

Exhibit ____ (JMR-2)
Docket No. UE-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. UE-060266

DOCKET NO. UG-060267
(consolidated)

EXHIBIT OF

JAMES M. RUSSELL

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

*Electric Results of Operations
and Revenue Requirement*

July 25, 2006

Revised August 9, 2006 (pp. 1, 2, 4, 5, 7, 28, 31, 32, 37, 38, 41)

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

LINE NO.	ACTUAL RESULTS OF OPERATION	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT SURPLUS	AFTER RATE DECREASE
1	<u>OPERATING REVENUES:</u>				
2	\$ 1,397,539,936	\$ 315,071,415	\$ 1,712,611,351	\$ (40,698,572)	\$ 1,671,912,779
3	350,901	127,722	478,623	-	478,623
4	151,158,328	(142,929,914)	8,228,414	-	8,228,414
5	55,899,367	(19,665,307)	36,234,060	-	36,234,060
6	1,604,948,532	152,603,916	1,757,552,448	(40,698,572)	1,716,853,876
7					
8	<u>OPERATING REVENUE DEDUCTIONS:</u>				
9					
10	<u>POWER COSTS:</u>				
11	\$ 75,039,758	\$ 10,156,621	\$ 85,196,379	\$ -	\$ 85,196,379
12	808,898,950	(86,404,971)	722,493,979	-	722,493,979
13	43,994,427	14,150,625	58,145,052	-	58,145,052
14	(177,350,021)	177,350,021	-	-	-
15	750,583,114	115,252,296	865,835,410	-	865,835,410
16					
17	\$ 53,185,137	\$ 20,609,639	\$ 73,794,776	\$ -	\$ 73,794,776
18	3,786,749	356,982	4,143,731	-	4,143,731
19	56,397,075	5,035,422	61,432,497	-	61,432,497
20	32,311,231	3,648,870	35,960,101	(186,103)	35,773,998
21	9,266,102	(7,747,165)	1,518,937	-	1,518,937
22	18,233,848	(18,233,848)	-	-	-
23	64,934,552	8,590,923	73,525,475	(77,327)	73,448,148
24	129,900,123	21,488,531	151,388,654	-	151,388,654
25	24,582,050	(22,692)	24,559,358	-	24,559,358
26	7,937,131	(3,180,069)	4,757,062	-	4,757,062
27	(2,317,679)	2,085,161	(232,518)	-	(232,518)
28	911,373	(911,373)	-	-	-
29	140,165,789	(29,916,100)	110,249,689	(1,569,048)	108,680,641
30	101,303,182	(7,460,137)	93,843,045	(13,603,131)	80,239,914
31	(17,512,885)	17,349,292	(163,593)	-	(163,593)
32	\$ 1,373,666,892	\$ 126,945,732	\$ 1,500,612,624	\$ (15,435,610)	\$ 1,485,177,014
33					
34	\$ 231,281,640	\$ 25,658,184	\$ 256,939,824	\$ (25,262,962)	\$ 231,676,862
35					
36	\$ 2,513,582,619	\$ 437,714,976	\$ 2,951,297,595	\$ -	\$ 2,951,297,595
37					
38		9.20%	8.71%		7.85%
39					
40	<u>RATE BASE:</u>				
41	\$ 4,571,527,301	\$ 541,464,552	\$ 5,112,991,853	-	-
42	(1,971,832,341)	(12,644,163)	(1,984,476,504)	-	-
43	353,317,604	(48,376,550)	304,941,054	-	-
44	(387,242,755)	(42,728,863)	(429,971,618)	-	-
45	(52,187,190)	-	(52,187,190)	-	-
46	\$ 2,513,582,619	\$ 437,714,976	\$ 2,951,297,595	-	-

