

Exhibit No. ___ (CTM-2)
Dockets UE-111048/UG-111049
Witness: Christopher T. Mickelson

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**DOCKETS UE-111048
DOCKET UG-111049
(Consolidated)**

**EXHIBIT TO
TESTIMONY OF**

CHRISTOPHER T. MICKELSON

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Natural Gas Results of Operations and Revenue Requirement

**December 7, 2011
Revised May 1, 2012**

Puget Sound Energy - Gas
RESULTS OF OPERATIONS
 For the Twelve Months Ended December 31, 2010
 General Rate Case

* Figures that are **BOLDED** are the updates between staff's original exhibit and the initial brief.

Adj. No. (a)	Description (b)	PSE Rebuttal Filing				Staff Initial Brief Filing				Differences - Staff > PSE / (Staff < PSE)		
		Net Operating Income (c)	Rate Base (d)	Rev Req @ 8.26% (e)	Return on Rate Base (f)	Net Operating Income (g)	Rate Base (h)	Rev Req @ 7.59% (i)	Return on Rate Base (j)	Net Operating Income (k)	Rate Base (l)	Rev Req (m)
	Actual Results of Operations	\$102,661,460	1,660,735,111	55,536,309	6.18%	\$102,661,460	1,660,735,111	37,632,682	6.18%	\$	0	17,903,627
5.01	Water Heater Depreciation	4,071,209	(2,218,846)	(6,845,623)	0.25%	4,071,209	(2,218,846)	(6,821,702)	0.25%	-	-	(23,920)
5.02	Reclass Bare to Wrapped Steel	(195,347)	(97,673)	301,339	-0.01%	(195,347)	(97,673)	302,392	-0.01%	-	-	(1,053)
5.03	Contract Charges	640,161	-	(1,030,042)	0.04%	640,160	-	(1,030,040)	0.04%	1	-	(1)
6.01	Temperature Normalization	6,651,267	-	(10,702,131)	0.40%	6,651,267	-	(10,702,131)	0.40%	-	-	-
6.02	Revenues & Expenses	16,913,083	-	(27,213,765)	1.02%	16,913,083	-	(27,213,765)	1.02%	-	-	-
6.03	Pass-Through Revenue & Expense	154,724	-	(248,957)	0.01%	154,724	-	(248,956)	0.01%	0	-	(1)
6.04	Federal Income Tax	(28,834,101)	-	46,395,117	-1.74%	(28,834,101)	(24,564,298)	43,395,181	-1.67%	-	24,564,298	2,999,936
6.05	Tax Benefit of Proforma Interest	17,987,052	-	(28,941,820)	1.08%	18,265,630	-	(29,390,062)	1.10%	(278,578)	-	448,242
6.06	Operating Expenses	261,609	-	(420,939)	0.02%	306,610	-	(493,346)	0.02%	(45,000)	-	72,407
6.07	General Plant Depreciation	384,999	(113,067)	(634,505)	0.02%	384,999	(113,067)	(633,286)	0.02%	-	-	(1,219)
6.08	Injuries & Damages	(54,310)	-	87,386	0.00%	(54,310)	-	87,386	0.00%	-	-	-
6.09	Bad Debt	1,574,431	-	(2,533,317)	0.09%	1,574,431	-	(2,533,317)	0.09%	-	-	-
6.10	Incentive Pay	246,621	-	(396,822)	0.01%	1,117,331	-	(1,797,826)	0.07%	(870,711)	-	1,401,005
6.11	Property Tax	(1,668,296)	-	2,684,348	-0.10%	(545,997)	-	878,529	-0.03%	(1,122,298)	-	1,805,819
6.12	Excise Tax & Filing Fee	(49,256)	-	79,254	0.00%	(49,256)	-	79,254	0.00%	(0)	-	0
6.13	D&O Insurance	23,376	-	(37,614)	0.00%	54,009	-	(86,902)	0.00%	(30,632)	-	49,288
6.14	Interest on Customer Deposits	(21,705)	-	34,924	0.00%	(21,705)	-	34,924	0.00%	-	-	-
6.15	Rate Case Expense	(142,724)	-	229,648	-0.01%	(92,595)	-	148,988	-0.01%	(142,724)	-	229,648
6.16	Deferred G/L on Property Sales	(92,595)	-	148,988	-0.01%	(92,595)	-	148,988	-0.01%	-	-	-
6.17	Property and Liability Insurance	35,752	-	(57,526)	0.00%	35,752	-	(57,526)	0.00%	-	-	-
6.18	Pension Plan	(582,788)	-	937,727	-0.04%	(582,788)	-	937,727	-0.04%	-	-	-
6.19	Wage Increase	(769,423)	-	1,238,029	-0.05%	(769,423)	-	1,238,029	-0.05%	-	-	-
6.20	Investment Plan	(40,613)	-	65,348	0.00%	(40,613)	-	65,348	0.00%	-	-	-
6.21	Employee Insurance	(5,476)	-	8,812	0.00%	(5,476)	-	8,812	0.00%	-	-	-
6.22	Allowance for Working Capital	-	(512,748)	(68,147)	0.00%	-	(13,011,001)	(1,588,980)	0.05%	-	12,498,253	1,520,832
	Total Adjustment	16,487,651	(2,942,335)	(26,920,284)	1.00%	18,977,593	(40,004,886)	(35,421,268)	1.27%	(2,489,942)	37,062,551	8,500,984
	Adjusted Results of Operations	119,149,110	1,657,792,777	28,616,025	7.19%	121,639,052	1,620,730,225	2,211,414	7.51%	(2,489,942)	37,062,551	26,404,611

PUGET SOUND ENERGY-GAS
 STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
 For the Twelve Months Ended December 31, 2010
 Adjustment Summary (Page 1 of 4)

