

**EXHIBIT NO. \_\_\_(EMM-7C)  
DOCKET NO. U-072375  
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. U-072375**

**SECOND EXHIBIT (CONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF  
ERIC M. MARKELL  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED  
VERSION**

**JULY 2, 2008**

1 **PSE RETURN ON EQUITY**  
 2 **2002 THROUGH 2008**  
 3 **(\$ presented in thousands)**

4  
 5  
 6  
 7  
 8  
 9 Net Operating Income (**NOTE 2**)  
 10 Ratebase  
 11 Rate of Return (L9 / L10)  
 12  
 13  
 14 % Equity per Books (AMA)  
 15 Equity Related to Ratebase (L10\*L14)  
 16  
 17 Weighted Interest Cost  
 18 Interest Recovery per Rates (L10\*L17)  
 19 Tax Benefit of Interest ( (Actual Interest minus L18 ) \* 35%)  
 20  
 21 Net Income (L9-L18-L19)  
 22 Equity Related to Ratebase (L15)  
 23 Earned Return on Equity for Utility (L21 / L22)  
 24 Leveraged ROE (L27\*L28/L14)  
 25 Under-earning Regulated Return on Equity (L24-L23)  
 26  
 27 Allowed Return on Equity (**NOTE 1**)  
 28 Allowed Equity Ratio (**NOTE 1**)  
 29

ATTACHMENT D TO PSE RESPONSE TO BENCH REQUEST NO. 001					Actual Results		Forecast
2002	2003	2004	12ME 9/05	2005	2006	2007	2008
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
\$ 290,986	\$ 295,659	\$ 285,258	\$ 303,778	\$ 299,525	\$ 323,497	\$ 377,402	\$XXX,XXX
3,657,685	3,533,438	3,560,831	3,692,823	3,725,109	3,982,588	4,630,066	XXX,XXX
7.96%	8.37%	8.01%	8.23%	8.04%	8.12%	8.15%	X.X%
33.02%	37.46%	39.81%	40.55%	40.06%	42.91%	40.68%	X.X%
1,207,768	1,323,626	1,417,567	1,497,440	1,492,279	1,708,929	1,883,511	XXX,XXX
4.71%	4.41%	4.19%	4.11%	4.20%	3.93%	3.69%	X.X%
172,277	155,825	149,199	151,775	156,455	156,667	171,031	XXX,XXX
7,193	9,434	7,921	7,525	6,301	5,077	9,926	XXX,XXX
111,516	130,401	128,138	144,478	136,769	161,753	196,445	XXX,XXX
1,207,768	1,323,626	1,417,567	1,497,440	1,492,279	1,708,929	1,883,511	XXX,XXX
9.23%	9.85%	9.04%	9.65%	9.17%	9.47%	10.43%	X.X%
13.33%	11.75%	11.05%	10.91%	11.05%	10.32%	11.23%	X.X%
4.09%	1.89%	2.01%	1.26%	1.89%	0.86%	0.80%	X.X%
11.00%	11.00%	11.00%	10.59%	10.42%	10.30%	10.40%	10.40%
40.0%	40.0%	40.0%	41.8%	42.5%	43.0%	43.96%	44.00%

30 (**NOTE 1**)  
 31 The allowed equity ratios and returns on equity reflected in columns (d) and (e) represent blended amounts to accommodate  
 32 the new authorized ROE which became effective during the year based on the Commission Order in  
 33 WUTC Docket Nos. UG-040640, *et al.* (consolidated)  
 34  
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36 (**NOTE 2**)  
 37 Net Operating Income for columns (c), (d) and (e) include the after-tax affects of the Tenaska disallowance