

**ATTACHMENT D 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        | <u>OPERATING REVENUE DEDUCTIONS:</u> |                        |                                |                                |                         |
| 9        |                                      |                        |                                |                                |                         |
| 10       | <u>GAS COSTS:</u>                    |                        |                                |                                |                         |
| 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>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       | <u>RATE BASE:</u>                    |                        |                                |                                |                         |
| 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<br>12ME Dec. 31, 2008 | TEMPERATURE NORMALIZATION<br>14.01 | REVENUE & EXPENSES<br>14.02 | NET INTEREST TO IRS FOR SSCM<br>14.03 | FEDERAL INCOME TAX<br>14.04 | TAX BENEFIT OF PRO FORMA INTEREST<br>14.05 | DEPRECIATION STUDY<br>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)                | \$ -                                       | \$ -                        |
| 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 4)

| LINE NO. |  | INCENTIVE PAY<br>14.21 | MERGER SAVINGS<br>14.22 | FLEET VEHICLES<br>14.23 | TOTAL ADJUSTMENTS | ADJUSTED RESULTS OF OPERATIONS |
|----------|--|------------------------|-------------------------|-------------------------|-------------------|--------------------------------|
| 1        | OPERATING REVENUES                     |                        |                         |                         |                   |                                |
| 2        | SALES TO CUSTOMERS                     | \$ -                   | \$ -                    |                         | \$ 59,103,093     | \$ 1,208,690,484               |
| 3        | MUNICIPAL ADDITIONS                    |                        |                         |                         | (49,951,006)      | -                              |
| 4        | OTHER OPERATING REVENUES               |                        |                         |                         | (738,826)         | 16,591,034                     |
| 5        | TOTAL OPERATING REVENUES               | \$ -                   | \$ -                    |                         | \$ 8,413,262      | \$ 1,225,281,518               |
| 6        |  |                        |                         |                         |                   |                                |
| 7        |  |                        |                         |                         |                   |                                |
| 8        | OPERATING REVENUE DEDUCTIONS:          |                        |                         |                         |                   |                                |
| 9        |  |                        |                         |                         |                   |                                |
| 10       | GAS COSTS:                             |                        |                         |                         |                   |                                |
| 11       |  |                        |                         |                         |                   |                                |
| 12       | PURCHASED GAS                          | \$ -                   | \$ -                    |                         | \$ 48,375,663     | \$ 786,226,721                 |
| 13       |  |                        |                         |                         |                   |                                |
| 14       | TOTAL PRODUCTION EXPENSES              | \$ -                   | \$ -                    |                         | \$ 48,375,663     | \$ 786,226,721                 |
| 15       |  |                        |                         |                         |                   |                                |
| 16       | OTHER ENERGY SUPPLY EXPENSES           | \$ (25,346)            |                         |                         | \$ 40,978         | \$ 1,914,095                   |
| 17       | TRANSMISSION EXPENSE                   | (3,596)                |                         |                         | 8,662             | 402,942                        |
| 18       | DISTRIBUTION EXPENSE                   | (437,836)              |                         |                         | 1,396,820         | 53,009,549                     |
| 19       | CUSTOMER ACCTS EXPENSES                | (154,061)              |                         |                         | (310,691)         | 27,866,354                     |
| 20       | CUSTOMER SERVICE EXPENSES              | (23,856)               |                         |                         | (3,374,780)       | 1,454,780                      |
| 21       | CONSERVATION AMORTIZATION              |                        |                         |                         | (7,669,601)       | 0                              |
| 22       | ADMIN & GENERAL EXPENSE                | (232,356)              | (478,634)               | (1,512,141)             | 1,211,592         | 45,427,364                     |
| 23       | DEPRECIATION                           |                        |                         | 440,534                 | 6,658,883         | 88,849,821                     |
| 24       | AMORTIZATION                           |                        |                         |                         | 0                 | 15,618,788                     |
| 25       | AMORTIZATION OF PROPERTY LOSS          |                        |                         |                         | -                 | -                              |
| 26       | OTHER OPERATING EXPENSES               |                        |                         |                         | 634,013           | 1,415,417                      |
| 27       | FAS 133                                |                        |                         |                         | -                 | -                              |
| 28       | TAXES OTHER THAN INCOME TAXES          | (70,311)               |                         |                         | (47,364,687)      | 61,045,475                     |
| 29       | INCOME TAXES                           | 331,577                | 167,522                 | 375,062                 | 14,922,039        | (7,062,845)                    |
| 30       | DEFERRED INCOME TAXES                  |                        |                         |                         | (1,953,835)       | 41,924,649                     |
| 31       | TOTAL OPERATING REV. DEDUCT.           | \$ (615,785)           | \$ (311,112)            | \$ (696,545)            | \$ (35,800,606)   | \$ 331,866,392                 |
| 32       |  |                        |                         |                         |                   |                                |
| 33       | NET OPERATING INCOME                   | \$ 615,785             | \$ 311,112              | \$ 696,545              | \$ (4,161,795)    | \$ 107,188,406                 |
| 34       |  |                        |                         |                         |                   |                                |
| 35       | RATE BASE                              |                        |                         | \$ 4,077,858            | \$ (6,921,040)    | \$ 1,469,293,922               |
| 36       |  |                        |                         |                         |                   |                                |
| 37       | RATE OF RETURN                         |                        |                         |                         |                   | 7.30%                          |
| 38       |  |                        |                         |                         |                   |                                |
| 39       | RATE BASE:                             |                        |                         |                         |                   |                                |
| 40       | UTILITY PLANT IN SERVICE               | \$ -                   | \$ -                    | \$ 4,805,828            | \$ 4,805,828      | \$ 2,501,335,392               |
| 41       | ACCUMULATED DEPRECIATION               |                        |                         | \$ (330,401)            | (3,439,575)       | (840,759,619)                  |
| 42       | ACCUMULATED DEFERRED FIT - LIBERALIZED |                        |                         | \$ (397,569)            | (1,841,262)       | (210,787,311)                  |
| 43       | OTHER                                  |                        |                         |                         | (6,446,031)       | (33,474,892)                   |
| 44       | TOTAL NET INVESTMENT                   | \$ -                   | \$ -                    | \$ 4,077,858            | \$ (6,921,040)    | \$ 1,416,313,570               |
| 45       | ALLOWANCE FOR WORKING CAPITAL          |                        |                         |                         | -                 | 52,980,352                     |
| 46       | TOTAL RATE BASE                        | \$ -                   | \$ -                    | \$ 4,077,858            | \$ (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:                    | Residential (23, 53)             |                      | \$ (39,901,123)       |
| 19       |  | Residential (16)                 |                      | 0                     |
| 20       |  | Commercial & industrial (31)     |                      | (12,695,194)          |
| 21       |  | Large volume (41)                |                      | (1,068,987)           |
| 22       |  | Compressed natural gas (50)      |                      | 0                     |
| 23       |  | Interruptible (85)               |                      | (259,451)             |
| 24       |  | Limited interruptible (86)       |                      | (892,487)             |
| 25       |  | Non exclusive interruptible (87) |                      | (834,177)             |
| 26       |  | Transportation (57)              |                      | (30,254)              |
| 27       |  | Contracts (99)                   |                      | <u>(14,406)</u>       |
| 28       | INCREASE (DECREASE) SALES TO CUSTOMERS |                                  |                      | \$ (55,696,079)       |
| 29       |  |                                  |                      |                       |
| 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          | 73,523,119           |
| 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               | (3,209,260)          |
| 22       | TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE | (1,203,189)          |
| 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                          | \$ 37,593,107        |
| 37       |   |                      |
| 38       | UNCOLLECTIBLES @                                  | 0.00283 \$ 204,882   |
| 39       | ANNUAL FILING FEE @                               | 0.00200 144,640      |
| 40       | INCREASE (DECREASE) EXPENSES                      | 37,942,630           |
| 41       |   |                      |
| 42       | STATE UTILITY TAX @                               | 0.03841 \$ 2,777,881 |
| 43       |   |                      |
| 44       | INCREASE (DECREASE) TAXES OTHER                   | 2,777,881            |
| 45       |   |                      |
| 46       | INCREASE (DECREASE) INCOME                        | 31,599,420           |
| 47       | INCREASE (DECREASE) FIT @                         | 35% 11,059,797       |
| 48       | INCREASE (DECREASE) NOI                           | \$ 20,539,623        |