LINE NO.	DESCRIPTION	CONTESTED OPERATIONS 12ME December 31, 2010	CONTESTED DEPRECIATION 5.01	UNCONTESTED WATER HEATER RECLASS BARE TO CHANGES 5.03	UNCONTESTED TEMPERATURE NORMALIZATION 6.01	UNCONTESTED REVENUE & EXPENSES 6.02
1	OPERATING REVENUES					
2	SALES TO CUSTOMERS	\$ 953,445,526	-		\$ 33,261,442	\$ 10,718,138
3	MUNICIPAL ADDITIONS	43,761,997				
4	OTHER OPERATING REVENUES	14,322,994				575,830
5	TOTAL OPERATING REVENUES	\$ 1,011,530,516	\$ -	\$ -	\$ 33,261,442	\$ 11,293,969
6						
7						
8	OPERATING REVENUE DEDUCTIONS:					
9						
10	GAS COSTS:					
11						
12	PURCHASED GAS	\$ 535,932,510	-		\$ 21,569,842	\$ (15,221,524)
13						
14	TOTAL PRODUCTION EXPENSES	\$ 535,932,510	\$ -	\$ -	\$ 21,569,842	\$ (15,221,524)
15						
16	OTHER POWER SUPPLY EXPENSES	\$ 1,937,122	-		-	-
17	TRANSMISSION EXPENSE	226,853				
18	DISTRIBUTION EXPENSE	50,238,405		(984,861)	115,584	39,247
19	CUSTOMER ACCOUNT EXPENSES	32,629,594				
20	CUSTOMER SERVICE EXPENSES	4,454,346				
21	CONSERVATION AMORTIZATION	14,771,682				
22	ADMIN & GENERAL EXPENSE	42,818,070				
23	DEPRECIATION	102,386,843	(6,263,399)		66,523	22,588
24	AMORTIZATION	12,778,120				
25	AMORTIZATION OF PROPERTY LOSS	-				
26	OTHER OPERATING EXPENSES	(187,824)				
27	FAS 133	-				
28	TAXES OTHER THAN INCOME TAXES	98,746,988			1,276,774	433,530
29	INCOME TAXES	15,204,117		344,701	3,581,452	9,107,045
30	DEFERRED INCOME TAXES	(3,067,771)				
31	TOTAL OPERATING REV. DEDUCT.	\$ 908,869,057	\$ (4,071,209)	\$ 195,347	\$ (640,160)	\$ (5,619,114)
32						
33	NET OPERATING INCOME	\$ 102,661,460	\$ 4,071,209	\$ (195,347)	\$ 640,160	\$ 16,913,083
34						
35	RATE BASE	\$ 1,660,735,111	\$ (2,218,846)	\$ (97,673)	\$ -	\$ -
36						
37	RATE OF RETURN	6.18%				
38						
39	RATE BASE:					
40	UTILITY PLANT IN SERVICE	\$ 2,787,911,459	\$ -	\$ -	\$ -	\$ -
41	ACCUMULATED DEPRECIATION	(924,038,095)	(2,431,349)	(150,267)		
42	ACCUMULATED DEFERRED FIT	(254,856,083)	212,503	52,593		
43	OTHER	(27,129,125)				
44	TOTAL NET INVESTMENT	\$ 1,581,888,156	\$ (2,218,846)	\$ (97,673)	\$ -	\$ -
45	ALLOWANCE FOR WORKING CAPITAL	78,846,955				
46	TOTAL RATE BASE	\$ 1,660,735,111	\$ (2,218,846)	\$ (97,673)	\$ -	\$ -

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
 For the Twelve Months Ended December 31, 2010
 Adjustment Summary (Page 2 of 4)

LINE NO.	DESCRIPTION	UNCONTESTED PASS THROUGH REVENUE & EXPENSE 6.03	CONTESTED FEDERAL INCOME TAX 6.04	CONTESTED TAX BENEFIT OF PRO FORMA INTEREST 6.05	CONTESTED MISCELLANEOUS OPERATING EXPENSE 6.06	CONTESTED GENERAL PLANT DEPRECIATION 6.07	UNCONTESTED NORMALIZE INJURIES & DAMAGES 6.08
1	OPERATING REVENUES						
2	SALES TO CUSTOMERS	\$ 42,363,147	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	(43,761,997)					
4	OTHER OPERATING REVENUES						
5	TOTAL OPERATING REVENUES	\$ (1,398,850)	\$ -	\$ -	\$ -	\$ -	\$ -
6							
7	OPERATING REVENUE DEDUCTIONS:						
8							
9	GAS COSTS:						
10							
11							
12	PURCHASED GAS	\$ 58,642,444	\$ -	\$ -	\$ -	\$ -	\$ -
13							
14	TOTAL PRODUCTION EXPENSES	\$ 58,642,444	\$ -	\$ -	\$ -	\$ -	\$ -
15							
16	OTHER POWER SUPPLY EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE						
18	DISTRIBUTION EXPENSE	(4,861)			(72,885)		
19	CUSTOMER ACCOUNT EXPENSES	(3,337,444)					
20	CUSTOMER SERVICE EXPENSES	(14,771,682)					
21	CONSERVATION AMORTIZATION	(2,798)					
22	ADMIN & GENERAL EXPENSE				(384,836)		83,553
23	DEPRECIATION					(592,306)	
24	AMORTIZATION						
25	AMORTIZATION OF PROPERTY LOSS						
26	OTHER OPERATING EXPENSES						
27	FAS 133						
28	TAXES OTHER THAN INCOME TAXES	(42,162,546)			(13,987)		
29	INCOME TAXES	83,313	(16,846,707)	(18,265,630)	165,098	207,307	(29,243)
30	DEFERRED INCOME TAXES		45,680,808				
31	TOTAL OPERATING REV. DEDUCT.	\$ (1,553,574)	\$ 28,834,101	\$ (18,265,630)	\$ (306,610)	\$ (384,999)	\$ 54,310
32							
33	NET OPERATING INCOME	\$ 154,724	\$ (28,834,101)	\$ 18,265,630	\$ 306,610	\$ 384,999	\$ (54,310)
34	RATE BASE	\$ -	\$ (24,564,298)	\$ -	\$ -	\$ (113,067)	\$ -
35							
36	RATE OF RETURN						
37							
38	RATE BASE:						
39	UTILITY PLANT IN SERVICE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	ACCUMULATED DEPRECIATION					(173,949)	
41	ACCUMULATED DEFERRED FIT						
42	OTHER	\$ (24,564,298)				60,882	
43							
44	TOTAL NET INVESTMENT	\$ -	\$ (24,564,298)	\$ -	\$ -	\$ (113,067)	\$ -
45	ALLOWANCE FOR WORKING CAPITAL						
46	TOTAL RATE BASE	\$ -	\$ (24,564,298)	\$ -	\$ -	\$ (113,067)	\$ -

PUGET SOUND ENERGY-GAS
 STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
 For the Twelve Months Ended December 31, 2010
 Adjustment Summary (Page 4 of 4)

