

EXHIBIT NO. ___(KJB-14)
DOCKET NO. UE-121373
DOCKET NO. UE-121697/UG-121705
DOCKET NO. UE-130137/130138
WITNESS: KATHERINE J. BARNARD

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of PUGET SOUND ENERGY, INC. For Approval of a Power Purchase Agreement for Acquisition of Coal Transition Power, as Defined in RCW 80.80.010, and the Recovery of Related Acquisition Costs	DOCKET NO. 121373
In the Matter of the Petition of PUGET SOUND ENERGY, INC. and NW ENERGY COALITION For an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms	DOCKET NOS. UE-121697and UG-121705 (Consolidated)
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent.	DOCKET NOS. UE-130137 and UG-130138 (Consolidated)

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
KATHERINE J. BARNARD
ON BEHALF OF PUGET SOUND ENERGY, INC.**

*In Support of the Multiparty Settlement
Re: Coal Transition PPA and other Pending Dockets*

MAY 8, 2013

PUGET SOUND ENERGY-GAS
DETERMINATION OF ERF RELATED REVENUES AND EXPENSES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

LINE NO.	(Based on Streamlined June 30, 2012 Commission Basis Report) (Segregated by Recovery Mechanism)										PSE PROPOSED CBR LOAD	PUBLIC COUNSEL YE Customer Growth	YE DEPRECIATION Adjustment	PUBLIC COUNSEL ERF ADJUSTED RESULTS K = H + I + J	
	A	B	C = A + B	D	E	F = C - D - E	G = H - F	H	I	J					
1	OPERATING REVENUES:														
2	SALES TO CUSTOMERS	\$ 1,086,060,278	\$ (56,769,119)	\$ 1,029,291,158	\$ 607,120,573	\$ 13,213,092	\$ 408,957,493	\$ 7,638,454	\$ 416,595,948	0	1,459,248	418,055,196			
3	MUNICIPAL ADDITIONS	49,438,054	(49,438,054)	0	0	0	0	0	0	0					
4a	RENTALS	7,503,094	48,366	7,551,459	186,048	186,048	7,365,411	14,500	7,379,911	0		7,379,911			
4b	OTHER OPERATING REVENUES	5,999,666	1,280,943	7,280,608	898,495	898,495	6,382,114	-	6,382,114			6,382,114			
5	TOTAL OPERATING REVENUES	1,149,001,091	(104,877,865)	1,044,123,226	608,019,067	13,399,140	422,705,018	7,652,954	430,357,973		1,459,248	431,817,221			
6															
7	OPERATING REVENUE DEDUCTIONS:														
8															
9	GAS COSTS:														
10															
11	PURCHASED GAS	588,140,057	(7,290,712)	580,849,345	580,849,345	-	-	-	-	-		-			
12															
13	TOTAL PRODUCTION EXPENSES	588,140,057	(7,290,712)	580,849,345	580,849,345	-	-	-	-	-		-			
14															
15	OTHER POWER SUPPLY EXPENSES	1,783,066	(101,240)	1,681,827	1,681,827	-	1,681,827	-	1,681,827			1,681,827			
16	TRANSMISSION EXPENSE	(38,579)	-	(38,579)	(38,579)	-	(38,579)	-	(38,579)			(38,579)			
17	DISTRIBUTION EXPENSE	52,377,195	-	52,377,195	52,377,195	-	52,377,195	-	52,377,195			52,377,195			
18															
19	CUSTOMER ACCOUNT EXPENSES	30,511,840	(781,543)	29,730,297	2,263,655	49,885	27,416,757	28,492	27,445,249			27,445,249			
20	CUSTOMER SERVICE EXPENSES	4,868,324	(3,691,645)	1,176,679	1,176,679	-	1,176,679	-	1,176,679			1,176,679			
21	CONSERVATION AMORTIZATION	29,433,195	(29,433,195)	0	0	-	0	-	0			0			
22	ADMIN & GENERAL EXPENSE	47,843,681	(97,159)	47,746,522	1,216,038	26,798	46,503,686	15,306	46,518,992		2,918	46,521,910			
23	DEPRECIATION	103,505,051	0	103,505,051	103,505,051	-	103,505,051	-	103,505,051			103,505,051			
24	AMORTIZATION	11,884,767	-	11,884,767	11,884,767	-	11,884,767	-	11,884,767			11,884,767			
25	AMORTIZATION OF PROPERTY LOSS	(137,395)	-	(137,395)	(137,395)	-	(137,395)	-	(137,395)			(137,395)			
26	OTHER OPERATING EXPENSES	112,482,025	(51,854,053)	60,627,971	23,333,948	17,441,089	19,852,934	293,697	20,146,632		56,002	20,202,633			
27	TAXES OTHER THAN E.I.T.	519,801	7,194,390	7,714,191	300,605	(1,441,521)	8,855,107	2,560,411	11,415,518		488,213	11,444,999			
28	FEDERAL INCOME TAXES	29,412,287	0	29,412,287	29,412,287	-	29,412,287	-	29,412,287			29,412,287			
29	DEFERRED INCOME TAXES	424,445,258	(78,764,445)	345,680,813	27,114,246	16,076,251	302,490,316	2,897,906	305,388,222		552,566	306,792,719			
30	TOTAL OPERATING REV. DEDUCT.														
31															
32	NET OPERATING INCOME	\$ 136,415,776	\$ (18,822,708)	\$ 117,593,068	\$ 55,477	\$ (2,677,111)	\$ 120,214,702	\$ 4,755,048	\$ 124,969,751		906,682	\$ 125,024,501			
33															
34	RATE BASE	\$ 1,592,297,567	\$ 0	\$ 1,592,297,567	\$ 0	\$ 0	\$ 1,592,297,567	\$ 0	\$ 1,592,297,567			\$ 1,592,297,567			
35															
36	RATE OF RETURN	8.57%		7.39%	N/A	N/A	7.55%	N/A	N/A			7.85%			
37															
38	RATE BASE:														
39	UTILITY PLANT IN SERVICE AND OTHER ASSE	\$ 2,988,913,700	\$ -	\$ 2,988,913,700	\$ -	\$ -	\$ 2,988,913,700	\$ -	\$ 2,988,913,700			\$ 2,988,913,700			
40	ACCUMULATED DEPRECIATION	(1,066,032,832)	-	(1,066,032,832)	-	-	(1,066,032,832)	-	(1,066,032,832)			(1,066,032,832)			
41	ACCUMULATED DEFERRED FIT - LIBERALIZED	(344,288,809)	-	(344,288,809)	-	-	(344,288,809)	-	(344,288,809)			(344,288,809)			
42	DEPRECIATION AND OTHER LIABILITIES	(42,548,540)	-	(42,548,540)	-	-	(42,548,540)	-	(42,548,540)			(42,548,540)			
43	TOTAL NET INVESTMENT	1,536,043,519	\$ -	\$ 1,536,043,519	\$ -	\$ -	\$ 1,536,043,519	\$ -	\$ 1,536,043,519			\$ 1,536,043,519			
44	ALLOWANCE FOR WORKING CAPITAL	56,254,048	-	56,254,048	-	-	56,254,048	-	56,254,048			56,254,048			
45	TOTAL RATE BASE	\$ 1,592,297,567	\$ -	\$ 1,592,297,567	\$ -	\$ -	\$ 1,592,297,567	\$ -	\$ 1,592,297,567			\$ 1,592,297,567			

