

**EXHIBIT NO. ___(KJB-3)
DOCKET NO. UE-121697/UG-121705
JOINT DECOUPLING ACCOUNTING
PETITION
WITNESS: KATHERINE J. BARNARD**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

**PUGET SOUND ENERGY, INC.
and NW ENERGY COALITION**

**For an Order Authorizing PSE To
Implement Electric and Natural Gas
Decoupling Mechanisms and To
Record Accounting Entries Associated
With the Mechanisms**

**Docket No. UE-121697
Docket No. UG-121705**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
KATHERINE J. BARNARD
ON BEHALF OF PUGET SOUND ENERGY, INC.**

MARCH 1, 2013

PUGET SOUND ENERGY
ANNUAL GROWTH RATE BASED ON GRC COMPLIANCE FILING WORKPAPERS
ELECTRIC OPERATIONS

Test Year	2004 GRC	2006 GRC	2007 GRC	2009 GRC	2011 GRC	% Annual Growth in O&M			
	<u>Sep-03</u>	<u>Sep-05</u>	<u>Sep-07</u>	<u>Dec-08</u>	<u>Dec-10</u>	2004GRC - 2006GRC - 2007GRC - 2009GRC -	2004GRC - 2006GRC - 2007GRC - 2009GRC -	2004GRC - 2006GRC - 2007GRC - 2009GRC -	2004GRC - 2006GRC - 2007GRC - 2009GRC -
				(Note 1)	(Note 1)	2011GRC	2011GRC	2011GRC	2011GRC
1 Load (input tab)									
2 Electric	19,334,018,640	20,339,226,968	21,283,655,838	21,821,673,792	21,143,300,002	1.2%	0.7%	-0.2%	-1.6%
3									
4 Electric Expenses									
5 Other Power Supply Expense	52,551,925	77,648,296	96,183,223	107,091,100	124,341,933	12.6%	9.4%	8.2%	7.8%
6 PCA Transmission	485,960	862,248	1,136,455	1,523,617	1,419,635	15.9%	10.0%	7.1%	-3.5%
7 Transmission & Distribution Expense	63,736,286	65,086,999	75,095,489	82,334,864	92,084,397	5.2%	6.8%	6.5%	5.8%
8 Customer Account & Services Expenses	37,542,803	37,706,383	41,878,822	44,367,720	49,173,646	3.8%	5.2%	5.1%	5.3%
9 Admin & General Expenses	70,951,920	74,379,848	81,986,794	89,886,009	99,871,160	4.8%	5.8%	6.3%	5.4%
10 Total Electric Expenses	225,268,893	255,683,774	296,280,783	325,203,310	366,890,771	7.0%	7.1%	6.8%	6.2%
11									
12 Electric Depreciation									
13 Production	37,335,853	59,620,924	51,741,842	50,072,838	93,722,074	13.5%	9.0%	20.1%	36.8%
14 PCA Transmission	4,859,223	4,861,051	3,805,774	4,056,906	3,843,499	-3.2%	-4.4%	0.3%	-2.7%
