

**EXHIBIT NO. \_\_\_(KRK-4)  
DOCKET NO. UE-06 \_\_\_/UG-06 \_\_\_  
2006 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-06 \_\_\_  
Docket No. UG-06 \_\_\_**

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

**FEBRUARY 15, 2006**

**PUGET SOUND ENERGY-GAS**  
**RESULTS OF OPERATIONS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**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	\$ 829,271,796	\$ 114,574,814	\$ 943,846,610	\$ 40,439,958	\$ 984,286,568
3	34,729,596	(34,729,596)	-	-	-
4	15,438,897	1,616,195	17,055,092	-	17,055,092
5	<u>\$ 879,440,289</u>	<u>\$ 81,461,413</u>	<u>\$ 960,901,702</u>	<u>\$40,439,958</u>	<u>\$ 1,001,341,660</u>
6					
7					
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	GAS COSTS:				
11					
12	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
13					
14	<u>\$ 539,655,901</u>	<u>\$ 91,599,470</u>	<u>\$ 631,255,371</u>	<u>\$ -</u>	<u>\$ 631,255,371</u>
15					
16	\$ 1,520,542	\$ 35,285	\$ 1,555,827	\$ -	\$ 1,555,827
17	445,738	8,247	453,985		453,985
18	33,307,919	745,866	34,053,785		34,053,785
19	22,239,694	1,041,532	23,281,226	137,611	23,418,837
20	3,914,552	(2,055,278)	1,859,274		1,859,274
21	3,454,161	(3,454,161)	-		-
22	36,522,434	5,592,178	42,114,612	76,836	42,191,448
23	64,997,955	(41,961)	64,955,994		64,955,994
24	11,302,712	0	11,302,712		11,302,712
25	3,287	0	3,287		3,287
26	150,234	717,990	868,224		868,224
27	-	0	-		-
28	83,922,287	(32,114,102)	51,808,185	1,552,446	53,360,631
29	9,529,694	1,418,155	10,947,849	13,535,573	24,483,421
30	(4,023,283)	12,203,333	8,180,050		8,180,050
31	<u>\$ 267,287,926</u>	<u>\$ (15,902,918)</u>	<u>\$ 251,385,008</u>	<u>\$ 15,302,466</u>	<u>\$ 266,687,475</u>
32					
33	\$ 72,496,462	\$ 5,764,861	\$ 78,261,323	\$ 25,137,492	\$ 103,398,815
34					
35	\$ 1,179,240,567	\$1,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743
36					
37	6.15%		6.63%		8.76%
38					
39	RATE BASE:				
40	\$ 2,007,347,617	\$ (901,242)	\$ 2,006,446,375		
41	(650,335,811)	1,503,898	(648,831,913)		
42	(174,512,354)	508,520	(174,003,834)		
43	(14,234,907)	-	(14,234,907)		
44	<u>\$ 1,168,264,545</u>	<u>\$ 1,111,176</u>	<u>\$ 1,169,375,721</u>		
45	10,976,022	-	10,976,022		
46	<u>\$ 1,179,240,567</u>	<u>\$ 1,111,176</u>	<u>\$ 1,180,351,743</u>		

