

**EXHIBIT NO. \_\_\_(JHS-3)  
DOCKET NO. UE-06 \_\_\_/UG-06 \_\_\_  
2006 PSE GENERAL RATE CASE  
WITNESS: JOHN H. STORY**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-06 \_\_\_  
Docket No. UG-06 \_\_\_**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF  
JOHN H. STORY  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**FEBRUARY 15, 2006**

PUGET SOUND ENERGY  
INCOME STATEMENT  
For Twelve Months Ended September 30, 2003 and September 30, 2005

	per UG-040640, et. al (consolidated) Actual Results of Operation 9/30/03	Actual Results of Operation 9/30/05
	Total Electric	Total Electric
1 - OPERATING REVENUES:		
2 - SALES TO CUSTOMERS AND TRANSMISSION	\$ 1,250,593,645	\$ 1,397,539,936
3 - SALES FOR RESALE-FIRM	364,717	350,901
4 - SALES TO OTHER UTILITIES	199,186,464	151,158,328
5 - OTHER OPERATING REVENUES	45,262,737	55,899,367
6 - TOTAL OPERATING REVENUES	\$ 1,495,407,563	\$ 1,604,948,532
7		
8 - OPERATING REVENUE DEDUCTIONS:		
9		
10 - POWER / GAS COST:		
11 - FUEL	64,236,514	75,039,758
12 - PURCHASED AND INTERCHANGED	769,384,600	808,898,950
13 - WHEELING	39,868,912	43,994,427
14 - RESIDENTIAL EXCHANGE	(172,382,420)	(177,350,021)
15 - TOTAL PRODUCTION EXPENSES	\$ 701,107,606	\$750,583,114.66
16		
17 - OTHER ENERGY SUPPLY EXPENSES:	46,852,153	53,185,137
18 - TRANSMISSION EXPENSE	3,409,865	3,786,749
19 - DISTRIBUTION EXPENSE	58,327,849	56,397,075
20 - CUSTOMER ACCTS EXPENSES	34,589,847	32,311,231
21 - CUSTOMER SERVICE EXPENSES	8,700,615	9,266,102
22 - CONSERVATION AMORTIZATION	29,421,865	18,233,848
23 - ADMIN & GENERAL EXPENSE	59,296,783	64,934,552
24 - DEPRECIATION	124,154,290	129,900,123
25 - AMORTIZATION	24,086,070	24,582,050
26 - AMORTIZ OF PROPERTY LOSS	6,000,000	7,937,131
27 - OTHER OPERATING EXPENSES	(3,438,725)	(2,317,679)
28 - FAS 133	0	911,373
29 - TAXES OTHER THAN INCOME TAXES	131,930,399	140,165,789
30 - INCOME TAXES	(5,764,878)	101,303,182
31 - DEFERRED INCOME TAXES	57,844,151	(17,512,885)
32 - TOTAL OPERATING REV. DEDUCT.	1,276,517,888	1,373,666,893
33		
34 - NET OPERATING INCOME	\$ 218,889,675	\$231,281,639.28
35		
36 - RATE BASE	\$ 2,515,307,703	\$ 2,513,582,619
37		
38 - RATE OF RETURN	8.70%	9.20%

Puget Sound Energy  
Balance Sheet  
For Twelve Months Ended September 30, 2003 and September 30, 2005