**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**

| <b>LINE<br/>NO.</b> | <b>DESCRIPTION</b>  | <b>ACTUAL</b> | <b>RESTATED</b> | <b>ADJUSTMENT</b> |
|---------------------|---|---------------|-----------------|-------------------|
| 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                                       |               |                 | \$ (1,018,402)    |
| 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                    | \$ 2,443,571  | \$ 1,527,603    | \$ (915,968)      |

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

| LINE<br>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                                 | \$ 20,865,562   |
| 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 | (637,077)       |
| 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                             | \$ 1,028,039    |

**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<br>NO. | DESCRIPTION                              | AMOUNT           |
|-------------|--|------------------|
| 1           | RATE BASE                                | \$ 1,469,293,922 |
| 2           |  |                  |
| 3           | NET RATE BASE                            | \$ 1,469,293,922 |
| 4           |  |                  |
| 5           | WEIGHTED COST OF DEBT                    | 3.32%            |
| 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       | (30,273)         |
| 16          | CHARGED TO EXPENSE IN TEST YEAR          | 73,714,792       |
| 17          | INCREASE (DECREASE) INCOME               | \$ 24,934,234    |
| 18          |  |                  |
| 19          | INCREASE (DECREASE) FIT @                | 35% 8,726,982    |
| 20          | INCREASE (DECREASE) NOI                  | \$ (8,726,982)   |