GAS

Positive = Credit or Surplus; Negative = Debit or Deficiency

Public Counsel Surplus Recommendation Ignoring Rate of Return Differences			\$(3,102,082)
Corrections			
Increase to revenue sensitive items for increase to revenues:	\$(1,779,833)		
Corrections to year end calculation of year end revenue adjustment	320,585		320,585
Corrected decrease to revenue for year end adjustment	<u>\$(1,459,248)</u>		
Bad Debt Expense	0.003723	6,626	
WUTC Filing Fee	0.002000	3,560	
State Utility Tax	0.038377	68,305	
Federal Income Tax (net of RSIs)	0.334565	595,470	
Less: Federal Income Tax already included	0.350000	<u>(622,942)</u>	
Impact on Net Operating Income		51,019	
Gross up for conversion factor		<u>0.621335</u>	
Correction for revenue sensitive items on additional revenues		82,112	82,112
Add year end depreciation expense adjustment		1,310,663	
Reduction to federal income tax for additional expense		<u>(458,732)</u>	
Impact on net operating income		851,931	
Gross up for conversion factor		<u>0.621335</u>	
Correction for revenue sensitive items on additional revenues		1,371,130	<u>1,371,130</u>
Subtotal decrease to Public Counsel's Recommended Surplus			<u>1,453,242</u>
Corrected Public Counsel Surplus Recommendation Ignoring Rate of Return Differences			<u><u>\$(1,328,255)</u></u>