

**ATTACHMENT B to PSE's Response to
Bench Request No. 03**

**PUGET SOUND ENERGY-GAS
PROFORMA RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | ACTUAL RESULTS OF OPERATIONS | TOTAL ADJUSTMENTS | ADJUSTED RESULTS OF OPERATIONS | REVENUE REQUIREMENT DEFICIENCY | AFTER RATE INCREASE |
|-------------|------------------------------------|------------------------|--------------------------------------|--------------------------------------|---------------------------|
| 1 | <u>OPERATING REVENUES:</u> | | | | |
| 2 | \$ 1,149,587,391 | \$ 59,103,093 | \$ 1,208,690,484 | \$ 28,258,336 | \$ 1,236,948,820 |
| 3 | 49,951,006 | (49,951,006) | - | - | - |
| 4 | 17,329,860 | (738,826) | 16,591,034 | 205,780 | 16,796,814 |
| 5 | <u>\$ 1,216,868,256</u> | <u>\$ 8,413,262</u> | <u>\$ 1,225,281,518</u> | <u>\$28,464,116</u> | <u>\$ 1,253,745,634</u> |
| 6 | | | | | |
| 7 | | | | | |
| 8 | OPERATING REVENUE DEDUCTIONS: | | | | |
| 9 | | | | | |
| 10 | GAS COSTS: | | | | |
| 11 | | | | | |
| 12 | \$ 737,851,058 | \$ 48,375,663 | \$ 786,226,721 | - | \$ 786,226,721 |
| 13 | | | | | |
| 14 | <u>\$ 737,851,058</u> | <u>\$ 48,375,663</u> | <u>\$ 786,226,721</u> | <u>\$ -</u> | <u>\$ 786,226,721</u> |
| 15 | | | | | |
| 16 | \$ 1,873,117 | \$ 40,978 | \$ 1,914,095 | - | \$ 1,914,095 |
| 17 | 394,280 | 8,662 | 402,942 | - | 402,942 |
| 18 | 51,612,729 | 1,396,820 | 53,009,549 | - | 53,009,549 |
| 19 | 28,177,045 | (310,691) | 27,866,354 | 80,639 | 27,946,993 |
| 20 | 4,829,560 | (3,374,780) | 1,454,780 | - | 1,454,780 |
| 21 | 7,669,601 | (7,669,601) | 0 | - | 0 |
| 22 | 44,215,773 | 1,211,592 | 45,427,364 | 56,928 | 45,484,292 |
| 23 | 82,190,938 | 6,658,883 | 88,849,821 | - | 88,849,821 |
| 24 | 15,618,788 | 0 | 15,618,788 | - | 15,618,788 |
| 25 | - | 0 | - | - | - |
| 26 | 781,404 | 634,013 | 1,415,417 | - | 1,415,417 |
| 27 | - | 0 | - | - | - |
| 28 | 108,410,162 | (47,364,687) | 61,045,475 | 1,093,335 | 62,138,810 |
| 29 | (21,984,884) | 14,922,039 | (7,062,845) | 9,531,636 | 2,468,792 |
| 30 | <u>43,878,484</u> | <u>(1,953,835)</u> | <u>41,924,649</u> | <u>-</u> | <u>41,924,649</u> |
| 31 | <u>\$ 1,105,518,056</u> | <u>\$ (35,800,606)</u> | <u>\$ 331,866,392</u> | <u>\$ 10,762,538</u> | <u>\$ 342,628,930</u> |
| 32 | | | | | |
| 33 | \$ 111,350,201 | \$ (4,161,795) | \$ 107,188,406 | \$ 17,701,578 | \$ 124,889,983 |
| 34 | | | | | |
| 35 | \$ 1,476,214,962 | (\$6,921,040) | \$ 1,469,293,922 | - | \$ 1,469,293,922 |
| 36 | | | | | |
| 37 | 7.54% | | 7.30% | | 8.50% |
| 38 | | | | | |
| 39 | RATE BASE: | | | | |
| 40 | \$ 2,496,529,564 | \$ 4,805,828 | \$ 2,501,335,392 | | |
| 41 | (837,320,044) | (3,439,575) | (840,759,619) | | |
| 42 | (208,946,049) | (1,841,262) | (210,787,311) | | |
| 43 | <u>(27,028,861)</u> | <u>(6,446,031)</u> | <u>(33,474,892)</u> | | |
| 44 | <u>\$ 1,423,234,610</u> | <u>\$ (6,921,040)</u> | <u>\$ 1,416,313,570</u> | | |
| 45 | 52,980,352 | - | 52,980,352 | | |
| 46 | <u>\$ 1,476,214,962</u> | <u>\$ (6,921,040)</u> | <u>\$ 1,469,293,922</u> | | |

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
RESTATING AND PRO FORMA ADJUSTMENTS
Adjustment Detail (Page 1)

| LINE NO. | ACTUAL RESULTS OF OPERATIONS 12ME Dec. 31, 2008 | TEMPERATURE NORMALIZATION 14.01 | REVENUE & EXPENSES 14.02 | NET INTEREST TO IRS FOR SSCM 14.03 | FEDERAL INCOME TAX 14.04 | TAX BENEFIT OF PRO FORMA INTEREST 14.05 | DEPRECIATION STUDY 14.06 |
|----------|--|------------------------------------|-----------------------------|---------------------------------------|-----------------------------|--|-----------------------------|
| 1 | OPERATING REVENUES | | | | | | |
| 2 | SALES TO CUSTOMERS | \$ 1,149,587,391 | \$ (55,696,079) | \$ 73,523,119 | \$ - | \$ - | \$ - |
| 3 | MUNICIPAL ADDITIONS | 49,951,006 | | | | | |
| 4 | OTHER OPERATING REVENUES | 17,329,860 | | (1,203,189) | | | |
| 5 | TOTAL OPERATING REVENUES | \$ 1,216,868,256 | \$ (55,696,079) | \$ 72,319,930 | \$ - | \$ - | \$ - |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | OPERATING REVENUE DEDUCTIONS: | | | | | | |
| 9 | | | | | | | |
| 10 | GAS COSTS: | | | | | | |
| 11 | | | | | | | |
| 12 | PURCHASED GAS | \$ 737,851,058 | \$ (39,777,834) | \$ 37,593,107 | \$ - | \$ - | \$ - |
| 13 | | | | | | | |
| 14 | TOTAL PRODUCTION EXPENSES | \$ 737,851,058 | \$ (39,777,834) | \$ 37,593,107 | \$ - | \$ - | \$ - |
| 15 | | | | | | | |
| 16 | OTHER ENERGY SUPPLY EXPENSES | 1,873,117.13 | | \$ - | \$ - | \$ - | \$ - |
| 17 | TRANSMISSION EXPENSE | 394,280.38 | | | | | |
| 18 | DISTRIBUTION EXPENSE | 51,612,728.75 | | | | | |
| 19 | CUSTOMER ACCTS EXPENSES | 28,177,045 | (157,787) | 204,882 | | | |
| 20 | CUSTOMER SERVICE EXPENSES | 4,829,560 | | | | | |
| 21 | CONSERVATION AMORTIZATION | 7,669,601 | | | | | |
| 22 | ADMIN & GENERAL EXPENSE | 44,215,773 | (111,392) | 144,640 | | | |
| 23 | DEPRECIATION | 82,190,938 | | | | | 6,218,349 |
| 24 | AMORTIZATION | 15,618,788 | | | | | 0 |
| 25 | AMORTIZATION OF PROPERTY LOSS | - | | | | | |
| 26 | OTHER OPERATING EXPENSES | 781,404 | - | - | 1,566,772 | | |
| 27 | FAS 133 | - | | | | | |
| 28 | TAXES OTHER THAN INCOME TAXES | 108,410,162 | (2,139,342) | 2,777,881 | | | |
| 29 | INCOME TAXES | (21,984,884) | (4,728,403) | 11,059,797 | (548,370) | 925,796 | 8,726,982 |
| 30 | DEFERRED INCOME TAXES | 43,878,484 | | | (1,953,835) | | - |
| 31 | TOTAL OPERATING REV. DEDUCT. | \$ 1,105,518,056 | \$ (7,136,924) | \$ 14,187,200 | \$ 1,018,402 | \$ (1,028,039) | \$ 8,726,982 |
| 32 | | | | | | | \$ 6,218,349 |
| 33 | NET OPERATING INCOME | \$ 111,350,201 | \$ (8,781,321) | \$ 20,539,623 | \$ (1,018,402) | \$ 1,028,039 | \$ (8,726,982) |
| 34 | | | | | | | \$ (6,218,349) |
| 35 | RATE BASE | \$ 1,476,214,962 | | \$ (915,968) | | | \$ (3,109,174) |
| 36 | | | | | | | |
| 37 | RATE OF RETURN | 7.54% | | | | | |
| 38 | | | | | | | |
| 39 | RATE BASE: | | | | | | |
| 40 | UTILITY PLANT IN SERVICE | \$ 2,496,529,564 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 41 | ACCUMULATED DEPRECIATION | (837,320,044) | | | | | (3,109,174) |
| 42 | ACCUMULATED DEFERRED FIT | (208,946,049) | | | (1,443,693) | | - |
| 43 | OTHER | (27,028,861) | | | 527,725 | | |
| 44 | TOTAL NET INVESTMENT | \$ 1,423,234,610 | \$ - | \$ - | \$ (915,968) | \$ - | \$ (3,109,174) |
| 45 | ALLOWANCE FOR WORKING CAPITAL | 52,980,352 | | | | | |
| 46 | TOTAL RATE BASE | \$ 1,476,214,962 | \$ - | \$ - | \$ (915,968) | \$ - | \$ (3,109,174) |

