

Exhibit \_\_\_ (JMR-4)  
Docket No. UG-060266, et al.  
Witness: James M. Russell

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET NO. UG-060266

DOCKET NO. UE-060267  
*(consolidated)*

EXHIBIT OF

JAMES M. RUSSELL

STAFF OF THE WASHINGTON UTILITIES  
AND TRANSPORTATION COMMISSION

*Gas Results of Operations and Revenue Requirement*

July 25, 2006

**PUGET SOUND ENERGY-GAS  
RESULTS OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE
1	<u>OPERATING REVENUES:</u>				
2	\$ 829,271,796	\$ 114,199,986	\$ 943,471,782	\$ 19,621,652	\$ 963,093,434
3	34,729,596	(34,729,596)	-	-	-
4	15,438,897	1,616,195	17,055,092	-	17,055,092
5	<u>\$ 879,440,289</u>	<u>\$ 81,086,585</u>	<u>\$ 960,526,874</u>	<u>\$ 19,621,652</u>	<u>\$ 980,148,526</u>
6					
7					
8	OPERATING REVENUE DEDUCTIONS:				
9					
10	GAS COSTS:				
11					
12	\$ 539,655,901	\$ 91,599,470	\$ 631,255,371	\$ -	\$ 631,255,371
13					
14	<u>\$ 539,655,901</u>	<u>\$ 91,599,470</u>	<u>\$ 631,255,371</u>	<u>\$ -</u>	<u>\$ 631,255,371</u>
15					
16	\$ 1,520,542	\$ 27,829	\$ 1,548,371	\$ -	\$ 1,548,371
17	445,738	6,649	452,387		452,387
18	33,307,919	(146,131)	33,161,788		33,161,788
19	22,239,694	991,282	23,230,976	66,770	23,297,745
20	3,914,552	(2,065,386)	1,849,166		1,849,166
21	3,454,161	(3,733,733)	(279,572)		(279,572)
22	36,522,434	4,607,547	41,129,981	37,281	41,167,262
23	64,997,955	(41,961)	64,955,994		64,955,994
24	11,302,712	0	11,302,712		11,302,712
25	3,287	0	3,287		3,287
26	150,234	717,990	868,224		868,224
27	-	0	-		-
28	83,922,287	(32,874,119)	51,048,168	753,254	51,801,422
29	9,529,694	1,829,492	11,359,186	6,567,521	17,926,707
30	(4,023,283)	12,203,333	8,180,050		8,180,050
31	<u>\$ 267,287,926</u>	<u>\$ (18,477,210)</u>	<u>\$ 248,810,716</u>	<u>\$ 7,424,826</u>	<u>\$ 256,235,543</u>
32					
33	\$ 72,496,462	\$ 7,964,325	\$ 80,460,787	\$ 12,196,826	\$ 92,657,613
34					
35	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743
36					
37	6.15%		6.82%		7.85%
38					
39	RATE BASE:				
40	\$ 2,007,347,617	\$ (901,242)	\$ 2,006,446,375		
41	(650,335,811)	1,503,898	(648,831,913)		
42	(174,512,354)	508,520	(174,003,834)		
43	(14,234,907)	-	(14,234,907)		
44	<u>\$ 1,168,264,545</u>	<u>\$ 1,111,176</u>	<u>\$ 1,169,375,721</u>		
45	10,976,022	-	10,976,022		
46	<u>\$ 1,179,240,567</u>	<u>\$ 1,111,176</u>	<u>\$ 1,180,351,743</u>		

PUGET SOUND ENERGY-GAS  
 STATEMENT OF OPERATING INCOME AND ADJUSTMENTS  
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
 RESTATING AND PRO FORMA ADJUSTMENTS