PUGET SOUND ENERGY-GAS  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2005	REVENUE & EXPENSES 4.01	FEDERAL INCOME TAX 4.02	TAX BENEFIT OF PRO FORMA INTEREST 4.03	CONSERVATION 4.04	BAD DEBTS 4.05	MISCELLANEOUS OPERATING EXPENSE 4.06	PROPERTY TAXES 4.07
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ 114,290,759	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)					
4	OTHER OPERATING REVENUES	15,438,897	1,616,195					
5	TOTAL OPERATING REVENUES	\$ 879,440,289	\$ 81,177,358	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7								
8	OPERATING REVENUE DEDUCTIONS:							
9								
10	GAS COSTS:							
11								
12	PURCHASED GAS	\$ 539,655,901	\$ 91,599,470	\$ -	\$ -	\$ -	\$ -	\$ -
13								
14	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ 91,599,470	\$ -	\$ -	\$ -	\$ -	\$ -
15								
16	OTHER ENERGY SUPPLY EXPENSES	\$ 1,520,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE	445,738						
18	DISTRIBUTION EXPENSE	33,307,919						
19	CUSTOMER ACCTS EXPENSES	22,239,694	276,235			363,605		
20	CUSTOMER SERVICE EXPENSES	3,914,552						
21	CONSERVATION AMORTIZATION	3,454,161			(3,454,161)			
22	ADMIN & GENERAL EXPENSE	36,522,434	154,237			-	151,225	
23	DEPRECIATION	64,997,955					85,324	
24	AMORTIZATION	11,302,712						
25	AMORTIZATION OF PROPERTY LOSS	3,287						
26	OTHER OPERATING EXPENSES	150,234	-				1,420,883	
27	FAS 133	-						
28	TAXES OTHER THAN INCOME TAXES	83,922,287	(31,605,545)					44,121
29	INCOME TAXES	9,529,694	7,263,536	(12,694,120)	7,280,941	1,208,956	(127,262)	(580,101)
30	DEFERRED INCOME TAXES	(4,023,283)		12,203,333				(15,442)
31	TOTAL OPERATING REV. DEDUCT.	\$ 267,287,926	\$ (23,911,537)	\$ (490,787)	\$ 7,280,941	\$ (2,245,205)	\$ 236,343	\$ 1,077,331
32								\$ 28,679
33	NET OPERATING INCOME	\$ 72,496,462	\$ 13,489,425	\$ 490,787	\$ (7,280,941)	\$ 2,245,205	\$ (236,343)	\$ (1,077,331)
34								\$ (28,679)
35	RATE BASE	\$ 1,179,240,567					\$ 2,857,353	
36								
37	RATE OF RETURN	6.15%						
38								
39	RATE BASE:							
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ -	\$ -	\$ -	\$ -	\$ 2,912,989	\$ -
41	ACCUMULATED DEPRECIATION	(650,335,811)					(55,636)	
42	ACCUMULATED DEFERRED FIT - LIBERALIZED	(174,512,354)						
43	OTHER	(14,234,907)						
44	TOTAL NET INVESTMENT	\$ 1,168,264,545	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022						
46	TOTAL RATE BASE	\$ 1,179,240,567	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -

PUGET SOUND ENERGY-GAS  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	EXCISE TAX & FILING FEE 4.08	RATE CASE EXPENSES 4.09	PROPERTY & LIABILITY INS 4.10	PENSION PLAN 4.11	WAGE INCREASE 4.12	INVESTMENT PLAN 4.13	EMPLOYEE INSURANCE 4.14	INCENTIVE PAY 4.15
1	OPERATING REVENUES							
2	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
3	MUNICIPAL ADDITIONS							
4	OTHER OPERATING REVENUES							
5	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
6	TOTAL OPERATING REVENUES							
7								
8	OPERATING REVENUE DEDUCTIONS:							
9								
10	GAS COSTS:							
11								
12	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
13	PURCHASED GAS							
14	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
15	TOTAL PRODUCTION EXPENSES							
16	\$	- \$	- \$	- \$	- \$	52,213 \$	- \$	(16,928)
17	OTHER ENERGY SUPPLY EXPENSES							
18	TRANSMISSION EXPENSE							
19	DISTRIBUTION EXPENSE							
20	CUSTOMER ACCTS EXPENSES							
21	CUSTOMER SERVICE EXPENSES							
22	CONSERVATION AMORTIZATION							
23	(1,544)	421,121	55,198	2,466,940	458,273	90,797	643,825	(172,006)
24	ADMIN & GENERAL EXPENSE							
25	DEPRECIATION							
26	AMORTIZATION							
27	AMORTIZATION OF PROPERTY LOSS							
28	OTHER OPERATING EXPENSES							
29	FAS 133							
30	(597,418)				123,562			(44,290)
31	209,637 \$	(147,392)	(19,319)	(863,429)	(750,518)	(31,779)	(225,339)	238,225
32	TAXES OTHER THAN INCOME TAXES							
33	INCOME TAXES							
34	DEFERRED INCOME TAXES							
35	\$	(389,325) \$	273,728 \$	35,879 \$	1,603,511 \$	1,393,820 \$	59,018 \$	418,486 \$
36	TOTAL OPERATING REV. DEDUCT.							
37	\$	389,325 \$	(273,728) \$	(35,879) \$	(1,603,511) \$	(1,393,820) \$	(59,018) \$	442,417
38	NET OPERATING INCOME							
39	RATE BASE							
40	RATE OF RETURN							
41	RATE BASE:							
42	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
43	UTILITY PLANT IN SERVICE							
44	ACCUMULATED DEPRECIATION							
45	ACCUMULATED DEFERRED FIT - LIBERALIZED							
46	OTHER							
47	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
48	TOTAL NET INVESTMENT							
49	ALLOWANCE FOR WORKING CAPITAL							
50	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
51	TOTAL RATE BASE							

