJUSTMENTS                            | \$ 96,556  | \$ -      | \$ (96,556)  |
| 7        | PAYROLL TAXES ON ON THE ABOVE WAGE ADJUSTMENTS                    | \$ 14,949  | \$ 962    | \$ (13,987)  |
| 8        | REMOVE NON-BUSINESS OR NON-UTILITY RELATED EXPENSES               | \$ 32,221  | \$ 11,861 | \$ (20,360)  |
| 9        | INCREASE(DECREASE ) IN EXPENSE                                    | \$ 486,995 | \$ 15,288 | \$ (471,707) |
| 10       |   |            |           |              |
| 11       | INCREASE (DECREASE) FIT @   |            | 35%       | \$ 165,098   |
| 12       |   |            |           |              |
| 13       | INCREASE (DECREASE) NOI   |            |           | \$ 306,610   |
| 14       |   |            |           |              |
| 15       |   |            |           |              |
| 16       | CHANGED CEO ALLOCATION FACTOR TO MATCH REYNOLDS ALLOCATION FACTOR |            |           |              |
| 17       | BACKED OUT 50% OF DIRECTOR FEES                                   |            |           |              |
| 18       | BACKED OUT 50% OF DIRECTOR EXPENSES                               |            |           |              |



Puget Sound Energy - Gas  
 GENERAL PLANT DEPRECIATION  
 For the Twelve Months Ended December 31, 2010  
 Adjustment Number - 6.07

| LINE NO. | DESCRIPTION                                | ACTUAL       | RESTATED            | ADJUSTMENT          |
|----------|--|--------------|---------------------|---------------------|
| 1        | <u>GENERAL PLANT DEPRECIATION EXPENSES</u> |              |                     |                     |
| 2        | DEPRECIATION EXPENSE                       | \$ 6,052,438 | \$ 5,460,132        | \$ (592,306)        |
| 3        | INCREASE (DECREASE) EXPENSE                | \$ 6,052,438 | \$ 5,460,132        | \$ (592,306)        |
| 4        |  |              |                     |                     |
| 5        | INCREASE (DECREASE) EXPENSE                |              |                     | \$ (592,306)        |
| 6        |  |              |                     |                     |
| 7        | INCREASE (DECREASE) FIT @                  |              | 35%                 | \$ 207,307          |
| 8        |  |              |                     |                     |
| 9        | INCREASE (DECREASE) NOI                    |              |                     | <u>\$ 384,999</u>   |
| 10       |  |              |                     |                     |
| 11       |  |              |                     |                     |
| 12       | <u>GENERAL PLANT RATEBASE</u>              |              |                     |                     |
| 13       | PLANT BALANCE                              |              |                     |                     |
| 14       | ACCUMULATED DEPRECIATION                   | \$ -         | \$ (173,949)        | \$ (173,949)        |
| 15       | ACCUMULATED DEFERRED FIT                   | \$ -         | \$ 60,882           | \$ 60,882           |
| 16       | NET RATEBASE                               | <u>\$ -</u>  | <u>\$ (113,067)</u> | <u>\$ (113,067)</u> |

Puget Sound Energy - Gas  
**NORMALIZE INJURIES AND DAMAGES**  
**For the Twelve Months Ended December 31, 2010**  
**Adjustment Number - 6.08**

| LINE NO. | DESCRIPTION                                       | ACTUAL     | RESTATED   | ADJUSTMENT  |
|----------|---|------------|------------|-------------|
| 1        | ACCRUALS  | \$ 111,907 | \$ 70,636  | \$ (41,271) |
| 2        | PAYMENTS IN EXCESS OF ACCRUALS                    | \$ 524,688 | \$ 649,512 | \$ 124,824  |
| 3        |   |            |            |             |
| 4        | INCREASE/(DECREASE) IN EXPENSE                    | \$ 636,595 | \$ 720,148 | \$ 83,553   |
| 5        |   |            |            |             |
| 6        |   |            |            |             |
| 7        |   |            |            |             |
| 8        |   |            |            |             |
| 9        | INCREASE/(DECREASE) IN OPERATING EXPENSE (LINE 4) |            |            | \$ 83,553   |
| 10       | INCREASE (DECREASE) FIT @                         |            | 35%        | \$ (29,243) |
| 11       |   |            |            |             |
| 12       |   |            |            |             |
| 13       |   |            |            |             |
| 14       |   |            |            |             |
| 15       | INCREASE (DECREASE) NOI                           |            |            | \$ (54,310) |