LINE NO.	(Uncontested) ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2005	(Uncontested) REVENUE & EXPENSES G.01	(Uncontested) FEDERAL INCOME TAX G.02	(Uncontested) TAX BENEFIT OF PRO FORMA INTEREST G.03	(Uncontested) CONSERVATION G.04	(Uncontested) BAD DEBITS G.05	(Uncontested) MISCELLANEOUS OPERATING EXPENSE G.06	(Uncontested) PROPERTY TAXES G.07
1	OPERATING REVENUES							
2	SALES TO CUSTOMERS	\$ 829,271,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	34,729,596	(34,729,596)					
4	OTHER OPERATING REVENUES	15,433,897	1,616,195					
5	TOTAL OPERATING REVENUES	\$ 879,440,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	OPERATING REVENUE DEDUCTIONS:							
8								
9	GAS COSTS:							
10								
11								
12	PURCHASED GAS	\$ 539,655,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13								
14	TOTAL PRODUCTION EXPENSES	\$ 539,655,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15								
16	OTHER ENERGY SUPPLY EXPENSES	\$ 1,520,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE	445,738						
18	DISTRIBUTION EXPENSE	33,307,919						
19	CUSTOMER ACCTS EXPENSES	22,239,694	276,235		363,605			
20	CUSTOMER SERVICE EXPENSES	3,914,552						
21	CONSERVATION AMORTIZATION	3,454,161			(3,733,731)			
22	ADMIN & GENERAL EXPENSE	36,522,434	154,237				(536)	
23	DEPRECIATION	64,997,955					85,324	
24	AMORTIZATION	11,302,712						
25	AMORTIZATION OF PROPERTY LOSS	3,287						
26	OTHER OPERATING EXPENSES	150,234						1,420,883
27	FAS 133							
28	TAXES OTHER THAN INCOME TAXES	83,922,287	(91,605,545)					(722,193)
29	INCOME TAXES	9,529,694	7,263,536	(12,694,120)	1,306,807	(127,262)	(526,985)	252,768
30	DEFERRED INCOME TAXES	(4,023,283)	12,203,333					
31	TOTAL OPERATING REV. DEDUCT.	\$ 267,287,926	\$ (23,911,537)	\$ (490,787)	\$ (2,426,926)	\$ 236,343	\$ 978,686	\$ (469,425)
32								
33	NET OPERATING INCOME	\$ 72,496,462	\$ 13,489,425	\$ 490,787	\$ 2,426,926	\$ (236,343)	\$ (978,686)	\$ 469,425
34								
35	RATE BASE	\$ 1,179,240,567						
36								
37	RATE OF RETURN	6.15%						
38								
39	RATE BASE:							
40	UTILITY PLANT IN SERVICE	\$ 2,007,347,617	\$ -	\$ -	\$ -	\$ -	\$ 2,912,989	\$ -
41	ACCUMULATED DEPRECIATION	(650,385,811)					(55,656)	
42	ACCUMULATED DEFERRED FIT - LIBERALIZED	(174,512,354)						
43	OTHER	(14,234,907)						
44	TOTAL NET INVESTMENT	\$ 1,168,264,545	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -
45	ALLOWANCE FOR WORKING CAPITAL	10,976,022						
46	TOTAL RATE BASE	\$ 1,179,240,567	\$ -	\$ -	\$ -	\$ -	\$ 2,857,353	\$ -





**PUGET SOUND ENERGY-GAS**  
**G.01 - REVENUES & EXPENSES**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<b>OPERATING REVENUE EXCL MUNI TAXES</b>	\$ 829,271,796	\$ 851,089,798	\$ 21,818,002
2	MUNICIPAL TAXES	34,376,447	-	(34,376,447)
3	OTHER		-	-
4	PGA RATE INCREASE		92,472,757	92,472,757
5				
6	<b>INCREASE TO OPERATING REVENUE</b>	<b>\$ 863,648,243</b>	<b>\$ 943,562,555</b>	<b>\$ 79,914,312</b>
7				
8	<b>OTHER OPERATING REVENUE</b>			
9	OTHER OPERATING REVENUE	\$ 15,438,897	\$ 17,055,092	1,616,195
10	MUNICIPAL TAXES	353,149	-	(353,149)
11				
12	<b>INCREASE TO OPERATING REVENUE</b>	<b>\$ 15,792,046</b>	<b>\$ 17,055,092</b>	<b>\$ 1,263,046</b>
13				
14	<b>TOTAL REVENUE ADDITIONS</b>	<b>\$ 879,440,289</b>	<b>\$ 960,617,647</b>	<b>81,177,358</b>
15				
16	<b>OPERATING EXPENSE</b>			
17	PURCHASED GAS - 106	9,057,891	-	\$ (9,057,891)
18	PURCHASED GAS - 101	530,598,010	631,255,371	\$ 100,657,361
19				
20	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 539,655,901</b>	<b>\$ 631,255,371</b>	<b>\$ 91,599,470</b>
21	MUNICIPAL TAX EXPENSED			(34,721,856)
22	OTHER OPERATING EXPENSE	0.340286%		276,235
23	FILING FEE	0.190000%		154,237
24	GROSS RECEIPTS	3.838892%		3,116,311
25				
26	<b>TOTAL EXPENSE BEFORE FIT</b>			<b>\$ 60,424,397</b>
26				
27	<b>NOI BEFORE FIT</b>			<b>\$ 20,752,961</b>
28				
29	FIT		35%	7,263,536
30				
31	<b>TOAL INCREASE/(DECREASE) NOI</b>			<b>\$ 13,489,425</b>

