

**EXHIBIT NO. ___(EMM-4)
DOCKET NO. UE-07___/UG-07___
2007 MERGER PROCEEDING
WITNESS: ERIC M. MARKELL**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of

PUGET HOLDINGS LLC

and

PUGET SOUND ENERGY, INC.

For an Order Authorizing Proposed Transaction

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

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ERIC M. MARKELL
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 17, 2007

Puget Sound Energy, Inc.
Rollforward Balance Sheet
For the Period Ending September 30, 2008
(Dollars in Thousands)

Line	Actual September 30, 2007	Balance Sheet Activity From 10/1/07 to 9/30/08 (a)	Puget Energy Equity Investment in Dec 2007 (b)	Proforma Dividends 10/1/07- 9/30/08 (c)	Proforma Sept 30, 2008 Before Merger	PSE New Credit Facility Fees (d)	Puget Energy Equity Investment on Sept 30, 2008 (e)	Redemption of Debt on Sept 30, 2008 (f)	Proforma at September 30, 2008	
ASSETS:										
1										
2	Utility Plant	\$ 8,594,180	\$ 644,953	\$ -	\$ -	\$ 9,239,133	\$ -	\$ -	\$ 9,239,133	
3	Less: Accumulated Depreciation and Amortization	(3,072,245)	(254,622)	-	-	(3,326,867)	-	-	(3,326,867)	
4	Net Utility Plant	5,521,935	390,331	-	-	5,912,266	-	-	5,912,266	
5	Other Property and Investments	153,874	(20,167)	-	-	133,707	-	-	133,707	
6	Current Assets:									
7	Cash	29,677	(3,662)	-	-	26,015	(26,450)	393,916	(435)	
8	Restricted Cash	841	(841)	-	-	-	-	-	-	
9	Accounts Receivable	122,539	210,113	-	-	332,652	-	-	332,652	
10	Less: Allowance for Doubtful Accounts	(2,764)	208	-	-	(2,556)	-	-	(2,556)	
11	Secure Pledged Accounts Receivable	126,000	(126,000)	-	-	-	-	-	-	
12	Unbilled Revenues	115,238	(115,238)	-	-	-	-	-	-	
13	Materials and Supplies	61,199	868	-	-	62,067	-	-	62,067	
14	Fuel and Gas Inventory	116,797	(7,757)	-	-	109,040	-	-	109,040	
15	Unrealized Gain on Derivative Instruments	12,523	(12,523)	-	-	-	-	-	-	
16	Prepaid Income Taxes	34,821	(34,821)	-	-	-	-	-	-	
17	Prepaid Expenses & Other	24,612	40,232	-	-	64,844	-	-	64,844	
18	Deferred Income Taxes	6,049	(6,049)	-	-	-	-	-	-	
19	Total Current Assets	<u>647,532</u>	<u>(55,470)</u>	<u>-</u>	<u>-</u>	<u>592,062</u>	<u>(26,450)</u>	<u>393,916</u>	<u>(393,916)</u>	
20	Long-Term Assets:									
21	Regulatory Asset for Deferred Income Tax	106,068	(21,721)	-	-	84,347	-	-	84,347	
22	Other	807,736	(45,948)	-	-	761,788	26,450	18,916	807,154	
23	Total Long-Term Assets	<u>913,804</u>	<u>(67,669)</u>	<u>-</u>	<u>-</u>	<u>846,135</u>	<u>26,450</u>	<u>18,916</u>	<u>891,501</u>	
24	TOTAL ASSETS	<u>\$ 7,237,145</u>	<u>\$ 247,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,484,170</u>	<u>\$ -</u>	<u>\$ 393,916</u>	<u>\$ (375,000)</u>	
25										
26	CAPITALIZATION AND LIABILITIES:									
