

**Exhibit \_\_\_ (MPP-3)**  
**Docket No. UG-040640, et al.**  
**Witness: Michael Parvinen**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET NO. UG-040640  
DOCKET NO. UE-040641  
(consolidated)

**EXHIBIT TO TESTIMONY OF**

**MICHAEL PARVINEN**

**STAFF OF THE WASHINGTON UTILITIES  
AND TRANSPORTATION COMMISSION**

**Restating and Pro Forma Adjustments**

**September 23, 2004**

**PUGET SOUND ENERGY-GAS  
REVENUE & PURCHASED GAS - 2.01  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<b>OPERATING REVENUE</b>	\$ 522,553,139	\$ 603,126,156	\$ 80,573,017
2				
3	PROFORMA OPERATING REVENUE		\$ 703,005,746	\$ 99,879,590
4				
5	INCREASE TO OPERATING REVENUE			\$ 180,452,607
6				
7	MUNICIPAL ADDITIONS	\$ 21,624,997	\$ 27,271,843	\$ 5,646,846
8				
9	OTHER OPERATING REVENUE	\$ 11,020,477	\$ 11,664,675	\$ 644,198
10				
11	REVENUE BEFORE OTHER ADJUSTMENTS	\$ 555,198,613	\$ 741,942,264	\$ 186,743,651
12				
13	MISC CUSTOMER CHARGE REVENUE			\$ 347,475
14				
15				
16	TOTAL REVENUE ADJUSTMENTS			<u>\$ 187,091,126</u>
17				
18	<b>OPERATING EXPENSE</b>			
19	PURCHASED GAS	\$ 260,366,708	\$ 430,266,151	\$ 169,899,443
20				
21	OTHER OPERATIONS EXPENSE (APUA)	0.32%		594,875
22				
23	TAXES			
24	GROSS RECEIPTS	7.91%		14,797,172
25				
26	FEDERAL INCOME TAXES			
27	CURRENT	35%		629,873
28				
29				
30				
31	TOTAL INCREASE/(DECREASE) REVENUE			\$ 187,091,126
32				
33	TOTAL INCREASE/(DECREASE) OPERATING EXPENSE BEFORE FIT			\$ 185,291,490
34				
35	TOTAL INCREASE/(DECREASE) FIT			\$ 629,873
36				
37	TOAL INCREASE/(DECREASE) NOI			<u>\$ 1,169,763</u>

**PUGET SOUND ENERGY-GAS  
FEDERAL INCOME TAX - 2.02  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (33,054,000)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(11,568,900)
5	DEFERRED FIT - DEBIT	46,238,850
6	DEFERRED FIT - CREDIT	(23,990,750)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(636,000)
8	TOTAL RESTATED FIT	<u>\$ 10,043,200</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ (11,871,394)
12	DEFERRED FIT - DEBIT	44,894,221
13	DEFERRED FIT - CREDIT	(23,568,000)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(632,727)</u>
15	TOTAL CHARGED TO EXPENSE	\$ 8,822,100
16		
17	INCREASE(DECREASE) FIT	\$ 302,494
18	INCREASE(DECREASE) DEFERRED FIT	921,879
19	INCREASE(DECREASE) ITC	(3,273)
20	INCREASE(DECREASE) NOI	<u><u>\$ (1,221,100)</u></u>

**PUGET SOUND ENERGY-GAS  
TAX BENEFIT OF PRO FORMA INTEREST - 2.03  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,007,059,883
2	DEDUCTIBLE CWIP	14,897,280
3		<u>\$ 1,021,957,163</u>
4		
5	WEIGHTED COST OF DEBT	4.03%
6	RESTATED INTEREST	\$ 41,184,874
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 53,270,991
10	AMORTIZATION OF DEBT DISCOUNT	
11	AND EXPENSE, NET OF PREMIUMS	1,223,952
12	OTHER INTEREST EXPENSE	<u>4,157,105</u>
13	CHARGED TO EXPENSE IN TEST YEAR	58,652,048
14	INCREASE (DECREASE) INTEREST EXPENSE	<u>\$ (17,467,174)</u>
15		
16	INCREASE (DECREASE) FIT @	35% 6,113,511
17	INCREASE (DECREASE) NOI	<u><u>\$ (6,113,511)</u></u>