LINE NO.	DESCRIPTION	UNCONTESTED PROPERTY & LIABILITY INS 6.17	UNCONTESTED PENSION PLAN 6.18	UNCONTESTED WAGE INCREASE 6.19	UNCONTESTED INVESTMENT PLAN 6.20	UNCONTESTED INSURANCE 6.21	CONTESTED ALLOWANCE FOR WORKING CAPITAL ADJUSTMENTS 6.22	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES								
2	SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,342,727	
3	MUNICIPAL ADDITIONS							\$ (43,761,997)	
4	OTHER OPERATING REVENUES							\$ 575,830	
5	TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,156,561	
6								\$ 1,054,687,077	
7									
8	OPERATING REVENUE DEDUCTIONS:								
9									
10	GAS COSTS:								
11									
12	PURCHASED GAS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,990,762	
13									
14	TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,990,762	
15								\$ 600,923,272	
16	OTHER POWER SUPPLY EXPENSES								
17	TRANSMISSION EXPENSE			31,909				(12,184)	
18	DISTRIBUTION EXPENSE			2,307				(1,167)	
19	CUSTOMER ACCOUNT EXPENSES			549,544				(1,324,566)	
20	CUSTOMER SERVICE EXPENSES			215,964				(2,364,884)	
21	CONSERVATION AMORTIZATION			27,423				(3,346,360)	
22	ADMIN & GENERAL EXPENSE			284,336	62,481	8,425		(14,771,682)	
23	DEPRECIATION	(55,003)	896,597					538,920	
24	AMORTIZATION							(6,555,172)	
25	AMORTIZATION OF PROPERTY LOSS							-	
26	OTHER OPERATING EXPENSES							-	
27	FAS 133							142,453	
28	TAXES OTHER THAN INCOME TAXES			72,244				-	
29	INCOME TAXES	19,251	(313,809)	(414,304)	(21,868)	(2,949)		(39,606,753)	
30	DEFERRED INCOME TAXES							(19,191,228)	
31	TOTAL OPERATING REV. DEDUCT.	(35,752)	582,788	769,423	40,613	5,476		45,680,808	
32								24,178,968	
33	NET OPERATING INCOME	\$ 35,752	\$ (582,788)	\$ (769,423)	\$ (40,613)	\$ (5,476)	\$ -	\$ 18,977,593	
34								\$ 121,639,052	
35	RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	(13,011,001)	\$ (40,004,886)	
36								\$ 1,620,730,225	
37	RATE OF RETURN							7.51%	
38									
39	RATE BASE:								
40	UTILITY PLANT IN SERVICE							\$ 2,787,911,459	
41	ACCUMULATED DEPRECIATION							(2,755,565)	
42	ACCUMULATED DEFERRED FIT							(24,238,320)	
43	OTHER							(279,094,403)	
44	TOTAL NET INVESTMENT							(27,129,125)	
45	ALLOWANCE FOR WORKING CAPITAL							(26,993,885)	
46	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	(13,011,001)	\$ (40,004,886)	

Puget Sound Energy - Gas
WATER HEATER DEPRECIATION
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 5.01

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>ADJUSTMENT TO OPERATING EXPENSES</u>			
2	DEPRECIATION EXPENSE	\$7,798,988	\$1,535,589	\$ (6,263,399)
3	TOTAL WATER HEATERS DEPRECIATION EXPENSE	7,798,988	1,535,589	(6,263,399)
4				
5	INCREASE (DECREASE) EXPENSE			\$ (6,263,399)
6				
7	INCREASE (DECREASE) FIT EXPENSE		35%	\$ 2,192,190
8				
9	INCREASE (DECREASE) NOI			\$ 4,071,209
10				
11	<u>ADJUSTMENT TO RATE BASE</u>			
12	IMPACT ON ACCUMULATED DEPRECIATION			\$ (2,431,349)
13	DEFERRED FEDERAL INCOME TAX BENEFIT			\$ 212,503
14				
15	TOTAL ADJUSTMENT TO RATEBASE			\$ (2,218,846)

Puget Sound Energy - Gas
RECLASSIFICATION OF BARE STEEL PIPE TO WRAPPED STEEL PIPE
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 5.02

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>ADJUSTMENT TO OPERATING EXPENSES</u>			
2	403 DEPRECIATION EXPENSE	\$1,062,621	\$1,363,155	\$ 300,534
3				
4	INCREASE (DECREASE) EXPENSE		\$	300,534
5				
6	INCREASE (DECREASE) FIT EXPENSE		35% \$	(105,187)
7				
8	INCREASE (DECREASE) NOI		\$	<u>(195,347)</u>
9				
10	<u>ADJUSTMENT TO RATE BASE</u>			
11	ADJUSTMENT TO ACCUM. DEPREC.		\$	(150,267)
12	DEFERRED FEDERAL INCOME TAXES		35% \$	52,593
13	TOTAL ADJUSTMENT TO RATEBASE			<u><u>(97,673)</u></u>

Puget Sound Energy - Gas
 CONTRACT CHANGES

For the Twelve Months Ended December 31, 2010
 Adjustment Number - 5.03

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	ADJUSTMENT TO OPERATING EXPENSES			
2	DECREASE IN SERVICE CONTRACT O&M BASELINE CHARGES	\$8,525,942	\$7,541,081	\$ (984,861)
3	INCREASE (DECREASE) IN EXPENSE	\$8,525,942	\$7,541,081	\$ (984,861)
4				
5	TOTAL INCREASE (DECREASE) IN INCOME			\$ 984,861
6	INCREASE (DECREASE) FIT @ 35%		35.00%	\$ 344,701
7				
8	INCREASE (DECREASE) NOI			\$ 640,160

**PUGET SOUND ENERGY-GAS
TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
Adjustment Number - 6.01**

LINE NO.	DESCRIPTION	ADJUSTMENT		
1	TEMPERATURE NORMALIZATION ADJUSTMENT:			
2		ACTUAL	TEMP ADJ	THERMS
3		THERMS	THERMS	CHANGE
4	Jan-10	128,745,037	151,950,258	23,205,221
5	Feb-10	107,438,064	123,124,539	15,686,475
6	Mar-10	111,751,311	115,718,871	3,967,560
7	Apr-10	92,608,601	89,726,214	(2,882,387)
8	May-10	74,871,802	67,935,817	(6,935,985)
9	Jun-10	56,233,149	52,834,021	(3,399,128)
10	Jul-10	45,903,282	44,771,928	(1,131,354)
11	Aug-10	44,931,621	43,877,935	(1,053,686)
12	Sep-10	49,140,650	49,056,667	(83,983)
13	Oct-10	77,063,217	79,839,487	2,776,270
14	Nov-10	121,261,601	111,333,789	(9,927,812)
15	Dec-10	146,682,208	159,387,099	12,704,891
16		<u>1,056,630,543</u>	<u>1,089,556,625</u>	<u>32,926,082</u>
17				
18	REVENUE ADJUSTMENT:			
19	Residential (23)		\$	23,283,585
20	Commercial & industrial (31)		\$	8,285,263
21	Large volume (41)		\$	759,944
22	Transportation -Large volume (41T)		\$	2,198
23	Interruptible (85)		\$	253,251
24	Limited interruptible (86)		\$	302,794
25	Non exclusive interruptible (87)		\$	353,348
26	Transportation (87T)		\$	12,177
27	Contracts (99,199,299)		<u>\$</u>	<u>8,880</u>
28	INCREASE (DECREASE) SALES TO CUSTOMERS		\$	33,261,442
29	OPERATING EXPENSES			
30	PURCHASED GAS COSTS		<u>\$</u>	<u>21,569,842</u>
31			\$	21,569,842
32				
33	UNCOLLECTIBLES @	0.003475	\$	115,584
34	ANNUAL FILING FEE @	0.002000	<u>\$</u>	<u>66,523</u>
35	INCREASE (DECREASE) EXPENSES		\$	182,107
36				
37	STATE UTILITY TAX @	0.038386	<u>\$</u>	<u>1,276,774</u>
38	INCREASE (DECREASE) TAXES OTHER		\$	1,276,774
39				
40	INCREASE (DECREASE) INCOME		\$	10,232,719
41				
42	INCREASE (DECREASE) FIT @	35%	<u>\$</u>	<u>3,581,452</u>
43	INCREASE (DECREASE) NOI		<u>\$</u>	<u>6,651,267</u>
44				
45				