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

LINE NO.	(Uncontested) OPERATIONS	(Uncontested) TEMPERATURE NORMALIZATION	(Contested) REVENUES & EXPENSES	(Uncontested) FEDERAL INCOME TAX	(Contested) TAX BENEFIT OF PRO FORMA INTEREST	(Uncontested) CONSERVATION	(Uncontested) BAD DEBITS
	E.01	E.02	E.03	E.04	E.05	E.06	E.07
1	OPERATING REVENUES						
2	SALES TO CUSTOMERS	\$ 1,397,539,936	\$ 303,116,962	\$ -	\$ -	\$ -	\$ -
3	SALES FROM RESALE-FIRM	350,901	122,117				
4	SALES TO OTHER UTILITIES	151,158,328	(142,929,914)				
5	OTHER OPERATING REVENUES	55,899,367	908,826				
6	TOTAL OPERATING REVENUES	\$ 1,604,948,532	\$ 304,147,905	\$ -	\$ -	\$ -	\$ -
7							
8	OPERATING REVENUE DEDUCTIONS:						
9							
10	POWER COSTS:						
11	FUEL	\$ 75,039,758	\$ -	\$ 12,933,963	\$ -	\$ -	\$ -
12	PURCHASED AND INTERCHANGED	808,898,950	(93,428,664)				
13	WHEELING	43,994,427	9,913,466				
14	RESIDENTIAL EXCHANGE	(177,350,021)	177,350,021				
15	TOTAL PRODUCTION EXPENSES	\$ 750,583,114	\$ 106,768,787	\$ -	\$ -	\$ -	\$ -
16							
17	OTHER POWER SUPPLY EXPENSES	\$ 53,185,137	\$ -	\$ 5,857,677	\$ -	\$ -	\$ -
18	TRANSMISSION EXPENSE	3,786,749	257,787				
19	DISTRIBUTION EXPENSE	56,397,075					
20	CUSTOMER ACCTS EXPENSES	32,311,231	1,390,782				
21	CUSTOMER SERVICE EXPENSES	9,266,102					
22	CONSERVATION AMORTIZATION	18,233,848				(18,233,848)	1,606,696
23	ADMIN & GENERAL EXPENSE	64,934,552	577,881				
24	DEPRECIATION	129,900,123					
25	AMORTIZATION	24,582,050					
26	AMORTIZ OF PROPERTY GAIN/LOSS	7,937,131					
27	OTHER OPERATING EXPENSES	(2,317,679)					
28	FAS 133	911,373					
29	TAXES OTHER THAN INCOME TAXES	140,165,789	(34,215,282)				
30	INCOME TAXES	101,303,182	117,738,084	(21,216,124)	1,425,647	6,381,847	(562,344)
31	DEFERRED INCOME TAXES	(17,512,885)		17,030,311			
32	TOTAL OPERATING REV. DEDUCT.	\$ 1,373,566,892	\$ 85,491,464	\$ (4,185,813)	\$ 1,425,647	\$ (11,852,001)	\$ 1,044,352
33							
34	NET OPERATING INCOME	\$ 231,281,640	\$ 218,656,441	\$ 4,185,813	\$ (1,425,647)	\$ 11,852,001	\$ (1,044,352)
35							
36	RATE BASE	\$ 2,513,582,619					
37							
38	RATE OF RETURN	9.20%					
39							
40	RATE BASE:						
41	GROSS UTILITY PLANT IN SERVICE	\$ 4,571,527,301	\$ -	\$ -	\$ -	\$ -	\$ -
42	ACCUM DEPR AND AMORT	(1,971,832,341)					
43	DEFERRED DEBITS	353,317,604					
44	DEFERRED TAXES	(387,242,755)					(28,822)
45	ALLOWANCE FOR WORKING CAPITAL						
46	OTHER	(52,187,190)					
47	TOTAL RATE BASE	\$ 2,513,582,619	\$ -	\$ -	\$ -	\$ (28,822)	\$ -