PUGET SOUND ENERGY-GAS  
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	INTEREST ON CUSTOMER DEPOSITS 4.16	DEFERRED GAINS/ LOSSES PROP SALES 4.17	GENERAL OFFICE RELOCATION 4.18	LOW INCOME (AMORTIZATION) 4.19	D&O INSURANCE 4.20	EVERETT DELTA 4.21	DEPRECIATION 4.22	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES								
2	\$	-				\$ 284,055	\$ -	\$ 114,574,814	\$ 943,846,610
3	MUNICIPAL ADDITIONS								
4								(34,729,596)	-
5	OTHER OPERATING REVENUES								
6								1,616,195	17,055,092
7	TOTAL OPERATING REVENUES								
8	\$	\$ -	\$ -	\$ -	\$ -	\$ 284,055	\$ -	\$ 81,461,413	\$ 960,901,702
9	OPERATING REVENUE DEDUCTIONS:								
10	GAS COSTS:								
11	PURCHASED GAS								
12	\$	-					\$ -	\$ 91,599,470	\$ 631,255,371
13	TOTAL PRODUCTION EXPENSES								
14	\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,599,470	\$ 631,255,371
15	OTHER ENERGY SUPPLY EXPENSES								
16							\$ -	\$ 35,285	\$ 1,555,827
17	TRANSMISSION EXPENSE								
18								8,247	453,985
19	DISTRIBUTION EXPENSE								
20								745,866	34,053,785
21		131,750				967		1,041,532	23,281,226
22	CUSTOMER ACCTS EXPENSES								
23								(2,055,278)	1,859,274
24	CUSTOMER SERVICE EXPENSES								
25				(2,095,062)				(3,454,161)	-
26	CONSERVATION AMORTIZATION								
27						540		5,592,178	42,114,612
28	ADMIN & GENERAL EXPENSE								
29			1,328,483		(4,910)			(41,961)	64,955,994
30	DEPRECIATION								
31			(127,285)					-	11,302,712
32	AMORTIZATION								
33								-	3,287
34	AMORTIZATION OF PROPERTY LOSS								
35								717,990	868,224
36	OTHER OPERATING EXPENSES								
37			(702,893)					-	-
38	FAS 133								
39				(45,437)		10,905		(32,114,102)	51,808,185
40	TAXES OTHER THAN INCOME TAXES								
41			246,013	(404,516)	733,272	1,719	95,076	1,418,155	10,947,849
42	INCOME TAXES								
43								12,203,333	8,180,050
44	DEFERRED INCOME TAXES								
45	\$	\$ 131,750	\$ (456,881)	\$ 751,245	\$ (1,361,790)	\$ (3,192)	\$ 107,486	\$ (15,902,918)	\$ 251,385,008
46	TOTAL OPERATING REV. DEDUCT.								
47	\$	\$ (131,750)	\$ 456,881	\$ (751,245)	\$ 1,361,790	\$ 3,192	\$ 176,569	\$ 5,764,861	\$ 78,261,323
48	NET OPERATING INCOME								
49	\$	\$ -	\$ (1,746,177)				\$ -	\$ 1,111,176	\$ 1,180,351,743
50	RATE BASE								
51	RATE OF RETURN								
52	6.63%								
53	RATE BASE:								
54	\$	-	\$ (3,814,231)				\$ -	\$ (901,242)	\$ 2,006,446,375
55	UTILITY PLANT IN SERVICE								
56				1,559,534				1,503,898	(648,831,913)
57	ACCUMULATED DEPRECIATION								
58				508,520				508,520	(174,003,834)
59	ACCUMULATED DEFERRED FIT - LIBERALIZED								
60								-	(14,234,907)
61	OTHER								
62	\$	\$ -	\$ -	\$ (1,746,177)	\$ -	\$ -	\$ -	\$ 1,111,176	\$ 1,169,375,721
63	TOTAL NET INVESTMENT								
64								-	10,976,022
65	ALLOWANCE FOR WORKING CAPITAL								
66	\$	\$ -	\$ -	\$ (1,746,177)	\$ -	\$ -	\$ -	\$ 1,111,176	\$ 1,180,351,743
67	TOTAL RATE BASE								

