

**EXHIBIT NO. ___(SEF-4)
DOCKETS UE-17___/UG-17___
2017 PSE GENERAL RATE CASE
WITNESS: SUSAN E. FREE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UE-17___

Docket UG-17___

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

PUGET SOUND ENERGY-GAS
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE	
1	OPERATING REVENUES:					
2	SALES TO CUSTOMERS	\$ 857,492,456	\$ (54,759,248)	\$ 802,733,208	\$ 22,992,570	\$ 825,725,778
3	OTHER OPERATING REVENUES	\$ 37,980,142	\$ (24,929,000)	\$ 13,051,143	\$ -	\$ 13,051,143
4	TOTAL OPERATING REVENUES	\$ 895,472,599	\$ (79,688,247)	\$ 815,784,351	\$ 22,992,570	\$ 838,776,921
5						
6	OPERATING REVENUE DEDUCTIONS:					
7						
8	GAS COSTS:					
9						
10	PURCHASED GAS	\$ 326,393,369	\$ 30,828,022	\$ 357,221,391	\$ -	\$ 357,221,391
11						
12	TOTAL PRODUCTION EXPENSES	\$ 326,393,369	\$ 30,828,022	\$ 357,221,391	\$ -	\$ 357,221,391
13						
14	OTHER POWER SUPPLY EXPENSES	\$ 2,420,905	\$ 32,568	\$ 2,453,474	\$ -	\$ 2,453,474
15	TRANSMISSION EXPENSE	\$ -	\$ 0	\$ -	\$ -	\$ -
16	DISTRIBUTION EXPENSE	\$ 55,510,540	\$ 634,072	\$ 56,144,612	\$ -	\$ 56,144,612
17	CUSTOMER ACCOUNT EXPENSES	\$ 26,085,152	\$ 3,343,186	\$ 29,428,338	\$ 118,182	\$ 29,546,520
18	CUSTOMER SERVICE EXPENSES	\$ 7,953,019	\$ (5,668,709)	\$ 2,284,310	\$ -	\$ 2,284,310
19	CONSERVATION AMORTIZATION	\$ 12,460,807	\$ (12,460,807)	\$ -	\$ -	\$ -
20	ADMIN & GENERAL EXPENSE	\$ 50,479,810	\$ 1,466,290	\$ 51,946,100	\$ 45,985	\$ 51,992,085
21	DEPRECIATION	\$ 122,080,785	\$ (20,280,517)	\$ 101,800,268	\$ -	\$ 101,800,268
22	AMORTIZATION	\$ 11,666,003	\$ (8,253)	\$ 11,657,750	\$ -	\$ 11,657,750
23	AMORTIZATION OF PROPERTY LOSS	\$ -	\$ 0	\$ -	\$ -	\$ -
24	OTHER OPERATING EXPENSES	\$ (230,973)	\$ 8,723,078	\$ 8,492,105	\$ -	\$ 8,492,105
25	ASC 815	\$ -	\$ 0	\$ -	\$ -	\$ -
26	TAXES OTHER THAN INCOME TAXES	\$ 95,653,987	\$ (61,297,863)	\$ 34,356,123	\$ 881,121	\$ 35,237,245
27	INCOME TAXES	\$ -	\$ (576,843)	\$ (576,843)	\$ 7,681,542	\$ 7,104,698
28	DEFERRED INCOME TAXES	\$ 65,853,423	\$ (27,288,647)	\$ 38,564,776	\$ -	\$ 38,564,776
29	TOTAL OPERATING REV. DEDUCT.	\$ 776,326,830	\$ (113,382,447)	\$ 662,944,383	\$ 8,726,830	\$ 671,671,213
30						
31	NET OPERATING INCOME	\$ 119,145,769	\$ 2,866,178	\$ 122,011,947	\$ 14,265,740	\$ 136,277,687
32						
33	RATE BASE	\$ 1,727,319,760	\$ 33,373,873	\$ 1,760,693,633	\$ -	\$ 1,760,693,633
34						
35	RATE OF RETURN	6.90%		6.93%		7.74%
36						
37	RATE BASE:					
38	UTILITY PLANT IN SERVICE	\$ 3,545,031,363	\$ 39,696,239	\$ 3,584,727,602	\$ -	\$ 3,584,727,602
39	ACCUMULATED DEPRECIATION	\$ (1,363,034,789)	\$ 2,736,291	\$ (1,360,298,498)	\$ -	\$ (1,360,298,498)
40	ACCUMULATED DEFERRED FIT	\$ (502,155,618)	\$ (9,058,658)	\$ (511,214,276)	\$ -	\$ (511,214,276)
41	OTHER	\$ (30,161,803)	\$ -	\$ (30,161,803)	\$ -	\$ (30,161,803)
42	TOTAL NET INVESTMENT	\$ 1,649,679,153	\$ 33,373,873	\$ 1,683,053,026	\$ -	\$ 1,683,053,026
43	ALLOWANCE FOR WORKING CAPITAL	\$ 77,640,607	\$ -	\$ 77,640,607	\$ -	\$ 77,640,607
44	TOTAL RATE BASE	\$ 1,727,319,760	\$ 33,373,873	\$ 1,760,693,633	\$ -	\$ 1,760,693,633
45						
46						