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

LINE NO.	(Contested) WIND HORSE E.26	(Contested) INCENTIVE PAY E.27	(Uncontested) GENERAL OFFICE RELOCATION E.28	(Uncontested) OTHER AMORTIZATION E.29	(Uncontested) DEMAND RESPONSE PROGRAM E.30	(Uncontested) DEPRECIATION E.31	(Contested) PRODUCTION ADJUSTMENT E.32	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES								
2	SALES TO CUSTOMERS							\$ 315,071,415	\$ 1,712,611,351
3	SALES FROM RESALE-FIRM							127,722	478,623
4	SALES TO OTHER UTILITIES							(142,925,914)	8,228,414
5	OTHER OPERATING REVENUES							(19,665,307)	36,234,060
6	TOTAL OPERATING REVENUES							\$ 152,603,916	\$ 1,757,552,448
7									
8	OPERATING REVENUE DEDUCTIONS:								
9	POWER COSTS:								
10	FUEL								
11	PURCHASED AND INTERCHANGED								
12	WHEELING								
13	RESIDENTIAL EXCHANGE								
14	TOTAL PRODUCTION EXPENSES								
15		2,621,721							
16			(55,402)						
17	OTHER POWER SUPPLY EXPENSES								
18	TRANSMISSION EXPENSE								
19	DISTRIBUTION EXPENSE								
20	CUSTOMER ACCTS EXPENSES								
21	CUSTOMER SERVICE EXPENSES								
22	CONSERVATION AMORTIZATION								
23	ADMIN & GENERAL EXPENSE								
24	DEPRECIATION								
25	AMORTIZATION								
26	AMORTIZ OF PROPERTY GAIN/LOSS								
27	OTHER OPERATING EXPENSES								
28	FAS 133								
29	TAXES OTHER THAN INCOME TAXES								
30	INCOME TAXES								
31	DEFERRED INCOME TAXES								
32	TOTAL OPERATING REV. DEDUCT.								
33									
34	NET OPERATING INCOME								
35									
36	RATE BASE								
37									
38	RATE OF RETURN								
39									
40	RATE BASE:								
41	GROSS UTILITY PLANT IN SERVICE								
42	ACCUM DEPR AND AMORT								
43	DEFERRED DEBITS								
44	DEFERRED TAXES								
45	ALLOWANCE FOR WORKING CAPITAL								
46	OTHER								
	TOTAL RATE BASE								

8.71%

PUGET SOUND ENERGY-ELECTRIC
E.02 - REVENUES AND EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO. DESCRIPTION	ADJUSTMENT
1 SALES TO CUSTOMERS:	
2 <u>RESTATING ADJUSTMENTS:</u>	
3 ADD BACK SCHEDULE 94 RESIDENTIAL/FARM CREDIT	\$ 185,649,299
4 REMOVE MUNICIPAL TAXES	(48,315,602)
5 REMOVE SCHEDULE 120 CONSERVATION RIDER REVENUE	(19,030,407)
6 OUT OF PERIOD CHARGES	69,987
7 REMOVE SCH 135 & 136 GREEN POWER REVENUE	(1,116,397)
8	
9	
10	-
11 SUBTOTAL RESTATING ADJUSTMENTS	<u>117,256,880</u>
12 <u>PROFORMA ADJUSTMENTS:</u>	
13 PROFORMA POLE ATTACHMENT REVENUES	<u>\$432,853</u>
14 REMOVE PCORC INCREASE DOCKET 031725	(23,716,925)
15 GRC PROFORMA INCREASE DOCKET 040640	52,628,111
16 PCORC PROFORMA INCREASE DOCKET 050870	165,576,433
17	<u>0</u>
18 PROFORMA UNBILLED REVENUE	(2,535,968)
19 LOW INCOME REVENUE	(7,949,401)
20 MISC. PROFORMA ADJUSTMENTS - SALES TO CUSTOMERS	1,424,979
21 MISC. PROFORMA ADJUSTMENTS - SALES FROM RESALE-FIRM	122,117
22 SUBTOTAL PROFORMA ADJUSTMENTS	<u>185,982,199</u>
23	
24 TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS	\$ 303,239,079
25	
26 <u>OTHER OPERATING REVENUES:</u>	
27	
28 REMOVE 1995 CONSERVATION TRUST INTEREST DISTRIBUTION	427,863
29 MISC. PROFORMA ADJUSTMENTS - SALES FROM RESALE-SPECIAL CONTRACT	<u>480,963</u>
30	
31 TOTAL INCREASE (DECREASE) OTHER OPERATING REVENUE	<u>908,826</u>
32	
33 TOTAL INCREASE (DECREASE) REVENUES	304,147,905
34	
35 UNCOLLECTIBLES @	0.0045727 \$ 1,390,782
36 ANNUAL FILING FEE @	0.0019000 577,881
37 INCREASE (DECREASE) EXPENSES	1,968,663
38	
39 STATE UTILITY TAX @	0.0385529 \$ 11,725,784
40 REMOVE MUNICIPAL TAX EXPENSED	<u>(45,941,066)</u>
41 INCREASE (DECREASE) TAXES OTHER	<u>(34,215,282)</u>
42	
43 INCREASE (DECREASE) INCOME	336,394,525
44	
45 INCREASE (DECREASE) FIT @	35% 117,738,084
46 INCREASE (DECREASE) NOI	<u>\$ 218,656,441</u>