**PUGET SOUND ENERGY-GAS**  
**G.01 - REVENUES & EXPENSES**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	<b>OPERATING REVENUE EXCL MUNI TAXES</b>	\$ 829,271,796	\$ 851,089,798	\$ 21,818,002
2	MUNICIPAL TAXES	34,376,447	-	(34,376,447)
3	OTHER			-
4	PGA RATE INCREASE		92,472,757	92,472,757
5				
6	<b>INCREASE TO OPERATING REVENUE</b>	<b>\$ 863,648,243</b>	<b>\$ 943,562,555</b>	<b>\$ 79,914,312</b>
7				
8	<b>OTHER OPERATING REVENUE</b>			
9	OTHER OPERATING REVENUE	\$ 15,438,897	\$ 17,055,092	1,616,195
10	MUNICIPAL TAXES	353,149	-	(353,149)
11				
12	<b>INCREASE TO OPERATING REVENUE</b>	<b>\$ 15,792,046</b>	<b>\$ 17,055,092</b>	<b>\$ 1,263,046</b>
13				
14	<b>TOTAL REVENUE ADDITIONS</b>	<b>\$ 879,440,289</b>	<b>\$ 960,617,647</b>	<b>81,177,358</b>
15				
16	<b>OPERATING EXPENSE</b>			
17	PURCHASED GAS - 106	9,057,891	-	\$ (9,057,891)
18	PURCHASED GAS - 101	530,598,010	631,255,371	\$ 100,657,361
19				
20	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 539,655,901</b>	<b>\$ 631,255,371</b>	<b>\$ 91,599,470</b>
21	MUNICIPAL TAX EXPENSED			(34,721,856)
22	OTHER OPERATING EXPENSE	0.340286%		276,235
23	FILING FEE	0.190000%		154,237
24	GROSS RECEIPTS	3.838892%		3,116,311
25				
26	<b>TOTAL EXPENSE BEFORE FIT</b>			<b>\$ 60,424,397</b>
26				
27	<b>NOI BEFORE FIT</b>			<b>\$ 20,752,961</b>
28				
29	FIT		35%	7,263,536
30				
31	<b>TOAL INCREASE/(DECREASE) NOI</b>			<b>\$ 13,489,425</b>

**PUGET SOUND ENERGY-GAS  
G.02 - FEDERAL INCOME TAX  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (9,041,218)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(3,164,426)
5	DEFERRED FIT - DEBIT	37,129,750
6	DEFERRED FIT - CREDIT	(27,846,700)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(1,103,000)
8	TOTAL RESTATED FIT	<u>\$ 5,015,624</u>
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ 9,529,694
12	DEFERRED FIT - DEBIT	25,329,740
13	DEFERRED FIT - CREDIT	(28,789,583)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	<u>(563,440)</u>
15	TOTAL CHARGED TO EXPENSE	- \$ 5,506,411
16		
17	INCREASE(DECREASE) FIT	\$ (12,694,120)
18	INCREASE(DECREASE) DEFERRED FIT	12,742,893
19	INCREASE(DECREASE) ITC	(539,560)
20	INCREASE(DECREASE) NOI	<u><u>\$ 490,787</u></u>



**PUGET SOUND ENERGY-GAS**  
**G.03 - TAX BENEFIT OF PRO FORMA INTEREST**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,180,351,743
2	DEDUCTIBLE CWIP	15,940,446
3	NET RATE BASE	<u>\$ 1,196,292,189</u>
4		
5	WEIGHTED COST OF DEBT	<u>3.53%</u>
6	PROFORMA INTEREST	\$ 42,229,114
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 57,350,782
10	INTEREST ON PREFERRED STOCK	32,467
11	AMORTIZATION OF DEBT DISCOUNT	
12	AND EXPENSE, NET OF PREMIUMS	1,700,792
13	OTHER INTEREST EXPENSE	2,643,960
14	LESS INTEREST ON CUSTOMER DEPOSITS	<u>(131,750)</u>
15	CHARGED TO EXPENSE IN TEST YEAR	<u>61,596,251</u>
16	INCREASE (DECREASE) INCOME	\$ 19,367,137
17		
18	INCREASE (DECREASE) FIT @	35% 6,778,498
19	INCREASE (DECREASE) NOI	<u><u>\$ (6,778,498)</u></u>

**PUGET SOUND ENERGY-GAS  
G.04 - CONSERVATION  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>RESTATING</u>	
2 ACTUAL CONSERVATION TRACKER AMORTIZATION & EXPENSE	\$ 3,090,832
3 RESTATED CONSERVATION TRACKER AMORTIZATION & EXPENSE	-
4 INCREASE (DECREASE) AMORTIZATION EXPENSE	<u>(3,090,832)</u>
5 INCREASE (DECREASE) OPERATING EXPENSE	\$ (3,090,832)
6	
7 <u>PROFORMA</u>	
8 CONSERVATION REGULATORY ASSET-ACCT #18230422 WATER HEATER PRGM	642,901
9 CONSERVATION AMORTIZATION FOR RATE YEAR	-
10 INCREASE (DECREASE) AMORTIZATION EXPENSE	<u>(642,901)</u>
11 INCREASE (DECREASE) OPERATING EXPENSE	<u>(642,901)</u>
12	
13 INCREASE (DECREASE) EXPENSE	\$ (3,733,733)
14 INCREASE (DECREASE) FIT	1,306,807
15	35%
16 INCREASE (DECREASE) NOI	<u><u>\$ 2,426,926</u></u>
17	