27	Capitalization:									
28	Common Equity	\$ 2,137,113	\$ 218,389	\$ 293,286	\$ (151,408)	\$ 2,497,380	\$ -	\$ 393,916	\$ -	\$ 2,891,296
29	Total Shareholder's Equity	2,137,113	218,389	293,286	(151,408)	2,497,380	-	393,916	-	2,891,296
30	Preferred Stock Subject to Mandatory Redemption	1,889	-	-	-	1,889	-	-	-	1,889
31	Junior Subordinated Notes	250,000	-	-	-	250,000	-	-	-	250,000
32	Long-Term Debt	2,428,860	250,000	-	-	2,678,860	-	(375,000)	-	2,303,860
33	Total Redeemable Securities and Long-Term Debt	2,680,749	250,000	-	-	2,930,749	-	(375,000)	-	2,555,749
34	Total Capitalization	<u>4,817,862</u>	<u>468,389</u>	<u>293,286</u>	<u>(151,408)</u>	<u>5,428,129</u>	<u>-</u>	<u>393,916</u>	<u>(375,000)</u>	<u>5,447,045</u>
35	Current Liabilities:									
36	Accounts Payable	238,337	(9,137)	-	-	229,200	-	-	-	229,200
37	Short-Term Debt	378,039	53,136	(293,286)	151,408	289,297	-	-	-	289,297
38	Short-Term Debt Owed to Puget Energy	24,282	(24,282)	-	-	-	-	-	-	-
39	Current Maturities of Long-Term Debt	179,500	(179,500)	-	-	-	-	-	-	-
40	Purchased Gas Liability	61,158	(13,832)	-	-	47,326	-	-	-	47,326
41	Taxes	60,743	(37,857)	-	-	22,886	(9,258)	(6,621)	-	7,007
42	Salaries and Wages	19,597	1,203	-	-	20,800	-	-	-	20,800
43	Interest	57,280	4,215	-	-	61,495	-	-	-	61,495
44	Unrealized Loss on Derivative Instruments	56,668	(56,668)	-	-	-	-	-	-	-
45	Other	52,480	26,230	-	-	78,710	-	-	-	78,710
46	Total Current Liabilities	<u>1,128,084</u>	<u>(236,492)</u>	<u>(293,286)</u>	<u>151,408</u>	<u>749,714</u>	<u>(9,258)</u>	<u>-</u>	<u>(6,621)</u>	<u>733,835</u>
47	Long-Term Liabilities:									
48	Deferred Income Tax	777,459	23,682	-	-	801,141	9,258	-	6,621	817,020
49	Unrealized Loss on Derivative Instrument	9,065	(9,065)	-	-	-	-	-	-	-
50	Other Deferred Credits	504,675	511	-	-	505,186	-	-	-	505,186
51	Total Long-Term Liabilities	<u>1,291,199</u>	<u>15,128</u>	<u>-</u>	<u>-</u>	<u>1,306,327</u>	<u>9,258</u>	<u>-</u>	<u>6,621</u>	<u>1,322,206</u>
52	TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 7,237,145</u>	<u>\$ 247,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,484,170</u>	<u>\$ -</u>	<u>\$ 393,916</u>	<u>\$ (375,000)</u>	<u>\$ 7,503,086</u>
53										
54										
55	Debt including Short-term & Current Maturities	\$ 3,260,681				3,218,157				2,843,157
56	Preferred Stock	1,889				1,889				1,889
57	Common Equity	2,137,113				2,497,380				2,891,296
58	Total Capitalization	<u>\$ 5,399,683</u>				<u>\$ 5,717,426</u>				<u>\$ 5,736,342</u>
59										
60	Debt including Short-term & Current Maturities	60.4%				56.3%				49.6%
61	Preferred Stock	0.0%				0.0%				0.0%
62	Common Equity	39.6%				43.7%				50.4%
63	Total	<u>100.0%</u>				<u>100.0%</u>				<u>100.0%</u>