Puget Sound Energy - Gas  
**BAD DEBTS**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.09

| LINE NO. | DESCRIPTION                                    | NET WRITEOFFS | GROSS REVENUES   | OTHER REVENUES | NET REVENUES     | ADJUSTMENT     |
|----------|--|---------------|------------------|----------------|------------------|----------------|
| 1        | 12 MOS ENDED                                   | DECEMBER      | AUGUST           | AUGUST         | AUGUST           |                |
| 2        | 2007   | \$ 3,389,028  | \$ 1,224,844,682 | \$ 17,471,949  | \$ 1,207,372,733 | 0.2807%        |
| 3        | 2008   | \$ 3,664,592  | \$ 1,193,302,341 | \$ 17,237,406  | \$ 1,176,064,935 | 0.3116%        |
| 4        | 2009   | \$ 5,677,036  | \$ 1,279,928,251 | \$ 19,180,943  | \$ 1,260,747,308 | 0.4503%        |
| 5        | 3-YR AVERAGE OF NET WRITE OFF RATE             |               |                  |                |                  | 0.3475%        |
| 6        |  |               |                  |                |                  |                |
| 7        | TEST PERIOD REVENUES                           |               | \$ 1,011,530,516 | \$ 14,712,939  | \$ 996,817,577   |                |
| 8        |  |               |                  |                |                  |                |
| 9        | PROFORMA BAD DEBT RATE                         |               |                  |                | 0.3475%          |                |
| 10       | PROFORMA BAD DEBTS                             |               |                  |                | \$ 3,463,941     |                |
| 11       |  |               |                  |                |                  |                |
| 12       | UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR |               |                  |                | \$ 5,886,142     |                |
| 13       | INCREASE (DECREASE) EXPENSE                    |               |                  |                |                  | \$ (2,422,201) |
| 14       |  |               |                  |                |                  |                |
| 15       | INCREASE (DECREASE) FIT                        |               |                  |                | 35%              | \$ 847,770     |
| 16       | INCREASE (DECREASE) NOI                        |               |                  |                |                  | \$ 1,574,431   |

Puget Sound Energy - Gas  
INCENTIVE PAY  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.10

| LINE NO. | DESCRIPTION  | ACTUAL       | RESTATED     | ADJUSTMENT     |
|----------|--|--------------|--------------|----------------|
| 1        | INCENTIVE/MERIT PAY  |              |              |                |
| 2        | PRODUCTION MANUF. GAS  | \$ 8,773     | \$ 3,892     | \$ (4,881)     |
| 3        | OTHER GAS SUPPLY   | \$ 29,147    | \$ 12,691    | \$ (16,456)    |
| 4        | STORAGE, LNG T&G   | \$ 40,467    | \$ 17,711    | \$ (22,756)    |
| 5        | TRANSMISSION   | \$ 6,226     | \$ 2,751     | \$ (3,474)     |
| 6        | DISTRIBUTION   | \$ 1,457,656 | \$ 641,291   | \$ (816,365)   |
| 7        | CUSTOMER ACCTS   | \$ 588,043   | \$ 257,721   | \$ (330,322)   |
| 8        | CUSTOMER SERVICE   | \$ 54,899    | \$ 23,883    | \$ (31,016)    |
| 9        | SALES  | \$ 9,339     | \$ 4,016     | \$ (5,323)     |
| 10       | ADMIN. & GENERAL   | \$ 635,301   | \$ 275,444   | \$ (359,857)   |
| 11       | TOTAL INCENTIVE PAY  | \$ 2,829,850 | \$ 1,239,401 | \$ (1,590,449) |
| 12       |  |              |              |                |
| 13       | PAYROLL TAXES ASSOC WITH MERIT PAY                                 | \$ 228,677   | \$ 100,155   | \$ (128,522)   |
| 14       | INCREASE(DECREASE) EXPENSE   | \$ 3,058,527 | \$ 1,339,556 | \$ (1,718,971) |
| 15       |  |              |              |                |
| 16       | INCREASE (DECREASE) OPERATING EXPENSE                              |              |              | \$ (1,718,971) |
| 17       |  |              |              |                |
| 18       | INCREASE(DECREASE) FIT @   |              | 35%          | \$ 601,640     |
| 19       | INCREASE(DECREASE) NOI   |              |              | \$ 1,117,331   |
| 20       |  |              |              |                |
| 21       |  |              |              |                |
| 22       | DECREASED INCENTIVE PAY BY 50% PAYOUT RELATED TO FINANCIAL METRICS |              |              |                |

Puget Sound Energy - Gas  
PROPERTY TAXES  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.11

| LINE<br>NO. | DESCRIPTION                |     | ADJUSTMENT    |
|-------------|----------------------------|-----|---------------|
| 1           | RESTATED PROPERTY TAX      |     | \$ 15,215,102 |
| 2           | CHARGED TO EXPENSE IN TY   |     | \$ 14,375,106 |
| 3           | INCREASE(DECREASE) EXPENSE |     | \$ 839,996    |
| 4           |                            |     |               |
| 5           | INCREASE(DECREASE) FIT @   | 35% | \$ (293,999)  |
| 6           | INCREASE(DECREASE) NOI     |     | \$ (545,997)  |