**PUGET SOUND ENERGY-GAS  
REVENUES & EXPENSES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<b>OPERATING REVENUE EXCL MUNI TAXES</b>	\$ 829,271,796	\$ 851,089,798	\$ 21,818,002
2	MUNICIPAL TAXES	34,376,447	-	(34,376,447)
3	OTHER		-	-
4	PGA RATE INCREASE		92,472,757	92,472,757
5				
6	INCREASE TO OPERATING REVENUE	<u>\$ 863,648,243</u>	<u>\$ 943,562,555</u>	<u>\$ 79,914,312</u>
7				
8	<b>OTHER OPERATING REVENUE</b>			
9	OTHER OPERATING REVENUE	\$ 15,438,897	\$ 17,055,092	1,616,195
10	MUNICIPAL TAXES	353,149	-	(353,149)
11				
12	INCREASE TO OPERATING REVENUE	<u>\$ 15,792,046</u>	<u>\$ 17,055,092</u>	<u>\$ 1,263,046</u>
13				
14	<b>TOTAL REVENUE ADDITIONS</b>	<u><u>\$ 879,440,289</u></u>	<u><u>\$ 960,617,647</u></u>	<u><u>81,177,358</u></u>
15				
16	<b>OPERATING EXPENSE</b>			
17	PURCHASED GAS - 106	9,057,891	-	\$ (9,057,891)
18	PURCHASED GAS - 101	530,598,010	631,255,371	\$ 100,657,361
19				
20	<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 539,655,901</u></u>	<u><u>\$ 631,255,371</u></u>	<u><u>\$ 91,599,470</u></u>
21	MUNICIPAL TAX EXPENSED			(34,721,856)
22	OTHER OPERATING EXPENSE	0.340286%		276,235
23	FILING FEE	0.190000%		154,237
24	GROSS RECEIPTS	3.838892%		<u>3,116,311</u>
25				
26	TOTAL EXPENSE BEFORE FIT			<u><u>\$ 60,424,397</u></u>
26				
27	NOI BEFORE FIT			\$ 20,752,961
28				
29	FIT		35%	7,263,536
30				
31	TOAL INCREASE/(DECREASE) NOI			<u><u>\$ 13,489,425</u></u>

**PUGET SOUND ENERGY-GAS  
FEDERAL INCOME TAX  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (9,041,218)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(3,164,426)
5	DEFERRED FIT - DEBIT	37,129,750
6	DEFERRED FIT - CREDIT	(27,846,700)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(1,103,000)
8	TOTAL RESTATED FIT	<u>\$ 5,015,624</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ 9,529,694
12	DEFERRED FIT - DEBIT	25,329,740
13	DEFERRED FIT - CREDIT	(28,789,583)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(563,440)</u>
15	TOTAL CHARGED TO EXPENSE	- \$ 5,506,411
16		
17	INCREASE(DECREASE) FIT	\$ (12,694,120)
18	INCREASE(DECREASE) DEFERRED FIT	12,742,893
19	INCREASE(DECREASE) ITC	(539,560)
20	INCREASE(DECREASE) NOI	<u><u>\$ 490,787</u></u>

**PUGET SOUND ENERGY-GAS  
TAX BENEFIT OF PRO FORMA INTEREST  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,180,351,743
2	DEDUCTIBLE CWIP	15,940,446
3	NET RATE BASE	<u>\$ 1,196,292,189</u>
4		
5	WEIGHTED COST OF DEBT	3.41%
6	PROFORMA INTEREST	<u>\$ 40,793,564</u>
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 57,350,782
10	INTEREST ON PREFERRED STOCK	32,467
11	AMORTIZATION OF DEBT DISCOUNT	
12	AND EXPENSE, NET OF PREMIUMS	1,700,792
13	OTHER INTEREST EXPENSE	2,643,960
14	LESS INTEREST ON CUSTOMER DEPOSITS	<u>(131,750)</u>
15	CHARGED TO EXPENSE IN TEST YEAR	<u>61,596,251</u>
16	INCREASE (DECREASE) INCOME	\$ 20,802,687
17		
18	INCREASE (DECREASE) FIT @	35% 7,280,941
19	INCREASE (DECREASE) NOI	<u><u>\$ (7,280,941)</u></u>



**PUGET SOUND ENERGY-GAS  
CONSERVATION  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>RESTATING</u>	
2 ACTUAL CONSERVATION TRACKER AMORTIZATION	\$ 2,811,260
3 RESTATED CONSERVATION TRACKER AMORTIZATION	-
4 INCREASE (DECREASE) AMORTIZATION EXPENSE	(2,811,260)
5 INCREASE (DECREASE) OPERATING EXPENSE	\$ (2,811,260)
6	
7 <u>PROFORMA</u>	
8 CONSERVATION REGULATORY ASSET-ACCT #18230422 WATER HEATER PRGM	642,901
9 CONSERVATION AMORTIZATION FOR RATE YEAR	-
10 INCREASE (DECREASE) AMORTIZATION EXPENSE	(642,901)
11 INCREASE (DECREASE) OPERATING EXPENSE	(642,901)
12	
13 INCREASE (DECREASE) EXPENSE	\$ (3,454,161)
14 INCREASE (DECREASE) FIT	1,208,956
15	35%
16 INCREASE (DECREASE) NOI	<u>\$ 2,245,205</u>

