

**EXHIBIT NO. ___(KRK-4)
DOCKET NO. UE-07___/UG-07___
2007 PSE GENERAL RATE CASE
WITNESS: KARL R. KARZMAR**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-07___
Docket No. UG-07___**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
KARL R. KARZMAR
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 3, 2007

**PUGET SOUND ENERGY-GAS
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
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	\$ 1,169,255,872	\$ (115,141,505)	\$ 1,054,114,367	\$ 56,366,031	\$ 1,110,480,398
3	49,479,594	(49,479,594)	-	-	-
4	17,032,367	(2,951,933)	14,080,433	404,891	14,485,324
5	<u>\$ 1,235,767,832</u>	<u>\$ (167,573,032)</u>	<u>\$ 1,068,194,800</u>	<u>\$56,770,922</u>	<u>\$ 1,124,965,722</u>
6					
7					
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	GAS COSTS:				
11					
12	\$ 800,512,866	\$ (103,492,059)	\$ 697,020,807	\$ -	\$ 697,020,807
13					
14	<u>\$ 800,512,866</u>	<u>\$ (103,492,059)</u>	<u>\$ 697,020,807</u>	<u>\$ -</u>	<u>\$ 697,020,807</u>
15					
16	\$ 1,700,509	\$ 64,988	\$ 1,765,497	\$ -	\$ 1,765,497
17	570,155	23,470	593,625		593,625
18	40,817,492	1,702,249	42,519,741		42,519,741
19	25,226,971	727,296	25,954,267	154,417	26,108,684
20	4,652,566	(3,271,668)	1,380,898		1,380,898
21	4,796,112	(4,796,112)	(0)		(0)
22	38,296,979	1,857,604	40,154,583	113,542	40,268,125
23	72,897,010	13,653,560	86,550,570		86,550,570
24	14,088,267	(640)	14,087,627		14,087,627
25	-	0	-		-
26	511,054	(1,719,402)	(1,208,348)		(1,208,348)
27	-	0	-		-
28	110,684,987	(54,545,729)	56,139,257	2,181,139	58,320,396
29	10,002,284	8,386,930	18,389,214	19,012,582	37,401,795
30	7,046,149	(2,937,818)	4,108,331		4,108,331
31	<u>\$ 331,290,535</u>	<u>\$ (40,855,272)</u>	<u>\$ 290,435,262</u>	<u>\$ 21,461,679</u>	<u>\$ 311,896,942</u>
32					
33	\$ 103,964,432	\$ (23,225,701)	\$ 80,738,731	\$ 35,309,243	\$ 116,047,973
34					
35	\$ 1,351,400,166	\$ (2,005,122)	\$ 1,349,395,044	\$ -	\$ 1,349,395,044
36					
37	7.69%		5.98%		8.60%
38					
39	RATE BASE:				
40	\$ 2,268,630,640	\$ 2,458,688	\$ 2,271,089,328		
41	(754,747,709)	(6,826,460)	(761,574,169)		
42	(181,249,183)	2,362,650	(178,886,533)		
43	(18,315,278)	-	(18,315,278)		
44	<u>\$ 1,314,318,470</u>	<u>\$ (2,005,122)</u>	<u>\$ 1,312,313,348</u>		
45	37,081,696	-	37,081,696		
46	<u>\$ 1,351,400,166</u>	<u>\$ (2,005,122)</u>	<u>\$ 1,349,395,044</u>		