**PUGET SOUND ENERGY-GAS**  
**G.05 - BAD DEBTS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	NET WRITEOFFS	GROSS REVENUES	NET REVENUES	AMOUNT
1	12 MOS ENDED 09/30/1999	\$ 3,466,158	\$ 780,673,537	\$ 780,673,537	0.4439958%
2	12 MOS ENDED 09/30/2000	\$ 2,014,372	\$ 736,127,073	\$ 736,127,073	0.2736446%
3	12 MOS ENDED 09/30/2002	\$ 2,666,611	\$ 879,440,289	\$ 879,440,289	0.3032168%
4	3-Yr Average of Net Write Off Rate				<u>0.3402857%</u>
5					
6	Test Period Revenues		\$ 879,440,289	\$ 879,440,289	
7					
8	PROFORMA BAD DEBT RATE			0.3402857%	
9	PROFORMA BAD DEBTS			<u>\$ 2,992,610</u>	
10					
11	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR			<u>2,629,005</u>	
12	INCREASE (DECREASE) EXPENSE				\$ 363,605
13					
14	INCREASE (DECREASE) FIT			35%	<u>(127,262)</u>
15	INCREASE (DECREASE) NOI				<u><u>\$ (236,343)</u></u>

**PUGET SOUND ENERGY-GAS**  
**G.06 - MISCELLANEOUS OPERATING EXPENSE**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES</u>			
2				
3	REMOVE MISCELLANEOUS PENALTIES	\$ 536	\$ -	\$ (536)
4	AMORT OF DEFERRAL PURSUANT TO WUTC DOC # UG-051528		1,267,159	1,267,159
5	NORMALIZATION OF CARRYING COST ON LINE 4		153,724	153,724
6	DEP EXP ON CWIP IN SERVICE NOT TRANSFERRED TO PLANT		85,324	85,324
7				
8				
9	INCREASE (DECREASE) IN EXPENSE	\$ 536	\$ 1,506,207	\$ 1,505,671
10				
11	INCREASE (DECREASE) IN OPERATING EXPENSE			1,505,671
12	INCREASE(DECREASE) FIT @		35%	(526,985)
13				
14	INCREASE(DECREASE) NOI			<u>\$ (978,686)</u>
15				
16				
17	<u>RATEBASE</u>			
18	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			2,912,989
19	ACCUMULATED DEPRECIATION ON CWIP IN SERVICE			(55,636)
20				
21	TOTAL ADJUSTMENT TO RATEBASE			<u>\$ 2,857,353</u>
22				

**PUGET SOUND ENERGY-GAS**  
**G.07 - PROPERTY TAXES**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED PROPERTY TAX	\$ 12,158,947
2	CHARGED TO EXPENSE IN TY	12,881,140
3	INCREASE(DECREASE) EXPENSE	<u>\$ (722,193)</u>
4		
5	INCREASE(DECREASE) FIT @ 35%	<u>252,768</u>
6	INCREASE(DECREASE) NOI	<u><u>\$ 469,425</u></u>

**PUGET SOUND ENERGY-GAS  
G.08 - EXCISE TAX & FILING FEE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 32,603,568
2	CHARGED TO EXPENSE FOR TEST YEAR	33,200,986
3	INCREASE(DECREASE) EXCISE TAX	\$ (597,418)
4		
5	RESTATED WUTC FILING FEE	\$ 1,664,073
6	CHARGED TO EXPENSE FOR TEST YEAR	1,665,617
7	INCREASE(DECREASE) WUTC FILING FEE	\$ (1,544)
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ (598,962)
10		
11	INCREASE(DECREASE) FIT 35%	\$ 209,637
12	INCREASE(DECREASE) NOI	<u>\$ 389,325</u>

**PUGET SOUND ENERGY-GAS  
G.09 - RATE CASE EXPENSES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	AMOUNT
1 DEFERRED EXPENDITURES TO BE AMORTIZED:	
2	
3 2001 GRC EXPENSES BALANCE @ 9/30/05	\$ 833,877
4 LESS 2001 GRC AMORTIZATION FROM 10/01/05-12/31/06	431,310
5 REMAINING 2001 GRC DEFERRALS TO BE AMORTIZED	<u>402,567</u>
6	
7 ANNUAL AMORTIZATION (LINE 5 + 2 YEARS)	201,284
8 TEST YEAR EXPENSE: 2001 GRC AMORTIZATION	451,668
9 INCREASE (DECREASE) EXPENSE	<u>(250,385) \$ (250,385)</u>
10	
11 2004 GRC EXPENSES BALANCE @ 9/30/05	\$ 379,326
12 LESS 2004 GRC AMORTIZATION FROM 10/01/05-12/31/06	192,720
13 REMAINING 2004 GRC DEFERRALS TO BE AMORTIZED	<u>186,606</u>
14	
15 ANNUAL AMORTIZATION (LINE 13 + 4 YEARS)	46,652
16 LESS TEST YEAR EXPENSE: 2004 GRC AMORTIZATION	89,936
17 INCREASE (DECREASE) EXPENSE	<u>(43,285) (43,285)</u>
18	
19	
20 EXPENSES TO BE NORMALIZED:	
21	
22 ESTIMATED GRC EXPENSES TO BE NORMALIZED	<u>\$ 1,941,243</u>
23	
24 ANNUAL NORMALIZATION (LINE 22 / 2 YEARS)	970,621
25 LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES & AMORTIZATION	<u>611,781</u>
26	
27 INCREASE (DECREASE) EXPENSE	<u>\$ 358,840 \$ 358,840</u>
28	
29	
30 TOTAL INCREASE (DECREASE) EXPENSE	\$ 65,171
31	
32 INCREASE(DECREASE) FIT @	35% (22,810)
33 INCREASE(DECREASE) NOI	<u>\$ (42,361)</u>