Puget Sound Energy - Gas  
**EXCISE TAXES**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.12

| LINE NO. | DESCRIPTION                        | ADJUSTMENT      |
|----------|------------------------------------|-----------------|
| 1        | RESTATED EXCISE TAXES              | \$ 38,731,992   |
| 2        | CHARGED TO EXPENSE FOR TEST YEAR   | \$ 38,656,213   |
| 3        | INCREASE (DECREASE) EXCISE TAX     | \$ 75,779       |
| 4        |                                    |                 |
| 5        | RESTATED WUTC FILING FEE           | \$ 2,040,814    |
| 6        | CHARGED TO EXPENSE FOR TEST YEAR   | \$ 2,040,814    |
| 7        | INCREASE(DECREASE) WUTC FILING FEE | \$ (0)          |
| 8        |                                    |                 |
| 9        | INCREASE(DECREASE) EXPENSE         | \$ 75,779       |
| 10       |                                    |                 |
| 11       | INCREASE(DECREASE) FIT @           | 35% \$ (26,523) |
| 12       | INCREASE(DECREASE) NOI             | \$ (49,256)     |

Puget Sound Energy - Gas  
D&O INSURANCE  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.13

| LINE NO. | DESCRIPTION   | TEST YEAR  | RESTATED   | ADJUSTMENT       |
|----------|---|------------|------------|------------------|
| 1        | D & O INS. EXPENSE                                  | \$ 224,470 | \$ 141,379 | \$ (83,090)      |
| 2        |   |            |            |                  |
| 3        | INCREASE (DECREASE) D&O EXPENSE                     |            |            | \$ (83,090)      |
| 4        |   |            |            |                  |
| 5        | INCREASE (DECREASE) OPERATING EXPENSE               |            |            | (83,090)         |
| 6        |   |            |            |                  |
| 7        | INCREASE (DECREASE) FIT @                           |            | 35%        | 29,082           |
| 8        | INCREASE (DECREASE) NOI                             |            |            | <u>\$ 54,009</u> |
| 9        |   |            |            |                  |
| 10       |   |            |            |                  |
| 11       | Disallow 50% of D&O Insurance related to Directors. |            |            |                  |

Puget Sound Energy - Gas  
INTEREST ON CUSTOMER DEPOSITS  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.14

| <u>LINE</u><br><u>NO. DESCRIPTION</u>            | <u>ADJUSTMENT</u> |
|--|-------------------|
| 1 INTEREST EXPENSE AT MOST CURRENT INTEREST RATE | \$ 21,705         |
| 2  |                   |
| 3 INCREASE (DECREASE) NOI                        | \$ (21,705)       |



Puget Sound Energy - Gas  
**RATE CASE EXPENSES**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.15

| LINE<br>NO. | DESCRIPTION   | ADJUSTMENT |      |
|-------------|---|------------|------|
| 1           | EXPENSES TO BE NORMALIZED:                            |            |      |
| 2           |   |            |      |
| 3           | ESTIMATED 2007 AND 2009 GRC EXPENSES TO BE NORMALIZED | \$ 542,850 |      |
| 4           |   |            |      |
| 5           | ANNUAL NORMALIZATION (LINE 3 ÷ 2 YEARS)               | \$ 271,425 |      |
| 6           | LESS TEST YEAR EXPENSE                                | \$ 271,425 |      |
| 7           |   |            |      |
| 8           | INCREASE (DECREASE) EXPENSE                           | \$ -       | \$ - |
| 9           |   |            |      |
| 10          |   |            |      |
| 11          | TOTAL INCREASE (DECREASE) EXPENSE                     |            | \$ - |
| 12          |   |            |      |
| 13          | INCREASE(DECREASE) FIT @                              | 35%        | \$ - |
| 14          | INCREASE(DECREASE) NOI                                |            | \$ - |

Puget Sound Energy - Gas  
DEFERRED GAINS/LOSSES ON PROPERTY SALES  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.16

| LINE<br>NO. | DESCRIPTION  | ADJUSTMENT             |
|-------------|--|------------------------|
| 1           | DEFERRED GAIN RECORDED SINCE UG-090705, et al. at 04/30/2012 | \$ (185,547)           |
| 2           | DEFERRED LOSS RECORDED SINCE UG-090705, et al. at 04/30/2012 | \$ 49,436              |
| 3           | TOTAL DEFERRED NET GAIN TO AMORTIZE                          | <u>\$ (136,111)</u>    |
| 4           |  |                        |
| 5           | ANNUAL AMORTIZATION (LINE 3 ÷ 36 MONTHS) x 12                | \$ (45,370)            |
| 6           |  |                        |
| 7           | AMORTIZATION OF DEFERRED NET GAIN FOR TEST YEAR              | <u>\$ (187,824)</u>    |
| 8           |  |                        |
| 9           | INCREASE (DECREASE) EXPENSE                                  | \$ 142,453             |
| 10          |  |                        |
| 11          | INCREASE (DECREASE) FIT @                                    | 35% <u>\$ (49,859)</u> |
| 12          |  |                        |
| 13          | INCREASE (DECREASE) NOI                                      | <u>\$ (92,595)</u>     |