Puget Sound Energy - Gas
REVENUE AND EXPENSES
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.02

LINE NO. DESCRIPTION	ADJUSTMENT
1 SALES TO CUSTOMERS:	
2 ADD GRC INCREASE DOCKET UG-090705	\$ 3,271,185
3 ADD GTIF INCREASE DOCKET UG-101644	\$ 17,985,993
4 RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO	\$ -
5 OTHER OPERATING	\$ (1,206,883)
6 OCTOBER 2010 PURCHASED GAS	\$ -
7 ADJUSTMENT, DOCKET UG-101642 - REDUCE REVENUES FROM PGA	\$ (21,345,994)
8 TRUE UP CHANGE IN UNBILLED	\$ 10,634,442
9 MIGRATION ADJUSTMENT FOR SCHEDULES 41T AND 86T	\$ (1,035,101)
10 MIGRATION ADJUSTMENT FOR SCHEDULE 41	\$ (415,904)
11 MERGER RATE CREDIT SCHEDULE 132	\$ 3,430,013
12 OTHER ADJUSTMENTS	\$ (599,613)
13 RESTATING ADJUSTMENTS SALES TO CUSTOMERS	<u>\$ 10,718,138</u>
14	
15 TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS	\$ 10,718,138
16	
17 OTHER OPERATING REVENUES	
18 RENTALS:	
19 2009 GRC INCREASE DOCKET UG-090705	\$ 51,275
20 ADD GTIF INCREASE DOCKET UG-101644	\$ 381,350
21 TRUE UP CHANGE IN UNBILLED	\$ 66,948
22 OTHER OPERATING REVENUES	\$ -
23 RECLASS PENALTIES AND NEW CUSTOMER REVENUE	\$ -
24 FROM SALES TO CUSTOMERS	\$ 1,206,883
25 REMOVE STORAGE RENTAL REVENUE	\$ (1,130,625)
26	
27 TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE	<u>\$ 575,830</u>
28	
29 TOTAL INCREASE (DECREASE) REVENUES	\$ 11,293,969
30	
31 OPERATING EXPENSES:	
32 PURCHASED GAS COSTS	
33 2009 GRC INCREASE DOCKET UG-090705	\$ -
34 RECLASS PENALTIES AND NEW CUSTOMER REVENUE TO	\$ -
35 OTHER OPERATING	\$ -
36 NOVEMBER 2010 PURCHASED GAS	\$ -
37 ADJUSTMENT, DOCKET UG-101642 REDUCE GAS COSTS FROM PGA	\$ (20,443,597)
38 TRUE UP CHANGE IN UNBILLED - GAS COSTS	\$ 6,264,490
39 MIGRATION ADJUSTMENT FOR SCHEDULES 41T AND 86T	\$ (991,036)
40 MIGRATION ADJUSTMENT FOR SCHEDULE 41	\$ (39,559)
41 OTHER ADJUSTMENTS	<u>\$ (11,822)</u>
42 TOTAL PURCHASE GAS COSTS	<u>\$ (15,221,524)</u>
43	
44 UNCOLLECTIBLES @	0.003475 \$ 39,247
45 ANNUAL FILING FEE @	0.002000 \$ 22,588
46 INCREASE (DECREASE) EXPENSES	\$ (15,159,690)
47	
48 STATE UTILITY TAX @	0.038386 \$ 433,530
49	
50 INCREASE (DECREASE) TAXES OTHER	<u>\$ 433,530</u>
51	
52 INCREASE (DECREASE) INCOME	\$ 26,020,128
53 INCREASE (DECREASE) FIT @	35% \$ 9,107,045
54 INCREASE (DECREASE) NOI	<u>\$ 16,913,083</u>

PUGET SOUND ENERGY-GAS
PASS THROUGH REVENUE AND EXPENSE
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.03

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u>	
2 REMOVE LOW INCOME - SCHEDULE 129	\$ 3,488,171
3 REMOVE CONSERVATION - SCHEDULE 120	\$ 15,438,475
4 REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106	\$ (61,289,793)
5 REMOVE MUNICIPAL TAXES	\$ 43,761,997
6	
7 TOTAL (INCREASE) DECREASE REVENUES	<u>\$ 1,398,850</u>
8	
9 <u>ADJUST REVENUE SENSITIVE ITEMS FOR REMOVAL OF REVENUE:</u>	
10 BAD DEBTS	0.3475% \$ (4,861)
11 ANNUAL FILING FEE	0.2000% \$ (2,798)
12 STATE UTILITY TAX	3.8386% \$ (53,696)
13 TOTAL INCREASE (DECREASE) EXPENSE	<u>4.3861% \$ (61,355)</u>
14	
15 <u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u>	
16 REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129	\$ (3,337,444)
17 REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120	\$ (14,771,682)
18 REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106	\$ 58,642,444
19 REMOVE MUNICIPAL TAXES	\$ (42,108,850)
20	
21 TOTAL INCREASE (DECREASE) EXPENSE	<u>\$ (1,575,532)</u>
22	
23 INCREASE (DECREASE) IN OPERATING INCOME BEFORE TAXES	\$ 238,036
24 INCREASE (DECREASE) FIT	35% \$ 83,313
25 INCREASE (DECREASE) NOI	<u>\$ 154,724</u>

**Puget Sound Energy - Gas
FEDERAL INCOME TAX
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.04**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	TAXABLE INCOME (LOSS) (NOTE 1)	\$ (4,693,113)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @	35% \$ (1,642,590)
5	DEFERRED FIT - DEBIT	\$ 45,915,086
6	DEFERRED FIT - CREDIT	\$ (3,097,484)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	\$ (204,565)
8	TOTAL RESTATED FIT	<u>\$ 40,970,448</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ 15,204,117
12	DEFERRED FIT - DEBIT	\$ 59,583,058
13	DEFERRED FIT - CREDIT	\$ (62,446,264)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>\$ (204,565)</u>
15		
16	TOTAL CHARGED TO EXPENSE	\$ 12,136,346
17		
18	INCREASE(DECREASE) FIT	\$ (16,846,707)
19	INCREASE(DECREASE) DEFERRED FIT	\$ 45,680,808
20	INCREASE(DECREASE) ITC	\$ -
21	INCREASE(DECREASE) NOI	<u>\$ (28,834,101)</u>
22		
23	<u>ADJUSTMENT TO RATE BASE</u>	
24	ACCOUNT 282 REPAIRS	\$ (24,996,849)
25	ACCOUNT 282 RETIREMENTS	\$ 432,551
26	TOTAL ADJUSTMENT TO RATEBASE	<u>\$ (24,564,298)</u>
27		
28	(NOTE 1)	
29	DOES NOT INCLUDE A DEDUCTION FOR INTEREST AS THE TAX EFFECT FOR	
30	TOTAL PROFORMA INTEREST IS CALCULATED IN ADJUSTMENT 6.05	