**PUGET SOUND ENERGY-GAS  
BAD DEBTS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	NET REVENUES	AMOUNT
1	12 MOS ENDED 09/30/1999	\$ 3,466,158	\$ 780,673,537	\$ 780,673,537	0.4439958%
2	12 MOS ENDED 09/30/2000	\$ 2,014,372	\$ 736,127,073	\$ 736,127,073	0.2736446%
3	12 MOS ENDED 09/30/2002	\$ 2,666,611	\$ 879,440,289	\$ 879,440,289	0.3032168%
4	3-Yr Average of Net Write Off Rate				<b>0.3402857%</b>
5					
6	Test Period Revenues		\$ 879,440,289	\$ 879,440,289	
7					
8	PROFORMA BAD DEBT RATE			0.3402857%	
9	PROFORMA BAD DEBTS			\$ 2,992,610	
10					
11	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR			2,629,005	
12	INCREASE (DECREASE) EXPENSE				\$ 363,605
13					
14	INCREASE (DECREASE) FIT			35%	(127,262)
15	INCREASE (DECREASE) NOI				<b>\$ (236,343)</b>

**PUGET SOUND ENERGY-GAS  
MISCELLANEOUS OPERATING EXPENSE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES</u>			
2				
3	NYSE PSE COMMON STOCK FEES	\$ 31,049	\$ 182,274	\$ 151,225
4	AMORT OF DEFERRAL PURSUANT TO WUTC DOC # UG-051528		1,267,159	1,267,159
5	NORMALIZATION OF CARRYING COST ON LINE 4		153,724	153,724
6	DEP EXP ON CWIP IN SERVICE NOT TRANSFERRED TO PLANT		85,324	85,324
7				
8				
9	INCREASE (DECREASE) IN EXPENSE	\$ 31,049	\$ 1,688,481	\$ 1,657,432
10				
11	INCREASE (DECREASE) IN OPERATING EXPENSE			1,657,432
12	INCREASE(DECREASE) FIT @		35%	(580,101)
13				
14	INCREASE(DECREASE) NOI			<u>\$ (1,077,331)</u>
15				
16				
17	<u>RATEBASE</u>			
18	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			2,912,989
19	ACCUMULATED DEPRECIATION ON CWIP IN SERVICE			(55,636)
20				
21	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 2,857,353</u>

**PUGET SOUND ENERGY-GAS  
PROPERTY TAXES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED PROPERTY TAX	\$ 12,925,261
2	CHARGED TO EXPENSE IN TY	12,881,140
3	INCREASE(DECREASE) EXPENSE	\$ 44,121
4		
5	INCREASE(DECREASE) FIT @ 35%	(15,442)
6	INCREASE(DECREASE) NOI	<u>\$ (28,679)</u>

**PUGET SOUND ENERGY-GAS  
EXCISE TAX & FILING FEE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<b>RESTATED EXCISE TAXES</b>	\$ 32,603,568
2	CHARGED TO EXPENSE FOR TEST YEAR	33,200,986
3	INCREASE(DECREASE) EXCISE TAX	\$ (597,418)
4		
5	<b>RESTATED WUTC FILING FEE</b>	\$ 1,664,073
6	CHARGED TO EXPENSE FOR TEST YEAR	1,665,617
7	INCREASE(DECREASE) WUTC FILING FEE	\$ (1,544)
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ (598,962)
10		
11	INCREASE(DECREASE) FIT	35% \$ 209,637
12	INCREASE(DECREASE) NOI	<u>\$ 389,325</u>