Puget Sound Energy - Gas  
**PROPERTY & LIABILITY INSURANCE**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.17

| LINE NO. | DESCRIPTION                 | ACTUAL       | RESTATED     | ADJUSTMENT   |
|----------|-----------------------------|--------------|--------------|--------------|
| 1        | PROPERTY INSURANCE EXPENSE  | \$ 617,989   | \$ 684,759   | \$ 66,770    |
| 2        | LIABILITY INSURANCE EXPENSE | \$ 1,094,951 | \$ 973,178   | \$ (121,773) |
| 3        | INCREASE(DECREASE) EXPENSE  | \$ 1,712,940 | \$ 1,657,937 | \$ (55,003)  |
| 4        |                             |              |              |              |
| 5        |                             |              |              |              |
| 6        | INCREASE (DECREASE) FIT @   | 35%          |              | \$ 19,251    |
| 7        | INCREASE (DECREASE) NOI     |              |              | \$ 35,752    |

Puget Sound Energy - Gas  
PENSION PLAN  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.18

| LINE NO. | DESCRIPTION                | ACTUAL       | RESTATED     | ADJUSTMENT   |
|----------|----------------------------|--------------|--------------|--------------|
| 1        | QUALIFIED RETIREMENT FUND  | \$ 1,592,583 | \$ 2,717,147 | \$ 1,124,564 |
| 2        | SERP PLAN                  | \$ 227,966   | \$ -         | \$ (227,966) |
| 3        |                            |              |              |              |
| 4        | INCREASE(DECREASE) EXPENSE | \$ 1,820,550 | \$ 2,717,147 | \$ 896,597   |
| 5        |                            |              |              |              |
| 6        |                            |              |              |              |
| 7        | INCREASE (DECREASE) FIT @  | 35%          |              | \$ (313,809) |
| 8        | INCREASE (DECREASE) NOI    |              |              | \$ (582,788) |

Puget Sound Energy - Gas  
**WAGE INCREASE**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.19

| LINE NO. | DESCRIPTION  | TEST YEAR     | RATE YEAR     | ADJUSTMENT   |
|----------|--|---------------|---------------|--------------|
| 1        | WAGES:   |               |               |              |
| 2        | PRODUCTION MANUF. GAS  | \$ 136,391    | \$ 139,942    | \$ 3,551     |
| 3        | OTHER GAS SUPPLY   | \$ 446,961    | \$ 459,248    | \$ 12,287    |
| 4        | STORAGE, LNG T&G   | \$ 620,564    | \$ 636,635    | \$ 16,071    |
| 5        | TRANSMISSION   | \$ 95,791     | \$ 98,098     | \$ 2,307     |
| 6        | DISTRIBUTION   | \$ 22,381,164 | \$ 22,930,708 | \$ 549,544   |
| 7        | CUSTOMER ACCTS   | \$ 9,031,036  | \$ 9,247,000  | \$ 215,964   |
| 8        | CUSTOMER SERVICE   | \$ 843,006    | \$ 866,204    | \$ 23,198    |
| 9        | SALES  | \$ 142,425    | \$ 146,650    | \$ 4,225     |
| 10       | ADMIN. & GENERAL   | \$ 9,752,577  | \$ 10,036,913 | \$ 284,336   |
| 11       | TOTAL WAGE INCREASE  | \$ 43,449,915 | \$ 44,561,398 | \$ 1,111,483 |
| 12       |  |               |               |              |
| 13       | PAYROLL TAXES  | \$ 3,533,372  | \$ 3,605,616  | \$ 72,244    |
| 14       | TOTAL WAGES & TAXES  | \$ 46,983,287 | \$ 48,167,014 | \$ 1,183,727 |
| 15       |  |               |               |              |
| 16       | INCREASE (DECREASE) OPERATING EXPENSE                                    |               |               | \$ 1,183,727 |
| 17       | INCREASE (DECREASE) FIT @ 35%  |               |               | \$ (414,304) |
| 18       | INCREASE (DECREASE) NOI  |               |               | \$ (769,423) |
| 19       |  |               |               |              |
| 20       |  |               |               |              |
| 21       | REMOVE ANY INCREASE BEYOND THE BEGINNING OF THE RATE YEAR (May 15, 2012) |               |               |              |

