

EXHIBIT NO. ___(JHS-9)
DOCKET NO. UG-040640, *et al.* (consolidated)
2004 PSE GENERAL RATE CASE
WITNESS: JOHN H. STORY

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*)

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting
Treatment for Certain Costs of the Company's
Power Cost Only Rate Filing.

Docket No. UE-031471 (*consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Accounting Order Authorizing
Deferral and Recovery of the Investment
and Costs Related to the White River
Hydroelectric Project.

Docket No. UE-032043 (*consolidated*)

SECOND EXHIBIT TO THE
PREFILED REBUTTAL TESTIMONY OF
JOHN H. STORY (CONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.

NOVEMBER 3, 2004

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

LINE**NO. DESCRIPTION**

1	RATE BASE	\$	2,546,059,451
2	RATE OF RETURN		9.12%
3			
4	OPERATING INCOME REQUIREMENT		232,200,622
5			
6	PRO FORMA OPERATING INCOME		167,990,528
7	OPERATING INCOME DEFICIENCY		64,210,094
8			
9	CONVERSION FACTOR		0.6207738
10	REVENUE REQUIREMENT DEFICIENCY		103,435,574
11	ASSIGNMENT TO LARGE FIRM WHOLESAL		99,426
12	ASSIGNMENT TO SMALL FIRM WHOLESAL		33,950
13		\$	103,302,198

**PUGET SOUND ENERGY-ELECTRIC
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	54.96%	6.96%	3.83%
2 PREFERRED	0.04%	8.51%	0.00%
3 EQUITY	45.00%	11.75%	5.29%
4 TOTAL	100.00%		9.12%
5			
6 AFTER TAX DEBT (LINE 1 * 65%)	54.96%	4.52%	2.49%
7 PREFERRED	0.04%	8.51%	0.00%
8 EQUITY	45.00%	11.75%	5.29%
9 TOTAL AFTER TAX COST OF CAPITAL	100.00%		7.78%

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

LINE

NO.	DESCRIPTION	RATE
1	BAD DEBTS	0.0045080
2	ANNUAL FILING FEE	0.0019000
3	STATE UTILITY TAX ((1 - LINE 1) * 3.873%)	3.873% <u>0.0385554</u>
4		
5	SUM OF TAXES OTHER	0.0449634
6		
7	FEDERAL INCOME TAX ((1 - LINE 5) * 35%)	35% 0.3342628
8	CONVERSION FACTOR (1 - (LINE 5 + LINE 7))	<u>0.6207738</u>