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2007	TEMPERATURE NORMALIZATION 4.01	REVENUE & EXPENSES 4.02	EVERETT DELTA LEASE 4.03	FEDERAL INCOME TAX 4.04	TAX BENEFIT OF PRO FORMA INTEREST 4.05
1	OPERATING REVENUES					
2	SALES TO CUSTOMERS	\$ 1,169,255,872	\$ (24,484,888)	\$ (42,286,455)	\$ -	\$ -
3	MUNICIPAL ADDITIONS	49,479,594				
4	OTHER OPERATING REVENUES	17,032,367		1,198,419	(4,150,352)	
5	TOTAL OPERATING REVENUES	\$ 1,235,767,832	\$ (24,484,888)	\$ (41,088,036)	\$ (4,150,352)	\$ -
6						
7						
8	OPERATING REVENUE DEDUCTIONS:					
9						
10	GAS COSTS:					
11						
12	PURCHASED GAS	\$ 800,512,866	\$ -	\$ (65,378,614)	\$ -	\$ -
13						
14	TOTAL PRODUCTION EXPENSES	\$ 800,512,866	\$ -	\$ (65,378,614)	\$ -	\$ -
15						
16	OTHER ENERGY SUPPLY EXPENSES	\$ 1,700,509	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE	570,155				
18	DISTRIBUTION EXPENSE	40,817,492				
19	CUSTOMER ACCTS EXPENSES	25,226,971	(66,599)	(111,759)		
20	CUSTOMER SERVICE EXPENSES	4,652,566				
21	CONSERVATION AMORTIZATION	4,796,112				
22	ADMIN & GENERAL EXPENSE	38,296,979	(48,970)	(82,176)		
23	DEPRECIATION	72,897,010				
24	AMORTIZATION	14,088,267				
25	AMORTIZATION OF PROPERTY LOSS	-				
26	OTHER OPERATING EXPENSES	511,054	-	-		
27	FAS 133	-				
28	TAXES OTHER THAN INCOME TAXES	110,684,987	(940,709)	(1,578,602)		
29	INCOME TAXES	10,002,284	(8,200,013)	9,122,090	(1,452,623)	(2,165,855)
30	DEFERRED INCOME TAXES	7,046,149			1,787,482	
31	TOTAL OPERATING REV. DEDUCT.	\$ 331,290,535	\$ (9,256,291)	\$ 7,349,552	\$ (1,452,623)	\$ (378,373)
32						
33	NET OPERATING INCOME	\$ 103,964,432	\$ (15,228,597)	\$ 16,941,026	\$ (2,697,729)	\$ 378,373
34						
35	RATE BASE	\$ 1,351,400,166				
36						
37	RATE OF RETURN	7.69%				
38						
39	RATE BASE:					
40	UTILITY PLANT IN SERVICE	\$ 2,268,630,640	\$ -	\$ -	\$ -	\$ -
41	ACCUMULATED DEPRECIATION	(754,747,709)				
42	ACCUMULATED DEFERRED FIT	(181,249,183)				
43	OTHER	(18,315,278)				
44	TOTAL NET INVESTMENT	\$ 1,314,318,470	\$ -	\$ -	\$ -	\$ -
45	ALLOWANCE FOR WORKING CAPITAL	37,081,696				
46	TOTAL RATE BASE	\$ 1,351,400,166	\$ -	\$ -	\$ -	\$ -

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	DEPRECIATION STUDY 4.06	PASS THROUGH REVENUE & EXPENSE 4.07	BAD DEBTS 4.08	MISCELLANEOUS OPERATING EXPENSE 4.09	PROPERTY TAXES 4.10	EXCISE TAX & FILING FEE 4.11	D&O INSURANCE 4.12
1	OPERATING REVENUES						
2	\$ -	\$(48,370,163)	\$ -		\$ -	\$ -	
3							
4		\$(49,479,594)					
5	\$ -	\$(97,849,756)	\$ -		\$ -	\$ -	\$ -
6							
7							
8	OPERATING REVENUE DEDUCTIONS:						
9							
10	GAS COSTS:						
11							
12	\$ -	\$(38,113,445)	\$ -		\$ -	\$ -	
13							
14	\$ -	\$(38,113,445)	\$ -		\$ -	\$ -	\$ -
15							
16	\$ -		\$ -		\$ -	\$ -	
17					6,661		
18					442,344		
19							
20							
21							
22							
23							
24	13,653,560						
25							
26							
27							
28							
29	4,726,738						
30							
31	\$ 13,654,359	\$ (61,165,156)	\$ 228,386	\$ (428,022)	\$ 996,079	\$ (304,305)	\$ 16,002
32							
33	\$ (13,654,359)	\$ 1,428,845	\$ (228,386)	\$ 428,022	\$ (996,079)	\$ 304,305	\$ (16,002)
34							
35	\$ (4,463,810)			\$ 2,458,688			
36							
37	RATE OF RETURN						
38							
39	RATE BASE:						
40		\$ -	\$ -	\$ 2,458,688	\$ -	\$ -	
41							
42							
43							
44	\$ (4,463,810)	\$ -	\$ -	\$ 2,458,688	\$ -	\$ -	\$ -
45	ALLOWANCE FOR WORKING CAPITAL						
46	\$ (4,463,810)	\$ -	\$ -	\$ 2,458,688	\$ -	\$ -	\$ -

