

**EXHIBIT NO. ___(KRK-14)
DOCKET NO. UE-072300/UG-072301
2007 PSE GENERAL RATE CASE
WITNESS: KARL R. KARZMAR**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-072300
Docket No. UG-072301**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
KARL R. KARZMAR
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JULY 3, 2008

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

1	RATE BASE	<i>\$ 1,347,267,694</i>
2	RATE OF RETURN	<i>8.51%</i>
3		<hr/>
4	OPERATING INCOME REQUIREMENT	<i>114,652,481</i>
5		
6	PRO FORMA OPERATING INCOME	<i>80,120,478</i>
7	OPERATING INCOME DEFICIENCY	<i>34,532,002</i>
8		<hr/>
9	CONVERSION FACTOR	<i>62.19300%</i>
10		
11		
12	TOTAL REVENUE REQUIREMENT	<i>\$55,523,937</i>

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

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

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

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

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

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			1.00000
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.00278
5	OTHER TAXES			
6	STATE UTILITY	1.00000		
7		(0.00278)		
8				
9	STATE UTILITY TAX	0.99722	0.03852	0.03841
10	ALL OTHER (FILING FEE)			0.00200
11	FEDERAL INCOME TAX:			
12	CURRENT	0.95681	0.35000	0.33488
13				
14				
15	TOTAL OPERATING REVENUE DEDUCTIONS			0.37807
16				
17	CONVERSION FACTOR			0.62193

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