Puget Sound Energy - Gas  
**INVESTMENT PLAN**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.20

| LINE NO. | DESCRIPTION  |        | ADJUSTMENT  |
|----------|--|--------|-------------|
| 1        | NON-UNION (EXCLUDING EXECUTIVES)   |        |             |
| 2        | INVESTMENT PLAN APPLICABLE TO MANAGEMENT                                 |        | \$2,621,976 |
| 3        | RATE YEAR MANAGEMENT WAGE INCREASE                                       | 2.97%  | \$77,873    |
| 4        | TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT                                |        | \$2,699,849 |
| 5        |  |        |             |
| 6        | NON-UNION ( EXECUTIVES)  |        |             |
| 7        | INVESTMENT PLAN APPLICABLE TO IBEW                                       |        | \$64,458    |
| 8        | RATE YEAR IBEW WAGE INCREASE   | 0.00%  | \$0         |
| 9        | TOTAL COMPANY CONTRIBUTION FOR IBEW                                      |        | \$64,458    |
| 10       |  |        |             |
| 11       | IBEW   |        |             |
| 12       | INVESTMENT PLAN APPLICABLE TO IBEW                                       |        | \$684,365   |
| 13       | RATE YEAR IBEW WAGE INCREASE   | 2.19%  | \$15,014    |
| 14       | TOTAL COMPANY CONTRIBUTION FOR IBEW                                      |        | \$699,379   |
| 15       |  |        |             |
| 16       | UA   |        |             |
| 17       | INVESTMENT PLAN APPLICABLE TO UA   |        | \$454,648   |
| 18       | RATE YEAR UA WAGE INCREASE   | 2.26%  | \$10,286    |
| 19       | TOTAL COMPANY CONTRIBUTION FOR UA  |        | \$464,935   |
| 20       |  |        |             |
| 21       | TOTAL  |        |             |
| 22       | TOTAL PROFORMA COSTS (LN 4 + LN 9 + LN 14 + LN 19)                       |        | \$3,928,621 |
| 23       | PRO FORMA COSTS APPLICABLE TO OPERATIONS                                 | 60.56% | \$2,379,173 |
| 24       | CHARGED TO EXPENSE FOR YEAR ENDED 12/31/2010                             |        | \$2,316,691 |
| 25       | INCREASE (DECREASE) EXPENSE  |        | \$62,481    |
| 26       |  |        |             |
| 27       | INCREASE (DECREASE) FIT @  | 35%    | (\$21,868)  |
| 28       | INCREASE (DECREASE) NOI  |        | (\$40,613)  |
| 29       |  |        |             |
| 30       |  |        |             |
| 31       | REMOVE ANY INCREASE BEYOND THE BEGINNING OF THE RATE YEAR (May 15, 2012) |        |             |

Puget Sound Energy - Gas  
**EMPLOYEE INSURANCE**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.21

| LINE NO. | DESCRIPTION   | ADJUSTMENT          |
|----------|---|---------------------|
| 1        | <u>BENEFIT CONTRIBUTION:</u>                                      |                     |
| 2        | SALARIED EMPLOYEES  | \$6,142,563         |
| 3        | UNION EMPLOYEES   | \$4,609,631         |
| 4        | RESTATED INSURANCE COSTS  | <u>\$10,752,195</u> |
| 5        |   |                     |
| 6        | APPLICABLE TO OPERATIONS @ 60.56%                                 | \$6,511,529         |
| 7        | CHARGED TO EXPENSE DURING TEST YEAR                               | <u>\$6,563,785</u>  |
| 8        | INCREASE(DECREASE) EXPENSE  | (\$52,256)          |
| 9        |   |                     |
| 10       | INCREASE(DECREASE) FIT @ 35%                                      | \$ 18,290           |
| 11       |   |                     |
| 12       | INCREASE(DECREASE) NOI  | <u>\$ 33,966</u>    |
| 13       |   |                     |
| 14       |   |                     |
| 15       | DECREASE HEADCOUNT TO ADJUST FOR LAID OFF EMPLOYEES THAT WILL NOT |                     |
| 16       | RECEIVE INSURANCE DURING THE RATE YEAR                            |                     |

Puget Sound Energy - Gas  
**ALLOCATION OF WORKING CAPITAL**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.22