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	INTEREST ON CUSTOMER DEPOSITS 4.13	RATE CASE EXPENSES 4.14	DEFERRED GAINS/ LOSSES PROP SALES 4.15	PROPERTY & LIABILITY INS 4.16	PENSION PLAN 4.17	WAGE INCREASE 4.18
1 OPERATING REVENUES						
2 SALES TO CUSTOMERS	\$ -	\$ -		\$ -	\$ -	-
3 MUNICIPAL ADDITIONS						
4 OTHER OPERATING REVENUES						
5 TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	-
6						
7						
8 OPERATING REVENUE DEDUCTIONS:						
9						
10 GAS COSTS:						
11						
12 PURCHASED GAS	\$ -	\$ -		\$ -	\$ -	-
13						
14 TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	-
15						
16 OTHER ENERGY SUPPLY EXPENSES		\$ -		\$ -	\$ -	53,409
17 TRANSMISSION EXPENSE						13,971
18 DISTRIBUTION EXPENSE						1,056,305
19 CUSTOMER ACCTS EXPENSES	321,319					422,645
20 CUSTOMER SERVICE EXPENSES						60,613
21 CONSERVATION AMORTIZATION						
22 ADMIN & GENERAL EXPENSE		67,686		178,027	(408,851)	479,069
23 DEPRECIATION						
24 AMORTIZATION						
25 AMORTIZATION OF PROPERTY LOSS						
26 OTHER OPERATING EXPENSES			219,679			
27 FAS 133						
28 TAXES OTHER THAN INCOME TAXES						134,678
29 INCOME TAXES		\$ (23,690)	(76,888)	(62,310)	143,098	(777,242)
30 DEFERRED INCOME TAXES						
31 TOTAL OPERATING REV. DEDUCT.	\$ 321,319	\$ 43,996	\$ 142,791	\$ 115,718	\$ (265,753)	\$ 1,443,449
32						
33 NET OPERATING INCOME	\$ (321,319)	\$ (43,996)	\$ (142,791)	\$ (115,718)	\$ 265,753	\$ (1,443,449)
34						
35 RATE BASE	\$ -					
36						
37 RATE OF RETURN						
38						
39 RATE BASE:						
40 UTILITY PLANT IN SERVICE	\$ -	\$ -		\$ -	\$ -	-
41 ACCUMULATED DEPRECIATION	-					
42 ACCUMULATED DEFERRED FIT - LIBERALIZED	-					
43 OTHER						
44 TOTAL NET INVESTMENT	\$ -	\$ -	\$ -	\$ -	\$ -	-
45 ALLOWANCE FOR WORKING CAPITAL						
46 TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	-

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	INVESTMENT PLAN 4.19	EMPLOYEE INSURANCE 4.20	INCENTIVE PAY 4.21	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES				
2	SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ (115,141,505)
3	MUNICIPAL ADDITIONS				(49,479,594)
4	OTHER OPERATING REVENUES				(2,951,933)
5	TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ (167,573,032)
6					
7					
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	GAS COSTS:				
11					
12	PURCHASED GAS	\$ -	\$ -	\$ -	\$ (103,492,059)
13					
14	TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ (103,492,059)
15					
16	OTHER ENERGY SUPPLY EXPENSES	\$ -	\$ -	\$ 11,579	\$ 64,988
17	TRANSMISSION EXPENSE			2,838	23,470
18	DISTRIBUTION EXPENSE			203,600	1,702,249
19	CUSTOMER ACCTS EXPENSES			76,479	727,296
20	CUSTOMER SERVICE EXPENSES			12,662	(3,271,668)
21	CONSERVATION AMORTIZATION				(4,796,112)
22	ADMIN & GENERAL EXPENSE	94,012	888,342	106,295	1,857,604
23	DEPRECIATION				13,653,560
24	AMORTIZATION				(640)
25	AMORTIZATION OF PROPERTY LOSS				-
26	OTHER OPERATING EXPENSES				(1,719,402)
27	FAS 133				-
28	TAXES OTHER THAN INCOME TAXES			29,934	(54,545,729)
29	INCOME TAXES	(32,904)	(310,920)	(155,185)	8,386,930
30	DEFERRED INCOME TAXES				(2,937,818)
31	TOTAL OPERATING REV. DEDUCT.	\$ 61,108	\$ 577,422	\$ 288,202	\$ (40,855,272)
32					
33	NET OPERATING INCOME	\$ (61,108)	\$ (577,422)	\$ (288,202)	\$ (23,225,701)
34					
35	RATE BASE			\$ (2,005,122)	\$ 1,349,395,044
36					
37	RATE OF RETURN				5.98%
38					
39	RATE BASE:				
40	UTILITY PLANT IN SERVICE	\$ -	\$ -	\$ -	\$ 2,458,688
41	ACCUMULATED DEPRECIATION				(6,826,460)
42	ACCUMULATED DEFERRED FIT - LIBERALIZED				2,362,650
43	OTHER				-
44	TOTAL NET INVESTMENT	\$ -	\$ -	\$ -	\$ (2,005,122)
45	ALLOWANCE FOR WORKING CAPITAL				37,081,696
46	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ (2,005,122)