	09/30/03	09/30/03 AMA	09/30/05	09/30/05 AMA
<b>ASSETS</b>				
1 Utility Plant:				
2 Electric Plant	\$4,254,836,603	\$4,231,143,223	\$4,645,289,382	\$4,448,798,938
3 Gas Plant	1,714,071,197	1,665,953,536	1,966,806,170	1,908,182,128
4 Common Plant	389,073,286	382,620,002	436,821,932	416,189,648
5 Less: Accumulated Depreciation and Amortizat	<u>(2,406,507,424)</u>	<u>(2,358,443,322)</u>	<u>(2,706,576,896)</u>	<u>(2,622,337,506)</u>
6 Total Utility Plant	3,951,473,662	3,921,273,439	4,342,340,588	4,150,833,208
7				
8 Other Property and Investments:				
9 Investment in BEP contract	48,490,933	50,254,243	41,437,693	43,201,003
10 Other Investments	<u>135,079,910</u>	<u>175,181,230</u>	<u>120,876,804</u>	<u>131,533,649</u>
11 Total Other Property and Investments	183,570,843	225,435,473	162,314,497	174,734,652
12				
13 Current Assets:				
14 Cash	11,658,290	92,973,725	5,892,244	7,744,852
15 Restricted Cash	2,543,965	219,381	-	108,022
16 Accounts Receivable	250,705,128	249,271,567	279,467,034	372,443,388
17 Less: Allowance for Doubtful Accounts	(42,114,035)	(42,042,095)	(42,557,426)	(42,166,119)
18 Fuel and Gas Inventory	57,379,626	40,287,115	95,095,738	64,830,076
19 Materials and Supplies	26,250,947	26,619,359	33,931,535	32,644,075
20 Unrealized Gain on Derivative Instruments(ST)	3,957,234	6,107,957	203,419,364	42,622,095
21 Prepayments and Other	16,889,412	8,161,123	32,501,487	13,605,293
22 Current Portion of Deferred Income Taxes	<u>2,987,028</u>	<u>2,346,632</u>	<u>(22,592,354)</u>	<u>(3,097,178)</u>
23 Total Current Assets	330,257,595	383,944,763	585,157,623	488,734,504
24				
25				
26 Long-Term Assets:				
27 Regulatory Asset for Deferred Income Tax	158,655,010	171,104,385	135,194,313	134,326,424
28 Unamortized Energy Conservation Costs	5,066,992	6,266,452	(211,830)	417,393
29 Low Income Program Costs	-	11,422	-	615,202
30 Power Cost Adjustment Mechanism	4,129,091	1,197,064	5,583,173	5,112,993
31 PURPA Regulatory Assets	233,557,788	239,885,066	196,187,540	206,111,819
32 Unrealized Gain on Derivative Instruments(LT)	8,910,029	7,243,288	38,955,721	21,446,418
33 Other Long-Term Assets	<u>303,705,769</u>	<u>277,502,358</u>	<u>206,683,793</u>	<u>336,572,320</u>
34 Total Long-Term Assets	714,024,680	703,210,036	582,392,711	704,602,569
35				
36 <b>TOTAL ASSETS</b>	<b><u>\$ 5,179,326,780</u></b>	<b><u>\$ 5,233,863,710</u></b>	<b><u>\$ 5,672,205,418</u></b>	<b><u>\$ 5,518,904,933</u></b>
37				
38 <b>CAPITALIZATION AND LIABILITIES</b>				
39 Current Liabilities:				
40 Accounts Payable	\$ 148,756,166	\$ 156,754,518	\$ 218,735,636	\$ 188,158,207
41 Short-Term Debt	9,330,000	45,552,833	223,871,000	91,463,792
42 Accrued Taxes	48,783,606	75,157,369	80,851,228	95,400,139
43 Accrued Salaries and Wages	11,751,096	11,977,352	11,956,279	12,776,931
44 Accrued Interest	43,110,361	41,286,614	42,900,750	37,674,520
45 Unrealized Loss on Derivative Instruments(ST)	-	1,122,855	14,643,436	12,540,991
46 Other Current Liabilities	<u>21,449,580</u>	<u>23,705,859</u>	<u>24,575,266</u>	<u>23,860,963</u>
47 Total Current Liabilities	283,180,808	355,557,401	617,533,595	461,875,542
48				
49 Deferred Taxes:				
50 Regulatory Liability for Deferred Income Tax	148,493,689	160,943,064	135,194,313	132,955,528
51 Deferred Income Tax	<u>597,526,783</u>	<u>565,704,500</u>	<u>622,507,982</u>	<u>660,002,406</u>
52 Total Deferred Taxes	746,020,472	726,647,564	757,702,295	792,957,934
53				
54 Other Deferred Credits	253,510,497	254,761,998	306,195,280	254,873,901
55				
56 Capitalization:				
57 Shareholder's Equity	1,503,664,718	1,484,544,404	1,636,774,849	1,616,200,800
58 Redeemable Securities and Long-Term Debt	<u>2,392,950,285</u>	<u>2,412,352,344</u>	<u>2,353,999,400</u>	<u>2,392,996,755</u>
59 Total Capitalization	3,896,615,003	3,896,896,748	3,990,774,249	4,009,197,555
60				
61 <b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b><u>\$ 5,179,326,780</u></b>	<b><u>\$ 5,233,863,710</u></b>	<b><u>\$ 5,672,205,418</u></b>	<b><u>\$ 5,518,904,933</u></b>
62				
63 Certain amounts previously reported have been reclassified to conform with current-year presentations with no effect on total equity.				