**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                               | \$ 80,627,838 | \$ 86,846,187 | \$ 6,218,349   |
| 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                             | \$ 1,563,100  | \$ 1,563,100  | \$ (0)         |
| 10       |   |               |               |                |
| 11       | TOTAL DEPRECIATION EXPENSE                                      | 82,190,938    | 88,409,287    | 6,218,349      |
| 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                                | \$ 404,887    | \$ 404,887    | \$ 0           |
| 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  |               |               | \$ (6,218,349) |
| 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                                    |               |               | \$ (3,109,174) |

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

| LINE<br>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                            | \$ 8,674,952           |
| 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                             | 4.369178% \$ (375,140) |
| 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                             | \$ (8,827,381)         |
| 22          |   |                        |
| 23          | INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES          | 527,569                |
| 24          | INCREASE (DECREASE) FIT                                       | 184,649                |
| 25          | INCREASE (DECREASE) NOI                                       | \$ 342,920             |

**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**

| <b>LINE NO.</b> | <b>DESCRIPTION</b>                                  | <b>ACTUAL</b> | <b>RESTATED / PROFORMA</b> | <b>ADJUSTMENT</b> |
|-----------------|---|---------------|----------------------------|-------------------|
| 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              | <b>ADVERTISING EXPENSES-CHARGED BELOW THE LINE</b>  | 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<br>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<br>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         |            |            | \$ 142,454   |

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

| LINE<br>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<br>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**

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|    |  |    |           |
|----|--|----|-----------|
| 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                             | \$ | (454,067) |
| 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)                          | \$ | 482,172   |
| 10 |  |    |           |
| 11 | INCREASE (DECREASE) FIT @ 35%  |    | (168,760) |
| 12 |  |    |           |
| 13 | INCREASE (DECREASE) NOI  | \$ | (313,412) |

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

| LINE<br>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     |              |              | \$ 234,055   |

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

| <b>LINE<br/>NO.</b> | <b>DESCRIPTION</b>         | <b>ACTUAL</b> | <b>RESTATED</b> | <b>ADJUSTMENT</b> |
|---------------------|----------------------------|---------------|-----------------|-------------------|
| 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    |               |                 | \$ (1,480,293)    |

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

| LINE<br>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**

| <b>LINE NO.</b> | <b>DESCRIPTION</b>                                 |        | <b>AMOUNT</b> |
|-----------------|--|--------|---------------|
| 1               | NON-UNION (EXCLUDING EXECUTIVES)                   |        |               |
| 2               | INVESTMENT PLAN APPLICABLE TO MANAGEMENT           |        | 2,765,561     |
| 3               | RATE YEAR MANAGEMENT WAGE INCREASE                 | 5.77%  | 159,573       |
| 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%  | 0             |
| 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%  | 43,848        |
| 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%  | 24,808        |
| 19              | TOTAL COMPANY CONTRIBUTION FOR UA                  |        | 491,334       |
| 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         |        | 2,318,625     |
| 25              | INCREASE (DECREASE) EXPENSE                        |        | 135,568       |
| 26              |  |        |               |
| 27              | INCREASE (DECREASE) FIT @                          | 35%    | (47,449)      |
| 28              | INCREASE (DECREASE) NOI                            |        | (\$88,119)    |

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           |        | 10,595,240 |
| 5        |                                     |        |            |
| 6        | APPLICABLE TO OPERATIONS @          | 59.40% | 6,293,573  |
| 7        | CHARGED TO EXPENSE DURING TEST YEAR |        | 5,516,162  |
| 8        | INCREASE(DECREASE) EXPENSE          |        | 777,410    |
| 9        |                                     |        |            |
| 10       | INCREASE(DECREASE) FIT @            | 35%    | (272,094)  |
| 11       |                                     |        |            |
| 12       | INCREASE(DECREASE) NOI              | \$     | (505,317)  |

**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<br>RESTATE | 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<br>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<br>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<br>NO. | DESCRIPTION                               | PRO FORMA<br>CAPITAL % | COST % | COST OF<br>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**

| <b>LINE</b> | <b>NO. DESCRIPTION</b>                                       | <b>BASE</b> | <b>RATE</b> | <b>AMOUNT</b>          |
|-------------|--|-------------|-------------|------------------------|
| 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.<br>(a) | Description<br>(b)                    | Status<br>(c) | Company     |                  |                | Staff (Note 1) |                  |                | Difference  |                  |                |
|-----------------|---------------------------------------|---------------|-------------|------------------|----------------|----------------|------------------|----------------|-------------|------------------|----------------|
|                 |                                       |               | NOI<br>(d)  | Rate Base<br>(e) | Rev Req<br>(f) | NOI<br>(g)     | Rate Base<br>(h) | Rev Req<br>(i) | NOI<br>(j)  | Rate Base<br>(k) | Rev Req<br>(l) |
|                 | <b>Actual Results of Operations</b>   | 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)       |
|                 | <b>Total Adjustment</b>               |               | (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)  |
|                 | <b>Adjusted Results of Operations</b> |               | 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.