

**EXHIBIT NO. ___(KRK-5)
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___**

**FOURTH 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
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2007
GENERAL RATE INCREASE**

1	RATE BASE	\$ 1,349,395,044
2	RATE OF RETURN	<u>8.60%</u>
3		
4	OPERATING INCOME REQUIREMENT	116,047,974
5		
6	PRO FORMA OPERATING INCOME	<u>80,738,731</u>
7	OPERATING INCOME DEFICIENCY	<u>35,309,243</u>
8		
9	CONVERSION FACTOR	<u>62.19600%</u>
10		
11		
12	TOTAL REVENUE REQUIREMENT	<u>\$56,770,922</u>

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

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	DEBT	54.97%	6.80%	3.74%
2	PREFERRED STOCK	0.03%	8.61%	0.00%
3	EQUITY	45.00%	10.80%	4.86%
4	TOTAL	100.00%		8.60%
5				
6	AFTER TAX DEBT (LINE 1 * 65%)	54.97%	4.42%	2.43%
7	PREFERRED	0.03%	8.61%	0.00%
8	EQUITY	45.00%	10.80%	4.86%
9	TOTAL AFTER TAX COST OF CAPITAL	100.00%		7.29%

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

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			1.00000
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.00272
5	OTHER TAXES			
6	STATE UTILITY	1.00000		
7		(0.00272)		
8				
9	STATE UTILITY TAX	0.99728	0.03852	0.03842
10	ALL OTHER (FILING FEE)			0.00200
11	FEDERAL INCOME TAX:			
12	CURRENT	0.95686	0.35000	0.33490
13				
14				
15	TOTAL OPERATING REVENUE DEDUCTIONS			0.37804
16				
17	CONVERSION FACTOR			0.62196