15 Transmission & Distribution	71,715,862	76,838,397	87,146,104	92,434,248	101,680,414	4.9%	5.5%	4.9%	4.9%
16 General , Intangible	11,381,296	10,068,281	19,226,023	15,196,346	20,477,642	8.4%	14.5%	2.0%	16.1%
17 Non-Tracker	-	-	-	13,993,264	-	0.0%	0.0%	0.0%	0.0%
18 Electric Depreciation	125,292,233	151,388,653	161,919,743	175,753,602	219,723,630	8.1%	7.4%	9.8%	11.8%
19 Total T&D and General	83,097,158	86,906,678	106,372,127	107,630,594	122,158,056	5.5%	6.7%	4.3%	6.5%
20									
21 Electric Amortization									
22 Production	4,713,860	3,004,881	5,612,906	11,298,008	11,275,733	12.8%	28.6%	23.9%	-0.1%
23 Transmission & Distribution	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
24 General , Intangible	19,142,502	19,349,756	25,514,388	28,304,530	25,477,630	4.0%	5.4%	0.0%	-5.1%
25 Non-Tracker	1,498,249	2,793,718	1,805,160	2,112,845	3,194,525	0.0%	0.0%	0.0%	0.0%
26 Electric Amortization	25,354,610	25,148,354	32,932,455	41,715,383	39,947,889	6.5%	9.2%	6.1%	-2.1%
27 Total T&D and General	19,142,502	19,349,756	25,514,388	28,304,530	25,477,630	4.0%	5.4%	0.0%	-5.1%
28									
29 T&D/General Depn & Amort (In19 + In27)	102,239,659	106,256,434	131,886,516	135,935,123	147,635,687	5.2%	6.5%	3.5%	4.2%
30									
31 Electric Ratebase									
32 Production	751,245,624	1,234,946,228	1,246,912,240	1,583,950,372	2,330,849,778	16.9%	12.9%	21.2%	21.3%
33 PCA Transmission	120,648,501	113,206,055	107,422,863	102,337,940	94,699,228	-3.3%	-3.3%	-3.8%	-3.8%
34 Transmission & Distribution (Note 1)	1,408,241,596	1,395,944,754	1,641,251,984	1,922,288,883	2,172,658,792	6.2%	8.8%	9.0%	6.3%
35 General , Intangible , Other (Note 1)	221,758,096	203,380,656	180,138,722	-	-	-100.0%	-100.0%	-100.0%	0.0%
36 Non-Tracker	42,776,224	29,838,500	127,847,726	188,037,777	255,040,634	0.0%	0.0%	0.0%	0.0%
37 Electric Ratebase	2,544,670,041	2,977,316,193	3,303,573,535	3,796,614,971	4,853,248,431	9.3%	9.8%	12.6%	13.1%
38 Total T&D and General	1,629,999,692	1,599,325,411	1,821,390,706	1,922,288,883	2,172,658,792	4.0%	6.0%	5.6%	6.3%