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
RESTATING AND PRO FORMA ADJUSTMENTS
Adjustment Detail (Page 3)

| LINE NO. | RATE CASE EXPENSES 14.14 | DEFERRED GAINS/ LOSSES PROP SALES 14.15 | PROPERTY & LIABILITY INS 14.16 | PENSION PLAN 14.17 | WAGE INCREASE 14.18 | INVESTMENT PLAN 14.19 | EMPLOYEE INSURANCE 14.20 |
|----------|--|---|--------------------------------------|--------------------------|---------------------------|-----------------------------|--------------------------------|
| 1 | OPERATING REVENUES | | | | | | |
| 2 | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | MUNICIPAL ADDITIONS | | | | | | |
| 4 | OTHER OPERATING REVENUES | | | | | | |
| 5 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 6 | TOTAL OPERATING REVENUES | | | | | | |
| 7 | | | | | | | |
| 8 | OPERATING REVENUE DEDUCTIONS: | | | | | | |
| 9 | | | | | | | |
| 10 | GAS COSTS: | | | | | | |
| 11 | | | | | | | |
| 12 | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 13 | PURCHASED GAS | | | | | | |
| 14 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 15 | TOTAL PRODUCTION EXPENSES | | | | | | |
| 16 | \$ - | | \$ - | \$ - | 66,324 | \$ - | \$ - |
| 17 | OTHER ENERGY SUPPLY EXPENSES | | | | | | |
| 18 | TRANSMISSION EXPENSE | | | | | | |
| 19 | DISTRIBUTION EXPENSE | | | | | | |
| 20 | CUSTOMER ACCTS EXPENSES | | | | | | |
| 21 | CUSTOMER SERVICE EXPENSES | | | | | | |
| 22 | (236,859) | | (360,084) | 2,277,375 | 542,826 | 135,568 | 777,410 |
| 23 | CONSERVATION AMORTIZATION | | | | | | |
| 24 | ADMIN & GENERAL EXPENSE | | | | | | |
| 25 | DEPRECIATION | | | | | | |
| 26 | AMORTIZATION | | | | | | |
| 27 | AMORTIZATION OF PROPERTY LOSS | | | | | | |
| 28 | OTHER OPERATING EXPENSES | | | | | | |
| 29 | | 482,172 | | | | | |
| 30 | FAS 133 | | | | | | |
| 31 | 82,901 | (168,760) | 126,030 | (797,081) | 146,651 | (47,449) | (272,094) |
| 32 | TAXES OTHER THAN INCOME TAXES | | | | | | |
| 33 | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 34 | INCOME TAXES | | | | | | |
| 35 | DEFERRED INCOME TAXES | | | | | | |
| 36 | \$ (153,958) | \$ 313,412 | \$ (234,055) | \$ 1,480,293 | \$ 1,599,663 | \$ 88,119 | \$ 505,317 |
| 37 | TOTAL OPERATING REV. DEDUCT. | | | | | | |
| 38 | \$ 153,958 | \$ (313,412) | \$ 234,055 | \$ (1,480,293) | \$ (1,599,663) | \$ (88,119) | \$ (505,317) |
| 39 | NET OPERATING INCOME | | | | | | |
| 40 | RATE BASE | | | | | | |
| 41 | RATE OF RETURN | | | | | | |
| 42 | RATE BASE: | | | | | | |
| 43 | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 44 | UTILITY PLANT IN SERVICE | | | | | | |
| 45 | ACCUMULATED DEPRECIATION | | | | | | |
| 46 | ACCUMULATED DEFERRED FIT - LIBERALIZED | | | | | | |
| 47 | OTHER | | | | | | |
| 48 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 49 | TOTAL NET INVESTMENT | | | | | | |
| 50 | ALLOWANCE FOR WORKING CAPITAL | | | | | | |
| 51 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 52 | TOTAL RATE BASE | | | | | | |

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
RESTATING AND PRO FORMA ADJUSTMENTS
Adjustment Detail (Page 4)