**PUGET SOUND ENERGY-GAS
TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
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	Oct-06	82,398,883	79,616,166	(2,782,717)
5	Nov-06	122,310,200	119,321,723	(2,988,477)
6	Dec-06	152,312,019	151,250,129	(1,061,890)
7	Jan-07	162,522,738	146,997,535	(15,525,203)
8	Feb-07	123,546,494	124,495,095	948,601
9	Mar-07	115,870,737	117,976,585	2,105,848
10	Apr-07	88,944,071	87,374,580	(1,569,491)
11	May-07	66,872,283	67,631,429	759,146
12	Jun-07	49,867,206	49,274,516	(592,690)
13	Jul-07	43,516,377	43,516,377	0
14	Aug-07	44,021,922	44,021,922	0
15	Sep-07	54,790,972	52,732,112	(2,058,860)
16		<u>1,106,973,902</u>	<u>1,084,208,169</u>	<u>(22,765,733)</u>
17				
18	REVENUE ADJUSTMENT:			
19	Residential (23, 53)			\$ (17,702,847)
20	Residential (16)			0
21	Commercial & industrial (31,36,51)			(6,002,462)
22	Large volume (41)			0
23	Compressed natural gas (50)			0
24	Interruptible (85)			(135,931)
25	Limited interruptible (86)			(304,428)
26	Non exclusive interruptible (87)			(296,095)
27	Transportation (57)			(31,415)
28	Contracts (99,199,299)			<u>(11,711)</u>
29	INCREASE (DECREASE) SALES TO CUSTOMERS			\$ (24,484,888)
30	UNCOLLECTIBLES @		0.00272	\$ (66,599)
31	ANNUAL FILING FEE @		0.00200	<u>(48,970)</u>
32	INCREASE (DECREASE) EXPENSES			(115,569)
33				
34	STATE UTILITY TAX @		0.03842	\$ <u>(940,709)</u>
35	INCREASE (DECREASE) TAXES OTHER			<u>(940,709)</u>
36				
37	INCREASE (DECREASE) INCOME			(23,428,610)
38				
39	INCREASE (DECREASE) FIT @		35%	<u>(8,200,013)</u>
40	INCREASE (DECREASE) NOI			<u><u>\$ (15,228,597)</u></u>

**PUGET SOUND ENERGY-GAS
REVENUE AND EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	SALES TO CUSTOMERS:	
2	ADD GRC INCREASE DOCKET UG-060267	\$ 12,621,527
3	RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO	
4	OTHER OPERATING	(903,739)
5	OCTOBER 2007 PURCHASED GAS	
6	ADJUSTMENT, DOCKET UG-071775.	(47,385,174)
7	SCHEDULE MIGRATION	(2,218,411)
8	TRUE UP CHANGE IN UNBILLED	(5,687,892)
9	OTHER ADJUSTMENTS	1,287,233
10	RESTATING ADJUSTMENTS SALES TO CUSTOMERS	<u>(42,286,455)</u>
11		
12	TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS	\$ (42,286,455)
13		
14	OTHER OPERATING REVENUES	
15	RENTALS:	
16	ADD GRC INCREASE DOCKET 060266	220,411
17	TRUE UP CHANGE IN UNBILLED	74,269
18	OTHER OPERATING REVENUES	
19	RECLASS PENALTIES AND NEW CUSTOMER REVENUE	
20	FROM SALES TO CUSTOMERS	<u>903,739</u>
21	TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE	<u>1,198,419</u>
22		
23	TOTAL INCREASE (DECREASE) REVENUES	(41,088,036)
24		
25	OPERATING EXPENSES:	
26	PURCHASED GAS COSTS	\$ (65,378,614)
27	UNCOLLECTIBLES @	0.00272 \$ (111,759)
28	ANNUAL FILING FEE @	0.00200 <u>(82,176)</u>
29	INCREASE (DECREASE) EXPENSES	(65,572,550)
30		
31	STATE UTILITY TAX @	0.03842 \$ <u>(1,578,602)</u>
32		
33	INCREASE (DECREASE) TAXES OTHER	<u>(1,578,602)</u>
34		
35	INCREASE (DECREASE) INCOME	26,063,116
36	INCREASE (DECREASE) FIT @	35% <u>9,122,090</u>
37	INCREASE (DECREASE) NOI	<u><u>\$ 16,941,026</u></u>