	Four Factor	Current FIT
Electric	64.26%	91.34%
Gas	35.74%	8.66%

1	Account	Description	AMA 09/30/05
3		<b>Rate Base</b>	
4	10100001	Electric Plant in Service	\$ 4,233,714,766
5	101/118	Common Plant-Allocation to Electric	252,306,099
6	114	Electric Plant Aquisition Adjustment	77,871,127
6a	18230001	Tenaska	197,399,880
6b	18230171	Cabot	8,711,939
6c	1822XXXX	White River Deferred Plant Costs	46,169,680
6d	1823XXXX	White River Deferred Relicensing & CWIP	18,086,008
6e	143-61/254-21	Net Regulatory Liability - Canwest	(3,856,409)
7	18230041	Colstrip Common FERC Adj - Reg Asset	21,589,277
8	18230051	Accum Amortization Colstrip-Common FERC	(10,520,885)
9	18230061	Colstrip Def Depr FERC Adj - Reg	2,669,788
10	18230071	BPA Power Exch Invstmt - Reg Asset	113,632,921
11	18230081	BPA Power Exch Inv Amortization - Reg Asset	(70,431,918)
12	18230031	Electric - Def AFUDC - Regulatory Asset	29,838,500
13			
14	10500001	Electric - Plant Held for Future Use	7,635,309
15	10500003	Common Plant Held for Fut Use-Alloc to Electric	-
16	106	Electric - Const Completed Non Classified	-
17	108XXXX1	Elec-Accum Depreciation	(1,827,324,597)
18	108XXXX3	Common Accum Depr-Allocation to Electric	(19,605,400)
19	111XXXX1	Elec-Accum Amortization	(7,933,263)
20	111XXXX3	Common Accum Amort-Allocation to Electric	(86,167,280)
21	115	Accum Amort Acq Adj - Electric	(30,801,802)
22	18230221	Accum Unamort Conserv Costs	28,822
23	19000041	CIAC after 10/8/76 - Accum Def Income Tax	19,369
24	19000051	CIAC - 1986 Changes - Accum Def Income Tax	39,219
25	19000061	CIAC - 7/1/87 - Accum Def Income Tax	43,049,890
26	19000093	Vacation Pay - Accum Def Inc Taxes	-
26a	19000121	Cabot Gas Contract - Accum Def Inc Tax	1,646,125
27	19000191	RB-Consrv Pre91 Tax Settlmt - Accum Def Inc Tax	-
28	235000X1	Customer Deposits - Electric	(10,291,319)
29	25400081	Residential Exchange	-
30	252	Cust Advances for Construction	(41,895,870)
31	28200101	Major Projects - Property Tax Expense	(3,121,875)
32	28200111	Def Inc Tax - Pre 1981 Additions	(669,177)
33	28200121	Def Inc Tax - Post 1980 Additions	(376,451,758)
34	28200131	Colstrip 3 & 4 Deferred Inc Tax	(929,083)
35	28200141	Excess Def Taxes - Centralia Sale	(32,874)
35-1	28200151	Def FIT Indirect Cost Adj - Electric	-
35a	283XXXX3	Electric Portion of Common Deferred Taxes	(22,135,773)
36	28300161	Def Inc Tax - Energy Conservation & FAS 133	-
37	28300261	Def FIT Bond Redemption Costs	-
37a	28300451	Accum Def Inc Tax - Tenaska Purchase	(11,114,194)
37b	28300461	Accum Def Inc Tax - Cabot Gas Contract	(2,080,153)
37c	19000021/28300011	Def FIT - White River Water Right	(2,790,687)
37d	19000451	Deferred FIT - Canwest Gas Supply - Ele	1,124,167
37e	28300431	Deferred Taxes WNP#3	(13,795,950)
38	124001X1	Conservation Rate Base	
39	18230181	1995 Conservation Trust Rate Base	-
40			
41	Working Capital- Rate Base		--
42	Rate Base		\$ 2,513,582,619
43			
44			
45			
46	Gross Utility Plant in Service	Lines 4-6 & 14-16	\$ 4,571,527,301
47	Less Accum Dep and Amort	Lines 17-21	\$ (1,971,832,341)
48	Deferred Debits	Lines 6a-12 & 22	353,317,604
49	Deferred Taxes	Lines 23-27 & 31-37	(387,242,755)
50	Conservation Trust	Lines 39-40	-
51	Allowance for Working Capital	Line 41	-
52	Other	Lines 28-30	(52,187,190)
53	Total Rate Base		\$ 2,513,582,619