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
 Adjustment Summary (Page 1)

LINE NO.	ACTUAL RESULTS OF OPERATIONS 12ME Sept 30, 2016	REVENUE & EXPENSES 6.01	TEMPERATURE NORMALIZATION 6.02	PASS THROUGH REVENUE & EXPENSE 6.03	FEDERAL INCOME TAX 6.04	TAX BENEFIT OF PRO FORMA INTEREST 6.05	DEPRECIATION STUDY 6.06
1	OPERATING REVENUES:						
2	SALES TO CUSTOMERS	\$ 857,492,456	\$ (54,715,829)	\$ (51,812,721)	\$ -	\$ -	\$ -
3	OTHER OPERATING REVENUES	37,980,142	(24,316,522)	(612,478)	-	-	-
4	TOTAL OPERATING REVENUES	\$ 895,472,599	\$ (79,032,351)	\$ (52,425,199)	\$ -	\$ -	\$ -
5							
6	OPERATING REVENUE DEDUCTIONS:						
7							
8	GAS COSTS:						
9							
10							
11	PURCHASED GAS	\$ 326,393,369	\$ (25,171,488)	\$ 30,724,734	\$ -	\$ -	\$ -
12							
13	TOTAL PRODUCTION EXPENSES	\$ 326,393,369	\$ (25,171,488)	\$ 30,724,734	\$ -	\$ -	\$ -
14							
15	OTHER POWER SUPPLY EXPENSES	2,420,905	-	-	-	-	-
16	TRANSMISSION EXPENSE	-	-	-	-	-	-
17	DISTRIBUTION EXPENSE	55,510,540	-	-	-	-	-
18	CUSTOMER ACCOUNT EXPENSES	26,085,152	(406,226)	298,575	(269,466)	(18,425,659)	7,093,745
19	CUSTOMER SERVICE EXPENSES	7,953,019	-	-	(5,693,636)	-	-
20	CONSERVATION AMORTIZATION	12,460,807	-	-	(12,460,807)	-	-
21	ADMIN & GENERAL EXPENSE	50,479,810	(158,065)	116,177	(104,850)	-	-
22	DEPRECIATION	122,080,785	-	-	-	-	(20,259,589)
23	AMORTIZATION	11,666,003	-	-	-	-	(8,253)
24	AMORTIZATION OF PROPERTY LOSS	-	-	-	-	-	-
25	OTHER OPERATING EXPENSES	(230,973)	-	-	-	-	-
26	ASC 815	-	-	-	-	-	-
27	TAXES OTHER THAN INCOME TAXES	95,653,987	(3,028,678)	2,226,070	(60,303,751)	(18,425,659)	7,093,745
28	INCOME TAXES	-	(17,593,763)	8,653,055	26,587,825	-	-
29	DEFERRED INCOME TAXES	65,853,423	-	396,387	(27,288,647)	-	-
30	TOTAL OPERATING REV. DEDUCT.	\$ 776,326,830	\$ (21,186,732)	\$ 11,293,877	\$ (7,008,222)	\$ (18,425,659)	\$ (13,174,098)
31							
32	NET OPERATING INCOME	\$ 119,145,769	\$ (32,674,131)	\$ 16,069,959	\$ 700,822	\$ 18,425,659	\$ 13,174,098
33							
34	RATE BASE	\$ 1,727,319,760	\$ -	\$ -	\$ -	\$ -	\$ 6,587,049
35							
36	RATE OF RETURN	6.90%					
37							
38	RATE BASE:						
39	UTILITY PLANT IN SERVICE	\$ 3,545,031,363	\$ -	\$ -	\$ -	\$ -	\$ 10,133,921
40	ACCUMULATED DEPRECIATION	(1,363,034,789)	-	-	-	-	(3,546,872)
41	ACCUMULATED DEFERRED FIT	(502,155,618)	-	-	-	-	-
42	OTHER	(30,161,803)	-	-	-	-	-
43	TOTAL NET INVESTMENT	\$ 1,649,679,153	\$ -	\$ -	\$ -	\$ -	\$ 6,587,049
44	ALLOWANCE FOR WORKING CAPITAL	77,640,607	-	-	-	-	-
45							
46	TOTAL RATE BASE	\$ 1,727,319,760	\$ -	\$ -	\$ -	\$ -	\$ 6,587,049