Puget Sound Energy - Gas
TAX BENEFIT OF PRO FORMA INTEREST
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 6.05

LINE NO.	DESCRIPTION	ADJUSTMENT
1	RATE BASE	<u>\$ 1,620,730,225</u>
2		
3	NET RATE BASE	\$ 1,620,730,225
4		
5	WEIGHTED COST OF DEBT	<u>3.22%</u>
6	PROFORMA INTEREST	<u>\$ 52,187,513</u>
7		
8	INCREASE (DECREASE) INCOME	\$ (52,187,513)
9		
10	INCREASE (DECREASE) FIT @	35%
11	INCREASE (DECREASE) NOI	<u>\$ (18,265,630)</u> <u>\$ 18,265,630</u>

Puget Sound Energy - Gas
MISCELLANEOUS OPERATING EXPENSE
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 6.06

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>OPERATING REVENUES</u>			
2	LAID OFF EMPLOYEES:			
3	DISTRIBUTION	\$ 72,885	\$ -	\$ (72,885)
4	ADMIN & GENERAL	\$ 17,150	\$ -	\$ (17,150)
5	EXECUTIVE SALARY	\$ 253,236	\$ 2,465	\$ (250,770)
6	BENEFITS ON THE ABOVE WAGE ADJUSTMENTS	\$ 96,556	\$ -	\$ (96,556)
7	PAYROLL TAXES ON ON THE ABOVE WAGE ADJUSTMENTS	\$ 14,949	\$ 962	\$ (13,987)
8	REMOVE NON-BUSINESS OR NON-UTILITY RELATED EXPENSES	\$ 32,221	\$ 11,861	\$ (20,360)
9	INCREASE(DECREASE) IN EXPENSE	<u>\$ 486,995</u>	<u>\$ 15,288</u>	<u>\$ (471,707)</u>
10				
11	INCREASE (DECREASE) FIT @		35%	<u>\$ 165,098</u>
12				
13	INCREASE (DECREASE) NOI			<u>\$ 306,610</u>
14				
15				
16	CHANGED CEO ALLOCATION FACTOR TO MATCH REYNOLDS ALLOCATION FACTOR			
17	BACKED OUT 50% OF DIRECTOR FEES			
18	BACKED OUT 50% OF DIRECTOR EXPENSES			

Puget Sound Energy - Gas
GENERAL PLANT DEPRECIATION
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.07

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<u>GENERAL PLANT DEPRECIATION EXPENSES</u>			
2	DEPRECIATION EXPENSE	\$ 6,052,438	\$ 5,460,132	\$ (592,306)
3	INCREASE (DECREASE) EXPENSE	\$ 6,052,438	\$ 5,460,132	\$ (592,306)
4				
5	INCREASE (DECREASE) EXPENSE			\$ (592,306)
6				
7	INCREASE (DECREASE) FIT @		35%	\$ 207,307
8				
9	INCREASE (DECREASE) NOI			<u>\$ 384,999</u>
10				
11				
12	<u>GENERAL PLANT RATEBASE</u>			
13	PLANT BALANCE			
14	ACCUMULATED DEPRECIATION	\$ -	\$ (173,949)	\$ (173,949)
15	ACCUMULATED DEFERRED FIT	\$ -	\$ 60,882	\$ 60,882
16	NET RATEBASE	<u>\$ -</u>	<u>\$ (113,067)</u>	<u>\$ (113,067)</u>

Puget Sound Energy - Gas
 NORMALIZE INJURIES AND DAMAGES
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 6.08

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	ACCRUALS	\$ 111,907	\$ 70,636	\$ (41,271)
2	PAYMENTS IN EXCESS OF ACCRUALS	\$ 524,688	\$ 649,512	\$ 124,824
3				
4	INCREASE/(DECREASE) IN EXPENSE	\$ 636,595	\$ 720,148	\$ 83,553
5				
6				
7				
8				
9	INCREASE/(DECREASE) IN OPERATING EXPENSE (LINE 4)			\$ 83,553
10	INCREASE (DECREASE) FIT @		35%	\$ (29,243)
11				
12				
13				
14				
15	INCREASE (DECREASE) NOI			\$ (54,310)

Puget Sound Energy - Gas
BAD DEBTS
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 6.09

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	OTHER REVENUES	NET REVENUES	ADJUSTMENT
1	12 MOS ENDED	DECEMBER	AUGUST	AUGUST	AUGUST	
2	2007	\$ 3,389,028	\$ 1,224,844,682	\$ 17,471,949	\$ 1,207,372,733	0.2807%
3	2008	\$ 3,664,592	\$ 1,193,302,341	\$ 17,237,406	\$ 1,176,064,935	0.3116%
4	2009	\$ 5,677,036	\$ 1,279,928,251	\$ 19,180,943	\$ 1,260,747,308	0.4503%
5	3-YR AVERAGE OF NET WRITE OFF RATE					0.3475%
6						
7	TEST PERIOD REVENUES		\$ 1,011,530,516	\$ 14,712,939	\$ 996,817,577	
8						
9	PROFORMA BAD DEBT RATE				0.3475%	
10	PROFORMA BAD DEBTS				\$ 3,463,941	
11						
12	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR				\$ 5,886,142	
13	INCREASE (DECREASE) EXPENSE					\$ (2,422,201)
14						
15	INCREASE (DECREASE) FIT				35%	\$ 847,770
16	INCREASE (DECREASE) NOI					\$ 1,574,431

Puget Sound Energy - Gas
INCENTIVE PAY
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.10

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 8,773	\$ 3,892	\$ (4,881)
3	OTHER GAS SUPPLY	\$ 29,147	\$ 12,691	\$ (16,456)
4	STORAGE, LNG T&G	\$ 40,467	\$ 17,711	\$ (22,756)
5	TRANSMISSION	\$ 6,226	\$ 2,751	\$ (3,474)
6	DISTRIBUTION	\$ 1,457,656	\$ 641,291	\$ (816,365)
7	CUSTOMER ACCTS	\$ 588,043	\$ 257,721	\$ (330,322)
8	CUSTOMER SERVICE	\$ 54,899	\$ 23,883	\$ (31,016)
9	SALES	\$ 9,339	\$ 4,016	\$ (5,323)
10	ADMIN. & GENERAL	\$ 635,301	\$ 275,444	\$ (359,857)
11	TOTAL INCENTIVE PAY	<u>\$ 2,829,850</u>	<u>\$ 1,239,401</u>	<u>\$ (1,590,449)</u>
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	\$ 228,677	\$ 100,155	\$ (128,522)
14	INCREASE(DECREASE) EXPENSE	<u>\$ 3,058,527</u>	<u>\$ 1,339,556</u>	<u>\$ (1,718,971)</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ (1,718,971)
17				
18	INCREASE(DECREASE) FIT @		35%	<u>\$ 601,640</u>
19	INCREASE(DECREASE) NOI			<u><u>\$ 1,117,331</u></u>
20				
21				
22	DECREASED INCENTIVE PAY BY 50% PAYOUT RELATED TO FINANCIAL METRICS			