| LINE NO. | INCENTIVE PAY 14.21 | MERGER SAVINGS 14.22 | FLEET VEHICLES 14.23 | TOTAL ADJUSTMENTS | ADJUSTED RESULTS OF OPERATIONS |
|----------|-------------------------------|-------------------------|-------------------------|-------------------|--------------------------------|
| 1 | OPERATING REVENUES | | | | |
| 2 | \$ | - | \$ | 59,103,093 | \$ 1,208,690,484 |
| 3 | MUNICIPAL ADDITIONS | | | | |
| 4 | | | | | (49,951,006) |
| 5 | | | | | (738,826) |
| 6 | TOTAL OPERATING REVENUES | | | | |
| 7 | \$ | - | \$ | 8,413,262 | \$ 1,225,281,518 |
| 8 | OPERATING REVENUE DEDUCTIONS: | | | | |
| 9 | GAS COSTS: | | | | |
| 10 | PURCHASED GAS | | | | |
| 11 | \$ | - | \$ | 48,375,663 | \$ 786,226,721 |
| 12 | TOTAL PRODUCTION EXPENSES | | | | |
| 13 | \$ | - | \$ | 48,375,663 | \$ 786,226,721 |
| 14 | OTHER ENERGY SUPPLY EXPENSES | | | | |
| 15 | \$ | (25,346) | | 40,978 | \$ 1,914,095 |
| 16 | | | | | 8,662 |
| 17 | | | | | 1,396,820 |
| 18 | | | | | 53,009,549 |
| 19 | | | | | 27,866,354 |
| 20 | | | | | 1,454,780 |
| 21 | | | | | 0 |
| 22 | (232,356) | (478,634) | (1,512,141) | 1,211,592 | 45,427,364 |
| 23 | | | | | 6,658,883 |
| 24 | | | | | 88,849,821 |
| 25 | | | | | 0 |
| 26 | | | | | 15,618,788 |
| 27 | | | | | - |
| 28 | | | | | - |
| 29 | (70,311) | | | (47,364,687) | 61,045,475 |
| 30 | 331,577 | 167,522 | 375,062 | 14,922,039 | (7,062,845) |
| 31 | | | | | (1,953,835) |
| 32 | \$ | (615,785) | \$ | (35,800,606) | \$ 331,866,392 |
| 33 | NET OPERATING INCOME | | | | |
| 34 | \$ | 615,785 | \$ | (4,161,795) | \$ 107,188,406 |
| 35 | RATE BASE | | | | |
| 36 | | | | | (6,921,040) |
| 37 | | | | | \$ 1,469,293,922 |
| 38 | RATE OF RETURN | | | | |
| 39 | | | | | 7.30% |
| 40 | RATE BASE: | | | | |
| 41 | \$ | - | \$ | 4,805,828 | \$ 2,501,335,392 |
| 42 | | | | | (3,439,575) |
| 43 | | | | | (840,759,619) |
| 44 | | | | | (1,841,262) |
| 45 | | | | | (210,787,311) |
| 46 | | | | | (6,446,031) |
| 47 | TOTAL NET INVESTMENT | | | | |
| 48 | \$ | - | \$ | (6,921,040) | \$ 1,416,313,570 |
| 49 | | | | | - |
| 50 | | | | | 52,980,352 |
| 51 | TOTAL RATE BASE | | | | |
| 52 | \$ | - | \$ | (6,921,040) | \$ 1,469,293,922 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.01 TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|----------|--|----------------------|----------------------|-----------------------|
| 1 | TEMPERATURE NORMALIZATION ADJUSTMENT: | | | |
| 2 | | ACTUAL | TEMP ADJ | THERMS |
| 3 | | <u>THERMS</u> | <u>THERMS</u> | <u>CHANGE</u> |
| 4 | Jan-08 | 168,295,469 | 154,988,222 | (13,307,247) |
| 5 | Feb-08 | 138,172,032 | 140,517,165 | 2,345,133 |
| 6 | Mar-08 | 131,490,969 | 115,895,730 | (15,595,239) |
| 7 | Apr-08 | 109,964,622 | 95,180,930 | (14,783,692) |
| 8 | May-08 | 76,590,248 | 76,738,761 | 148,513 |
| 9 | Jun-08 | 57,746,204 | 52,990,507 | (4,755,697) |
| 10 | Jul-08 | 44,469,072 | 44,469,072 | 0 |
| 11 | Aug-08 | 44,755,273 | 44,755,273 | 0 |
| 12 | Sep-08 | 52,251,636 | 52,894,735 | 643,099 |
| 13 | Oct-08 | 82,272,893 | 79,217,192 | (3,055,701) |
| 14 | Nov-08 | 104,695,969 | 121,277,545 | 16,581,576 |
| 15 | Dec-08 | 157,188,316 | 141,383,989 | (15,804,327) |
| 16 | | <u>1,167,892,703</u> | <u>1,120,309,121</u> | <u>(47,583,582)</u> |
| 17 | | | | |
| 18 | REVENUE ADJUSTMENT: | | | |
| 19 | Residential (23, 53) | | | \$ (39,901,123) |
| 20 | Residential (16) | | | 0 |
| 21 | Commercial & industrial (31) | | | (12,695,194) |
| 22 | Large volume (41) | | | (1,068,987) |
| 23 | Compressed natural gas (50) | | | 0 |
| 24 | Interruptible (85) | | | (259,451) |
| 25 | Limited interruptible (86) | | | (892,487) |
| 26 | Non exclusive interruptible (87) | | | (834,177) |
| 27 | Transportation (57) | | | (30,254) |
| 28 | Contracts (99) | | | <u>(14,406)</u> |
| 29 | INCREASE (DECREASE) SALES TO CUSTOMERS | | | \$ (55,696,079) |
| 30 | OPERATING EXPENSES | | | |
| 31 | PURCHASED GAS COSTS | | | \$ (39,777,834) |
| 32 | | | | \$ (39,777,834) |
| 33 | | | | |
| 34 | UNCOLLECTIBLES @ | | 0.00283 | \$ (157,787) |
| 35 | ANNUAL FILING FEE @ | | 0.00200 | <u>(111,392)</u> |
| 36 | INCREASE (DECREASE) EXPENSES | | | (269,179) |
| 37 | | | | |
| 38 | STATE UTILITY TAX @ | | 0.03841 | <u>\$ (2,139,342)</u> |
| 39 | INCREASE (DECREASE) TAXES OTHER | | | <u>(2,139,342)</u> |
| 40 | | | | |
| 41 | INCREASE (DECREASE) INCOME | | | (13,509,724) |
| 42 | | | | |
| 43 | INCREASE (DECREASE) FIT @ | | 35% | <u>(4,728,403)</u> |
| 44 | INCREASE (DECREASE) NOI | | | <u>\$ (8,781,321)</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.02 REVENUE AND EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ADJUSTMENT |
|----------|---|----------------------|
| 1 | SALES TO CUSTOMERS: | |
| 2 | ADD GRC INCREASE DOCKET UG-072301 | \$ 38,581,189 |
| 3 | RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO | |
| 4 | OTHER OPERATING | (1,004,369) |
| 5 | OCTOBER 2007 PURCHASED GAS | |
| 6 | ADJUSTMENT, DOCKET UG-071775. | 49,392,484 |
| 7 | CONSERVATION ADJUSTMENT | (2,505,739) |
| 8 | TRUE UP CHANGE IN UNBILLED | (10,981,123) |
| 9 | OTHER ADJUSTMENTS | 40,677 |
| 10 | RESTATING ADJUSTMENTS SALES TO CUSTOMERS | <u>73,523,119</u> |
| 11 | | |
| 12 | TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS | \$ 73,523,119 |
| 13 | | |
| 14 | OTHER OPERATING REVENUES | |
| 15 | RENTALS: | |
| 16 | ADD GRC INCREASE DOCKET 060266 | 888,730 |
| 17 | TRUE UP CHANGE IN UNBILLED | 112,972 |
| 18 | OTHER OPERATING REVENUES | |
| 19 | RECLASS PENALTIES AND NEW CUSTOMER REVENUE | |
| 20 | FROM SALES TO CUSTOMERS | 1,004,369 |
| 21 | REMOVE EVERETT DELTA LEASE REVENUES | <u>(3,209,260)</u> |
| 22 | TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE | <u>(1,203,189)</u> |
| 23 | | |
| 24 | TOTAL INCREASE (DECREASE) REVENUES | 72,319,930 |
| 25 | | |
| 26 | OPERATING EXPENSES: | |
| 27 | PURCHASED GAS COSTS | |
| 28 | 2007 GRC INCREASE DOCKET UG-072301 | \$ 14,999 |
| 29 | RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO | |
| 30 | OTHER OPERATING | \$ - |
| 31 | OCTOBER 2007 PURCHASED GAS ADJUSTMENT | |
| 32 | DOCKET UG-071775 | \$ 47,259,204 |
| 33 | CONSERVATION | \$ (1,813,533) |
| 34 | TRUE UP CHANGE IN UNBILLED | \$ (7,866,368) |
| 35 | OTHER ADJUSTMENTS | \$ (1,194) |
| 36 | TOTAL PURCHASE GAS COSTS | <u>\$ 37,593,107</u> |
| 37 | | |
| 38 | UNCOLLECTIBLES @ | 0.00283 \$ 204,882 |
| 39 | ANNUAL FILING FEE @ | 0.00200 144,640 |
| 40 | INCREASE (DECREASE) EXPENSES | <u>37,942,630</u> |
| 41 | | |
| 42 | STATE UTILITY TAX @ | 0.03841 \$ 2,777,881 |
| 43 | | |
| 44 | INCREASE (DECREASE) TAXES OTHER | <u>2,777,881</u> |
| 45 | | |
| 46 | INCREASE (DECREASE) INCOME | 31,599,420 |
| 47 | INCREASE (DECREASE) FIT @ | 35% 11,059,797 |
| 48 | INCREASE (DECREASE) NOI | <u>\$ 20,539,623</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.03 NET INTEREST DUE TO IRS FOR SSCM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATE | ADJUSTMENT |
|-------------|---|---------------------|---------------------|-----------------------|
| 1 | | | | |
| 2 | <u>AMORTIZATION OF DEFERRED SSCM NET INTEREST PAID TO IRS</u> | | | |
| 3 | AMORTIZATION EXPENSE | | 1,566,772 | 1,566,772 |
| 4 | TOTAL OPERATING EXPENSES | \$ - | \$ 1,566,772 | \$ 1,566,772 |
| 5 | | | | |
| 6 | INCREASE (DECREASE) EXPENSE | | | \$ 1,566,772 |
| 7 | | | | |
| 8 | INCREASE (DECREASE) FIT @ | | 35% | (548,370) |
| 9 | INCREASE (DECREASE) NOI | | | <u>\$ (1,018,402)</u> |
| 10 | | | | |
| 11 | <u>RATEBASE</u> | | | |
| 12 | <u>DEFERRED SSCM NET INTEREST PAID TO IRS</u> | | | |
| 13 | GROSS DEFERRED BALANCE | \$ 1,822,433 | \$ 3,133,544 | \$ 1,311,111 |
| 14 | ACCUM AMORTIZATION | | (783,386) | (783,386) |
| 15 | DEFERRED FEDERAL INCOME TAX | 621,138 | (822,555) | (1,443,693) |
| 16 | NET DEFERRED INTEREST ADDITION TO RATEBASE | <u>\$ 2,443,571</u> | <u>\$ 1,527,603</u> | <u>\$ (915,968)</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.04 FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|--|----------------------------|
| 1 | TAXABLE INCOME | \$ (60,168,822) |
| 2 | | |
| 3 | FEDERAL INCOME TAX | |
| 4 | CURRENT FIT @ 35% | (21,059,088) |
| 5 | DEFERRED FIT - DEBIT | 47,432,293 |
| 6 | DEFERRED FIT - CREDIT | (4,870,567) |
| 7 | DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION | (637,077) |
| 8 | TOTAL RESTATED FIT | <u>\$ 20,865,562</u> |
| 9 | | |
| 10 | FIT PER BOOKS: | |
| 11 | CURRENT FIT | \$ (21,984,884) |
| 12 | DEFERRED FIT - DEBIT | 54,835,444 |
| 13 | DEFERRED FIT - CREDIT | (10,319,883) |
| 14 | DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION | <u>(637,077)</u> |
| 15 | | |
| 16 | TOTAL CHARGED TO EXPENSE | \$ 21,893,600 |
| 17 | | |
| 18 | INCREASE(DECREASE) FIT | \$ 925,796 |
| 19 | INCREASE(DECREASE) DEFERRED FIT | (1,953,835) |
| 20 | INCREASE(DECREASE) ITC | - |
| 21 | INCREASE(DECREASE) NOI | <u><u>\$ 1,028,039</u></u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.05 TAX BENEFIT OF PRO FORMA INTEREST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|--|------------------------------|
| 1 | RATE BASE | \$ 1,469,293,922 |
| 2 | | |
| 3 | NET RATE BASE | <u>\$ 1,469,293,922</u> |
| 4 | | |
| 5 | WEIGHTED COST OF DEBT | <u>3.32%</u> |
| 6 | PROFORMA INTEREST | \$ 48,780,558 |
| 7 | | |
| 8 | <u>INTEREST EXPENSE ITEMS PER BOOKS:</u> | |
| 9 | INTEREST ON LONG TERM DEBT | \$ 64,633,838 |
| 10 | INTEREST ON PREFERRED STOCK | |
| 11 | AMORTIZATION OF DEBT DISCOUNT | |
| 12 | AND EXPENSE, NET OF PREMIUMS | 1,199,627 |
| 13 | INTEREST ON DEBT TO ASSOCIATED COMPANIES | 288,111 |
| 14 | OTHER INTEREST EXPENSE | 7,623,489 |
| 15 | LESS INTEREST ON CUSTOMER DEPOSITS | <u>(30,273)</u> |
| 16 | CHARGED TO EXPENSE IN TEST YEAR | <u>73,714,792</u> |
| 17 | INCREASE (DECREASE) INCOME | \$ 24,934,234 |
| 18 | | |
| 19 | INCREASE (DECREASE) FIT @ | 35% 8,726,982 |
| 20 | INCREASE (DECREASE) NOI | <u><u>\$ (8,726,982)</u></u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.06 DEPRECIATION STUDY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|----------|---|----------------------|----------------------|-----------------------|
| 1 | <u>ADJUSTMENT TO OPERATING EXPENSES</u> | | | |
| 2 | 403 DEPRECIATION EXPENSE | \$ 76,528,830 | \$ 81,276,393 | \$ 4,747,564 |
| 3 | 403 GAS PORTION OF COMMON | 2,951,555 | 4,422,340 | 1,470,785 |
| 4 | 403 DEPR. EXP. ON ASSETS NOT INCLUDED IN STUDY | 1,147,453 | 1,147,453 | - |
| 5 | SUBTOTAL DEPRECIATION EXPENSE 403 | <u>\$ 80,627,838</u> | <u>\$ 86,846,187</u> | <u>\$ 6,218,349</u> |
| 6 | | | | |
| 7 | 403.1 DEPR. EXP- FAS 143 (RECOVERED IN RATES) | 1,562,355 | 1,563,100 | 745 |
| 8 | 403.1 DEPR. EXP - FAS 143 (NOT RECOVERED IN RATES) | 745 | - | (745) |
| 9 | SUBTOTAL DEPRECIATION EXPENSE 403.1 | <u>\$ 1,563,100</u> | <u>\$ 1,563,100</u> | <u>\$ (0)</u> |
| 10 | | | | |
| 11 | TOTAL DEPRECIATION EXPENSE | <u>82,190,938</u> | <u>88,409,287</u> | <u>6,218,349</u> |
| 12 | | | | |
| 13 | 4111 ACCRETION EXP. - FAS 143 (RECOVERED IN RATES) | 403,917 | 404,887 | 970 |
| 14 | 4111 ACCRETION EXP. - FAS 143 (NOT RECOVERED IN RATES) | 970 | - | (970) |
| 15 | SUBTOTAL ACCRETION EXPENSE 411.1 | <u>\$ 404,887</u> | <u>\$ 404,887</u> | <u>\$ 0</u> |
| 16 | | | | |
| 17 | FLEET DEPR. EXP. ON INC STMNT NOT RECORDED IN 403 | | | \$ - |
| 18 | | - | - | |
| 19 | INCREASE(DECREASE) EXPENSE | | | \$ 6,218,349 |
| 20 | INCREASE(DECREASE) FIT | | | - |
| 21 | INCREASE(DECREASE) DFIT | | | - |
| 22 | INCREASE(DECREASE) FIT @ | | 35% | |
| 23 | INCREASE(DECREASE) NOI | | | <u>\$ (6,218,349)</u> |
| 24 | | | | |
| 25 | | | | |
| 26 | <u>ADJUSTMENT TO RATE BASE</u> | | | |
| 27 | ADJUST ACCUM DEPR FOR ADDITIONAL DEPR EXP (50% OF LINE 19) | | | \$ (3,109,174) |
| 28 | ADJUST ACCUMULATED DFIT FOR ADDITIONAL EXPENSE (50% OF LINE 21) | | | - |
| 29 | TOTAL ADJUSTMENT TO RATEBASE | | | <u>\$ (3,109,174)</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.07 PASS THROUGH REVENUE AND EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ADJUSTMENT |