Puget Sound Energy
Electric Rate Base
As of September 30, 2003

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Electric 68.24%

Gas 31.76%

			AMA	Current Month
			12 Months Ended	Period End
			Sep-03	Sep-03
1	Account	Description		
2				
3		Rate Base		
4	10100001	Electric Plant in Service	\$ 4,058,827,720	\$ -
5	101/118	Common Plant-Allocation to Electric	252,614,535	
6	114	Electric Plant Aquisition Adjustment	77,871,127	
6a	18230001	Tenaska	227,519,604	
6b	18230171	Cabot	12,239,095	
7	18230041	Colstrip Common FERC Adj - Reg Asset	21,589,277	
8	18230051	Accum Amortization Colstrip-Common FER	(9,367,928)	
9	18230061	Colstrip Def Depr FERC Adj - Reg	2,947,396	
10	18230071	BPA Power Exch Invstmt - Reg Asset	113,632,921	
11	18230081	BPA Power Exch Inv Amortization - Reg As	(63,378,678)	
12	18230031	Electric - Def AFUDC - Regulatory Asset	29,097,076	
13				
14	10500001	Electric - Plant Held for Future Use	6,772,284	
15	10500003	Common Plant Held for Fut Use-Alloc to Elt	-	
16	106	Electric - Const Completed Non Classified	-	
17	108XXXX1	Elec-Accum Depreciation	(1,703,089,065)	
18	108XXXX3	Common Accum Depr-Allocation to Electric	(18,270,828)	
19	111XXXX1	Elec-Accum Amortization	(13,282,154)	
20	111XXXX3	Common Accum Amort-Allocation to Electri	(57,572,037)	
21	115	Accum Amort Acq Adj - Electric	(25,422,002)	
22	18230221	Accum Unamort Consvr Costs	154,506	
23	19000041	CIAC after 10/8/76 - Accum Def Income Tax		33,918
24	19000051	CIAC - 1986 Changes - Accum Def Income Tax		91,427
25	19000061	CIAC - 7/1/87 - Accum Def Income Tax		39,518,432
26	19000093	Vacation Pay - Accum Def Inc Taxes		1,971,454
27	19000191	RB-Consrv Pre91 Tax Settlmt - Accum Def I	-	
28	235000X1	Customer Deposits - Electric	(8,752,784)	
29	25400081	Residential Exchange	-	
30	252	Cust Advances for Construction	(23,664,861)	
31	28200101	Major Projects - Property Tax Expense		(3,497,000)
32	28200111	Def Inc Tax - Pre 1981 Additions		(647,743)
33	28200121	Def Inc Tax - Post 1980 Additions		(337,279,618)
34	28200131	Colstrip 3 & 4 Deferred Inc Tax		(939,000)
35	28200141	Excess Def Taxes - Centralia Sale		(32,874)
36	28300161	Def Inc Tax - Energy Conservation	-	
37	28300261	Def FIT Bond Redemption Costs		(4,409,226)
37a	28300451	Accum Def Inc Tax - Tenaska Purchase		(13,198,000)
37b	28300461	Accum Def Inc Tax - Cabot Gas Contract		(3,727,000)
37c	Various	Working Capital Adjustments (Working Capital, Line 101)		(68,291,281)
38	124001X1	Conservation Rate Base		-
39	1995 Conservation Trust Rate Base		11,569,864	
40	1997 Conservation Trust Rate Base		-	
41	Working Capital- Rate Base		15,068,558	
42	Rate Base		\$ 2,907,103,625	\$ (390,406,512)
43				
44				\$2,516,697,113
45				
46	Utility Plant in Service		Lines 4-6 & 14-21	\$ 2,578,449,579
47	Deferred Debits		Lines 6a-12 & 22	334,433,269
48	Deferred Taxes		Lines 23-27 & 31-37	(390,406,512)
49	Conservation Trust		Lines 39-40	11,569,864
50	Allowance for Working Capital		Line 41	15,068,558
51	Other		Lines 28-30	(32,417,645)
52	Total Rate Base			\$2,516,697,113

Puget Sound Energy
Electric Working Capital
As of September 30, 2003

Docket No. UE-04
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	Allocator	Tax Factor
Electric	68.24%	85.51%
Gas	31.76%	14.49%