PUGET SOUND ENERGY-ELECTRIC
E.23 - MONTANA CORPORATE LICENSE TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	AMOUNT
1	ESTIMATED FEDERAL CURRENT COMBINED TAXABLE	
2	INCOME AT SEPTEMBER 30, 2005	\$ 227,377,698
3	ADD: MONTANA CORPORATE LICENSE TAX	(Included above)
4	PROFORMA INTEREST ADJUSTMENT 4.05	<u>0</u>
5	INCOME SUBJECT TO APPORTIONMENT	<u>227,377,698</u>
6		
7	MONTANA APPORTIONMENT FACTOR	6.48%
8	MONTANA TAXABLE INCOME	14,734,075
9		
10	PROFORMA MONTANA CORP. LIC. TAX	6.75% 994,550
11	CHARGED TO EXPENSE IN TEST YEAR	737,155
12		-
13	INCREASE (DECREASE) EXPENSE	<u>257,395</u>
14		
15	INCREASE (DECREASE) FIT @	35% (90,088)
16		-
17	INCREASE (DECREASE) NOI	<u><u>\$ (167,307)</u></u>

PUGET SOUND ENERGY-ELECTRIC
E.26 - WILD HORSE WIND PLANT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	TEST YEAR	PROFORMA	ADJUSTMENT
1	<u>WILD HORSE RATE BASE</u>			
2	PLANT BALANCE	\$ -	\$ 383,253,789	\$ 383,253,789
3	ACCUMULATED DEPRECIATION	-	(8,090,394)	(8,090,394)
4	DEFERRED TAX LIABILITY	-	(19,140,469)	(19,140,469)
5	DEFERRED TAX ASSET	-	199,782	199,782
6	WILD HORSE RATE BASE	\$ -	\$ 356,222,708	\$ 356,222,708
7				
8	<u>WILD HORSE OPERATING EXPENSES:</u>			
9	DEPRECIATION EXPENSE	\$ -	\$ 15,066,967	\$ 15,066,967
10				
11	<u>POWER COSTS & PRODUCTION O&M RELATED TO WILD HORSE</u>			
12	565 - WHEELING		2,621,721	2,621,721
13	PRODUCTION O&M		9,921,354	9,921,354
14	PROPERTY INSURANCE	-	264,209	264,209
15	PLANT PROPERTY TAXES	-	2,457,440	2,457,440
16	TOTAL O&M & POWER COST	-	15,264,724	15,264,724
17				
18	TOTAL PRODUCTION O&M & OPERATING EXPENSE	\$	30,331,691	\$ 30,331,691
19				
20	INCREASE (DECREASE) EXPENSE		30,331,691	30,331,691
21				
22	INCREASE (DECREASE) FIT @		35%	(10,616,092)
23	INCREASE (DECREASE) NOI			\$ (19,715,599)