**PUGET SOUND ENERGY-GAS**  
**G.10 - PROPERTY & LIABILITY INSURANCE**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1 PROPERTY INSURANCE EXPENSE	\$ 527,181	281,698	\$ (245,483)
2 LIABILITY INSURANCE EXPENSE	886,977	941,780	54,803
3 INCREASE(DECREASE) EXPENSE	\$ 1,414,158	\$ 1,223,478	\$ (190,680)
4			
5			
6 INCREASE (DECREASE) FIT @	35%		66,738
7 INCREASE (DECREASE) NOI			<u>\$ 123,942</u>



**PUGET SOUND ENERGY-GAS  
G.11 - PENSION PLAN  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATE	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ (941,988)	\$ 1,589,166	\$ 2,531,154
2	SERP PLAN	\$ 1,492,418	\$ 1,428,204	\$ (64,214)
3				
4	INCREASE(DECREASE) EXPENSE	\$ 550,430	\$ 3,017,370	\$ 2,466,940
5				
6				
7	INCREASE (DECREASE) FIT @	35%		(863,429)
8	INCREASE (DECREASE) NOI			<u>\$ (1,603,511)</u>

**PUGET SOUND ENERGY-GAS**  
**G.12 - WAGE INCREASE**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 71,748	\$ 76,669	\$ 4,921
3	OTHER GAS SUPPLY	372,798	392,779	19,981
4	STORAGE, LNG T&G	449,217	476,528	27,311
5	TRANSMISSION	190,460	202,334	11,874
6	DISTRIBUTION	16,263,342	17,317,011	1,053,669
7	CUSTOMER ACCTS	6,021,503	6,404,448	382,945
8	CUSTOMER SERVICE	790,797	834,227	43,430
9	SALES	374,113	392,485	18,372
10	ADMIN. & GENERAL	9,087,991	9,546,264	458,273
11	TOTAL WAGE INCREASE	<u>33,621,969</u>	<u>35,642,745</u>	2,020,776
12				
13	PAYROLL TAXES	2,993,607	3,117,169	123,562
14	TOTAL WAGES & TAXES	<u>\$ 36,615,576</u>	<u>\$ 38,759,914</u>	<u>\$ 2,144,338</u>
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 2,144,338
17	INCREASE (DECREASE) FIT @ 35%			(750,518)
18	INCREASE (DECREASE) NOI			<u><u>\$ (1,393,820)</u></u>

**PUGET SOUND ENERGY-GAS  
G.13 - INVESTMENT PLAN  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION		AMOUNT
1	MANAGEMENT (INC. EXECUTIVES)		
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT		1,794,911
3	RATE YEAR MANAGEMENT WAGE INCREASE	4.91%	88,130
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT		1,883,041
5			
6	IBEW		
7	INVESTMENT PLAN APPLICABLE TO IBEW		442,541
8	RATE YEAR IBEW WAGE INCREASE	6.90%	30,523
9	TOTAL COMPANY CONTRIBUTION FOR IBEW		473,064
10			
11	UA		
12	INVESTMENT PLAN APPLICABLE TO UA		392,715
13	RATE YEAR UA WAGE INCREASE	6.89%	27,041
14	TOTAL COMPANY CONTRIBUTION FOR UA		419,756
15			
16	TOTAL		
17	TOTAL PROFORMA COSTS (LN 4 + LN 9 + 14)		2,775,861
18	PRO FORMA COSTS APPLICABLE TO OPERATIONS	62.32%	1,729,917
19	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2005		1,639,120
20	INCREASE (DECREASE) EXPENSE		90,797
21			
22	INCREASE (DECREASE) FIT @	35%	(31,779)
23	INCREASE (DECREASE) NOI		<b><u>(59,018)</u></b>