Line No.	Description	Company Supplemental		Staff Working		Company
		12 Months Ended 9/30/2003-AMA	Staff Adjustments	12 Months Ended 9/30/2003-AMA	Company Adjustments	Rebuttal 12 Months Ended 9/30/2003-AMA
1	<u>Average Invested Capital</u>					
2	Common Stock	859,037,900		859,037,900		859,037,900
3	Preferred Stock	381,901,588		381,901,588		381,901,588
4	Additional Paid in Capital	484,624,357		484,624,357		484,624,357
5	Unamortized Debt Expense	(23,839,290)		(23,839,290)		(23,839,290)
6	Unappropriated Retained Earnings	75,953,779		75,953,779		75,953,779
7	Notes Payable - Misc	-		-		-
8	Long Term Debt	2,088,790,800		2,088,790,800		2,088,790,800
9	Short Term Debt	50,427,833		50,427,833		50,427,833
10	Accumulated Deferred ITC	3,865,613		3,865,613		3,865,613
11	Deferred Debits-Other	(909,148)		(909,148)		(909,148)
12	Unamortized Gain/Loss on Debt	(8,683,895)		(8,683,895)		(8,683,895)
13	1995 Conservation Trust Bonds Payable	15,096,321		15,096,321		15,096,321
14	Total Average Invested Capital	<u>3,926,265,858</u>		<u>3,926,265,858</u>		<u>3,926,265,858</u>
15						
16	<u>Average Electric Operating Investments</u>					
17						
18	Electric Plant in Service (includes acquisition adj)	4,136,698,847		4,136,698,847		4,136,698,847
19	Electric Future Use Property	6,772,284		6,772,284		6,772,284
20	Customer Advances for Construction	(23,664,861)		(23,664,861)		(23,664,861)
21	Customer Deposits	(8,752,784)		(8,752,784)		(8,752,784)
22	Deferred Taxes	(316,659,395)	(49,027,867)	(365,687,262)	(64,731,602)	(381,390,997)
23	Deferred Debits - Other	335,236,065	-	335,236,065		335,236,065
24	Less: Accumulated Depreciation	(1,741,793,221)		(1,741,793,221)		(1,741,793,221)
25	Completed Const. Not Classified	-		-		-
26	Conservation Investment	154,506		154,506		154,506
26a	1995 Conservation Trust Asset	11,569,864		11,569,864		11,569,864
27	Average Electric Operating Investment-Direct	<u>2,399,561,305</u>		<u>2,350,533,438</u>		<u>2,334,829,703</u>
28	Common Plant-Allocation to Electric	252,614,535		252,614,535		252,614,535
29	Common Plant Held for Fut Use-Allocation to Electric	-		-		-
30	Common Accum Depr-Allocation to Electric	(75,842,866)		(75,842,866)		(75,842,866)
31	Common Deferred Taxes-Allocation to Electric	1,681,746		1,681,746		1,681,746
32	Common Deferred Debits-Allocation to Electric	-		-		-
33	Common Conservation Investment-Allocation to Electric	-		-		-
33a	Investment in Associated Companies-Rainier Receivables	<u>8,955,324</u>		<u>8,955,324</u>		<u>8,955,324</u>
34	Average Common Operating Invest-Allocation to Electric	<u>187,408,739</u>		<u>187,408,739</u>		<u>187,408,739</u>
35	Total Average Electric Operating Investment	<u>2,586,970,044</u>		<u>2,537,942,177</u>		<u>2,522,238,442</u>
36						
37						
38	<u>Nonoperating, Gas Plant & Electric Plant Not In Service</u>					
39	Nonutility Property at Cost	1,789,905		1,789,905		1,789,905
40	Investment in Associated Companies	124,657,347		124,657,347		124,657,347
41	Other Investments & FAS 133	39,007,587		39,007,587		39,007,587
42	Interest Bearing Regulatory Assets	-		-		-
43	Electric CWIP	87,672,093		87,672,093		87,672,093
44	Common CWIP-Allocation to Electric	8,485,355		8,485,355		8,485,355
45	Other Electric Work in Progress	21,767		21,767		21,767
46	Other Common Work in Progress	1,391,143		1,391,143		1,391,143
47	Deferred Items - Other Electric	152,222,970	2,085,212	154,308,182		152,222,970
48	Less: Related Deferred FIT	(153,815,441)		(153,815,441)		(153,815,441)
49	Common Deferred Items	(42,749,955)	48,148,496	5,398,541	48,148,496	5,398,541
50	Less: Common Related Deferred FIT-Allocation to Electric	9,369,425		9,369,425		9,369,425
51	Temporary Cash Investments	50,966,149		50,966,149		50,966,149
52	Electric Preliminary Surveys	78,965		78,965		78,965
53	Gas Plant in Service	1,634,697,162		1,634,697,162		1,634,697,162
54	Common Plant in Service-Allocation to Gas	117,570,891		117,570,891		117,570,891
55	Gas Completed Construction Not Classified	-		-		-
56	Gas Future Use	-		-		-
57	Common Plant Held for Fut Use-Allocation to Gas	-		-		-
58	Gas Construction Work in Progress	28,009,840		28,009,840		28,009,840
59	Common CWIP-Allocation to Gas	3,949,221		3,949,221		3,949,221
60	Gas Stored Underground	3,246,534		3,246,534		3,246,534
61	Less: Gas Accumulated Depreciation	(505,508,739)		(505,508,739)		(505,508,739)
62	Common Plant Accum Depr-Allocation to Gas	(35,298,497)		(35,298,497)		(35,298,497)
63	Gas Customer Contribution/Advances	(17,174,520)		(17,174,520)		(17,174,520)
64	Deferred Taxes - Other Gas	(187,428,993)		(187,428,993)		(187,428,993)