| LINE NO. | Description                                       | PER MJS-3 PAGE 3.04 AMA | STAFF ADJUSTMENT AMA | REVISED TOTAL AS ADJUSTED BY STAFF AMA | STAFF FOOTNOTE |
|----------|---|-------------------------|----------------------|--|----------------|
| 1        | <b>Average Invested Capital</b>                   |                         |                      |  |                |
| 2        | Common Stock                                      | \$ 859,038              | \$ -                 | \$ 859,038                             |                |
| 3        | Preferred Stock                                   | -                       | -                    | -                                      |                |
| 4        | Additional Paid in Capital                        | 2,958,716,487           | -                    | 2,958,716,487                          |                |
| 5        | Unamortized Debt Expense                          | (56,743,291)            | -                    | (56,743,291)                           |                |
| 6        | Unappropriated Retained Earnings                  | 194,884,510             | -                    | 194,884,510                            |                |
| 7        | Notes Payable - Misc                              | -                       | -                    | -                                      |                |
| 8        | Long Term Debt                                    | 3,314,651,667           | -                    | 3,314,651,667                          |                |
| 9        | Short Term Debt                                   | 137,068,619             | -                    | 137,068,619                            |                |
| 10       | Accumulated Deferred ITC                          | 318,143                 | -                    | 318,143                                |                |
| 11       | Treasury Grant                                    | 25,090,331              | -                    | 25,090,331                             |                |
| 12       | Deferred Items -Other                             | (36,658)                | -                    | (36,658)                               |                |
| 13       | Unamortized Gain/Loss on Debt                     | (18,851,136)            | -                    | (18,851,136)                           |                |
| 14       | Total Average Invested Capital                    | 6,555,957,710           | -                    | 6,555,957,710                          |                |
| 15       |   |                         |                      |  |                |
| 16       | <b>Average Operating Investments - Electric</b>   |                         |                      |  |                |
| 17       |   |                         |                      |  |                |
| 18       | Plant in Service (includes acquisition adj)       | 6,853,037,154           | -                    | 6,853,037,154                          |                |
| 19       | Electric Future Use Property                      | 28,549,726              | -                    | 28,549,726                             |                |
| 20       | Customer Advances for Construction                | (67,513,639)            | -                    | (67,513,639)                           |                |
| 21       | Customer Deposits                                 | (20,606,765)            | -                    | (20,606,765)                           |                |
| 22       | Deferred Taxes                                    | (663,185,306)           | -                    | (663,185,306)                          |                |
| 23       | Deferred Debits/Credits - Other                   | 412,578,353             | 26,338,952           | 438,917,305                            | (2)            |
| 24       | Less: Accumulated Depreciation                    | (2,624,571,373)         | -                    | (2,624,571,373)                        |                |
| 25       | Conservation Investment                           | -                       | -                    | -                                      |                |
| 26       | Common Plant-Allocation to Electric               | 276,084,410             | -                    | 276,084,410                            |                |
| 27       | Common Accum Depr-Allocation to Electric          | (131,669,590)           | -                    | (131,669,590)                          |                |
| 28       | Common Deferred Taxes-Allocation to Electric      | (9,487,641)             | -                    | (9,487,641)                            |                |
| 29       | NOL Carryforward                                  | 23,235,929              | -                    | 23,235,929                             |                |
| 30       | Total Average Operating Investment - Electric     | 4,076,451,258           | 26,338,952           | 4,102,790,210                          |                |
| 31       |   |                         |                      |  |                |
| 32       | <b>Average Operating Investments - Gas</b>        |                         |                      |  |                |
| 33       |   |                         |                      |  |                |
| 34       | Gas Utility Plant in Service                      | 2,648,893,764           | -                    | 2,648,893,764                          |                |
| 35       | Deferred Items - Other                            | 19,962,603              | 20,973,698           | 40,936,301                             | (2)            |
| 36       | Gas Stored Underground, Non-Current               | 7,815,443               | -                    | 7,815,443                              |                |
| 37       | Gas Accumulated Depreciation                      | (857,738,071)           | -                    | (857,738,071)                          |                |
| 38       | Gas Customer Advances for Construction            | (31,779,227)            | -                    | (31,779,227)                           |                |
| 39       | Gas Customer Deposits                             | (8,348,081)             | -                    | (8,348,081)                            |                |
| 40       | DFIT 17   | (288,622,372)           | -                    | (288,622,372)                          |                |
| 41       | PGA   | (9,255,951)             | -                    | (9,255,951)                            |                |
| 42       | Common Plant-Allocation to Gas                    | 139,017,695             | -                    | 139,017,695                            |                |
| 43       | Common Deferred Tax - Allocation to Gas           | (3,907,562)             | -                    | (3,907,562)                            |                |
| 44       | Common Accumulated Depreciation-Allocation to Gas | (66,300,024)            | -                    | (66,300,024)                           |                |
| 45       | NOL Carryforward                                  | 18,506,289              | -                    | 18,506,289                             |                |
| 46       | Total Average Operating Investment - Gas          | 1,568,244,506           | 20,973,698           | 1,589,218,203                          |                |
| 47       |   |                         |                      |  |                |
| 48       | Total Electric & Gas Operating Investment         | 5,644,695,763           | 47,312,650           | 5,692,008,413                          | (2)            |
| 49       |   |                         |                      |  |                |
| 50       | <b>Construction Work in Progress</b>              |                         |                      |  |                |
| 51       |   |                         |                      |  |                |
| 52       | Elec Construction Work in Process                 | 416,213,955             | -                    | 416,213,955                            |                |
| 53       | Gas Construction Work in Process                  | 49,912,986              | -                    | 49,912,986                             |                |
| 54       | Other Work in Process                             | 729,075                 | -                    | 729,075                                |                |
| 55       | Electric Preliminary Surveys                      | 2,152,924               | -                    | 2,152,924                              |                |
| 56       | Total Construction Work in Progress               | 469,008,940             | -                    | 469,008,940                            |                |
| 57       |   |                         |                      |  |                |
| 58       | <b>Nonoperating</b>                               |                         |                      |  |                |
| 59       |   |                         |                      |  |                |
| 60       | Non-Utility Property                              | (81,520,475)            | -                    | (81,520,475)                           |                |
| 61       | Investment in Associated Companies                | 50,127,428              | -                    | 50,127,428                             |                |
| 62       | Other Investments & FAS 133                       | 80,318,879              | -                    | 80,318,879                             |                |
| 63       | Deferred Items-Other                              | 200,268,839             | -                    | 200,268,839                            |                |
| 64       | Deferred Federal Income Tax                       | (33,934,336)            | -                    | (33,934,336)                           |                |
| 65       | Temporary Cash Investments                        | -                       | 1,941,029            | 1,941,029                              | (1)            |
| 66       | Environmental Receivables                         | (64,474,449)            | -                    | (64,474,449)                           |                |