**PUGET SOUND ENERGY-GAS
EVERETT DELTA
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	ADJUSTMENTS	RESTATED
1	<u>OPERATING REVENUES:</u>			
2	SALES TO CUSTOMERS	\$	-	\$ -
3	MUNICIPAL ADDITIONS		-	-
4	OTHER OPERATING REVENUES	4,150,352	(4,150,352)	-
5	TOTAL OPERATING REVENUES	\$ 4,150,352	\$ (4,150,352)	\$ -
6				
7				
8	<u>OPERATING REVENUE DEDUCTIONS:</u>			
9				
10	<u>GAS COSTS:</u>			
11				
12	PURCHASED GAS	\$ -	\$ -	-
13				
14	TOTAL PRODUCTION EXPENSES	-	-	-
15				
16	OTHER POWER SUPPLY EXPENSES	-	-	-
17	TRANSMISSION EXPENSE	-	-	-
18	DISTRIBUTION EXPENSE	-	-	-
19	CUSTOMER ACCOUNT EXPENSES	-	-	-
20	CUSTOMER SERVICE EXPENSES	-	-	-
21	CONSERVATION AMORTIZATION	-	-	-
22	ADMIN & GENERAL EXPENSE	-	-	-
23	DEPRECIATION	578,772	-	578,772
24	AMORTIZATION	-	-	-
25	AMORTIZATION OF PROPERTY LOSS	-	-	-
26	OTHER OPERATING EXPENSES	-	-	-
27	FAS 133	-	-	-
28	PROPERTY TAX	491,910	-	491,910
29	INCOME TAXES	1,077,885	(1,452,623)	(374,738)
30	DEFERRED INCOME TAXES	-	-	-
31	TOTAL OPERATING REV. DEDUCT.	2,148,566	(1,452,623)	695,943
32				
33	NET OPERATING INCOME	\$ 2,001,786	\$ (2,697,729)	\$ (695,943)
34				
35	RATE BASE	\$ 23,765,912	\$ 0	\$ 23,765,912
36				
37				
38				
39	<u>RATE BASE:</u>			
40	UTILITY PLANT IN SERVICE	\$ 30,624,284	-	\$ 30,624,284
41	ACCUMULATED DEPRECIATION	(1,374,636)	-	(1,374,636)
42	ACCUMULATED DEFERRED FIT - LIBER.	(5,483,736)	-	(5,483,736)
43	OTHER	-	-	-
44	TOTAL NET INVESTMENT	23,765,912	-	23,765,912
45	ALLOWANCE FOR WORKING CAPITAL	-	-	-
46	TOTAL RATE BASE	\$ 23,765,912	\$ -	\$ 23,765,912

**PUGET SOUND ENERGY-GAS
FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ 22,389,797
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	7,836,429
5	DEFERRED FIT - DEBIT	43,360,625
6	DEFERRED FIT - CREDIT	(33,624,571)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(902,423)
8	TOTAL RESTATED FIT	<u>\$ 16,670,060</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ 10,002,284
12	DEFERRED FIT - DEBIT	48,445,101
13	DEFERRED FIT - CREDIT	(40,948,243)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(450,709)</u>
15		
16	TOTAL CHARGED TO EXPENSE	\$ 17,048,433
17		-
18	INCREASE(DECREASE) FIT	\$ (2,165,855)
19	INCREASE(DECREASE) DEFERRED FIT	2,239,196
20	INCREASE(DECREASE) ITC	(451,714)
21	INCREASE(DECREASE) NOI	<u>\$ 378,373</u>

**PUGET SOUND ENERGY-GAS
TAX BENEFIT OF PRO FORMA INTEREST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,349,395,044
2	DEDUCTIBLE CWIP	47,186,981
3	NET RATE BASE	<u>\$ 1,396,582,025</u>
4		
5	WEIGHTED COST OF DEBT	<u>3.74%</u>
6	PROFORMA INTEREST	\$ 52,232,168
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 63,212,987
10	INTEREST ON PREFERRED STOCK	
11	AMORTIZATION OF DEBT DISCOUNT	
12	AND EXPENSE, NET OF PREMIUMS	1,126,339
13	INTEREST ON DEBT TO ASSOCIATED COMPANIES	477,460
14	OTHER INTEREST EXPENSE	8,184,896
15	LESS INTEREST ON CUSTOMER DEPOSITS	<u>(321,319)</u>
16	CHARGED TO EXPENSE IN TEST YEAR	<u>72,680,363</u>
17	INCREASE (DECREASE) INCOME	\$ 20,448,196
18		
19	INCREASE (DECREASE) FIT @	35% 7,156,868
20	INCREASE (DECREASE) NOI	<u>\$ (7,156,868)</u>