**PUGET SOUND ENERGY-GAS  
DEPRECIATION/AMORTIZATION - 2.04  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>RESTATED</u>	
2	ACTUAL ACCT 403-DEPRECIATION EXPENSE	\$ 57,593,286
3	RESTATED ACCT 403-DEPRECIATION EXPENSE	57,834,598
4	INCREASE (DECREASE) DEPRECIATION EXPENSE	<u>(241,312)</u>
5		
6	INCREASE (DECREASE) FIT 35%	<u>(84,459)</u>
7	INCREASE (DECREASE) NOI	<u>(156,853)</u>
8		
9	ADJUST RATE BASE FOR LINE 4 @ 50%	(120,656)
10	ADJUSTMENT TO RATE BASE	<u>\$ (120,656)</u>

**PUGET SOUND ENERGY-GAS  
CONSERVATION - 2.05  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>RESTATING</u>	
2 ACTUAL CONSERVATION TRACKER AMORTIZATION	\$ 1,366,028
3 RESTATED CONSERVATION TRACKER AMORTIZATION	-
4 INCREASE (DECREASE) EXPENSE	<u>(1,366,028)</u>
5 INCREASE (DECREASE) OPERATING INCOME	\$ 1,366,028
6	
7 ACTUAL LOST MARGIN ON GAS WATER HEATER	(88,357)
8 RESTATED LOST MARGIN ON GAS WATER HEATER	-
9 INCREASE (DECREASE) EXPENSE	<u>88,357</u>
10 INCREASE (DECREASE) OPERATING INCOME	(88,357)
11	
12 <u>PROFORMA</u> - (RYE 02/28/2006)	
13 CONSERVATION REGULATORY ASSET-ACCT #18230422 WATER HEATER PRGM	350,674
14 CONSERVATION AMORTIZATION FOR RATE YEAR (BASE ON 3 YEAR AVERAGE)	<u>116,891</u>
15 INCREASE (DECREASE) OPERATING INCOME	(116,891)
16	
17	
18 INCREASE (DECREASE) INCOME	\$ 1,160,780
19 INCREASE (DECREASE) FIT	35% 406,273
20	
21 INCREASE (DECREASE) NOI	<u><u>\$ 754,507</u></u>

**PUGET SOUND ENERGY-GAS  
BAD DEBTS - 2.06  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	ACTUAL BAD DEBT WRITE-OFF	\$ 2,915,209
2		
3	BAD DEBT PROVISION ( Net Revenue X .3179599% )	<del>1,765,309</del>
4		
5	INCREASE (DECREASE) BAD DEBT EXPENSE	<u>\$ (1,149,900)</u>
6		
7	INCREASE (DECREASE) FIT @ 35%	402,465
8		
9	INCREASE (DECREASE) NOI	<u>\$ 747,435</u>

**PUGET SOUND ENERGY-GAS  
MISCELLANEOUS OPERATING EXPENSE - 2.07  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES (RESTATED)</u>			
2				
3	INCENTIVE/MERIT PAY	\$ 1,386,483	\$ 472,255	\$ (914,228)
4	PAYROLL TAXES ASSOC WITH MERIT PAY	97,054	33,058	(63,996)
5				
6				
7				
8				
9	INCREASE (DECREASE) IN EXPENSE	\$ 1,483,537	\$ 505,313	\$ (978,224)
10				
11	INCREASE(DECREASE) INCOME			978,224
12	INCREASE(DECREASE) FIT @		35%	342,378
13				
14	INCREASE(DECREASE) NOI			<u>\$ 635,846</u>
15				
16				
17	<u>RATEBASE</u>			
18	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			3,267,546
19				
20				
21	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 3,267,546</u>



**PUGET SOUND ENERGY-GAS  
PROPERTY TAXES - 2.08  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>		<b>AMOUNT</b>
1	RESTATED PROPERTY TAX	Adjusted Per DR 213	<u>\$ 11,663,800</u>
2	CHARGED TO EXPENSE IN TY		<u>10,403,002</u>
3	INCREASE(DECREASE) EXPENSE		<u>\$ 1,260,798</u>
4			
5	INCREASE(DECREASE) FIT @	35%	<u>(441,279)</u>
6	INCREASE(DECREASE) NOI		<u><u>\$ (819,519)</u></u>