Puget Energy, Inc.
Rollforward Balance Sheet
For the Period Ending September 30, 2008
(Dollars in Thousands)

Line	Actual September 30, 2007	Balance Sheet Activity From 10/1/07 to 9/30/08	Sale of Equity in Dec 2007	Investment in PSE in Dec 2007	PSE Consolidation Adjustment	Proforma Dividends 10/1/07- 9/30/08	Proforma Sept 30, 2008 Before Merger	Acquisition by Consortium Equity Amount	Acquisition by Consortium Debt Amount	Payments to Shareholders	Repayment of ST Debt	Acquisition Transaction Costs	Investment in PSE	PSE Consolidation Adjustment	Proforma at September 30, 2008
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)			
1 ASSETS:															
2 Utility Plant	\$ 8,594,180	\$ 644,953	\$ -	\$ -	\$ -	\$ -	\$ 9,239,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,239,133	
3 Less: Accumulated Depreciation and Amortization	(3,072,245)	(254,622)	-	-	-	-	(3,326,867)	-	-	-	-	-	-	(3,326,867)	
4 Net Utility Plant	5,521,935	390,331	-	-	-	-	5,912,266	-	-	-	-	-	-	5,912,266	
5 Other Property and Investments															
6 Goodwill	-	-	-	-	-	-	612,046	677,448	-	-	77,188	-	-	1,366,682	
7 Other Property and Investments	153,874	(20,167)	-	293,286	(293,286)	133,707	-	-	-	-	-	393,916	(420,366)	107,257	
8 Other Property and Investments	153,874	(20,167)	-	293,286	(293,286)	133,707	612,046	677,448	-	-	77,188	393,916	(420,366)	1,473,939	
9 Current Assets:															
10 Cash	29,769	(3,662)	293,286	(293,286)	-	26,107	2,837,892	1,690,015	(3,515,340)	(265,015)	(238,311)	(393,916)	-	141,432	
11 Restricted Cash	4,792	(841)	-	-	-	3,951	-	-	-	-	-	-	-	3,951	
12 Accounts Receivable	122,318	210,113	-	-	-	332,431	-	-	-	-	-	-	-	332,431	
13 Less: Allowance for Doubtful Accounts	(2,764)	208	-	-	-	(2,556)	-	-	-	-	-	-	-	(2,556)	
14 Secure Pledged Accounts Receivable	126,000	(126,000)	-	-	-	-	-	-	-	-	-	-	-	-	
15 Unbilled Revenues	115,238	(115,238)	-	-	-	-	-	-	-	-	-	-	-	-	
16 Purchased Gas Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17 Materials and Supplies	61,199	868	-	-	-	62,067	-	-	-	-	-	-	-	62,067	
18 Fuel and Gas Inventory	116,797	(7,757)	-	-	-	109,040	-	-	-	-	-	-	-	109,040	
19 Unrealized Gain on Derivative Instruments	12,523	(12,523)	-	-	-	-	-	-	-	-	-	-	-	-	
20 Prepaid Income Taxes	35,859	(34,821)	-	-	-	1,038	-	-	-	-	-	-	-	1,038	
21 Prepaid Expenses and Other	25,186	40,232	-	-	-	65,418	-	-	-	-	-	-	-	65,418	
22 Deferred Income Taxes	6,049	(6,049)	-	-	-	-	-	-	-	-	-	-	-	-	
23 Total Current Assets	652,966	(55,470)	293,286	(293,286)	-	597,496	2,837,892	1,690,015	(3,515,340)	(265,015)	(238,311)	(393,916)	-	712,821	
24 Long-Term Assets:															
25 Regulatory Asset for Deferred Income Taxes	106,068	(21,721)	-	-	-	84,347	-	-	-	-	-	-	-	84,347	
26 Other	807,817	(45,948)	-	-	-	761,869	-	-	-	-	89,375	-	45,366	896,610	
27 Total Long-Term Assets	913,885	(67,669)	-	-	-	846,216	-	-	-	-	89,375	-	45,366	980,957	
28 TOTAL ASSETS	\$ 7,242,660	\$ 247,025	\$ 293,286	\$ -	\$ (293,286)	\$ -	\$ 7,489,685	\$ 3,449,938	\$ 2,367,463	\$ (3,515,340)	\$ (265,015)	\$ (71,748)	\$ -	\$ (375,000)	\$ 9,079,983
29															