**Puget Sound Energy**  
**Electric Working Capital**

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	4-Factor	Tax Factor	
Electric	64.26%	91.34%	
Gas	35.74%	8.66%	
			AMA
			13 Months Ended
			09/30/05
Line No.	Description		
1	<u>Average Invested Capital</u>		
2	Common Stock		859,037,900
3	Preferred Stock		-
4	Additional Paid in Capital		610,428,919
5	Unamortized Debt Expense		(24,472,676)
6	Unappropriated Retained Earnings		159,868,586
7	Notes Payable - Misc		-
8	Long Term Debt		2,392,978,365
9	Short Term Debt		121,272,125
10	Accumulated Deferred ITC		2,656,573
11	Deferred Debits-Other		(234,151)
12	Unamortized Gain/Loss on Debt		(13,902,922)
13	1995 Conservation Trust Bonds Payable		18,389
14	Total Average Invested Capital		<b>4,107,651,108</b>
15			
16	<u>Average Electric Operating Investments</u>		
17			
18	Electric Plant in Service (includes acquisition adj)		4,311,434,783
19	Electric Future Use Property		7,635,309
20	Customer Advances for Construction		(41,895,870)
21	Customer Deposits		(10,291,319)
22	Deferred Taxes		(407,608,026)
23	Deferred Debits - Other		352,865,426
24	Less: Accumulated Depreciation		(1,863,559,226)
25	Completed Const. Not Classified		-
26	Conservation Investment		28,822
26a	1995 Conservation Trust Asset		-
27	Average Electric Operating Investment-Direct		2,348,609,899
28	Common Plant-Allocation to Electric		252,306,099
29	Common Plant Held for Fut Use-Allocation to Electric		-
30	Common Accum Depr-Allocation to Electric		(105,772,680)
31	Common Deferred Taxes-Allocation to Electric		(25,404,356)
32	Common Deferred Debits-Allocation to Electric		-
33	Common Conservation Investment-Allocation to Electric		-
33a	Investment in Associated Companies-Rainier Receivables		-
34	Average Common Operating Invest-Allocation to Electric		121,129,063
35	Total Average Electric Operating Investment		2,469,738,962
36			
37			
38	<u>Nonoperating, Gas Plant &amp; Electric Plant Not In Service</u>		
39	Nonutility Property at Cost		2,279,175
40	Investment in Associated Companies		97,519,126
41	Other Investments & FAS 133		63,879,470
42	Interest Bearing Regulatory Assets		-
43	Electric CWIP		128,071,302
44	Common CWIP-Allocation to Electric		12,659,926
45	Other Electric Work in Progress		(22,636)
46	Other Common Work in Progress		2,342,644
47	Deferred Items - Other Electric		114,062,407
48	Less: Related Deferred FIT		(113,009,126)
49	Common Deferred Items		(63,399,173)

**Puget Sound Energy  
Electric Working Capital**

Exhibit No. (JHS-E3)