|-------------|---|-------------------------------|
| 1 | <u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u> | |
| 2 | REMOVE LOW INCOME - SCHEDULE 129 | \$ 3,573,781 |
| 3 | REMOVE CONSERVATION - SCHEDULE 120 | 8,020,557 |
| 4 | REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106 | (52,870,391) |
| 5 | REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS | 49,586,556 |
| 6 | REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV | 364,449 |
| 7 | TOTAL (INCREASE) DECREASE REVENUES | <u>\$ 8,674,952</u> |
| 8 | | |
| 9 | <u>ADJUST REVENUE SENSITIVE ITEMS FOR REMOVAL OF REVENUE:</u> | |
| 10 | BAD DEBTS | 0.283300% (24,576) |
| 11 | ANNUAL FILING FEE | 0.200000% (17,350) |
| 12 | STATE UTILITY TAX | 3.841100% (333,214) |
| 13 | TOTAL INCREASE (DECREASE) EXPENSE | <u>4.369178% \$ (375,140)</u> |
| 14 | | |
| 15 | <u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u> | |
| 16 | REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129 | (3,417,545) |
| 17 | REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120 | (7,669,601) |
| 18 | REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106 | 50,560,390 |
| 19 | REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS | (48,300,625) |
| 20 | REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV | INCL. ABOVE |
| 21 | TOTAL INCREASE (DECREASE) EXPENSE | <u>\$ (8,827,381)</u> |
| 22 | | |
| 23 | INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES | 527,569 |
| 24 | INCREASE (DECREASE) FIT | 184,649 |
| 25 | INCREASE (DECREASE) NOI | <u>\$ 342,920</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.08 BAD DEBTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | NET WRITEOFFS | GROSS REVENUES | AMOUNT |
|-------------|--|------------------|-------------------|--------------|
| 1 | 12 MOS ENDED | DECEMBER | AUGUST | |
| 2 | 2004 | \$ 2,215,292 | \$ 727,351,085 | 0.3046% |
| 3 | 2005 | \$ 2,918,686 | \$ 1,224,844,682 | 0.2383% |
| 4 | 2007 | \$ 3,664,592 | \$ 1,193,302,341 | 0.3071% |
| 5 | 3-Yr Average of Net Write Off Rate | | | 0.2833% |
| 6 | | | | |
| 7 | Test Period Revenues | | \$ 1,216,868,256 | |
| 8 | | | | |
| 9 | PROFORMA BAD DEBT RATE | | 0.2833% | |
| 10 | PROFORMA BAD DEBTS | | \$ 3,447,388 | |
| 11 | | | | |
| 12 | UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR | | 4,146,730 | |
| 13 | INCREASE (DECREASE) EXPENSE | | | \$ (699,342) |
| 14 | | | | |
| 15 | INCREASE (DECREASE) FIT | | 35% | 244,770 |
| 16 | INCREASE (DECREASE) NOI | | | \$ 454,572 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.09 MISCELLANEOUS OPERATING EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED / PROFORMA | ADJUSTMENT |
|-------------|---|---------------|------------------------|-------------------|
| 1 | <u>OPERATING REVENUES</u> | | | |
| 2 | OTHER OPERATING REVENUES | | | |
| 3 | AMORTIZATION OF SUMMIT BUYOUT PURCHASE OPTION | | | |
| 4 | PER ACCOUNTING PETITION #UE-071876 | 92,873 | 557,235 | 464,363 |
| 5 | INCREASE (DECREASE) IN REVENUES | 92,873 | 557,235 | 464,363 |
| 6 | | | | |
| 7 | <u>OPERATING EXPENSES</u> | | | |
| 8 | AMORT OF DEFERRED TAXES OF INDIRECT OVERHEADS | | | |
| 9 | REGULATORY ASSET (WUTC DOC # UG-051528) | \$ 1,414,931 | \$ - | \$ (1,414,931) |
| 10 | INCREASE IN SERVICE CONTRACT BASELINE CHARGES TSM | 60,713 | 63,718 | 3,005 |
| 11 | INCREASE IN SERVICE CONTRACT BASELINE CHARGES DIST | 13,419,246 | 14,114,477 | 695,231 |
| 12 | COMPANY STORE- NET PUCH/SALES OF MERCHANDISE IN A&G | (1,301) | - | 1,301 |
| 13 | SUMMIT BUILDING RENT INCREASES 4th Floor | 106,062 | 277,205 | 171,143 |
| 14 | SUMMIT BUILDING CONTRACTUAL RENT INCREASES | | | |
| 15 | PER ACCOUNTING PETITION #UE-071876 | 888,289 | 1,233,184 | 344,895 |
| 16 | ATHLETIC EVENTS - CHARGED ABOVE THE LINE | 7,394 | 0 | (7,394) |
| 17 | AIRPORT PARKING | 7,193 | | (7,193) |
| 18 | <i>ADVERTISING EXPENSES-CHARGED BELOW THE LINE</i> | 1,003 | | (1,003) |
| 19 | INCREASE (DECREASE) IN EXPENSE | \$ 15,903,530 | \$ 15,688,584 | \$ (214,946) |
| 20 | | | | |
| 21 | INCREASE (DECREASE) IN OPERATING EXPENSE | | | (679,309) |
| 22 | INCREASE(DECREASE) FIT @ | | 35% | 237,758 |
| 23 | | | | |
| 24 | INCREASE(DECREASE) NOI | | | <u>\$ 441,551</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.10 PROPERTY TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|------------------------------|----------------|
| 1 | RESTATED PROPERTY TAX | \$ 11,883,050 |
| 2 | CHARGED TO EXPENSE IN TY | 10,262,423 |
| 3 | INCREASE(DECREASE) EXPENSE | \$ 1,620,627 |
| 4 | | |
| 5 | INCREASE(DECREASE) FIT @ 35% | (567,219) |
| 6 | INCREASE(DECREASE) NOI | \$ (1,053,408) |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.11 EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|--------------------------------------|----------------|
| 1 | RESTATED EXCISE TAXES | \$ 45,358,667 |
| 2 | CHARGED TO EXPENSE FOR TEST YEAR | 46,425,021 |
| 3 | INCREASE(DECREASE) EXCISE TAX | \$ (1,066,354) |
| 4 | | |
| 5 | RESTATED WUTC FILING FEE | \$ 2,377,938 |
| 6 | CHARGED TO EXPENSE FOR TEST YEAR | 2,377,938 |
| 7 | INCREASE(DECREASE) WUTC FILING FEE | \$ 0 |
| 8 | | |
| 9 | INCREASE(DECREASE) OPERATING EXPENSE | \$ (1,066,354) |
| 10 | | |
| 11 | INCREASE(DECREASE) FIT 35% | \$ 373,224 |
| 12 | INCREASE(DECREASE) NOI | \$ 693,130 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.12 D&O INSURANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | TEST YEAR | RESTATED | ADJUSTMENT |
|-------------|---------------------------------|------------|------------|-------------------|
| 1 | D & O INS. CHG EXPENSE | \$ 433,404 | \$ 214,244 | \$ (219,160) |
| 2 | | | | |
| 3 | INCREASE (DECREASE) D&O EXPENSE | \$ 433,404 | \$ 214,244 | \$ (219,160) |
| 4 | | | | |
| 5 | INCREASE (DECREASE) EXPENSE | | | (219,160) |
| 6 | | | | |
| 7 | INCREASE (DECREASE) FIT @ | | 35% | 76,706 |
| 8 | INCREASE (DECREASE) NOI | | | <u>\$ 142,454</u> |

PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.13 INTEREST ON CUSTOMER DEPOSITS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE

| LINE NO. | DESCRIPTION | ADJUSTMENT |
|---------------------|---|-------------------|
| 1 | INTEREST EXPENSE FOR TEST YEAR | \$ 30,273 |
| 2 | | |
| 3 | INCREASE (DECREASE) NOI | \$ (30,273) |
| 4 | | |
| 5 | IMPACT ON WORKING CAPITAL OF INCLUDING GAS INTEREST ON CUSTOMER | |
| 6 | DEPOSITS IN RATEBASE: | |
| 7 | ADD GAS CUSTOMER DEPOSITS TO RATEBASE - OTHER | (6,973,756) |
| 8 | INCLUDE GAS DEPOSITS IN OPERATING FOR WORKING CAPITAL | |
| 9 | TOTAL IMPACT ON GAS RATEBASE | \$ (6,973,756) |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.14 RATE CASE EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|---|------------------------|
| 1 | EXPENSES TO BE NORMALIZED: | |
| 2 | | |
| 3 | ESTIMATED 2006 and 2007 GRC EXPENSES TO BE NORMALIZED | \$ 1,139,000 |
| 4 | | |
| 5 | ANNUAL NORMALIZATION (LINE 22 / 2 YEARS) | 569,500 |
| 6 | LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M | 806,359 |
| 7 | | |
| 8 | INCREASE (DECREASE) EXPENSE | \$ (236,859) (236,859) |
| 9 | | |
| 10 | | |
| 11 | TOTAL INCREASE (DECREASE) EXPENSE | \$ (236,859) |
| 12 | | |
| 13 | INCREASE(DECREASE) FIT @ | 35% 82,901 |
| 14 | INCREASE(DECREASE) NOI | \$ 153,958 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.15 DEFERRED GAINS/LOSSES ON PROPERTY SALES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| | | | |
|----|--|----|-------------------------|
| 1 | DEFERRED GAIN RECORDED SINCE UE-072300, <i>et al.</i> at 03/31/2010 | \$ | (618,994) |
| 2 | DEFERRED LOSS RECORDED SINCE UE-072300, <i>et al.</i> at 03/31/2010 | | 164,927 |
| 3 | TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE | \$ | <u>(454,067)</u> |
| 4 | | | |
| 5 | AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years) | | (151,356) |
| 6 | | | |
| 7 | AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR | | (633,528) |
| 8 | | | |
| 9 | INCREASE (DECREASE) EXPENSE (Line 5 - Line 7) | \$ | <u>482,172</u> |
| 10 | | | |
| 11 | INCREASE (DECREASE) FIT @ 35% | | <u>(168,760)</u> |
| 12 | | | |
| 13 | INCREASE (DECREASE) NOI | \$ | <u><u>(313,412)</u></u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.16 PROPERTY & LIABILITY INSURANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | PROFORMA | ADJUSTMENT |
|-------------|-----------------------------|--------------|--------------|-------------------|
| 1 | PROPERTY INSURANCE EXPENSE | \$ 954,479 | \$ 521,578 | \$ (432,901) |
| 2 | LIABILITY INSURANCE EXPENSE | 749,653 | 822,470 | 72,817 |
| 3 | INCREASE(DECREASE) EXPENSE | \$ 1,704,133 | \$ 1,344,048 | \$ (360,084) |
| 4 | | | | |
| 5 | | | | |
| 6 | INCREASE (DECREASE) FIT @ | 35% | | 126,030 |
| 7 | INCREASE (DECREASE) NOI | | | <u>\$ 234,055</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.17 PENSION PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|----------------------------|-------------|--------------|-----------------------|
| 1 | QUALIFIED RETIREMENT FUND | \$ (84,802) | \$ 1,994,055 | \$ 2,078,857 |
| 2 | SERP PLAN | 956,338 | 1,154,856 | 198,518 |
| 3 | | | | |
| 4 | INCREASE(DECREASE) EXPENSE | \$ 871,537 | \$ 3,148,911 | \$ 2,277,375 |
| 5 | | | | |
| 6 | | | | |
| 7 | INCREASE (DECREASE) FIT @ | 35% | | (797,081) |
| 8 | INCREASE (DECREASE) NOI | | | <u>\$ (1,480,293)</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.18 WAGE INCREASE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | TEST YEAR | RATE YEAR | ADJUSTMENT |
|-------------|---------------------------------------|---------------|---------------|-----------------------|
| 1 | WAGES: | | | |
| 2 | PRODUCTION MANUF. GAS | \$ 157,210 | \$ 165,880 | \$ 8,670 |
| 3 | OTHER GAS SUPPLY | 513,380 | 542,511 | 29,131 |
| 4 | STORAGE, LNG T&G | 517,951 | 546,474 | 28,523 |
| 5 | TRANSMISSION | 168,404 | 177,657 | 9,253 |
| 6 | DISTRIBUTION | 20,616,696 | 21,756,121 | 1,139,425 |
| 7 | CUSTOMER ACCTS | 7,375,878 | 7,865,798 | 489,920 |
| 8 | CUSTOMER SERVICE | 1,087,202 | 1,152,217 | 65,015 |
| 9 | SALES | 27,852 | 29,458 | 1,606 |
| 10 | ADMIN. & GENERAL | 10,569,517 | 11,112,343 | 542,826 |
| 11 | TOTAL WAGE INCREASE | 41,034,090 | 43,348,459 | 2,314,369 |
| 12 | | | | |
| 13 | PAYROLL TAXES | 3,528,068 | 3,674,719 | 146,651 |
| 14 | TOTAL WAGES & TAXES | \$ 44,562,158 | \$ 47,023,178 | \$ 2,461,020 |
| 15 | | | | |
| 16 | INCREASE (DECREASE) OPERATING EXPENSE | | | \$ 2,461,020 |
| 17 | INCREASE (DECREASE) FIT @ 35% | | | (861,357) |
| 18 | INCREASE (DECREASE) NOI | | | <u>\$ (1,599,663)</u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.19 INVESTMENT PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | | AMOUNT |
|-------------|--|--------|--------------------------|
| 1 | NON-UNION (EXCLUDING EXECUTIVES) | | |
| 2 | INVESTMENT PLAN APPLICABLE TO MANAGEMENT | | 2,765,561 |
| 3 | RATE YEAR MANAGEMENT WAGE INCREASE | 5.77% | <u>159,573</u> |
| 4 | TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT | | 2,925,134 |
| 5 | | | |
| 6 | NON-UNION (EXECUTIVES) | | |
| 7 | INVESTMENT PLAN APPLICABLE TO IBEW | | 63,068 |
| 8 | RATE YEAR IBEW WAGE INCREASE | 0.00% | <u>0</u> |
| 9 | TOTAL COMPANY CONTRIBUTION FOR IBEW | | 63,068 |
| 10 | | | |
| 11 | IBEW | | |
| 12 | INVESTMENT PLAN APPLICABLE TO IBEW | | 608,253 |
| 13 | RATE YEAR IBEW WAGE INCREASE | 7.21% | <u>43,848</u> |
| 14 | TOTAL COMPANY CONTRIBUTION FOR IBEW | | 652,101 |
| 15 | | | |
| 16 | UA | | |
| 17 | INVESTMENT PLAN APPLICABLE TO UA | | 466,526 |
| 18 | RATE YEAR UA WAGE INCREASE | 5.32% | <u>24,808</u> |
| 19 | TOTAL COMPANY CONTRIBUTION FOR UA | | <u>491,334</u> |
| 20 | | | |
| 21 | TOTAL | | |
| 22 | TOTAL PROFORMA COSTS (LN 4 + LN 9 + LN 14 + LN 19) | | 4,131,637 |
| 23 | PRO FORMA COSTS APPLICABLE TO OPERATIONS | 59.40% | 2,454,192 |
| 24 | CHARGED TO EXPENSE FOR YEAR ENDED 12/31/08 | | <u>2,318,625</u> |
| 25 | INCREASE (DECREASE) EXPENSE | | 135,568 |
| 26 | | | |
| 27 | INCREASE (DECREASE) FIT @ | 35% | <u>(47,449)</u> |
| 28 | INCREASE (DECREASE) NOI | | <u><u>(\$88,119)</u></u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.20 EMPLOYEE INSURANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|-------------------------------------|----------------------------|
| 1 | <u>BENEFIT CONTRIBUTION:</u> | |
| 2 | SALARIED EMPLOYEES | \$ 5,619,123 |
| 3 | UNION EMPLOYEES | 4,976,117 |
| 4 | PRO FORMA INSURANCE COSTS | <u>10,595,240</u> |
| 5 | | |
| 6 | APPLICABLE TO OPERATIONS @ | 59.40% |
| 7 | CHARGED TO EXPENSE DURING TEST YEAR | 6,293,573 |
| 8 | INCREASE(DECREASE) EXPENSE | <u>5,516,162</u> |
| 9 | | 777,410 |
| 10 | INCREASE(DECREASE) FIT @ | 35% |
| 11 | | (272,094) |
| 12 | INCREASE(DECREASE) NOI | <u><u>\$ (505,317)</u></u> |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.21 INCENTIVE PAY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | PROFORMA RESTATED | ADJUSTMENT |
|----------|---------------------------------------|--------------|----------------------|--------------|
| 1 | INCENTIVE/MERIT PAY | | | |
| 2 | PRODUCTION MANUF. GAS | \$ 13,951 | \$ 10,619 | \$ (3,332) |
| 3 | OTHER GAS SUPPLY | 45,892 | 34,929 | (10,963) |
| 4 | STORAGE, LNG T&G | 46,260 | 35,209 | (11,051) |
| 5 | TRANSMISSION | 15,053 | 11,457 | (3,596) |
| 6 | DISTRIBUTION | 1,844,509 | 1,406,673 | (437,836) |
| 7 | CUSTOMER ACCTS | 660,117 | 506,056 | (154,061) |
| 8 | CUSTOMER SERVICE | 97,292 | 74,050 | (23,242) |
| 9 | SALES | 2,570 | 1,956 | (614) |
| 10 | ADMIN. & GENERAL | 945,752 | 713,396 | (232,356) |
| 11 | TOTAL INCENTIVE PAY | \$ 3,671,396 | \$ 2,794,345 | \$ (877,051) |
| 12 | | | | |
| 13 | PAYROLL TAXES ASSOC WITH MERIT PAY | 294,328 | 224,017 | (70,311) |
| 14 | INCREASE(DECREASE) EXPENSE | 3,965,724 | 3,018,362 | (947,362) |
| 15 | | | | |
| 16 | INCREASE (DECREASE) OPERATING EXPENSE | | | (947,362) |
| 17 | | | | |
| 18 | INCREASE(DECREASE) FIT @ | | 35% | 331,577 |
| 19 | INCREASE(DECREASE) NOI | | | \$ 615,785 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.22 MERGER SAVINGS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | PROFORMA RESTATED | ADJUSTMENT |
|-------------|------------------------------------|---------|----------------------|------------|
| 1 | | | | |
| 2 | OPERATING EXPENSES | | | |
| 3 | MEGER COSTS | 478,634 | - | (478,634) |
| 4 | TOTAL INCREASE (DECREASE) EXPENSES | | | (478,634) |
| 5 | | | | |
| 6 | INCREASE (DECREASE) INCOME | | | 478,634 |
| 7 | | | | |
| 8 | INCREASE (DECREASE) FIT @ | 35% | | \$ 167,522 |
| 9 | INCREASE (DECREASE) NOI | | | \$ 311,112 |