**PUGET SOUND ENERGY-GAS
DEPRECIATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>ADJUSTMENT TO OPERATING EXPENSES</u>			
2	403 DEPRECIATION EXPENSE	\$ 68,026,974	\$ 79,219,997	\$ 11,193,023
3	403 GAS PORTION OF COMMON	2,369,038	4,857,234	2,488,196
4	403 DEPR. EXP. ON ASSETS NOT INCLUDED IN STUDY	1,886,500	1,886,500	-
5	SUBTOTAL DEPRECIATION EXPENSE 403	<u>72,282,513</u>	<u>85,963,732</u>	<u>13,681,219</u>
6				
7	403.1 DEPR. EXP- FAS 143 (RECOVERED IN RATES)	614,403	614,403	-
8	403.1 DEPR. EXP - FAS 143 (NOT RECOVERED IN RATES)	94		(94)
9	SUBTOTAL DEPRECIATION EXPENSE 403.1	<u>614,497</u>	<u>614,403</u>	<u>(94)</u>
10				
11	TOTAL DEPRECIATION EXPENSE	<u>72,897,010</u>	<u>86,578,135</u>	<u>13,681,125</u>
12				
13	4111 ACCRETION EXP. - FAS 143 (RECOVERED IN RATES)	303,738	303,738	-
14	4111 ACCRETION EXP. - FAS 143 (NOT RECOVERED IN RATES)	640		(640)
15	SUBTOTAL ACCRETION EXPENSE 411.1	<u>304,378</u>	<u>303,738</u>	<u>(640)</u>
16				
17	FLEET DEPR. EXP. ON INC STMT NOT RECORDED IN 403	<u>48,221</u>	<u>20,656</u>	<u>(27,565)</u>
18				
19	INCREASE(DECREASE) EXPENSE			\$ 13,652,921
20	INCREASE(DECREASE) FIT			4,726,738
21	INCREASE(DECREASE) DEFERRED FIT			(4,725,300)
22	INCREASE(DECREASE) NOI			<u>\$ (13,654,359)</u>
23				
24				
25	<u>ADJUSTMENT TO RATE BASE</u>			
26	ADJUST ACCUM DEPR FOR ADDITIONAL DEPR EXP (50% OF LINE 19)			\$ (6,826,460)
27	ADJUST ACCUMULATED DFIT FOR ADDITIONAL EXPENSE (50% OF LINE 21)			<u>2,362,650</u>
28	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ (4,463,810)</u>

**PUGET SOUND ENERGY-GAS
PASS THROUGH REVENUE AND EXPENSE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u>	
2	REMOVE LOW INCOME - SCHEDULE 129	\$ 3,498,771
3	REMOVE CONSERVATION - SCHEDULE 120	5,016,543
4	REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106	39,854,849
5	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	49,121,411
6	REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV	358,182
7	TOTAL (INCREASE) DECREASE REVENUES	<u>97,849,756</u>
8		
9	<u>ADJUST REVENUE SENSITIVE ITEMS FOR REMOVAL OF REVENUE:</u>	
10	BAD DEBTS	0.272000% (266,151)
11	ANNUAL FILING FEE	0.200000% (195,700)
12	STATE UTILITY TAX	3.842000% (3,759,388)
13	TOTAL INCREASE (DECREASE) EXPENSE	<u>4.369178% (4,221,238)</u>
14		
15	<u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u>	
16	REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129	(3,344,943)
17	REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120	(4,796,112)
18	REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106	(38,113,445)
19	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	(49,572,240)
20	REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV	INCL. ABOVE
21	TOTAL INCREASE (DECREASE) EXPENSE	<u>(95,826,741)</u>
22		
23	INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES	2,198,223
24	INCREASE (DECREASE) FIT	769,378
25	INCREASE (DECREASE) NOI	<u>1,428,845</u>

PUGET SOUND ENERGY-GAS
BAD DEBTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	NET REVENUES	AMOUNT
1	12 MOS ENDED 09/30/2004	\$ 2,014,372	\$ 736,127,073	\$ 736,127,073	0.2736446%
2	12 MOS ENDED 09/30/2005	\$ 2,666,611	\$ 879,440,289	\$ 879,440,289	0.3032168%
3	12 MOS ENDED 09/30/2007	\$ 2,957,552	\$ 1,235,767,832	\$ 1,235,767,832	0.2393291%
4	3-Yr Average of Net Write Off Rate				0.2720635%
5					
6	Test Period Revenues		\$ 1,235,767,832	\$ 1,235,767,832	
7					
8	PROFORMA BAD DEBT RATE			0.2720635%	
9	PROFORMA BAD DEBTS			\$ 3,362,073	
10					
11	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR			3,010,710	
12	INCREASE (DECREASE) EXPENSE				\$ 351,363
13					
14	INCREASE (DECREASE) FIT			35%	(122,977)
15	INCREASE (DECREASE) NOI				\$ (228,386)

**PUGET SOUND ENERGY-GAS
MISCELLANEOUS OPERATING EXPENSE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES</u>			
2	AMORT OF DEFERRED TAXES OF INDIRECT OVERHEADS			
3	REGULATORY ASSET (WUTC DOC # UG-051528)	\$ 1,015,556	\$ -	\$ (1,015,556)
4	INCREASE IN SERVICE CONTRACT BASELINE CHARGES TSM	134,575	141,236	6,661
5	INCREASE IN SERVICE CONTRACT BASELINE CHARGES DIST	10,061,331	10,503,675	442,344
6	ADJUSTMENT FOR ONE-TIME FAS 106 CURTAILMENT GAIN	(168,077)		168,077
7	SUMMIT BUILDING CONTRACTUAL RENT INCREASES			
8	PER ACCOUNTING PETITION #UE-071876	443,035	1,106,539	663,504
9	AMORTIZATION OF SUMMIT BUYOUT PURCHASE OPTION			
10	PER ACCOUNTING PETITION #UE-071876	0	(923,525)	(923,525)
11				
12	INCREASE (DECREASE) IN EXPENSE	\$ 11,486,420	\$ 10,827,925	\$ (658,495)
13				
14	INCREASE (DECREASE) IN OPERATING EXPENSE			(658,495)
15	INCREASE(DECREASE) FIT @		35%	230,473
16				
17	INCREASE(DECREASE) NOI			<u>\$ 428,022</u>
18				
19				
20	<u>RATEBASE</u>			
21	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			2,458,688
22				
23	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 2,458,688</u>