**PAGE 3.04**

	4-Factor	Tax Factor	
Electric	64.26%	91.34%	
Gas	35.74%	8.66%	
			AMA
			13 Months Ended
			09/30/05
Line No.	Description		
50	Less: Common Related Deferred FIT-Allocation to Electric		3,879,217
51	Temporary Cash Investments		2,100,000
52	Electric Preliminary Surveys		641,453
53	Gas Plant in Service		1,867,020,509
54	Common Plant in Service-Allocation to Gas		140,327,108
55	Gas Completed Construction Not Classified		-
56	Gas Future Use		-
57	Common Plant Held for Fut Use-Allocation to Gas		-
58	Gas Construction Work in Progress		34,793,773
59	Common CWIP-Allocation to Gas		7,041,173
60	Gas Stored Underground		4,360,662
61	Less: Gas Accumulated Depreciation		(591,507,371)
62	Common Plant Accum Depr-Allocation to Gas		(58,828,440)
63	Gas Customer Contribution/Advances		(18,703,217)
64	Deferred Taxes - Other Gas & Gas Share of Common		(214,709,543)
65	Gas Nonoperating Items		62,458,282
65a	Common Current Accts-Gas Share		(56,431,292)
65b	Gas Current Accts		93,768,654
66	Common Non-Operating Items		115,712,571
67	Common Other Operating Items-Allocation to Gas		2,157,535
68			
69	Total Nonoperating & Gas Investments		<u>1,638,464,189</u>
70	Total Average Investments		<u><b>4,108,203,151</b></u>
71	Total Investor Supplied Working Capital		<u><b>\$ (552,043)</b></u>
72			
73	Total Average Investments		4,108,203,151
74	Less: Electric CWIP		(140,731,228)
	Interest Bearing Regulatory Assets		-
75	Other Work in Progress		(2,320,008)
76	Preliminary Surveys		(641,453)
77	Total		<u>3,964,510,462</u>
78			
79	Working Capital %		-0.01%
80			
81	Non Electric Working Capital		(208,141)
82			
83	Operating Working Capital		<u><u>--</u></u>

**PUGET SOUND ENERGY-ELECTRIC & GAS  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
ALLOCATION METHODS**

Method	Description		Electric	Gas	Total
1	* <u>12 Month Average Number of Customers</u>	9/30/2005	1,007,216	678,029	1,685,245
	Percent		<b>59.77%</b>	<b>40.23%</b>	100.00%
2	* <u>Joint Meter Reading Customers</u>	9/30/2005	656,677	366,685	1,023,362
	Percent		<b>64.17%</b>	<b>35.83%</b>	100.00%
3	* <u>Non-Production Plant</u>				
	Distribution	9/30/2005	\$ 2,683,528,572	\$ 1,665,897,185	\$ 4,349,425,757
	Transmission	9/30/2005	290,087,312	144,075,603	434,162,915
	Direct General Plant	9/30/2005	132,755,995	50,935,829	183,691,823
	Total		\$ 3,106,371,878	\$ 1,860,908,617	\$ 4,967,280,495
	Percent		<b>62.54%</b>	<b>37.46%</b>	100.00%
4	* <u>4-Factor Allocator</u>				
	Number of Customers	9/30/2005	1,007,216	678,029	1,685,245
	Percent		59.77%	40.23%	100.00%
	Labor - Direct Charge to O&M	9/30/2005	\$ 26,917,435	\$ 17,051,068	\$ 43,968,503
	Percent		61.22%	38.78%	100.00%
	T&D O&M Expense (Less Labor)	9/30/2005	\$ 41,864,736	\$ 17,299,856	\$ 59,164,591
	Percent		70.76%	29.24%	100.00%
	Net Classified Plant (Excluding General Plant)	9/30/2005	\$ 2,383,303,263	\$ 1,267,887,579	\$ 3,651,190,842
	Percent		65.27%	34.73%	100.00%
	Total Percentages		257.02%	142.98%	400.00%
	Percent		<b>64.26%</b>	<b>35.74%</b>	100.00%
5	* <u>Labor</u>				
	Benefit Assessment Distribution	9/30/2005	\$ 7,915,818	\$ 4,946,248	\$ 12,862,065
	Total		\$ 7,915,818	\$ 4,946,248	\$ 12,862,065
	Percent		<b>61.54%</b>	<b>38.46%</b>	100.00%
6	* <u>Current FIT</u>	9/30/2005	\$ 100,566,027	\$ 9,529,694	\$ 110,095,721
	Percent		<b>91.34%</b>	<b>8.66%</b>	100.00%
7	* <u>Deferred FIT</u>	9/30/2005	\$ (2,076,848)	\$ (1,155,098)	\$ (3,231,946)
	Percent		<b>64.26%</b>	<b>35.74%</b>	100.00%