**PUGET SOUND ENERGY-GAS
ADJUSTMENT 9.23 FLEET VEHICLES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ACTUAL | PROFORMA RESTATED | ADJUSTMENT |
|-------------|---------------------------------|---------------------|----------------------|---------------------|
| 1 | <u>RATEBASE</u> | | | |
| 2 | FLEET BALANCE | \$ - | \$ 4,805,828 | \$ 4,805,828 |
| 3 | ACCUMULATED DEPRECIATION | - | (330,401) | (330,401) |
| 4 | DEFERRED FIT | - | (397,569) | (397,569) |
| 5 | <u>NET FLEET RATEBASE</u> | <u>\$ -</u> | <u>\$ 4,077,858</u> | <u>\$ 4,077,858</u> |
| 6 | | | | |
| 7 | | | | |
| 8 | <u>FLEET OPERATING EXPENSES</u> | | | |
| 9 | LEASE PAYMENT | \$ 1,512,141 | \$ - | \$ (1,512,141) |
| 10 | DEPRECIATION EXPENSE | | \$ 440,534 | 440,534 |
| 11 | INCREASE (DECREASE) EXPENSE | \$ 1,512,141 | \$ 440,534 | \$ (1,071,607) |
| 12 | | | | |
| 13 | INCREASE (DECREASE) EXPENSE | 1,512,141 | 440,534 | (1,071,607) |
| 14 | | | | |
| 15 | | | 35.00% | |
| 16 | INCREASE (DECREASE) FIT @ | (529,249) | (154,187) | 375,062 |
| 17 | INCREASE (DECREASE) NOI | <u>\$ (982,892)</u> | <u>\$ (286,347)</u> | <u>\$ 696,545</u> |