**PUGET SOUND ENERGY-GAS  
RATE CASE EXPENSES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION			AMOUNT
1	<b>DEFERRED EXPENDITURES TO BE AMORTIZED:</b>		
2			
3	2001 GRC EXPENSES BALANCE @ 9/30/05	\$ 833,877	
4	LESS 2001 GRC AMORTIZATION FROM 10/01/05-12/31/06	431,310	
5	REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	<u>402,567</u>	
6			
7	ANNUAL AMORTIZATION (LINE 5 ÷ 14 REMAINING MONTHS ANNUALIZED X 12)	345,057	
8	LESS TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	451,668	
9	INCREASE (DECREASE) EXPENSE	<u>(106,611)</u>	\$ (106,611)
10			
11	2004 GRC EXPENSES BALANCE @ 9/30/05	\$ 379,326	
12	LESS 2004 GRC AMORTIZATION FROM 10/01/05-12/31/06	192,720	
13	REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	<u>186,606</u>	
14			
15	ANNUAL AMORTIZATION (LINE 13 ÷ 14 REMAINING MONTHS ANNUALIZED X 12)	159,948	
16	LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	89,936	
17	INCREASE (DECREASE) EXPENSE	<u>70,012</u>	70,012
18			
19			
20	<b>EXPENSES TO BE NORMALIZED:</b>		
21			
22	ESTIMATED GRC EXPENSES TO BE NORMALIZED	<u>\$ 2,139,000</u>	
23			
24	ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	1,069,500	
25	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M	<u>611,781</u>	
26			
27	INCREASE (DECREASE) EXPENSE	<u>\$ 457,719</u>	\$ 457,719
28			
29			
30	TOTAL INCREASE (DECREASE) EXPENSE		\$ 421,121
31			
32	INCREASE(DECREASE) FIT @	35%	(147,392)
33	INCREASE(DECREASE) NOI		<u>\$ (273,728)</u>

**PUGET SOUND ENERGY-GAS  
PROPERTY & LIABILITY INSURANCE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 527,181	480,148	\$ (47,033)
2	LIABILITY INSURANCE EXPENSE	886,977	989,208	102,231
3	INCREASE(DECREASE) EXPENSE	\$ 1,414,158	\$ 1,469,356	\$ 55,198
4				
5				
6	INCREASE (DECREASE) FIT @	35%		(19,319)
7	INCREASE (DECREASE) NOI			<u>\$ (35,879)</u>

**PUGET SOUND ENERGY-GAS  
PENSION PLAN  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ (941,988)	\$ 1,589,166	\$ 2,531,154
2	SERP PLAN	\$ 1,492,418	\$ 1,428,204	\$ (64,214)
3				
4	INCREASE(DECREASE) EXPENSE	\$ 550,430	\$ 3,017,370	\$ 2,466,940
5				
6				
7	INCREASE (DECREASE) FIT @	35%		(863,429)
8	INCREASE (DECREASE) NOI			<u>\$ (1,603,511)</u>



**PUGET SOUND ENERGY-GAS  
WAGE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 71,748	\$ 76,669	\$ 4,921
3	OTHER GAS SUPPLY	372,798	392,779	19,981
4	STORAGE, LNG T&G	449,217	476,528	27,311
5	TRANSMISSION	190,460	202,334	11,874
6	DISTRIBUTION	16,263,342	17,317,011	1,053,669
7	CUSTOMER ACCTS	6,021,503	6,404,448	382,945
8	CUSTOMER SERVICE	790,797	834,227	43,430
9	SALES	374,113	392,485	18,372
10	ADMIN. & GENERAL	9,087,991	9,546,264	458,273
11	TOTAL WAGE INCREASE	<u>33,621,969</u>	<u>35,642,745</u>	2,020,776
12				
13	PAYROLL TAXES	2,993,607	3,117,169	123,562
14	TOTAL WAGES & TAXES	<u>\$ 36,615,576</u>	<u>\$ 38,759,914</u>	<u>\$ 2,144,338</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 2,144,338
17	INCREASE (DECREASE) FIT @ 35%			(750,518)
18	INCREASE (DECREASE) NOI			<u><u>\$ (1,393,820)</u></u>

**PUGET SOUND ENERGY-GAS  
INVESTMENT PLAN  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		AMOUNT
1	<u>MANAGEMENT (INC. EXECUTIVES)</u>		
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT		1,794,911
3	RATE YEAR MANAGEMENT WAGE INCREASE	4.91%	<u>88,130</u>
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT		1,883,041
5			
6	<u>IBEW</u>		
7	INVESTMENT PLAN APPLICABLE TO IBEW		442,541
8	RATE YEAR IBEW WAGE INCREASE	6.90%	<u>30,523</u>
9	TOTAL COMPANY CONTRIBUTION FOR IBEW		473,064
10			
11	<u>UA</u>		
12	INVESTMENT PLAN APPLICABLE TO UA		392,715
13	RATE YEAR UA WAGE INCREASE	6.89%	<u>27,041</u>
14	TOTAL COMPANY CONTRIBUTION FOR UA		<u>419,756</u>
15			
16	<u>TOTAL</u>		
17	TOTAL PROFORMA COSTS (LN 4 + LN 9 + 14)		2,775,861
18	PRO FORMA COSTS APPLICABLE TO OPERATIONS	62.32%	1,729,917
19	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2005		<u>1,639,120</u>
20	INCREASE (DECREASE) EXPENSE		90,797
21			
22	INCREASE (DECREASE) FIT @	35%	<u>(31,779)</u>
23	INCREASE (DECREASE) NOI		<u><u>(\$59,018)</u></u>