Puget Sound Energy - Gas
PROPERTY TAXES
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.11

LINE NO. DESCRIPTION	ADJUSTMENT
1 RESTATED PROPERTY TAX	\$ 15,215,102
2 CHARGED TO EXPENSE IN TY	\$ 14,375,106
3 INCREASE(DECREASE) EXPENSE	\$ 839,996
4	
5 INCREASE(DECREASE) FIT @ 35%	\$ (293,999)
6 INCREASE(DECREASE) NOI	\$ (545,997)

Puget Sound Energy - Gas
EXCISE TAXES
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.12

LINE NO. DESCRIPTION	ADJUSTMENT
1 RESTATED EXCISE TAXES	\$ 38,731,992
2 CHARGED TO EXPENSE FOR TEST YEAR	\$ 38,656,213
3 INCREASE (DECREASE) EXCISE TAX	\$ 75,779
4	
5 RESTATED WUTC FILING FEE	\$ 2,040,814
6 CHARGED TO EXPENSE FOR TEST YEAR	\$ 2,040,814
7 INCREASE(DECREASE) WUTC FILING FEE	\$ (0)
8	
9 INCREASE(DECREASE) EXPENSE	\$ 75,779
10	
11 INCREASE(DECREASE) FIT @	35% \$ (26,523)
12 INCREASE(DECREASE) NOI	\$ (49,256)

Puget Sound Energy - Gas
D&O INSURANCE
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.13

LINE NO.	DESCRIPTION	TEST YEAR	RESTATED	ADJUSTMENT
1	D & O INS. EXPENSE	\$ 224,470	\$ 141,379	\$ (83,090)
2				
3	INCREASE (DECREASE) D&O EXPENSE			\$ (83,090)
4				
5	INCREASE (DECREASE) OPERATING EXPENSE			(83,090)
6				
7	INCREASE (DECREASE) FIT @		35%	29,082
8	INCREASE (DECREASE) NOI			<u>\$ 54,009</u>
9				
10				
11	Disallow 50% of D&O Insurance related to Directors.			

Puget Sound Energy - Gas
INTEREST ON CUSTOMER DEPOSITS
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.14

LINE NO. DESCRIPTION	ADJUSTMENT
1 INTEREST EXPENSE AT MOST CURRENT INTEREST RATE	\$ 21,705
2	
3 INCREASE (DECREASE) NOI	\$ (21,705)

Puget Sound Energy - Gas
RATE CASE EXPENSES
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.15

LINE NO.	DESCRIPTION	ADJUSTMENT
1	EXPENSES TO BE NORMALIZED:	
2		
3	ESTIMATED 2007 AND 2009 GRC EXPENSES TO BE NORMALIZED	\$ 542,850
4		
5	ANNUAL NORMALIZATION (LINE 3 ÷ 2 YEARS)	\$ 271,425
6	LESS TEST YEAR EXPENSE	\$ 271,425
7		
8	INCREASE (DECREASE) EXPENSE	\$ - \$ -
9		
10		
11	TOTAL INCREASE (DECREASE) EXPENSE	\$ -
12		
13	INCREASE(DECREASE) FIT @	35% \$ -
14	INCREASE(DECREASE) NOI	\$ -

Puget Sound Energy - Gas
DEFERRED GAINS/LOSSES ON PROPERTY SALES
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.16

LINE NO.	DESCRIPTION	ADJUSTMENT
1	DEFERRED GAIN RECORDED SINCE UG-090705, et al. at 04/30/2012	\$ (185,547)
2	DEFERRED LOSS RECORDED SINCE UG-090705, et al. at 04/30/2012	\$ 49,436
3	TOTAL DEFERRED NET GAIN TO AMORTIZE	<u>\$ (136,111)</u>
4		
5	ANNUAL AMORTIZATION (LINE 3 ÷ 36 MONTHS) x 12	\$ (45,370)
6		
7	AMORTIZATION OF DEFERRED NET GAIN FOR TEST YEAR	<u>\$ (187,824)</u>
8		
9	INCREASE (DECREASE) EXPENSE	\$ 142,453
10		
11	INCREASE (DECREASE) FIT @ 35%	<u>\$ (49,859)</u>
12		
13	INCREASE (DECREASE) NOI	<u>\$ (92,595)</u>

Puget Sound Energy - Gas
PROPERTY & LIABILITY INSURANCE
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.17

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 617,989	\$ 684,759	\$ 66,770
2	LIABILITY INSURANCE EXPENSE	\$ 1,094,951	\$ 973,178	\$ (121,773)
3	INCREASE(DECREASE) EXPENSE	\$ 1,712,940	\$ 1,657,937	\$ (55,003)
4				
5				
6	INCREASE (DECREASE) FIT @	35%		\$ 19,251
7	INCREASE (DECREASE) NOI			\$ 35,752

Puget Sound Energy - Gas
PENSION PLAN
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.18

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ 1,592,583	\$ 2,717,147	\$ 1,124,564
2	SERP PLAN	\$ 227,966	\$ -	\$ (227,966)
3				
4	INCREASE(DECREASE) EXPENSE	\$ 1,820,550	\$ 2,717,147	\$ 896,597
5				
6				
7	INCREASE (DECREASE) FIT @	35%		\$ (313,809)
8	INCREASE (DECREASE) NOI			\$ (582,788)

Puget Sound Energy - Gas
WAGE INCREASE
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.19

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 136,391	\$ 139,942	\$ 3,551
3	OTHER GAS SUPPLY	\$ 446,961	\$ 459,248	\$ 12,287
4	STORAGE, LNG T&G	\$ 620,564	\$ 636,635	\$ 16,071
5	TRANSMISSION	\$ 95,791	\$ 98,098	\$ 2,307
6	DISTRIBUTION	\$ 22,381,164	\$ 22,930,708	\$ 549,544
7	CUSTOMER ACCTS	\$ 9,031,036	\$ 9,247,000	\$ 215,964
8	CUSTOMER SERVICE	\$ 843,006	\$ 866,204	\$ 23,198
9	SALES	\$ 142,425	\$ 146,650	\$ 4,225
10	ADMIN. & GENERAL	\$ 9,752,577	\$ 10,036,913	\$ 284,336
11	TOTAL WAGE INCREASE	\$ 43,449,915	\$ 44,561,398	\$ 1,111,483
12				
13	PAYROLL TAXES	\$ 3,533,372	\$ 3,605,616	\$ 72,244
14	TOTAL WAGES & TAXES	\$ 46,983,287	\$ 48,167,014	\$ 1,183,727
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 1,183,727
17	INCREASE (DECREASE) FIT @ 35%			\$ (414,304)
18	INCREASE (DECREASE) NOI			\$ (769,423)
19				
20				
21	REMOVE ANY INCREASE BEYOND THE BEGINNING OF THE RATE YEAR (May 15, 2012)			