**PUGET SOUND ENERGY-GAS  
G.14 - EMPLOYEE INSURANCE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 3,852,538
3	UNION EMPLOYEES	3,696,775
4	PRO FORMA INSURANCE COSTS	<u>7,549,313</u>
5		
6	APPLICABLE TO OPERATIONS @ 62.32%	4,704,732
7	CHARGED TO EXPENSE 09/30/03	4,060,907
8	INCREASE(DECREASE) EXPENSE	<u>643,825</u>
9		
10	INCREASE(DECREASE) FIT @ 35%	(225,339)
11		
12	INCREASE(DECREASE) NOI	<u><u>\$ (418,486)</u></u>

**PUGET SOUND ENERGY-GAS**  
**G.15 - INCENTIVE PAY**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATE	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 6,230	\$ 4,510	\$ (1,720)
3	OTHER GAS SUPPLY	32,932	22,552	(10,380)
4	STORAGE, LNG T&G	39,756	27,472	(12,284)
5	TRANSMISSION	16,911	11,686	(5,225)
6	DISTRIBUTION	1,435,055	995,970	(439,085)
7	CUSTOMER ACCTS	531,359	368,414	(162,945)
8	CUSTOMER SERVICE	69,720	47,974	(21,746)
9	SALES	32,932	22,552	(10,380)
10	ADMIN. & GENERAL	801,934	509,893	(292,041)
11	TOTAL INCENTIVE PAY	\$ 2,966,829	\$ 2,011,023	\$ (955,806)
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	206,491	142,691	(63,800)
14	INCREASE(DECREASE) EXPENSE			(1,019,606)
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			(1,019,606)
17				
18	INCREASE(DECREASE) FIT @		35%	356,862
19	INCREASE(DECREASE) NOI			\$ 662,744

**PUGET SOUND ENERGY-GAS**  
**G.16 - INTEREST ON CUSTOMER DEPOSITS**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	INTEREST EXPENSE FOR TEST YEAR	\$ 131,750
2		
3	INCREASE (DECREASE) NOI	<u>\$ (131,750)</u>

**PUGET SOUND ENERGY-GAS**  
**G.17 - DEFERRED GAINS/LOSSES ON PROPERTY SALES**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

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1	DEFERRED (GAIN) RECORDED SINCE UG-040640 @ 12/31/2006	\$ (2,923,695)
2	DEFERRED LOSS RECORDED SINCE UG-040640 @ 12/31/2006	815,015
3	TOTAL DEFERRED NET (GAIN) LOSS TO AMORTIZE	<u>\$ (2,108,680)</u>
4		
5	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR RATE YEAR (Line 3/3years)	(702,893)
6		
7	AMORTIZATION OF DEFERRED NET (GAIN) LOSS FOR TEST YEAR	0
8		
9	INCREASE (DECREASE) EXPENSE (Line 5 - Line 7)	<u>\$ (702,893)</u>
10		
11	INCREASE (DECREASE) FIT @ 35%	<u>246,013</u>
12		
13	INCREASE (DECREASE) NOI	<u><u>\$ 456,881</u></u>

**PUGET SOUND ENERGY-GAS**  
**G.18 - GENERAL OFFICE RELOCATION**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	<u>OPERATING EXPENSES ( PROFORMA)</u>			
2	GENERAL OFFICE BUILDING - PROPERTY TAXES	\$ 79,692	\$ -	\$ (79,692)
3	GENERAL OFFICE BUILDING - PROPERTY INSURANCE	2,840	-	(2,840)
4	GENERAL OFFICE BUILDING - DEPRECIATION (EOP)	63,446	-	(63,446)
5	CROSSROADS BUILDING - PROPERTY TAXES	17,158	-	(17,158)
6	CROSSROADS BUILDING - PROPERTY INSURANCE	602	-	(602)
7	CROSSROADS BUILDING - DEPRECIATION (EOP)	63,839	-	(63,839)
8		<u>\$ 227,577</u>	<u>\$ 0</u>	<u>\$ (227,577)</u>
9				
10	<u>OPERATING EXPENSES ( RESTATED)</u>			
11	PSE(E) - LEASE COSTS	\$ 45,564	\$ 1,857,711	\$ 1,812,147
12	PSE(E) - LEASEHOLD IMPROVEMENTS AMORTIZATION	(41,490)	(311,175)	(269,685)
13	PSE(E) - PROPERTY TAXES	-	91,609	91,609
14	PSE(E) - PROPERTY INSURANCE	-	1,025	1,025
15		<u>\$ 4,074</u>	<u>\$ 1,639,170</u>	<u>\$ 1,635,096</u>
16				
17	INCREASE(DECREASE ) IN EXPENSE	\$ 231,651	\$ 1,639,170	1,407,519
18				
19	INCREASE (DECREASE) FIT @		35%	(492,632)
20	INCREASE (DECREASE) NOI			<u>\$ (914,887)</u>
21				
22	<u>ADJUSTMENT TO RATEBASE</u>			
23	GENERAL OFFICE BUILDING	\$ 1,913,663	\$ -	\$ (1,913,663)
24	ACCUM DEPRECIATION	(673,004)	-	673,004
25	DEFERRED INCOME TAX	(319,401)	-	319,401
26	NET GENERAL OFFICE BUILDING	<u>\$ 921,258</u>	<u>\$ -</u>	<u>\$ (921,258)</u>
27				
28	CROSSROADS BUILDING	\$ 1,900,568	\$ -	\$ (1,900,568)
29	ACCUM DEPRECIATION	(886,530)	-	886,530
30	DEFERRED INCOME TAX	(189,119)	-	189,119
31	NET CROSSROADS BUILDING	<u>\$ 824,919</u>	<u>\$ -</u>	<u>\$ (824,919)</u>
32				
33	TOTAL ADJUSTMENT TO RATE BASE	<u>\$ 1,746,177</u>	<u>\$ -</u>	<u>\$ (1,746,177)</u>