Puget Sound Energy
Electric Working Capital
As of September 30, 2003

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	Allocator	Tax Factor
Electric	68.24%	85.51%
Gas	31.76%	14.49%

Line No.	Description	Company Supplemental		Staff Working		Company
		12 Months Ended 9/30/2003-AMA	Staff Adjustments	12 Months Ended 9/30/2003-AMA	Company Adjustments	Company Rebuttal 12 Months Ended 9/30/2003-AMA
65	Gas Nonoperating Items	(28,044,350)		(28,044,350)		(28,044,350)
65a	Common Current Accts-Gas Share	(3,198,054)		(3,198,054)		(3,198,054)
65b	Gas Current Accts	48,962,510	-	48,962,510		48,962,510
66	Common Non-Operating Items	(90,154,255)	49,219,975	(40,934,280)	64,731,602	(25,422,653)
67	Common Other Operating Items-Allocation to Gas	4,360,682	15,323,190	19,683,872	15,323,190	19,683,872
68				-		-
69	Total Nonoperating & Gas Investments	1,253,086,742		1,367,863,615		1,381,290,029
70	Total Average Investments	<u>3,840,056,786</u>		<u>3,905,805,792</u>		<u>3,903,528,472</u>
71	Total Investor Supplied Working Capital	\$ 86,209,072		\$ 20,460,066		\$ 22,737,386
72						
73	Total Average Investments	3,840,056,786		3,905,805,792		3,903,528,472
74	Less: Electric CWIP	(96,157,448)		(96,157,448)		(96,157,448)
	Interest Bearing Regulatory Assets	-		-		-
75	Other Work in Progress	(1,412,910)		(1,412,910)		(1,412,910)
76	Preliminary Surveys	(78,965)		(78,965)		(78,965)
77	Total	<u>3,742,407,463</u>		<u>3,808,156,469</u>		<u>3,805,879,149</u>
78						
79	Working Capital %	2.30%		0.54%		0.60%
80						
81	Non Electric Working Capital	26,616,340		6,824,475		7,668,828
82						
83	Operating Working Capital	<u>\$ 59,592,733</u>		<u>\$ 13,635,591</u>		<u>\$ 15,068,558</u>
84						
84						
85						
86						
87						
88						
89						

Account	Description	Alloc	Working Capital	Am Rate	Base Amt
Non Operating to Working Capital					
14209993	Cust A/R Clmg CLX	68.24%	15,323,190		
Non Operating to Operating					
19000121	Cabot Gas DT	100.00%	2,151,750		2,718,000
28300023	Def Tax CLX Amort	68.24%	(181,803)		(543,190)
28300193	Def Inc Tax-SAP	68.24%	(4,106,285)		(4,813,650)
28300501	IRS Carryover Adj-CLX	68.24%	(19,779,876)		(22,732,109)
			(21,916,214)		(25,370,949)
28300513	Indirect Cost Adjustment	59.15%	(42,815,388)		(42,920,332)
			(64,731,602)		(68,291,281)