

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

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

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-090704

DOCKET UG-090705

EXHIBIT TO TESTIMONY OF

KATHRYN H. BREDA

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Gas Results of Operations and Revenue Requirement

**November 17, 2009
Revised December 11, 2009
Revised January 13, 2010**

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

Adj. No. (a)	Description (b)	Net Operating Income (c)	Rate Base (d)	Rev Req @8.50 (e)	Rev Req @7.91% (f)
Actual Results of Operations					
9.01	Temperature Normalization	111,350,201	1,474,337,487	22,461,308	8,473,984
9.02	Revenues & Expenses	(8,781,321)	-	14,120,354	14,120,354
9.03	Net Interest Paid to IRS	20,539,623	-	(33,027,690)	(33,027,690)
9.04	Federal Income Tax	(1,018,402)	(915,968)	1,512,395	1,521,085
9.05	Tax Benefits of Pro Forma Interest	915,758	-	(1,472,538)	(1,472,538)
9.06	Depreciation Study	(8,358,141)	-	13,439,881	13,439,881
9.07	Pass-Through Revenue & Expense	(6,218,349)	(3,109,174)	9,574,136	9,603,634
9.08	Bad Debt	342,920	-	(551,415)	(551,415)
9.09	Miscellaneous Operating Expense	454,572	-	(730,951)	(730,951)
9.10	Property Tax	440,899	-	(708,965)	(708,965)
9.11	Excise Tax & Filing Fee	(850,450)	-	1,367,523	1,367,523
9.12	D&O Insurance	693,130	-	(1,114,552)	(1,114,552)
9.13	Interest on Customer Deposits	142,454	-	(229,066)	(229,066)
9.14	Rate Case Expense	(30,273)	-	48,679	48,679
9.15	Deferred G/L on Property Sales	153,958	-	(247,564)	(247,564)
9.16	Property & Liability Insurance	(313,412)	-	503,966	503,966
9.17	Pension Plan	233,199	-	(374,984)	(374,984)
9.18	Wage Increase	(1,480,293)	-	2,380,309	2,380,309
9.19	Investment Plan	(1,898,225)	-	3,052,344	3,052,344
9.20	Employee Insurance	(100,005)	-	160,808	160,808
9.21	Incentive Pay	(544,180)	-	875,041	875,041
9.22	Merger Savings	615,785	-	(990,182)	(990,182)
9.23	Fleet Vehicles	311,112	-	(500,268)	(500,268)
		696,545	4,077,858	(562,682)	(601,370)
	Total Adjustment	(4,053,096)	52,716	6,524,579	6,524,079
	Adjusted Results of Operations	107,297,105	1,474,390,203	28,985,887	14,998,062

This does not agree with Stranik testimony because it does not reflect the change from 8.56 to 8.50
 Breda Exhibit KHB-3 Gas Results of Operations and Revenue Requirement 1 13 10.xlsx Company Gas 1/13/2010

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

Adj. No. (a)	Description (b)	Net Operating Income (c)	Rate Base (d)	Rev Req @ 8.50 (e)	Rev Req @7.91% (f)	Cost of Capital Difference (g)
Actual Results of Operations						
9.01	Temperature Normalization	111,350,201	1,476,214,962	22,717,922	8,712,785	(14,005,136)
9.02	Revenues & Expenses	(8,781,321)	-	14,120,354	14,120,354	-
9.03	Net Interest Paid to IRS	20,919,189	-	(33,638,031)	(33,638,031)	-
9.04	Federal Income Tax	-	(2,443,571)	(333,987)	(310,804)	23,183
9.05	Tax Benefits of Pro Forma Interest	915,758	-	(1,472,537)	(1,472,537)	-
9.06	Depreciation Study	(8,282,386)	-	13,318,067	13,318,067	-
9.07	Pass-Through Revenue & Expense	(6,218,349)	(3,109,174)	9,574,136	9,603,633	29,497
9.08	Bad Debt	342,920	-	(551,414)	(551,414)	-
9.09	Miscellaneous Operating Expense	454,572	-	(730,951)	(730,951)	-
9.10	Property Tax	894,751	-	(1,438,759)	(1,438,759)	-
9.11	Excise Tax & Filing Fee	-	-	-	-	-
9.12	D&O Insurance	693,130	-	(1,114,552)	(1,114,552)	-
9.13	Interest on Customer Deposits	212,085	-	(341,032)	(341,032)	-
9.14	Rate Case Expense	(30,273)	(6,973,756)	(904,493)	(838,332)	66,161
9.15	Deferred G/L on Property Sales	153,958	-	(247,565)	(247,565)	-
9.16	Property & Liability Insurance	(313,412)	-	503,966	503,966	-
9.17	Pension Plan	234,055	-	(376,360)	(376,360)	-
9.18	Wage Increase	(1,480,293)	-	2,380,310	2,380,310	-
9.19	Investment Plan	(1,172,783)	-	1,885,834	1,885,834	-
9.20	Employee Insurance	(54,211)	-	87,171	87,171	-
9.21	Incentive Pay	(418,147)	-	672,380	672,380	-
9.22	Merger Savings	615,785	-	(990,182)	(990,182)	-
9.23	Fleet Vehicles	311,112	-	(500,268)	(500,268)	-
		696,545	4,077,858	(562,682)	(601,370)	(38,687)
	Total Adjustment	(307,316)	(8,448,642)	(660,596)	(580,442)	80,154
	Adjusted Results of Operations	111,042,885	1,467,766,320	22,057,326	8,132,344	(13,924,982)