**PUGET SOUND ENERGY-GAS
PROPERTY TAXES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED PROPERTY TAX	\$ 12,008,715
2	CHARGED TO EXPENSE IN TY	10,476,286
3	INCREASE(DECREASE) EXPENSE	\$ 1,532,429
4		
5	INCREASE(DECREASE) FIT @ 35%	(536,350)
6	INCREASE(DECREASE) NOI	\$ (996,079)

**PUGET SOUND ENERGY-GAS
EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 47,160,661
2	CHARGED TO EXPENSE FOR TEST YEAR	<u>47,552,492</u>
3	INCREASE(DECREASE) EXCISE TAX	\$ (391,831)
4		
5	RESTATED WUTC FILING FEE	\$ 2,451,363
6	CHARGED TO EXPENSE FOR TEST YEAR	<u>2,527,692</u>
7	INCREASE(DECREASE) WUTC FILING FEE	\$ (76,330)
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ (468,161)
10		
11	INCREASE(DECREASE) FIT 35%	<u>\$ 163,856</u>
12	INCREASE(DECREASE) NOI	<u><u>\$ 304,305</u></u>

**PUGET SOUND ENERGY-GAS
D&O INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RESTATED	ADJUSTMENT
1	D & O INS. CHG EXPENSE	\$ 743,653	\$ 768,270	\$ 24,618
2				
3	INCREASE (DECREASE) D&O EXPENSE	\$ 743,653	\$ 768,270	\$ 24,618
4				
5	INCREASE (DECREASE) EXPENSE			24,618
6				
7	INCREASE (DECREASE) FIT @		35%	(8,616)
8	INCREASE (DECREASE) NOI			<u>\$ (16,002)</u>

**PUGET SOUND ENERGY-GAS
INTEREST ON CUSTOMER DEPOSITS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	INTEREST EXPENSE FOR TEST YEAR	\$ 321,319
2		
3	INCREASE (DECREASE) NOI	\$ (321,319)

**PUGET SOUND ENERGY-GAS
RATE CASE EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	AMOUNT
1 DEFERRED EXPENDITURES TO BE AMORTIZED:	
2	
3 REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	IMMATERIAL
4 LESS TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	241,861
5 INCREASE (DECREASE) EXPENSE	<u>(241,861)</u> \$ (241,861)
6	
7	
8 REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	IMMATERIAL
9 LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	110,484
10 INCREASE (DECREASE) EXPENSE	<u>(110,484)</u> (110,484)
11	
12	
13 EXPENSES TO BE NORMALIZED:	
14	
15 ESTIMATED GRC EXPENSES TO BE NORMALIZED	<u>\$ 1,474,000</u>
16	
17 ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	737,000
18 LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M	<u>316,969</u>
19	
20 INCREASE (DECREASE) EXPENSE	<u>\$ 420,031</u> 420,031
21	
22	
23 TOTAL INCREASE (DECREASE) EXPENSE	\$ 67,686
24	
25 INCREASE(DECREASE) FIT @	35% (23,690)
26 INCREASE(DECREASE) NOI	<u>\$ (43,996)</u>

**PUGET SOUND ENERGY-GAS
DEFERRED GAINS/LOSSES ON PROPERTY SALES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

1	DEFERRED (GAIN) RECORDED SINCE UG-040640 @ 12/31/2006	\$	(1,167,199)
2	DEFERRED LOSS RECORDED SINCE UG-040640 @ 12/31/2006		312,730
3	TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE	\$	(854,469)
4			
5	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years)		(284,823)
6			
7	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR		(504,502)
8			
9	INCREASE (DECREASE) EXPENSE (Line 5 - Line 7)	\$	219,679
10			
11	INCREASE (DECREASE) FIT @ 35%		(76,888)
12			
13	INCREASE (DECREASE) NOI	\$	(142,791)

**PUGET SOUND ENERGY-GAS
PROPERTY & LIABILITY INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 346,848	382,814	\$ 35,965
2	LIABILITY INSURANCE EXPENSE	830,466	972,528	142,062
3	INCREASE(DECREASE) EXPENSE	\$ 1,177,314	\$ 1,355,341	\$ 178,027
4				
5				
6	INCREASE (DECREASE) FIT @	35%		(62,310)
7	INCREASE (DECREASE) NOI			<u>\$ (115,718)</u>