**Puget Sound Energy - Gas
INVESTMENT PLAN
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.20**

LINE NO.	DESCRIPTION		ADJUSTMENT
1	NON-UNION (EXCLUDING EXECUTIVES)		
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT		\$2,621,976
3	RATE YEAR MANAGEMENT WAGE INCREASE	2.97%	<u>\$77,873</u>
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT		\$2,699,849
5			
6	NON-UNION (EXECUTIVES)		
7	INVESTMENT PLAN APPLICABLE TO IBEW		\$64,458
8	RATE YEAR IBEW WAGE INCREASE	0.00%	<u>\$0</u>
9	TOTAL COMPANY CONTRIBUTION FOR IBEW		\$64,458
10			
11	IBEW		
12	INVESTMENT PLAN APPLICABLE TO IBEW		\$684,365
13	RATE YEAR IBEW WAGE INCREASE	2.19%	<u>\$15,014</u>
14	TOTAL COMPANY CONTRIBUTION FOR IBEW		\$699,379
15			
16	UA		
17	INVESTMENT PLAN APPLICABLE TO UA		\$454,648
18	RATE YEAR UA WAGE INCREASE	2.26%	<u>\$10,286</u>
19	TOTAL COMPANY CONTRIBUTION FOR UA		<u>\$464,935</u>
20			
21	TOTAL		
22	TOTAL PROFORMA COSTS (LN 4 + LN 9 + LN 14 + LN 19)		\$3,928,621
23	PRO FORMA COSTS APPLICABLE TO OPERATIONS	60.56%	\$2,379,173
24	CHARGED TO EXPENSE FOR YEAR ENDED 12/31/2010		<u>\$2,316,691</u>
25	INCREASE (DECREASE) EXPENSE		<u>\$62,481</u>
26			
27	INCREASE (DECREASE) FIT @	35%	<u>(\$21,868)</u>
28	INCREASE (DECREASE) NOI		<u>(\$40,613)</u>
29			
30			
31	REMOVE ANY INCREASE BEYOND THE BEGINNING OF THE RATE YEAR (May 15, 2012)		

Puget Sound Energy - Gas
EMPLOYEE INSURANCE
 For the Twelve Months Ended December 31, 2010
 Adjustment Number - 6.21

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>BENEFIT CONTRIBUTION:</u>	
2 SALARIED EMPLOYEES	\$6,138,648
3 UNION EMPLOYEES	\$4,713,746
4 RESTATED INSURANCE COSTS	<u>\$10,852,395</u>
5	
6 APPLICABLE TO OPERATIONS @	60.56% \$6,572,210
7 CHARGED TO EXPENSE DURING TEST YEAR	<u>\$6,563,785</u>
8 INCREASE(DECREASE) EXPENSE	\$8,425
9	
10 INCREASE(DECREASE) FIT @	35% \$ (2,949)
11	
12 INCREASE(DECREASE) NOI	<u>\$ (5,476)</u>
13	
14	
15 DECREASE HEADCOUNT TO ADJUST FOR LAID OFF EMPLOYEES THAT WILL NOT	
16 RECEIVE INSURANCE DURING THE RATE YEAR	

Puget Sound Energy - Gas
ALLOCATION OF WORKING CAPITAL
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.22

LINE NO.	Description	PER MJS-3 PAGE 3.04 AMA	STAFF ADJUSTMENT AMA	REVISED TOTAL AS ADJUSTED BY STAFF AMA	STAFF FOOTNOTE
1	Average Invested Capital				
2	Common Stock	\$ 859,038	\$ -	\$ 859,038	
3	Preferred Stock	-	-	-	
4	Additional Paid in Capital	2,958,716,487	-	2,958,716,487	
5	Unamortized Debt Expense	(56,743,291)	-	(56,743,291)	
6	Unappropriated Retained Earnings	194,884,510	-	194,884,510	
7	Notes Payable - Misc	-	-	-	
8	Long Term Debt	3,314,651,667	-	3,314,651,667	
9	Short Term Debt	137,068,619	-	137,068,619	
10	Accumulated Deferred ITC	318,143	-	318,143	
11	Treasury Grant	25,090,331	-	25,090,331	
12	Deferred Items -Other	(36,658)	-	(36,658)	
13	Unamortized Gain/Loss on Debt	(18,851,136)	-	(18,851,136)	
14	Total Average Invested Capital	6,555,957,710	-	6,555,957,710	
15					
16	Average Operating Investments - Electric				
17					
18	Plant in Service (includes acquisition adj)	6,853,037,154	-	6,853,037,154	
19	Electric Future Use Property	28,549,726	-	28,549,726	
20	Customer Advances for Construction	(67,513,639)	-	(67,513,639)	
21	Customer Deposits	(20,606,765)	-	(20,606,765)	
22	Deferred Taxes	(663,185,306)	-	(663,185,306)	
23	Deferred Debits/Credits - Other	412,578,353	26,338,952	438,917,305	(2)
24	Less: Accumulated Depreciation	(2,624,571,373)	-	(2,624,571,373)	
25	Conservation Investment	-	-	-	
26	Common Plant-Allocation to Electric	276,084,410	-	276,084,410	
27	Common Accum Depr-Allocation to Electric	(131,669,590)	-	(131,669,590)	
28	Common Deferred Taxes-Allocation to Electric	(9,487,641)	-	(9,487,641)	
29	NOL Carryforward	23,235,929	-	23,235,929	
30	Total Average Operating Investment - Electric	4,076,451,258	26,338,952	4,102,790,210	
31					
32	Average Operating Investments - Gas				
33					
34	Gas Utility Plant in Service	2,648,893,764	-	2,648,893,764	
35	Deferred Items - Other	19,962,603	20,973,698	40,936,301	(2)
36	Gas Stored Underground, Non-Current	7,815,443	-	7,815,443	
37	Gas Accumulated Depreciation	(857,738,071)	-	(857,738,071)	
38	Gas Customer Advances for Construction	(31,779,227)	-	(31,779,227)	
39	Gas Customer Deposits	(8,348,081)	-	(8,348,081)	
40	DFIT 17	(288,622,372)	-	(288,622,372)	
41	PGA	(9,255,951)	-	(9,255,951)	
42	Common Plant-Allocation to Gas	139,017,695	-	139,017,695	
43	Common Deferred Tax - Allocation to Gas	(3,907,562)	-	(3,907,562)	
44	Common Accumulated Depreciation-Allocation to Gas	(66,300,024)	-	(66,300,024)	
45	NOL Carryforward	18,506,289	-	18,506,289	
46	Total Average Operating Investment - Gas	1,568,244,506	20,973,698	1,589,218,203	
47					
48	Total Electric & Gas Operating Investment	5,644,695,763	47,312,650	5,692,008,413	(2)
49					
50	Construction Work in Progress				
51					
52	Elec Construction Work in Process	416,213,955	-	416,213,955	
53	Gas Construction Work in Process	49,912,986	-	49,912,986	
54	Other Work in Process	729,075	-	729,075	
55	Electric Preliminary Surveys	2,152,924	-	2,152,924	
56	Total Construction Work in Progress	469,008,940	-	469,008,940	
57					
58	Nonoperating				
59					
60	Non-Utility Property	(81,520,475)	-	(81,520,475)	
61	Investment in Associated Companies	50,127,428	-	50,127,428	
62	Other Investments & FAS 133	80,318,879	-	80,318,879	
63	Deferred Items-Other	200,268,839	-	200,268,839	
64	Deferred Federal Income Tax	(33,934,336)	-	(33,934,336)	
65	Temporary Cash Investments	-	1,941,029	1,941,029	(1)
66	Environmental Receivables	(64,474,449)	-	(64,474,449)	