PUGET SOUND ENERGY-ELECTRIC
E.27 - INCENTIVE PAY
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	<u>OPERATING EXPENSES (RESTATED)</u>			
2	PURCHASED POWER	\$ 180,395	\$ 124,993	\$ (55,402)
3	OTHER POWER SUPPLY	567,295	398,012	(169,283)
4	TRANSMISSION	93,046	64,639	(28,407)
5	DISTRIBUTION	1,500,126	1,054,134	(445,992)
6	CUSTOMER ACCTS	829,342	583,315	(246,027)
7	CUSTOMER SERVICE	105,389	73,906	(31,483)
8	SALES	37,978	26,438	(11,540)
9	ADMIN. & GENERAL	1,433,665	923,901	(509,764)
10	TOTAL INCENTIVE/MERIT PAY	\$ 4,747,236	\$ 3,249,338	\$ (1,497,898)
11				
12	PAYROLL TAXES ASSOC WITH MERIT PAY	330,408	\$ 231,096	(99,312)
13	INCREASE(DECREASE) EXPENSE	5,077,644	3,480,434	(1,597,210)
14				
15	INCREASE (DECREASE) OPERATING EXPENSE			(1,597,210)
16				
17	INCREASE (DECREASE) FIT @		35%	559,023
18	INCREASE (DECREASE) NOI			<u>\$ 1,038,187</u>