**PUGET SOUND ENERGY-GAS**  
**G.19 - LOW INCOME AMORTIZATION**  
**FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**  
**GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	RESTATING	
2	LOW INCOME AMORTIZATION IN TEST PERIOD	\$ 2,095,062
3	REMOVE AMORTIZATION (REVENUE REMOVED IN ADJ 4.01)	<u>-</u>
4	INCREASE (DECREASE) EXPENSE	\$ (2,095,062)
5		
6	INCREASE (DECREASE) OPERATING EXPENSE	(2,095,062)
7		
8	INCREASE (DECREASE) FIT	35% \$ <u>733,272</u>
9		
10	INCREASE (DECREASE) NOI	<u>\$ 1,361,790</u>

**PUGET SOUND ENERGY-GAS  
G.20 - D&O INSURANCE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	TEST YEAR	RESTATED	ADJUSTMENT
1	D & O INS. CHG EXPENSE	\$ 756,214	<del>\$ 429,447</del>	\$ (326,767)
2				
3	INCREASE (DECREASE) D&O EXPENSE	\$ 756,214	\$ 429,447	\$ (326,767)
4				
5	INCREASE (DECREASE) EXPENSE			(326,767)
6				
7	INCREASE (DECREASE) FIT @		35%	114,369
8	INCREASE (DECREASE) NOI			<u>\$ 212,399</u>

**PUGET SOUND ENERGY-GAS  
G.21 - EVERETT DELTA  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>AMA RATEBASE</u>	
2	GROSS	\$ 29,545,951
3	ACCUMULATED DEPRECIATION (AMA)	(310,269)
4	DEFERRED FIT	(4,965,562)
5	NET AMA	<u>24,270,120</u>
6		
7	RATE OF RETURN	<u>6.61%</u>
8	RETURN ON RATE BASE	1,604,255
9	CONVERSION FACTOR	62.1600%
10	RETURN ON RATE BASE AFTER CONVERSION	<u>2,580,846</u>
11	DEPRECIATION EXPENSE	663,167
12	TOTAL REVENUE REQUIREMENT	<u>3,244,013</u>
13	EXCLUDE LEASE PAYMENT	<u>3,334,786</u>
14		
15	REVENUE DEFICIENCY	(90,773)
16		
17	OTHER OPERATING EXPENSE	0.340286% (309)
18	FILING FEE	0.190000% (172)
19	GROSS RECEIPTS	3.838892% (3,485)
20	TOTAL EXPENSE	<u>(3,966)</u>
21		
22	NET REVENUE DEFICIENCY BEFORE FIT	(86,807)
23		
24	TOAL INCREASE (DECREASE) FIT	35% (30,382)
25		
26	TOAL INCREASE/(DECREASE) NOI	<u>\$ (56,424)</u>

**PUGET SOUND ENERGY-GAS  
G.22 - SPIRIT RIDGE ADJUSTMENT  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>RESTATED</u>	
2	SPIRIT RIDGE INCREMENTAL O&M IN TEST YEAR	\$ 760,714
3	RESTATED O&M SPIRIT RIDGE COSTS	-
4	INCREASE (DECREASE) O&M	(760,714)
5		
6	INCREASE (DECREASE) OPERATING INCOME	760,714
7	INCREASE (DECREASE) FIT	(266,250)
8	INCREASE (DECREASE) NOI	494,464
9		

35%

**PUGET SOUND ENERGY-GAS  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

1	RATE BASE	\$ 1,180,351,743
2	RATE OF RETURN	<u>7.85%</u>
3		
4	OPERATING INCOME REQUIREMENT	92,657,612
5		
6	PRO FORMA OPERATING INCOME	<u>80,460,787</u>
7	OPERATING INCOME DEFICIENCY	12,196,825
8		
9	CONVERSION FACTOR	<u>62.16003%</u>
10		
11		
12	TOTAL REVENUE REQUIREMENT	<b>\$19,621,652</b>