Puget Sound Energy - Gas  
**ALLOCATION OF WORKING CAPITAL**  
For the Twelve Months Ended December 31, 2010  
Adjustment Number - 6.22

| LINE NO. | DESCRIPTION                            | PER MJS-3 PAGE 3.04 AMA | STAFF ADJUSTMENT AMA | REVISED TOTAL AS ADJUSTED BY STAFF AMA | STAFF FOOTNOTE |
|----------|--|-------------------------|----------------------|--|----------------|
| 67       | Current Accounts - Gas Allocation only | 1,553                   | -                    | 1,553                                  |                |
| 68       | Merchandising Inventory - Gas Only     | 80,791                  | -                    | 80,791                                 |                |
| 69       |  | -                       |                      | -                                      |                |
| 70       | Total Non Operating Investment         | 150,868,230             | 1,941,029            | 152,809,259                            |                |
| 71       |  |                         |                      |  |                |
| 72       | Total CWIP & Nonoperating Investment   | 619,877,170             | 1,941,029            | 621,818,199                            |                |
| 73       |  |                         |                      |  |                |
| 74       | Total Average Investments              | 6,264,572,933           | 49,253,679           | 6,313,826,612                          |                |
| 75       | Rounding                               |                         |                      |  |                |
| 76       | Total Investor Supplied Capital        | \$ 291,384,777          | \$ (49,253,679)      | \$ 242,131,098                         |                |
| 77       |  |                         |                      |  |                |
| 78       |  |                         |                      |  |                |
| 79       |  |                         |                      |  |                |
| 80       | <b>Electric Working Capital</b>        |                         |                      |  |                |
| 81       | Total Investment                       | \$ 6,264,572,933        | \$ 49,253,679        | \$ 6,313,826,612                       |                |
| 82       | Less: Electric CWIP                    | (416,213,955)           | -                    | (416,213,955)                          |                |
| 83       | Less: Gas CWIP                         | (49,912,986)            | -                    | (49,912,986)                           |                |
| 84       | Interest Bearing Regulatory Assets     | -                       |                      | -                                      |                |
| 85       | Other Work in Progress                 | (729,075)               | -                    | (729,075)                              |                |
| 86       | Preliminary Surveys                    | (2,152,924)             | -                    | (2,152,924)                            |                |
| 87       | Total                                  | 5,795,563,993           | 49,253,679           | 5,844,817,672                          |                |
| 88       |  |                         |                      |  |                |
| 89       | Electric Working Capital Ratio         | 5.0277%                 |                      | 4.1427%                                |                |
| 90       |  |                         |                      |  |                |
| 91       | Electric Working Capital               | \$ 204,952,588          | \$ (34,987,817)      | \$ 169,964,771                         |                |
| 92       |  |                         |                      |  |                |
| 93       | <b>Gas Working Capital</b>             |                         |                      |  |                |
| 94       | Total Investment                       | \$ 6,264,572,933        | \$ 49,253,679        | \$ 6,313,826,612                       |                |
| 95       | Less: Electric CWIP                    | (416,213,955)           | -                    | (416,213,955)                          |                |
| 96       | Less: Gas CWIP                         | (49,912,986)            | -                    | (49,912,986)                           |                |
| 97       | Interest Bearing Regulatory Assets     | -                       |                      | -                                      |                |
| 98       | Other Work in Progress                 | (729,075)               | -                    | (729,075)                              |                |
| 99       | Preliminary Surveys                    | (2,152,924)             | -                    | (2,152,924)                            |                |
| 100      | Total                                  | 5,795,563,993           | 49,253,679           | 5,844,817,672                          |                |
| 101      |  |                         |                      |  |                |
| 102      | Gas Working Capital Ratio              | 5.0277%                 |                      | 4.1427%                                |                |
| 103      |  |                         |                      |  |                |
| 104      | Gas Working Capital                    | \$ 78,846,955           | \$ (13,011,001)      | \$ 65,835,954                          |                |
| 105      |  |                         |                      |  |                |
| 106      | Non Operating Working Capital          | \$ 7,585,233            | \$ (1,254,861)       | \$ 6,330,373                           |                |
| 107      |  |                         |                      |  |                |

108 **Footnotes:**

109 (1) Reflect impact of PSE's Response to Staff Data Request No. 091.