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
 Adjustment Summary (Page 2)

LINE NO.	INJURIES & DAMAGES 6.07	BAD DEBTS 6.08	INCENTIVE PAY 6.09	D&O INSURANCE 6.10	CUSTOMER DEPOSITS 6.11	RATE CASE EXPENSES 6.12	DEFERRED GAINS/LOSSES PROP SALES 6.13	PROPERTY & LIABILITY INS 6.14	PENSION PLAN 6.15
1 OPERATING REVENUES:									
2 SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 OTHER OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5									
6 OPERATING REVENUE DEDUCTIONS:									
7									
8 GAS COSTS:									
9									
10 PURCHASED GAS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11									
12 TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13									
14 OTHER POWER SUPPLY EXPENSES	\$ -	\$ -	\$ (7,715)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15 TRANSMISSION EXPENSE			(159,845)						
16 DISTRIBUTION EXPENSE			(53,778)						
17 CUSTOMER ACCOUNT EXPENSES	244,361		(6,348)		30,709				
18 CUSTOMER SERVICE EXPENSES									
19 CONSERVATION AMORTIZATION									
20 ADMIN & GENERAL EXPENSE			(81,049)	(17,901)		431,719		(69,499)	880,140
21 DEPRECIATION	88,827								
22 AMORTIZATION									
23 AMORTIZATION OF PROPERTY LOSS							161,677		
24 OTHER OPERATING EXPENSES									
25 ASC 815									
26 TAXES OTHER THAN INCOME TAXES	(31,089)	(85,526)	(19,047)	6,265		\$ (151,102)	(56,587)	24,325	(308,049)
27 INCOME TAXES			114,724						
28 DEFERRED INCOME TAXES									
29 TOTAL OPERATING REV.: DEDUCT.	\$ 57,738	\$ 158,835	\$ (213,058)	\$ (11,636)	\$ 30,709	\$ 280,617	\$ 105,090	\$ (45,174)	\$ 572,091
30 NET OPERATING INCOME	\$ (57,738)	\$ (158,835)	\$ 213,058	\$ 11,636	\$ (30,709)	\$ (280,617)	\$ (105,090)	\$ 45,174	\$ (572,091)
31									
32 RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33									
34 RATE OF RETURN	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35									
36 RATE BASE:									
37 UTILITY PLANT IN SERVICE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38 ACCUMULATED DEPRECIATION	-	-	-	-	-	-	-	-	-
39 ACCUMULATED DEFERRED HT	-	-	-	-	-	-	-	-	-
40 OTHER	-	-	-	-	-	-	-	-	-
41 TOTAL NET INVESTMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42 ALLOWANCE FOR WORKING CAPITAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43 TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44									
45									
46									