**PUGET SOUND ENERGY-GAS  
EXCISE TAX & FILING FEE - 2.09  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	<b>RESTATED EXCISE TAXES</b>	\$ 21,586,382
2	CHARGED TO EXPENSE FOR TEST YEAR	21,514,016
3	INCREASE(DECREASE) EXCISE TAX	\$ 72,367
4		
5	<b>RESTATED WUTC FILING FEE</b>	\$ 1,052,559
6	CHARGED TO EXPENSE FOR TEST YEAR	946,087
7	INCREASE(DECREASE) WUTC FILING FEE	\$ 106,472
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ 178,839
10		
11	INCREASE(DECREASE) FIT 35%	\$ (62,594)
12	INCREASE(DECREASE) NOI	<u>\$ (116,245)</u>

**PUGET SOUND ENERGY-GAS  
RATE CASE EXPENSES - 2.10  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	2001 GRC EXPENSE BALANCE @ 9/30/03	\$ 1,886,481
2	LESS PROJECTED AMORTIZATION FROM 10/01/03-2/28/05	(851,326)
3	REMAINING BALANCE @ 02/28/2005	<u>1,035,155</u>
4		
5	DEFERRED 2004 RATE CASE COSTS	462,516
6	TOTAL TO BE AMORTIZED	<u>1,497,671</u>
7		
8	REMAINING ESTIMATED 2004 RATE CASE COSTS	1,932,247
9		
10	PROFORMA NORMALIZED ANNUAL AMOUNT (EXPENSE (Line 8 / 3yrs	644,082
11		-
12	TOTAL PROFORMA 2004 RATE CASE EXPENSE	<u>4,074,000</u>
13		
14	AMOUNT TO BE AMORTIZED OVER 3 YEARS (Line 6 / 3yrs	\$ 499,224
15		
16	TOTAL PROFORMA 2004 RATE CASE EXPENSE	\$ 1,143,306
17	LESS TEST YEAR AMORTIZATION @ \$50,078/MONTH	<u>(600,936)</u>
18		
19	INCREASE (DECREASE) EXPENSE	\$ 542,370
20		
21	INCREASE(DECREASE) FIT @	35% \$ (189,829)
22	INCREASE(DECREASE) NOI	<u>\$ (352,540)</u>

**PUGET SOUND ENERGY-GAS  
PROPERTY & LIABILITY INSURANCE - 2.11  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 545,743	\$ 417,176	\$ (128,567)
2	LIABILITY INSURANCE EXPENSE	588,824	842,066	253,242
3	INCREASE(DECREASE) EXPENSE	<u>\$ 1,134,567</u>	<u>\$ 1,259,242</u>	<u>\$ 124,675</u>
4				
5				
6	INCREASE (DECREASE) FIT @	35%		(43,636)
7	INCREASE (DECREASE) NOI			<u><u>\$ (81,039)</u></u>

**PUGET SOUND ENERGY-GAS  
PENSION PLAN - 2.12  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ (3,427,963)	\$ 1,616,611	\$ 5,044,574
2	SERP PLAN	<del>\$ 1,421,696</del>	<del>\$ 1,164,056</del>	\$ (257,640)
3				
4	INCREASE(DECREASE) EXPENSE	<u>\$ (2,006,267)</u>	<u>\$ 2,780,667</u>	<u>\$ 4,786,934</u>
5				
6				
7	INCREASE (DECREASE) FIT @	35%		<u>(1,675,427)</u>
8	INCREASE (DECREASE) NOI			<u><u>\$ (3,111,507)</u></u>