**PUGET SOUND ENERGY-GAS  
EMPLOYEE INSURANCE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 3,852,538
3	UNION EMPLOYEES	3,696,775
4	PRO FORMA INSURANCE COSTS	<u>7,549,313</u>
5		
6	APPLICABLE TO OPERATIONS @ 62.32%	4,704,732
7	CHARGED TO EXPENSE 09/30/03	<u>4,060,907</u>
8	INCREASE(DECREASE) EXPENSE	643,825
9		
10	INCREASE(DECREASE) FIT @ 35%	(225,339)
11		
12	INCREASE(DECREASE) NOI	<u><u>\$ (418,486)</u></u>

**PUGET SOUND ENERGY-GAS  
INCENTIVE PAY  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 6,230	\$ 4,894	\$ (1,336)
3	OTHER GAS SUPPLY	32,932	25,868	(7,064)
4	STORAGE, LNG T&G	39,756	31,228	(8,528)
5	TRANSMISSION	16,911	13,284	(3,627)
6	DISTRIBUTION	1,435,055	1,127,252	(307,803)
7	CUSTOMER ACCTS	531,359	417,389	(113,970)
8	CUSTOMER SERVICE	69,720	54,766	(14,954)
9	SALES	32,932	25,868	(7,064)
10	ADMIN. & GENERAL	801,934	629,928	(172,006)
11	TOTAL INCENTIVE PAY	\$ 2,966,829	\$ 2,330,477	\$ (636,352)
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	206,491	162,201	(44,290)
14	INCREASE(DECREASE) EXPENSE			(680,642)
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			(680,642)
17				
18	INCREASE(DECREASE) FIT @		35%	238,225
19	INCREASE(DECREASE) NOI			\$ 442,417

**PUGET SOUND ENERGY-GAS  
INTEREST ON CUSTOMER DEPOSITS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>ADJUSTMENT</b>
1	INTEREST EXPENSE FOR TEST YEAR	\$ 131,750
2		
3	INCREASE (DECREASE) NOI	\$ (131,750)

**PUGET SOUND ENERGY-GAS  
DEFERRED GAINS/LOSSES ON PROPERTY SALES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

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1 DEFERRED (GAIN) RECORDED SINCE UG-040640 @ 12/31/2006	\$ (2,923,695)
2 DEFERRED LOSS RECORDED SINCE UG-040640 @ 12/31/2006	815,015
3 TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE	<u>\$ (2,108,680)</u>
4	
5 AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years)	(702,893)
6	
7 AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR	0
8	
9 INCREASE (DECREASE) EXPENSE (Line 5 - Line 7)	<u>\$ (702,893)</u>
10	
11 INCREASE (DECREASE) FIT @ 35%	<u>246,013</u>
12	
13 INCREASE (DECREASE) NOI	<u><u>\$ 456,881</u></u>

**PUGET SOUND ENERGY-GAS  
GENERAL OFFICE RELOCATION  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	OPERATING EXPENSES ( PROFORMA)			
2	GENERAL OFFICE BUILDING - PROPERTY TAXES	\$ 79,692	\$ -	\$ (79,692)
3	GENERAL OFFICE BUILDING - PROPERTY INSURANCE	2,840	-	(2,840)
4	GENERAL OFFICE BUILDING - DEPRECIATION (EOP)	63,446	-	(63,446)
5	CROSSROADS BUILDING - PROPERTY TAXES	17,158	-	(17,158)
6	CROSSROADS BUILDING - PROPERTY INSURANCE	602	-	(602)
7	CROSSROADS BUILDING - DEPRECIATION (EOP)	63,839	-	(63,839)
8		<u>\$ 227,577</u>	<u>\$0</u>	<u>\$ (227,577)</u>
9				
10	OPERATING EXPENSES ( RESTATED)			
11	PSE(E) - LEASE COSTS	\$ 45,564	\$ 1,646,149	\$ 1,600,585
12	PSE(E) - LEASEHOLD IMPROVEMENTS AMORTIZATION	(41,490)	(311,175)	(269,685)
13	PSE(E) - PROPERTY TAXES	-	51,413	51,413
14	PSE(E) - PROPERTY INSURANCE	-	1,025	1,025
15		<u>\$ 4,074</u>	<u>\$ 1,387,412</u>	<u>\$ 1,383,338</u>
16				
17	INCREASE(DECREASE ) IN EXPENSE	\$ 231,651	\$ 1,387,412	1,155,761
18				
19	INCREASE (DECREASE) FIT @		35%	(404,516)
20	INCREASE (DECREASE) NOI			<u>\$ (751,245)</u>
21				
22	ADJUSTMENT TO RATEBASE			
23	GENERAL OFFICE BUILDING	\$ 1,913,663	\$ -	\$ (1,913,663)
24	ACCUM DEPRECIATION	(673,004)	-	673,004
25	DEFERRED INCOME TAX	(319,401)	-	319,401
26	NET GENERAL OFFICE BUILDING	<u>\$ 921,258</u>	<u>\$ -</u>	<u>\$ (921,258)</u>
27				
28	CROSSROADS BUILDING	\$ 1,900,568	\$ -	\$ (1,900,568)
29	ACCUM DEPRECIATION	(886,530)	-	886,530
30	DEFERRED INCOME TAX	(189,119)	-	189,119
31	NET CROSSROADS BUILDING	<u>\$ 824,919</u>	<u>\$ -</u>	<u>\$ (824,919)</u>
32				
33	TOTAL ADJUSTMENT TO RATE BASE	<u>\$ 1,746,177</u>	<u>\$ -</u>	<u>\$ (1,746,177)</u>