(Note 1) For the 2009 GRC, 2011 GRC and 2011 CBR, General, Intangible and Other plant is included on line 35.

PUGET SOUND ENERGY
ANNUAL GROWTH RATE BASED ON GRC COMPLIANCE FILING WORKPAPERS
NATURAL GAS OPERATIONS

	2004 GRC	2006 GRC	2007 GRC	2009 GRC	2011 GRC	% Annual Growth in O&M			
	Sep-03	Sep-05	Sep-07	Dec-08	Dec-10	2004GRC - 2011GRC	2006GRC - 2011GRC	2007GRC - 2011GRC	2009GRC - 2011GRC
1 Test Year						7.25	5.25	3.25	2.0
2									
3 Load									
4 Gas	1,033,465,074	1,038,450,901	1,084,208,169	1,120,309,121	1,072,668,096	0.5%	0.6%	-0.3%	-2.1%
5									
6 Gas Expenses									
7 Other Power Supply Expense	1,162,087	1,555,800	1,769,111	1,881,592	1,959,232	7.5%	4.5%	3.2%	2.0%
8 Transmission & Distribution Expense	26,259,234	34,532,486	43,207,192	52,101,244	49,783,566	9.2%	7.2%	4.5%	-2.2%
9 Customer Account & Services Expenses	23,088,164	25,038,278	27,397,683	29,110,812	31,704,844	4.5%	4.6%	4.6%	4.4%
10 Admin & General Expenses	32,698,303	41,714,840	40,022,534	43,076,879	43,995,146	4.2%	1.0%	3.0%	1.1%
11 Total Gas Expenses	83,207,788	102,841,404	112,396,520	126,170,527	127,442,788	6.1%	4.2%	3.9%	0.5%
12									
13 Gas Depreciation									
14 Production & Gas Storage	1,076,351	1,294,251	934,365	1,011,473	1,278,337	2.4%	-0.2%	10.1%	12.4%
15 Transmission & Distribution	52,617,414	59,340,713	75,944,262	80,729,161	85,358,207	6.9%	7.2%	3.7%	2.8%
16 General, Intangible, Other	4,182,553	4,321,030	10,051,696	7,109,187	9,195,128	11.5%	15.5%	-2.7%	13.7%
17 Gas Depreciation	57,876,318	64,955,994	86,930,323	88,849,821	95,831,672	7.2%	7.7%	3.0%	3.9%
18 Less Prod, Storage, LNG	1,076,351	1,294,251	934,365	1,011,473	1,278,337	2.4%	-0.2%	10.1%	12.4%
19 Net Gas Depreciation (In17 - In18)	56,799,967	63,661,743	85,995,958	87,838,349	94,553,335	7.3%	7.8%	3.0%	3.8%
21									
22 Gas Amortization									
23 Production & Gas Storage	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
24 Transmission & Distribution	21,162	82,646	303,738	403,917	219,232	38.1%	20.4%	-9.5%	-26.3%
25 General, Intangible, Other	9,579,622	11,220,066	13,783,889	15,214,871	12,558,889	3.8%	2.2%	-2.8%	-9.1%
26 Gas Amortization	9,600,784	11,302,712	14,087,627	15,618,788	12,778,120	4.0%	2.4%	-3.0%	-9.5%
27									
28 T&D/General Depn & Amort (In19 + In26)	66,400,751	74,964,455	100,083,585	103,457,137	107,331,456	6.8%	7.1%	2.2%	1.9%
29									
30 Gas Ratebase									
31 Production & Gas Storage	22,042,681	25,973,805	27,896,986	27,244,685	39,751,535	8.5%	8.4%	11.5%	20.8%
32 Transmission & Distribution	925,750,507	1,037,271,755	1,191,070,429	1,301,847,809	1,414,064,871	6.0%	6.1%	5.4%	4.2%
33 General, Intangible, Other	118,543,578	106,130,161	90,793,405	85,446,599	101,077,864	-2.2%	-0.9%	3.4%	8.8%
34 Working Capital	1,345,790	10,976,022	37,506,872	52,980,352	78,334,208	75.2%	45.4%	25.4%	21.6%
35 Gas Ratebase	1,067,682,556	1,180,351,743	1,347,267,693	1,467,519,443	1,633,228,478	6.0%	6.4%	6.1%	5.5%
36 Less Production related	(22,042,681)	(25,973,805)	(27,896,986)	(27,244,685)	(39,751,535)				
37 Less Working Capital	(1,345,790)	(10,976,022)	(37,506,872)	(52,980,352)	(78,334,208)				
38 Total T&D and General	1,044,294,085	1,143,401,915	1,281,863,835	1,387,294,407	1,515,142,736	5.3%	5.5%	5.3%	4.5%

(Note 1) The 2007 GRC depreciation results shown on line 19, included a \$9.3M adjustment resulting from the 07 Depreciation study approved in that filing.
Had the adjustment occurred in the 2006 GRC, the compound growth factor for the 2006 to 2011 period would have been 5.1%

2006 Gas Depreciation	63,661,743	
2007 GRC Depreciation Adjustment	9,262,448	
	72,924,191	5.1%

**Consumer Price Index - All Urban Consumers
Original Data Value**

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100
 Years: 2002 to 2012

Year	Annual	% Change
2002	179.90	
2003	184.00	2.3%
2004	188.90	2.7%
2005	195.30	3.4%
2006	201.60	3.2%
2007	207.34	2.8%
2008	215.30	3.8%
2009	214.54	-0.4%
2010	218.06	1.6%
2011	224.94	3.2%
2012	229.59	2.1%

average 2006-2011
2.4%

Source: <http://www.bls.gov/cpi/#data>