**PUGET SOUND ENERGY-GAS
PENSION PLAN
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ 490,476	\$ -	\$ (490,476)
2	SERP PLAN	\$ 1,228,239	\$ 1,309,865	\$ 81,626
3				
4	INCREASE(DECREASE) EXPENSE	\$ 1,718,716	\$ 1,309,865	\$ (408,851)
5				
6				
7	INCREASE (DECREASE) FIT @	35%		143,098
8	INCREASE (DECREASE) NOI			<u>\$ 265,753</u>

**PUGET SOUND ENERGY-GAS
WAGE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 87,830	\$ 93,223	\$ 5,393
3	OTHER GAS SUPPLY	478,721	503,155	24,434
4	STORAGE, LNG T&G	475,599	499,181	23,582
5	TRANSMISSION	246,149	260,120	13,971
6	DISTRIBUTION	17,003,356	18,059,661	1,056,305
7	CUSTOMER ACCTS	6,116,658	6,539,303	422,645
8	CUSTOMER SERVICE	921,552	973,001	51,449
9	SALES	191,307	200,471	9,164
10	ADMIN. & GENERAL	9,637,520	10,116,589	479,069
11	TOTAL WAGE INCREASE	<u>35,158,692</u>	<u>37,244,704</u>	2,086,012
12				
13	PAYROLL TAXES	2,956,629	3,091,307	134,678
14	TOTAL WAGES & TAXES	<u>\$ 38,115,321</u>	<u>\$ 40,336,011</u>	<u>\$ 2,220,690</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 2,220,690
17	INCREASE (DECREASE) FIT @ 35%			(777,242)
18	INCREASE (DECREASE) NOI			<u>\$ (1,443,449)</u>

**PUGET SOUND ENERGY-GAS
INVESTMENT PLAN
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		AMOUNT
1	MANAGEMENT (INC. EXECUTIVES)		
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT		2,054,720
3	RATE YEAR MANAGEMENT WAGE INCREASE	4.79%	<u>98,421</u>
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT		2,153,141
5			
6	IBEW		
7	INVESTMENT PLAN APPLICABLE TO IBEW		541,567
8	RATE YEAR IBEW WAGE INCREASE	7.97%	<u>43,163</u>
9	TOTAL COMPANY CONTRIBUTION FOR IBEW		584,730
10			
11	UA		
12	INVESTMENT PLAN APPLICABLE TO UA		430,779
13	RATE YEAR UA WAGE INCREASE	6.30%	<u>27,139</u>
14	TOTAL COMPANY CONTRIBUTION FOR UA		<u>457,918</u>
15			
16	TOTAL		
17	TOTAL PROFORMA COSTS (LN 4 + LN 9 + 14)		3,195,789
18	PRO FORMA COSTS APPLICABLE TO OPERATIONS	55.72%	1,780,694
19	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2007		<u>1,686,681</u>
20	INCREASE (DECREASE) EXPENSE		94,012
21			
22	INCREASE (DECREASE) FIT @	35%	<u>(32,904)</u>
23	INCREASE (DECREASE) NOI		<u><u>(\$61,108)</u></u>

**PUGET SOUND ENERGY-GAS
EMPLOYEE INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 4,981,504
3	UNION EMPLOYEES	4,676,395
4	PRO FORMA INSURANCE COSTS	<u>9,657,899</u>
5		
6	APPLICABLE TO OPERATIONS @	55.72%
7	CHARGED TO EXPENSE 09/30/07	5,381,381
8	INCREASE(DECREASE) EXPENSE	<u>4,493,040</u>
9		888,342
10	INCREASE(DECREASE) FIT @	35%
11		(310,920)
12	INCREASE(DECREASE) NOI	<u>\$ (577,422)</u>

**PUGET SOUND ENERGY-GAS
INCENTIVE PAY
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATE	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 6,032	\$ 7,065	\$ 1,033
3	OTHER GAS SUPPLY	32,861	38,181	5,320
4	STORAGE, LNG T&G	32,644	37,870	5,226
5	TRANSMISSION	16,889	19,727	2,838
6	DISTRIBUTION	1,166,827	1,370,427	203,600
7	CUSTOMER ACCTS	419,736	496,215	76,479
8	CUSTOMER SERVICE	63,237	73,819	10,582
9	SALES	13,125	15,205	2,080
10	ADMIN. & GENERAL	661,343	767,638	106,295
11	TOTAL INCENTIVE PAY	<u>\$ 2,412,694</u>	<u>\$ 2,826,147</u>	<u>\$ 413,453</u>
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	174,679	204,613	29,934
14	INCREASE(DECREASE) EXPENSE	<u>2,587,373</u>	<u>3,030,760</u>	<u>443,387</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			443,387
17				
18	INCREASE(DECREASE) FIT @		35%	(155,185)
19	INCREASE(DECREASE) NOI			<u><u>\$ (288,202)</u></u>