**PUGET SOUND ENERGY-GAS  
LOW INCOME AMORTIZATION  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	RESTATING	
2	LOW INCOME AMORTIZATION IN TEST PERIOD	\$ 2,095,062
3	REMOVE AMORTIZATION (REVENUE REMOVED IN ADJ 4.01)	-
4	INCREASE (DECREASE) EXPENSE	\$ (2,095,062)
5		
6	INCREASE (DECREASE) OPERATING EXPENSE	(2,095,062)
7		
8	INCREASE (DECREASE) FIT	35% \$ 733,272
9		
10	INCREASE (DECREASE) NOI	<u>\$ 1,361,790</u>



**PUGET SOUND ENERGY-GAS  
D&O INSURANCE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RESTATED	ADJUSTMENT
1	D & O INS. CHG EXPENSE	\$ 756,214	\$ 751,304	\$ (4,910)
2				
3	INCREASE (DECREASE) D&O EXPENSE	\$ 756,214	\$ 751,304	\$ (4,910)
4				
5	INCREASE (DECREASE) EXPENSE			(4,910)
6				
7	INCREASE (DECREASE) FIT @		35%	1,719
8	INCREASE (DECREASE) NOI			\$ 3,192

**PUGET SOUND ENERGY-GAS  
EVERETT DELTA  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>AMA RATEBASE</u>	
2	GROSS	\$ 29,545,951
3	ACCUMULATED DEPRECIATION (AMA)	(310,269)
4	DEFERRED FIT	(4,965,562)
5	NET AMA	<u>24,270,120</u>
6		
7	RATE OF RETURN	<u>7.57%</u>
8	RETURN ON RATE BASE	1,837,248
9	CONVERSION FACTOR	<u>62.1600%</u>
10	RETURN ON RATE BASE AFTER CONVERSION	2,955,674
11	DEPRECIATION EXPENSE	<u>663,167</u>
12	TOTAL REVENUE REQUIREMENT	3,618,841
13	EXCLUDE LEASE PAYMENT	<u>3,334,786</u>
14		
15	REVENUE DEFICIENCY	284,055
16		
17	OTHER OPERATING EXPENSE	0.340286% 967
18	FILING FEE	0.190000% 540
19	GROSS RECEIPTS	3.838892% 10,905
20	TOTAL EXPENSE	<u>12,411</u>
21		
22	NET REVENUE DEFICIENCY BEFORE FIT	271,644
23		
24	TOAL INCREASE (DECREASE) FIT	35% 95,076
25		
26	TOAL INCREASE/(DECREASE) NOI	<u>\$ 176,569</u>

**PUGET SOUND ENERGY-GAS  
DEPRECIATION  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>RESTATED</u>	
2	ACTUAL ACCT 403-DEPRECIATION EXPENSE	\$ 64,461,445
3	RESTATED ACCT 403-DEPRECIATION EXPENSE	64,461,445
4	INCREASE (DECREASE) DEPRECIATION EXPENSE	-
5		
6	INCREASE (DECREASE) OPERATING INCOME	-
7	INCREASE (DECREASE) FIT	35% -
8	INCREASE (DECREASE) NOI	-
9		
10	ADJUST RATE BASE FOR LINE 4 @	50% -
11		
12	ADJUSTMENT TO RATE BASE	\$ -
13		