**PUGET SOUND ENERGY-GAS  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	DEBT	53.25%	6.63%	3.53%
2	PREFERRED STOCK	3.75%	7.61%	0.29%
3	EQUITY	43.00%	9.38%	4.03%
4	TOTAL	100.00%		7.85%
5				
6	AFTER TAX DEBT ( LINE 1 * 65%)	53.25%	4.31%	2.29%
7	PREFERRED	3.75%	7.61%	0.29%
8	EQUITY	43.00%	9.38%	4.03%
9	TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.61%

**PUGET SOUND ENERGY-GAS  
CONVERSION FACTOR  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			100%
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.340286%
5	OTHER TAXES			
6	STATE UTILITY	100.00%		
7		-0.340%		
8				
9	STATE UTILITY TAX	99.66%	3.852%	3.838892%
10	ALL OTHER (FILING FEE)			0.190000%
11	FEDERAL INCOME TAX:			
12	CURRENT	95.63%	35.00%	33.47%
13				
14				
15	TOTAL OPERATING REVENUE DEDUCTIONS			37.840%
16				
17	CONVERSION FACTOR			62.1600%

**COMPARISON BETWEEN PSE (as revised) AND STAFF DIRECT CASES**

(Shading indicates contested adjustments)

**GAS**

Adj. No.	Adjustment	PSE			STAFF			Staff - PSE Rev. Req. Difference
		NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement	
1	Per Books	\$72,496,462	\$1,179,240,567	\$49,557,588	\$72,496,462	\$1,179,240,567	\$32,293,940	(\$17,263,649)
2	Rev. & Exp., Temp. Normalization	G.01 \$13,489,425		(\$21,701,124)	\$ 13,489,425		(\$21,701,123)	\$1
3	Federal Income Tax	G.02 490,787		(789,554)	490,787		(\$789,554)	(\$0)
4	Tax Benefit of Pro Forma Interest	G.03 (7,280,941)		11,713,220	(6,778,498)		\$10,904,914	(\$808,306)
5	Conservation	G.04 2,426,926		(3,904,319)	2,426,926		(\$3,904,320)	(\$1)
6	Bad Debts	G.05 (236,343)		380,217	(236,343)		\$380,217	\$0
7	Remove Penalties	G.06.1 348		(560)	348		(\$560)	\$0
8	Amort. Of Def. Taxes Reg. Asset	G.06.2 (923,574)		1,485,800	(923,574)		\$1,485,800	\$0
9	Depreciation on CWIP In-Service	G.06.3 (55,461)		89,222	(55,461)		\$89,222	(\$0)
10	Rate Base Adj. CWIP In-Service	G.06.4 2,857,353		402,677	2,857,353		\$360,846	(\$41,831)
11	Property Taxes	G.07 469,425		(755,188)	469,425		(\$755,189)	(\$1)
12	Excise Tax & Filing Fee	G.08 389,325		(626,327)	389,325		(\$626,327)	(\$0)
13	Rate Case Expenses	G.09 (273,728)		440,360	(42,361)		\$68,149	(\$372,211)
14	Property & Liability Ins	G.10 123,942		(199,392)	123,942		(\$199,392)	\$0
15	Pension Plan	G.11 (1,603,511)		2,579,650	(1,603,511)		\$2,579,650	\$0
16	Wage Increase	G.12 (1,393,820)		2,242,309	(1,393,820)		\$2,242,309	(\$0)
17	Investment Plan	G.13 (59,018)		94,945	(59,018)		\$94,944	(\$1)
18	Employee Insurance	G.14 (418,486)		673,240	(418,486)		\$673,240	\$0
19	Incentive Pay	G.15 431,333		(693,907)	662,744		(\$1,066,190)	(\$372,283)
20	Interest On Cust. Deposits	G.16 (131,750)		211,953	(131,750)		\$211,953	\$0
21	Prop. Sales Def. Gains/Losses	G.17 456,881		(735,008)	456,881		(\$735,007)	\$1
22	General Office Relocation	G.18 (914,888)		1,225,744	(914,887)		\$1,251,306	\$25,562
23	Low Income Amortization	G.19 1,361,790		(2,190,781)	1,361,790		(\$2,190,781)	(\$0)
24	D&O Insurance	G.20 3,192		(5,135)	212,389		(\$341,697)	(\$336,562)
25	Everett Delta Pipeline Expansion	G.21 176,569		(284,056)	(56,424)		\$90,773	\$374,829
26	Spirit Ridge Adjustment	G.22 0		0	494,464		(\$795,470)	(\$795,470)
27	Working Capital	In per books		0			\$0	\$0
28	Total			\$39,211,574	\$80,460,787		\$1,180,351,743	\$19,621,653
29	Depreciation Tracker Impact			10,884,680			Tracker Impact	(\$10,884,680)
30	Total Increase			\$50,096,254			Total Increase	\$19,621,653

31 Rate of Return 8.76%  
 32 Conversion Factor 0.6216003

7.85%  
 0.6216003