**PUGET SOUND ENERGY-GAS  
WAGE INCREASE - 2.13  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	TEST YEAR	Proforma Wage Increase	RATE YEAR	ADJUSTMENT
1 WAGES:				
2 PRODUCTION MANUF. GAS	\$ 111,843	4.90%	\$ 117,324	\$ 5,480
3 OTHER GAS SUPPLY	325,936	4.90%	\$ 341,907	15,971
4 STORAGE, LNG T&G	14,424	4.90%	\$ 15,131	707
5 TRANSMISSION	227,477	4.90%	\$ 238,624	11,146
6 DISTRIBUTION	13,727,665	4.90%	\$ 14,400,320	672,656
7 CUSTOMER ACCTS	5,540,056	4.90%	\$ 5,811,519	271,463
8 CUSTOMER SERVICE	554,179	4.90%	\$ 581,333	27,155
9 SALES	493,368	4.90%	\$ 517,543	24,175
10 ADMIN. & GENERAL	7,671,801	4.90%	\$ 8,047,719	375,918
11 TOTAL WAGE INCREASE	<u>28,666,749</u>		<u>30,071,420</u>	<u>1,404,671</u>
12				
13 PAYROLL TAXES	2,400,320	4.09%	\$ 2,498,512	98,193
14 TOTAL WAGES & TAXES	<u>\$ 31,067,069</u>		<u>\$ 32,569,933</u>	<u>\$ 1,502,863</u>
15				
16 INCREASE (DECREASE) OPERATING EXPENSE				\$ 1,502,863
17 INCREASE (DECREASE) FIT @ 35%				(526,002)
18 INCREASE (DECREASE) NOI				<u><u>\$ (976,861)</u></u>

PUGET SOUND ENERGY  
PRO FORMA WAGES & SLIPPAGE ADJUSTMENT  
TEST YEAR ENDED SEPTEMBER 30, 2003

Line  
No.

	Annualized Payroll 9/30/2003	Wage Increase	Wage times Increase	Weighted Average Increase
1 Page 21 2.13 Wage Inc Mgmt Including Executives	70,757,385	2.74%	1,938,752	
2	51,433,778	7.88%	4,052,982	
3	122,191,163		5,991,734	4.90%

	Annualized Payroll 9/30/2003	Wage Increase	FTEs times Increase	Weighted Average Wage Increase
4 IBEW	36,217,726	7.42%	2,687,355	
5 UA	15,216,052	8.98%	1,366,401	
6 Total Union	51,433,778		4,053,757	7.88%

Date	UTC #	UTC Slippage Effective Increase	Actual Effective Increase
7 February 2000	UTC #	0.66%	2.81%
8 February 2001	UTC #	2.78%	2.80%
9 February 2002	UTC #	2.72%	2.72%
10 February 2003	UTC #	1.21%	2.88%
11		7.56%	11.69%
12 Actual Increase as a % of Company Increase			64.68%
13 Rate Year Increase		4.24%	64.68%

Rate Year Increase Compounded:					
	from	to			
14 Full Increase Occurring in TEST Year	3/1/2003	2/28/2004	2.88%	*12/12	2.88%
15 Less Portion in TEST Year only	3/1/2003	9/30/2003	-2.88%	*7/12	-1.68%
16	10/1/2003	2/28/2004		Subtotal	1.20%
17 Increase in Effect Entering RATE Year	3/1/2004	2/28/2005	3.00%	*12/12	3.00%
18 Full Increase Occurring in RATE Year	3/1/2005	2/28/2006	0.00%	*12/12	0.00%
19 Less Portion Outside of RATE Year	N/A	N/A	0.00%	0	0.00%
20	3/1/2005	2/28/2006		Subtotal	0.00%
21 Compound Wage Increase	7/1/2003	6/30/2005	(1+Line 28)*(1+Line 30)*(1+Line 34)-1		4.24%

Month	Number of non-union employees	Total non-union wages	Amount per employee	% Change
22 February 1999	1,018	61,257,087	60,174	N/A
23 February 2000	1,024	62,028,438	60,575	0.66%
24 February 2001	1,008	62,805,798	62,307	2.78%
25 February 2002	979	62,814,242	64,162	2.89%
26 February 2003	999	64,882,596	64,948	1.21%

**PUGET SOUND ENERGY-GAS  
INVESTMENT PLAN - 2.14  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>MANAGEMENT (INC. EXECUTIVES)</u>	
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT	\$1,450,278
3	RATE YEAR MANAGEMENT WAGE INCREASE	39,738
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT	<u>1,490,016</u>
5		
6	<u>UNION</u>	
7	INVESTMENT PLAN APPLICABLE TO UNION	692,133
8	RATE YEAR UNION WAGE INCREASE	54,540
9	TOTAL COMPANY CONTRIBUTION FOR UNION	<u>746,673</u>
10		
11	<u>TOTAL</u>	
12	TOTAL PROFORMA COSTS (LN 4 + LN 9)	2,236,689
13	PRO FORMA COSTS APPLICABLE TO OPERATIONS	1,518,935
14	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2003	1,454,911
15	INCREASE (DECREASE) EXPENSE	64,024
16		
17	INCREASE (DECREASE) FIT @	(22,408)
18	INCREASE (DECREASE) NOI	<u><u>(\$41,616)</u></u>