110 (2) Reflect impact of Ralph Smith's Federal Income Tax Payable adjustment to exclude the remainder of A/C # 23600033. #

111

112

113 The debit balance in Account 236, "Accrued Federal Income Taxes Payable," of \$47,312,650 (on a 2010 AMA basis) is removed from PSE's rate base

114 through these offsets to operating investments, to reflect that the company has included it in rate base indirectly through its proposed working capital item.

115 The company's reduction of \$25,251,084 in column "D" on line 76 above is only a partial removal of this debit balance. The total AMA amount of \$72,563,73

116 is therefore only partially offset by the company's adjustment. The remaining \$47,312,650 is removed by Staff in column "G" also on line 76 above.

117 Because the \$47,312,650 amount is for PSE's electric and gas utility operations combined, the amount has been allocated between electric and gas

118 based on the NOL factors above in the same manner as the company has allocated its \$25,251,084.

119 This also reconciles with Staff Data Request No. 091 and the company's treatment of A/C # 23600033.

Puget Sound Energy - Gas  
REVENUE REQUIREMENT  
For the Twelve Months Ended December 31, 2010  
General Rate Case

| LINE<br>NO. | DESCRIPTION                    |                  |
|-------------|--------------------------------|------------------|
| 1           | RATE BASE                      | \$ 1,620,730,225 |
| 2           | RATE OF RETURN                 | 7.59%            |
| 3           |                                |                  |
| 4           | OPERATING INCOME REQUIREMENT   | \$ 123,013,424   |
| 5           |                                |                  |
| 6           | PRO FORMA OPERATING INCOME     | \$ 122,064,824   |
| 7           | OPERATING INCOME DEFICIENCY    | \$ 948,600       |
| 8           |                                |                  |
| 9           | CONVERSION FACTOR              | 62.149%          |
| 10          |                                |                  |
| 11          |                                |                  |
| 12          | REVENUE REQUIREMENT DEFICIENCY | \$ 1,526,333     |
| 13          | OTHER OPERATING REVENUES       | \$ -             |
| 14          |                                |                  |
| 15          | REVENUE REQUIREMENT DEFICIENCY | \$ 1,526,333     |

Puget Sound Energy - Gas  
**PRO FORMA COST OF CAPITAL**  
For the Twelve Months Ended December 31, 2010  
General Rate Case

| LINE NO. | DESCRIPTION                               | PRO FORMA CAPITAL % | COST % | COST OF CAPITAL |
|----------|---|---------------------|--------|-----------------|
| 1        | SHORT TERM DEBT                           | 4.00%               | 2.68%  | 0.11%           |
| 2        | LONG TERM DEBT                            | 50.0%               | 6.22%  | 3.11%           |
| 3        | PREFERRED STOCK                           | 0.00%               | 0.00%  | 0.00%           |
| 4        | EQUITY                                    | 46.00%              | 9.50%  | 4.37%           |
| 5        | TOTAL                                     | 100.00%             |        | 7.59%           |
| 6        |   |                     |        |                 |
| 7        | AFTER TAX SHORT TERM DEBT ( LINE 1 * 65%) | 4.00%               | 1.74%  | 0.07%           |
| 8        | AFTER TAX LONG TERM DEBT ( LINE 2 * 65%)  | 50.00%              | 4.04%  | 2.02%           |
| 9        | PREFERRED                                 | 0.00%               | 0.00%  | 0.00%           |
| 10       | EQUITY                                    | 46.00%              | 9.50%  | 4.37%           |
| 11       | TOTAL AFTER TAX COST OF CAPITAL           | 100.00%             |        | 6.46%           |

Puget Sound Energy - Gas  
CONVERSION FACTOR  
For the Twelve Months Ended December 31, 2010  
General Rate Case

| LINE<br>NO. | DESCRIPTION  | RATE   | AMOUNT   |
|-------------|--|--------|----------|
| 1           | BAD DEBTS  |        | 0.003475 |
| 2           | ANNUAL FILING FEE  |        | 0.002000 |
| 3           | STATE UTILITY TAX ( 3.852% - ( LINE 1 * 3.852% ) )           | 3.852% | 0.038386 |
| 4           |  |        |          |
| 5           | SUM OF TAXES OTHER   |        | 0.043861 |
| 6           |  |        |          |
| 7           | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE 5) |        | 0.956139 |
| 8           | FEDERAL INCOME TAX ( LINE 7 * 35%)                           | 35%    | 0.334649 |
| 9           |  |        |          |
| 10          | CONVERSION FACTOR  |        | 0.621490 |