Puget Sound Energy - Gas
ALLOCATION OF WORKING CAPITAL
For the Twelve Months Ended December 31, 2010
Adjustment Number - 6.22

LINE NO.	DESCRIPTION	PER MJS-3 PAGE 3.04 AMA	STAFF ADJUSTMENT AMA	REVISED TOTAL AS ADJUSTED BY STAFF AMA	STAFF FOOTNOTE
67	Current Accounts - Gas Allocation only	1,553	-	1,553	
68	Merchandising Inventory - Gas Only	80,791	-	80,791	
69		-	-	-	
70	Total Non Operating Investment	150,868,230	1,941,029	152,809,259	
71					
72	Total CWIP & Nonoperating Investment	619,877,170	1,941,029	621,818,199	
73					
74	Total Average Investments	6,264,572,933	49,253,679	6,313,826,612	
75	Rounding				
76	Total Investor Supplied Capital	\$ 291,384,777	\$ (49,253,679)	\$ 242,131,098	
77					
78					
79					
80	Electric Working Capital				
81	Total Investment	\$ 6,264,572,933	\$ 49,253,679	\$ 6,313,826,612	
82	Less: Electric CWIP	(416,213,955)	-	(416,213,955)	
83	Less: Gas CWIP	(49,912,986)	-	(49,912,986)	
84	Interest Bearing Regulatory Assets	-	-	-	
85	Other Work in Progress	(729,075)	-	(729,075)	
86	Preliminary Surveys	(2,152,924)	-	(2,152,924)	
87	Total	5,795,563,993	49,253,679	5,844,817,672	
88					
89	Electric Working Capital Ratio	5.0277%		4.1427%	
90					
91	Electric Working Capital	\$ 204,952,588	\$ (34,987,817)	\$ 169,964,771	
92					
93	Gas Working Capital				
94	Total Investment	\$ 6,264,572,933	\$ 49,253,679	\$ 6,313,826,612	
95	Less: Electric CWIP	(416,213,955)	-	(416,213,955)	
96	Less: Gas CWIP	(49,912,986)	-	(49,912,986)	
97	Interest Bearing Regulatory Assets	-	-	-	
98	Other Work in Progress	(729,075)	-	(729,075)	
99	Preliminary Surveys	(2,152,924)	-	(2,152,924)	
100	Total	5,795,563,993	49,253,679	5,844,817,672	
101					
102	Gas Working Capital Ratio	5.0277%		4.1427%	
103					
104	Gas Working Capital	\$ 78,846,955	\$ (13,011,001)	\$ 65,835,954	
105					
106	Non Operating Working Capital	\$ 7,585,233	\$ (1,254,861)	\$ 6,330,373	
107					

108 Footnotes:
109 (1) Reflect impact of PSE's Response to Staff Data Request No. 091.
110 (2) Reflect impact of Ralph Smith's Federal Income Tax Payable adjustment to exclude the remainder of A/C # 23600033.[#]
111
112
113 The debit balance in Account 236, "Accrued Federal Income Taxes Payable," of \$47,312,650 (on a 2010 AMA basis) is removed from PSE's rate base
114 through these offsets to operating investments, to reflect that the company has included it in rate base indirectly through its proposed working capital item.
115 The company's reduction of \$25,251,084 in column "D" on line 76 above is only a partial removal of this debit balance. The total AMA amount of \$72,563,73
116 is therefore only partially offset by the company's adjustment. The remaining \$47,312,650 is removed by Staff in column "G" also on line 76 above.
117 Because the \$47,312,650 amount is for PSE's electric and gas utility operations combined, the amount has been allocated between electric and gas
118 based on the NOL factors above in the same manner as the company has allocated its \$25,251,084.
119 This also reconciles with Staff Data Request No. 091 and the company's treatment of A/C # 23600033.

Puget Sound Energy - Gas
REVENUE REQUIREMENT
For the Twelve Months Ended December 31, 2010
General Rate Case

LINE NO.	DESCRIPTION	
1	RATE BASE	\$ 1,620,730,225
2	RATE OF RETURN	7.59%
3		
4	OPERATING INCOME REQUIREMENT	\$ 123,013,424
5		
6	PRO FORMA OPERATING INCOME	<u>\$ 121,639,052</u>
7	OPERATING INCOME DEFICIENCY	<u>\$ 1,374,372</u>
8		
9	CONVERSION FACTOR	62.149%
10		
11		
12	REVENUE REQUIREMENT DEFICIENCY	\$ 2,211,414
13	OTHER OPERATING REVENUES	\$ -
14		
15	REVENUE REQUIREMENT DEFICIENCY	<u><u>\$ 2,211,414</u></u>

Puget Sound Energy - Gas
PRO FORMA COST OF CAPITAL
For the Twelve Months Ended December 31, 2010
General Rate Case

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	SHORT TERM DEBT	4.00%	2.68%	0.11%
2	LONG TERM DEBT	50.0%	6.22%	3.11%
3	PREFERRED STOCK	0.00%	0.00%	0.00%
4	EQUITY	46.00%	9.50%	4.37%
5	TOTAL	100.00%		7.59%
6				
7	AFTER TAX SHORT TERM DEBT (LINE 1 * 65%)	4.00%	1.74%	0.07%
8	AFTER TAX LONG TERM DEBT (LINE 2 * 65%)	50.00%	4.04%	2.02%
9	PREFERRED	0.00%	0.00%	0.00%
10	EQUITY	46.00%	9.50%	4.37%
11	TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.46%

Puget Sound Energy - Gas
CONVERSION FACTOR
For the Twelve Months Ended December 31, 2010
General Rate Case

LINE	NO. DESCRIPTION	RATE	AMOUNT
1	BAD DEBTS		0.003475
2	ANNUAL FILING FEE		0.002000
3	STATE UTILITY TAX (3.852% - (LINE 1 * 3.852%))	3.852%	<u>0.038386</u>
4			
5	SUM OF TAXES OTHER		0.043861
6			
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5)		0.956139
8	FEDERAL INCOME TAX (LINE 7 * 35%)	35%	<u>0.334649</u>
9			
10	CONVERSION FACTOR		<u><u>0.621490</u></u>