PUGET SOUND ENERGY-ELECTRIC
E.32 - PRODUCTION ADJUSTMENT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 0.891%	FIT 35%
1	O&M ON PRODUCTION PROPERTY			
2	PRODUCTION WAGE INCREASE AND INCENTIVE:			
3	PURCHASED POWER	\$ 46,425	\$ (414)	\$ 145
4	OTHER POWER SUPPLY	234,229	(2,087)	730
5	TOTAL PRODUCTION WAGE INCREASE	280,654	(2,501)	875
6				
7	WIND PLANT POWER COSTS AND PRODUCTION O&M:			
8	565 - WHEELING	2,621,721	(23,360)	8,176
9	PRODUCTION O&M	(4,650,354)	(130,535)	45,687
10	TOTAL WILD HORSE POWER COSTS AND PRODUCTION O&M	17,272,075	(153,894)	53,863
11				
12	ADMIN & GENERAL EXPENSES			
13	PAYROLL OVERHEADS	1,086,842	(9,684)	3,389
14	PROPERTY INSURANCE	2,288,086	(20,387)	7,135
15	TOTAL ADMIN & GENERAL EXPENSES	3,374,928	(30,071)	10,524
16				
17	DEPRECIATION / AMORTIZATION:			
18	DEPRECIATION	60,156,922	(535,998)	149,654
19	AMORTIZATION (OTHER THAN REGULATORY ASSETS/LIAB)	2,438,576	(21,728)	6,482
20	TOTAL DEPRECIATION AND AMORTIZATION (FERC 403)	62,595,498	(557,726)	156,136
21	TAXES OTHER-PRODUCTION PROPERTY:			
22	PROPERTY TAXES - WASHINGTON	6,575,857	(58,591)	20,507
23	PROPERTY TAXES - MONTANA	5,848,043	(52,106)	18,237
24	ELECTRIC ENERGY TAX	1,719,835	(15,324)	5,363
25	PAYROLL TAXES	526,231	(4,689)	1,641
26	TOTAL TAXES OTHER	14,669,966	(130,709)	45,748
27				
28	O&M ON REGULATORY ASSETS:			
29	CABOT	\$ 3,078,000	(27,425)	9,599
30	TENASKA	24,343,000	(216,896)	75,914
31	BEP	3,526,620	(31,422)	10,998
32	WHITE RIVER PLANT COSTS	1,494,702	(13,318)	4,661
33	WHITE RIVER RELICENSING & CWIP	-	-	-
34	CANWEST	(3,797,503)	33,836	(11,843)
35	HOPKINS RIDGE PREPAID TRANSMISSION	1,653,530	(14,733)	5,157
36	TOTAL ADJUSTMENT TO O&M ON REGULATORY ASSETS	\$ 30,298,349	\$ (269,958)	\$ 94,486
37	INCREASE(DECREASE) EXPENSE		(1,144,859)	
38	INCREASE(DECREASE) FIT			361,632
39	INCREASE(DECREASE) NOI			\$ 783,227
40				
41	PRODUCTION PROPERTY RATE BASE:			
42	DEPRECIABLE PRODUCTION PROPERTY	\$ 1,697,599,545	\$ (15,125,612)	
43	LESS PRODUCTION PROPERTY ACCUM DEPR.	(662,196,258)		5,900,169
44	NON-DEPRECIABLE PRODUCTION PROPERTY	26,966,267	(240,269)	
45	LESS PRODUCTION PROPERTY ACCUM AMORT.	(2,377,987)		21,188
46	COLSTRIP COMMON FERC ADJUSTMENT	6,809,639	(60,674)	
47	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,006,346	(17,877)	
48	ENCOGEN ACQUISITION ADJUSTMENT	46,646,833	(415,623)	
49	NET PRODUCTION PROPERTY	1,115,454,385	(9,938,698)	
50	DEDUCT:			
51	LIBR. DEPREC. PRE 1981 (AMA)	(669,177)		5,962
52	LIBR. DEPREC. POST 1980 (AMA)	(123,040,553)		1,096,291
53	OTHER DEF. TAXES (AMA)	(4,050,958)		36,094
54	SUBTOTAL	(127,760,688)		1,138,347
55				
56	ADJUSTMENT TO PRODUCTION RATE BASE	\$ 987,693,697	\$ (8,800,351)	\$ 978,893,346
57				
58	REGULATORY ASSETS RATE BASE:			
59	CABOT	2,824,963	(25,170)	
60	TENASKA	142,925,042	(1,273,462)	
61	BEP	24,007,413	(213,906)	
62	WHITE RIVER PLANT COSTS	39,052,307	(347,956)	
63	WHITE RIVER RELICENSING & CWIP	17,018,469	(151,635)	
64	CANWEST	(2,468,377)		21,993
65	HOPKINS RIDGE PREPAID TRANSMISSION	8,742,500	(77,896)	
66				
67	ADJUSTMENT TO REGULATORY ASSETS RATE BASE	\$ 232,102,317	\$ (2,068,032)	\$ 230,034,285
68				
69	TOTAL ADJUSTMENT TO RATEBASE (LINE 56 + LINE 67)		\$ (10,868,383)	

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

LINE**NO. DESCRIPTION**

1	RATE BASE	\$ 2,951,297,595
2	RATE OF RETURN	7.85%
3		
4	OPERATING INCOME REQUIREMENT	231,676,861
5		
6	PRO FORMA OPERATING INCOME	256,939,824
7	OPERATING INCOME DEFICIENCY	(25,262,963)
8		
9	CONVERSION FACTOR	0.6207334
10	REVENUE REQUIREMENT DEFICIENCY	(40,698,572)
11		-
12		-
13	REVENUE REQUIREMENT DEFICIENCY	\$ (40,698,572)