30 CAPITALIZATION AND LIABILITIES:															
31 Capitalization:															
32 Common Equity	\$ 2,161,454	\$ 218,389	\$ 293,286	-	-	\$ (151,408)	\$ 2,521,721	\$ 612,046	\$ -	\$ -	\$ (56,138)	\$ -	\$ -	\$ 3,077,629	
33 Total Shareholder's Equity	2,161,454	218,389	293,286	-	-	(151,408)	2,521,721	612,046	-	-	(56,138)	-	-	3,077,629	
34 Preferred Stock Subject to Mandatory Redemption	1,889	-	-	-	-	-	1,889	-	-	-	-	-	-	1,889	
35 Junior Subordinated Notes	250,000	-	-	-	-	-	250,000	-	-	-	-	-	-	250,000	
36 Long-Term Debt	2,428,860	250,000	-	-	-	2,678,860	-	1,425,000	-	-	-	-	(375,000)	3,728,860	
37 Total Redeemable Securities and Long-Term Debt	2,680,749	250,000	-	-	-	2,930,749	-	1,425,000	-	-	-	-	(375,000)	3,980,749	
38 Total Capitalization	4,842,203	468,389	293,286	-	-	(151,408)	5,452,470	612,046	1,425,000	-	-	(56,138)	-	7,058,378	
39 Current Liabilities:															
40 Accounts Payable	238,922	(9,137)	-	-	-	229,785	-	-	-	-	-	-	-	229,785	
41 Short-Term Debt	378,039	28,854	-	-	(293,286)	151,408	265,015	265,015	-	(265,015)	-	-	-	265,015	
42 Current Maturities of Long-Term Debt	179,500	(179,500)	-	-	-	-	-	-	-	-	-	-	-	-	
43 Purchased Gas Liability	61,158	(13,832)	-	-	-	47,326	-	-	-	-	-	-	-	47,326	
44 Taxes	60,743	(37,857)	-	-	-	22,886	-	-	-	-	(46,891)	-	(15,878)	(39,883)	
45 Salaries and Wages	19,597	1,203	-	-	-	20,800	-	-	-	-	-	-	-	20,800	
46 Interest	57,161	4,215	-	-	-	61,376	-	-	-	-	-	-	-	61,376	
47 Unrealized Loss on Derivative Instruments	56,668	(56,668)	-	-	-	-	-	-	-	-	-	-	-	-	
48 Other	52,480	26,230	-	-	-	78,710	2,837,892	677,448	(3,515,340)	-	-	-	-	78,710	
49 Total Current Liabilities	1,104,268	(236,492)	-	-	(293,286)	151,408	725,898	2,837,892	942,463	(3,515,340)	(265,015)	(46,891)	(15,878)	663,129	
50 Long-Term Liabilities:															
51 Deferred Income Taxes	773,872	23,682	-	-	-	797,554	-	-	-	-	31,281	-	15,878	844,713	
52 Unrealized Loss on Derivative Instruments	9,065	(9,065)	-	-	-	-	-	-	-	-	-	-	-	-	
53 Other Deferred Credits	513,252	511	-	-	-	513,763	-	-	-	-	-	-	-	513,763	
54 Total Long-Term Liabilities	1,296,189	15,128	-	-	-	1,311,317	-	-	-	-	31,281	-	15,878	1,358,476	
55 TOTAL CAPITALIZATION AND LIABILITIES	\$ 7,242,660	\$ 247,025	\$ 293,286	\$ -	\$ (293,286)	\$ -	\$ 7,489,685	\$ 3,449,938	\$ 2,367,463	\$ (3,515,340)	\$ (265,015)	\$ (71,748)	\$ -	\$ (375,000)	\$ 9,079,983
56															
57															
58 Shares Outstanding	117,178	-	12,500	-	-	-	129,678	-	-	-	-	-	-	129,678	
59															
60 Debt including Short-term & Current Maturities	\$ 3,236,399	-	-	-	-	-	\$ 3,193,875	-	-	-	-	-	-	\$ 4,243,875	
61 Preferred Stock	1,889	-	-	-	-	-	1,889	-	-	-	-	-	-	1,889	
62 Common Equity	2,161,454	-	-	-	-	-	2,521,721	-	-	-	-	-	-	3,077,629	
63 Total	\$ 5,399,742	-	-	-	-	-	\$ 5,717,485	-	-	-	-	-	-	\$ 7,323,393	
64															
65 Debt including Short-term & Current Maturities	60.0%	-	-	-	-	-	55.9%	-	-	-	-	-	-	58.0%	
66 Preferred Stock	0.0%	-	-	-	-	-	0.0%	-	-	-	-	-	-	0.0%	
67 Common Equity	40.0%	-	-	-	-	-	44.1%	-	-	-	-	-	-	42.0%	
68 Total	100.0%	-	-	-	-	-	100.0%	-	-	-	-	-	-	100.0%	