PUGET SOUND ENERGY-GAS
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE

| LINE NO. | DESCRIPTION | |
|-------------|--------------------------------|------------------|
| 1 | RATE BASE | \$ 1,469,293,922 |
| 2 | RATE OF RETURN | 8.50% |
| 3 | | |
| 4 | OPERATING INCOME REQUIREMENT | 124,889,983 |
| 5 | | |
| 6 | PRO FORMA OPERATING INCOME | 107,188,406 |
| 7 | OPERATING INCOME DEFICIENCY | 17,701,578 |
| 8 | | |
| 9 | CONVERSION FACTOR | 62.18910% |
| 10 | | |
| 11 | | |
| 12 | REVENUE REQUIREMENT DEFICIENCY | 28,464,116 |
| 13 | OTHER OPERATING REVENUES | 205,780 |
| 14 | | |
| 15 | REVENUE REQUIREMENT DEFICIENCY | \$ 28,258,336 |

**PUGET SOUND ENERGY-GAS
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | PRO FORMA CAPITAL % | COST % | COST OF CAPITAL |
|-------------|---|------------------------|--------|--------------------|
| 1 | SHORT TERM DEBT | 3.95% | 2.47% | 0.10% |
| 2 | LONG TERM DEBT | 48.05% | 6.70% | 3.22% |
| 3 | PREFERRED STOCK | 0.00% | 0.00% | 0.00% |
| 4 | EQUITY | 48.00% | 10.80% | 5.18% |
| 5 | TOTAL | 100.00% | | 8.50% |
| 6 | | | | |
| 7 | AFTER TAX SHORT TERM DEBT (LINE 1 * 65%) | 3.95% | 1.61% | 0.07% |
| 8 | AFTER TAX LONG TERM DEBT (LINE 2 * 65%) | 48.05% | 4.36% | 2.09% |
| 9 | PREFERRED | 0.00% | 0.00% | 0.00% |
| 10 | EQUITY | 48.00% | 10.80% | 5.18% |
| 11 | TOTAL AFTER TAX COST OF CAPITAL | 100.00% | | 7.34% |

**PUGET SOUND ENERGY-GAS
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | BASE | RATE | AMOUNT |
|-------------|--|------|--------|------------------------|
| 1 | BAD DEBTS | | | 0.002833 |
| 2 | ANNUAL FILING FEE | | | 0.002000 |
| 3 | STATE UTILITY TAX (3.852% - (LINE 1 * 3.852%)) | | 3.852% | <u>0.038411</u> |
| 4 | | | | |
| 5 | SUM OF TAXES OTHER | | | 0.043244 |
| 6 | | | | |
| 7 | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5) | | | 0.956756 |
| 8 | FEDERAL INCOME TAX (LINE 7 * 35%) | | 35% | <u>0.334865</u> |
| 9 | | | | |
| 10 | CONVERSION FACTOR | | | <u><u>0.621891</u></u> |

| Adj. No. (a) | Description (b) | Status (c) | Company | | | Staff (Note 1) | | | Difference | | |
|-----------------|---------------------------------------|---------------|-------------|------------------|----------------|----------------|------------------|----------------|--------------|------------------|----------------|
| | | | NOI (d) | Rate Base (e) | Rev Req (f) | NOI (g) | Rate Base (h) | Rev Req (i) | NOI (j) | Rate Base (k) | Rev Req (l) |
| | Actual Results of Operations | U | 111,350,201 | 1,476,214,962 | \$22,717,922 | \$ 111,350,201 | \$ 1,476,214,962 | \$ 8,712,785 | \$ - | \$ - | \$(14,005,136) |
| 9.01 | Temperature Normalization | U | (8,781,321) | - | 14,120,354 | (8,781,321) | - | 14,120,354 | - | - | 0 |
| 9.02 | Revenues & Expenses | C | 20,539,623 | - | (33,027,690) | 20,919,189 | - | (33,638,031) | 379,566 | - | (610,341) |
| 9.03 | Net Interest Paid to IRS | C | (1,018,402) | (915,968) | 1,512,395 | - | (2,443,571) | (310,804) | 1,018,402 | (1,527,603) | (1,823,199) |
| 9.04 | Federal Income Tax | C | 1,028,039 | - | (1,653,085) | 915,758 | - | (1,472,537) | (112,281) | - | 180,547 |
| 9.05 | Tax Benefit of Pro Forma Interest | U | (8,726,982) | - | 14,032,977 | (8,282,386) | - | 13,318,067 | 444,596 | - | (714,909) |
| 9.06 | Depreciation Study | U | (6,218,349) | (3,109,174) | 9,574,136 | (6,218,349) | (3,109,174) | 9,603,633 | - | - | 29,497 |
| 9.07 | Pass-Through Revenue & Expense | U | 342,920 | - | (551,414) | 342,920 | - | (551,414) | (0) | - | (0) |
| 9.08 | Bad Debt | U | 454,572 | - | (730,951) | 454,572 | - | (730,951) | - | - | 0 |
| 9.09 | Miscellaneous Operating Expense | C | 441,551 | - | (710,013) | 894,751 | - | (1,438,759) | 453,200 | - | (728,746) |
| 9.10 | Property Tax | C | (1,053,408) | - | 1,693,878 | - | - | - | 1,053,408 | - | (1,693,878) |
| 9.11 | Excise Tax & Filing Fee | U | 693,130 | - | (1,114,552) | 693,130 | - | (1,114,552) | - | - | 0 |
| 9.12 | D&O Insurance | C | 142,454 | - | (229,066) | 212,085 | - | (341,032) | 69,631 | - | (111,966) |
| 9.13 | Interest on Customer Deposits | U | (30,273) | (6,973,756) | (904,493) | (30,273) | (6,973,756) | (838,332) | - | 0 | 66,161 |
| 9.14 | Rate Case Expense | U | 153,958 | - | (247,565) | 153,958 | - | (247,565) | - | - | (0) |
| 9.15 | Deferred G/L on Property Sales | U | (313,412) | - | 503,966 | (313,412) | - | 503,966 | - | - | 0 |
| 9.16 | Property & Liability Insurance | U | 234,055 | - | (376,360) | 234,055 | - | (376,360) | 0 | - | (0) |
| 9.17 | Pension Plan | U | (1,480,293) | - | 2,380,310 | (1,480,293) | - | 2,380,310 | - | - | (0) |
| 9.18 | Wage Increase | C | (1,599,663) | - | 2,572,256 | (1,172,783) | - | 1,885,834 | 426,880 | - | (686,422) |
| 9.19 | Investment Plan | C | (88,119) | - | 141,695 | (54,211) | - | 87,171 | 33,908 | - | (54,524) |
| 9.20 | Employee Insurance | C | (505,317) | - | 812,549 | (418,147) | - | 672,380 | 87,170 | - | (140,169) |
| 9.21 | Incentive Pay | U | 615,785 | - | (990,182) | 615,785 | - | (990,182) | - | - | (0) |
| 9.22 | Merger Savings | U | 311,112 | - | (500,268) | 311,112 | - | (500,268) | - | - | 0 |
| 9.23 | Fleet Vehicles | U | 696,545 | 4,077,858 | (562,682) | 696,545 | 4,077,858 | (601,370) | - | - | (38,687) |
| | Total Adjustment | | (4,161,795) | (6,921,040) | 5,746,195 | (307,316) | (8,448,642) | (580,442) | \$ 3,854,479 | \$(1,527,602) | \$ (6,326,636) |
| | Adjusted Results of Operations | | 107,188,406 | 1,469,293,922 | 28,464,116 | 111,042,885 | 1,467,766,320 | 8,132,344 | \$ 3,854,479 | \$(1,527,602) | \$(20,331,773) |

(Note 1) - Amounts are from KHB-03 as revised January 13, 2010. Staff Revenue Requirement from Commission Staff's Response to Bench Request No. 003 was not available at the time PSE's response was filed.