REVISED 8/8/06

ELECTRIC

Adj. No.	Adjustment	PSE				STAFF				Staff - PSE Rev. Req. Difference
		NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement	Rev. Req. Difference		
1	Per Books	\$231,281,640	\$2,513,582,619	\$17,869,867	\$ 231,281,640	\$ 2,513,582,619	\$54,719,184			(\$36,849,817)
2	Temperature Normalization	E.01	\$7,424,007			\$7,424,007				(\$11,960,057)
3	Revenues & Expenses	E.02	218,387,755			218,387,755				(\$432,852)
4	Power Costs	E.03	(196,237,595)			(196,237,595)				(\$26,737,699)
5	Federal Income Tax	E.04	4,185,813			4,185,813				\$1
6	Tax Benefit of Pro Forma Interest	E.05	(2,426,414)			(2,426,414)				(\$1,610,622)
7	Conservation	E.06	11,852,001	(28,822)		11,852,001	(28,822)			\$423
8	Bad Debts	E.07	(1,044,352)			(1,044,352)				\$0
9	Amort. of Det. Taxes Reg. Asset	E.08.1	(1,337,206)			(1,337,206)				(\$0)
10	Misc non-Operating	E.08.2	627			627				\$0
11	Oregon Prop. Taxes for 3rd AC	E.08.3	(484,484)			(484,484)				\$0
12	Baker Hydro Relicensing Costs	E.08.4	(378,504)	25,524,753		(378,504)	(484,484)			\$0
13	Tree Watch Expense	E.08.5	(639,229)			(639,229)				(\$4,211,909)
14	New York Stock Exchange Feet	E.08.6				\$0				\$0
15	Depreciation on CWIP In-Servic	E.08.7	(56,700)			(56,700)				(\$0)
16	CWIP In-Servic Rate Base	E.08.8		3,317,734			3,317,734			(\$48,638)
17	Property Taxes	E.09	383,183			383,183				(\$617,307)
18	Hopkitts Ridge Wind Plant	E.10	(10,542,923)	146,464,189		(9,389,395)	147,154,987			(\$3,916,292)
19	Excise Tax & Filing Fee	E.11	(384,314)			(384,314)				\$0
20	D&O Insurance	E.12	4,742			(67,689)				(\$500,731)
21	Montana Energy Tax	E.13	8,557			8,557				\$0
22	Interest on Cust Deposits	E.14	(227,184)			(227,184)				(\$1)
23	SPAS 133	E.15	592,392			(954,342)				(\$1)
24	Rate Case Expenses	E.16	(97,273)			156,707	426,631			(\$844,008)
25	Property Sales	E.17	(18,149)			(18,149)				(\$1)
26	Property & Liability Ins	E.18	(288,833)			(288,833)				\$1
27	Pension Plan	E.19	(2,565,770)			(2,565,770)				(\$0)
28	Wage Increase	E.20	(2,208,007)			(2,208,007)				\$0
29	Investment Plan	E.21	(94,453)			(94,453)				\$0
30	Employee Insurance	E.22	(669,622)			(669,622)				\$0
31	Montana Corp. Lic. Tax	E.23	(187,009)			(187,009)				(\$31,740)
32	Storm Damage	E.24	(197,617)			(197,617)				(\$0)
33	Regulatory Assets & Liab.	E.25	(2,887,461)	(54,943,645)		(2,887,461)	(54,943,645)			\$805,477
34	Wild Horse Plant	E.26	(22,163,981)	354,743,696		(19,715,599)	356,222,708			(\$8,957,867)
35	Incentive Pay	E.27	690,180			(1,038,187)				(\$560,638)
36	Gen. Office Relocation	E.28	(1,644,965)	(3,139,603)		(1,644,965)	(3,139,603)			\$46,027
37	Other Amortization	E.29	5,065,947			5,065,947				\$0
38	Demand Response Program	E.30				\$0				\$0
39	Depreciation	E.31				\$0				\$0
40	Production Adjustment	E.32	819,106	(11,076,476)		(82,882,728)	(10,868,363)			\$246,499
41	Working Capital									
42	Total		\$233,914,914	\$2,974,444,445		\$42,927,317	\$2,951,297,595			(\$83,625,888)
43	Depreciation Tracker					7,878,988				(\$7,878,988)
44	Total Increase					\$50,806,305				(\$91,504,876)
45	Rate Of Return					8.76%				7.85%
46	Conversion Factor					0.6207334				0.6207334