

**EXHIBIT NO. \_\_\_(MJS-10)  
DOCKET NOS. UE-090704/UG-090705  
2009 PSE GENERAL RATE CASE  
WITNESS: MICHAEL J. STRANIK**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-090704  
Docket No. UG-090705**

**SECOND EXHIBIT TO THE PREFILED SUPPLEMENTAL DIRECT  
TESTIMONY (NONCONFIDENTIAL) OF  
MICHAEL J. STRANIK  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**AUGUST 3, 2009**

**PUGET SOUND ENERGY-GAS  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

<b>LINE NO. DESCRIPTION</b>	
1 RATE BASE	\$ 1,474,390,203
2 RATE OF RETURN	<u>8.56%</u>
3	
4 OPERATING INCOME REQUIREMENT	126,207,801
5	
6 PRO FORMA OPERATING INCOME	<u><b>107,297,105</b></u>
7 OPERATING INCOME DEFICIENCY	<u><b>18,910,697</b></u>
8	
9 CONVERSION FACTOR	<u>62.18910%</u>
10	
11	
12 REVENUE REQUIREMENT DEFICIENCY	<b>30,408,378</b>
13 OTHER OPERATING REVENUES	<b>205,780</b>
14	
15 REVENUE REQUIREMENT DEFICIENCY	<u><u><b>\$ 30,202,598</b></u></u>

*(Note) Amounts presented in bold italic type have changed since the May 8, 2009 original filing.*

**PUGET SOUND ENERGY-GAS  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	SHORT TERM DEBT	3.95%	2.47%	0.10%
2	LONG TERM DEBT	48.05%	6.82%	3.28%
3	PREFERRED STOCK	0.00%	0.00%	0.00%
4	EQUITY	48.00%	10.80%	5.18%
5	TOTAL	100.00%		8.56%
6				
7	AFTER TAX SHORT TERM DEBT ( LINE 1 * 65%)	3.95%	1.61%	0.07%
8	AFTER TAX LONG TERM DEBT ( LINE 2 * 65%)	48.05%	4.43%	2.13%
9	PREFERRED	0.00%	0.00%	0.00%
10	EQUITY	48.00%	10.80%	5.18%
11	TOTAL AFTER TAX COST OF CAPITAL	100.00%		7.38%

**PUGET SOUND ENERGY-GAS  
CONVERSION FACTOR  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
GENERAL RATE INCREASE**

<b>LINE NO. DESCRIPTION</b>	<b>BASE</b>	<b>RATE</b>	<b>AMOUNT</b>
1 BAD DEBTS			0.002833
2 ANNUAL FILING FEE			0.002000
3 STATE UTILITY TAX ( 3.852% - ( LINE 1 * 3.852% ) )		3.852%	<u>0.038411</u>
4			
5 SUM OF TAXES OTHER			0.043244
6			
7 CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE 5)			0.956756
8 FEDERAL INCOME TAX ( LINE 7 * 35%)		35%	<u>0.334865</u>
9			
10 CONVERSION FACTOR			<u><u>0.621891</u></u>