PUGET SOUND ENERGY-GAS
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
Adjustment Summary (Page 4)

LINE NO.	WAGE INCREASE 6.16	INVESTMENT PLAN 6.17	EMPLOYEE INSURANCE 6.18	ENVIRONMENTAL REMEDIATION 6.19	PAYMENT PROCESSING COSTS 6.20	SOUTH KING SERVICE CENTER 6.21	WUTC FILING FEE EXCISE TAX 6.22	RVCYR MECH 7.01	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1 OPERATING REVENUES:										
2 SALES TO CUSTOMERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,319,268)	\$ (54,759,248)	\$ 802,733,208
3 OTHER OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,319,268)	\$ (24,929,000)	\$ 13,051,143
4 TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,638,536)	\$ (79,688,247)	\$ 815,784,351
5										
6 OPERATING REVENUE DEDUCTIONS:										
7										
8 GAS COSTS:										
9										
10 PURCHASED GAS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,828,022	\$ 357,221,391
11										
12 TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,828,022	\$ 357,221,391
13										
14 OTHER POWER SUPPLY EXPENSES	\$ 40,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,568	\$ 2,453,474
15										
16 TRANSMISSION EXPENSE	793,916								634,072	56,144,612
17 DISTRIBUTION EXPENSE	107,338								3,343,186	29,428,338
18 CUSTOMER ACCOUNT EXPENSES	31,275				3,424,154			(32,481)	(5,668,709)	2,284,310
19 CUSTOMER SERVICE EXPENSES									(12,460,807)	-
20 CONSERVATION AMORTIZATION									(1,466,290)	51,946,100
21 ADMIN & GENERAL EXPENSE	446,330	79,135	90,433			(177,706)	(44,763)	127,594	(20,280,517)	101,800,268
22 DEPRECIATION						(148,322)			(8,253)	11,657,750
23 AMORTIZATION									8,723,078	8,492,105
24 AMORTIZATION OF PROPERTY LOSS									-	-
25 OTHER OPERATING EXPENSES				8,561,401					(61,297,863)	34,356,123
26 ASC 815				(2,996,490)					(576,843)	(576,843)
27 TAXES OTHER THAN INCOME TAXES	76,499		(31,651)		(1,198,454)	114,180	(6,790)	(242,167)	(27,288,647)	38,564,776
28 INCOME TAXES	(523,475)	(27,697)					18,044	(2,155,851)		
29 DEFERRED INCOME TAXES										
30 TOTAL OPERATING REV. DEDUCT.	\$ 972,167	\$ 51,438	\$ 58,781	\$ 5,564,911	\$ 2,225,700	\$ (212,048)	\$ (33,509)	\$ (2,315,544)	\$ (113,382,447)	\$ 356,551,013
31										
32 NET OPERATING INCOME	\$ (972,167)	\$ (51,438)	\$ (58,781)	\$ (5,564,911)	\$ (2,225,700)	\$ 212,048	\$ 33,509	\$ (4,003,724)	\$ 2,866,178	\$ 122,011,947
33										
34 RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,775,116	\$ -	\$ 19,011,708	\$ 33,373,873	\$ 1,760,693,633
35										
36 RATE OF RETURN										6.93%
37										
38 RATE BASE:										
39 UTILITY PLANT IN SERVICE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,690,286	\$ -	\$ 32,005,953	\$ 39,696,239	\$ 3,584,727,602
40 ACCUMULATED DEPRECIATION						(49,520)		(7,348,110)	2,736,291	(1,360,298,498)
41 ACCUMULATED DEFERRED FIT						134,349		(5,646,135)	(9,058,658)	(511,214,276)
42 OTHER										(30,161,803)
43 TOTAL NET INVESTMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,775,116	\$ -	\$ 19,011,708	\$ 33,373,873	\$ 1,683,053,026
44 ALLOWANCE FOR WORKING CAPITAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,775,116	\$ -	\$ 19,011,708	\$ 33,373,873	\$ 77,640,607
45										
46 TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,550,232	\$ -	\$ 38,023,516	\$ 71,747,746	\$ 1,760,693,633