**PUGET SOUND ENERGY-GAS  
EMPLOYEE INSURANCE - 2.15  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 2,899,921
3	UNION EMPLOYEES	3,076,363
4	PRO FORMA INSURANCE COSTS	5,976,284
5		
6	APPLICABLE TO OPERATIONS @ 67.73%	4,047,737
7	CHARGED TO EXPENSE 09/30/03	3,337,843
8	INCREASE(DECREASE) EXPENSE	709,894
9		
10	INCREASE(DECREASE) FIT @ 35%	(248,463)
11		
12	INCREASE(DECREASE) NOI	\$ (461,431)

**PUGET SOUND ENERGY-GAS  
LOW INCOME AMORTIZATION - 2.16  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
1	AMORTIZATION FOR TEST YEAR	\$ 2,757,235
2		
3		
4	INCREASE (DECREASE) NOI	<u>\$ 2,757,235</u>
5		
6	INCREASE(DECREASE) FIT @ 35%	965,032
7		
8	INCREASE(DECREASE) NOI	<u>\$ 1,792,203</u>

**PUGET SOUND ENERGY-GAS  
 GAS WATER HEATER & CONVERSION BURNER RENTAL PROGRAM - 2.17  
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
 GENERAL RATE INCREASE**

LINE NO.		ADJUSTMENT
1	GAS WATER HEATER & CONVERSION BURNER RENTAL PROGRAM	
2		
3	RENTAL PROGRAM REVENUES	\$ (8,137,320)
4		
5	OPERATING EXPENSES:	
6	O&M	\$ (423,670)
7	DEPRECIATION EXPENSE	(8,646,741)
8	TOTAL DECREASE TO OPERATING EXPENSE	(9,070,411)
9		
10	FEDERAL INCOME TAX:	35.00%      326,582
11		
12	NET CHANGE TO OPERATING INCOME	\$ 606,509
13		
14		
15	RATE BASE:	
16	DEPRECIABLE PROPERTY	\$ (50,734,655)
17	LESS: ACCUMULATED DEPRECIATION	16,391,876
18	LESS: DEFERRED FIT	3,030,237
19	REDUCTION TO RATE BASE	\$ (31,312,542)

**PUGET SOUND ENERGY-GAS  
CONVERSION FACTOR - 4.03  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			100%
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.318%
5	OTHER TAXES			
6	STATE UTILITY	100.00%		
7		-0.318%		
8				
9	STATE UTILITY TAX	99.68%	3.852%	3.840%
10	MUNICIPAL REVENUE			3.879%
11	ALL OTHER (FILING FEE)			0.190%
12	FEDERAL INCOME TAX:			
13	CURRENT	91.77%	35.00%	32.12%
14				
15				
16	TOTAL OPERATING REVENUE DEDUCTIONS			40.348%
17				
18	CONVERSION FACTOR			59.6524%

**PUGET SOUND ENERGY-GAS  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	DEBT	58.12%	6.94%	4.03%
2	PREFERRED	0.04%	8.51%	0.00%
3	EQUITY	41.84%	9.00%	3.77%
4	TOTAL	100.00%		7.80%
5				
6	AFTER TAX DEBT (LINE 1 * 65%)	58.12%	4.51%	2.62%
7	PREFERRED	0.04%	8.51%	0.00%
8	EQUITY	41.84%	9.00%	3.77%
9	TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.39%

**PUGET SOUND ENERGY-GAS  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003  
GENERAL RATE INCREASE**

<b>LINE NO.</b>	<b>DESCRIPTION</b>	
1	RATE BASE	\$ 1,007,059,883
2	RATE OF RETURN	7.80%
3		
4	OPERATING INCOME REQUIREMENT	78,550,671
5		
6	PRO FORMA OPERATING INCOME	73,709,428
7	OPERATING INCOME DEFICIENCY	4,841,243
8		
9	CONVERSION FACTOR	59.65243%
10	REVENUE REQUIREMENT DEFICIENCY	8,115,752
11	MISCELLANEOUS SETTLEMENT ADJUSTMENT	
12	TOTAL REVENUE REQUIREMENT	<b>\$8,115,752</b>