Revisions to the Prefiled Rebuttal Testimony and Exhibits of John H. Story

PUGET SOUND ENERGY, INC.

PREFILED REBUTTAL TESTIMONY OF JOHN H. STORY

I. INTRODUCTION

Q. Are you the same John H. Story who submitted direct testimony in this proceeding on behalf of Puget Sound Energy, Inc. ("PSE" or "the Company")?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will discuss the various electric proforma and restating adjustments that the Company is proposing in rebuttal. First, I will discuss the adjustments proposed by Commission Staff and other parties that the Company agrees with and has incorporated in its updated electric revenue requirement determination. Second, I will discuss adjustments proposed by Commission Staff and other parties that are inappropriate and with which the Company disagrees.

Based on the proforma and restating adjustments proposed by the Company and presented in Exhibit No. ___(JHS-8), I will show the revenue deficiency of $~~103,302,198~~ 99,832,183 after allocation of $~~133,376~~ 125,263 to wholesale customers. This would represent an average ~~7.3~~ 7.1% rate increase.

revenue deficiency by a corresponding amount. The Company does not agree that either the storm expense or the catastrophic storm calculation need to be adjusted in this manner. However, if one part of the adjustment is modified, the corresponding adjustment needs to be made to the second part of the storm damage calculation.

As discussed by Ms. McLain, the Company is willing to adopt a modified version of the Commission Staff's proposal for measuring catastrophic events. However, no matter which methodology the Commission would like to adopt to measure a catastrophic event, the expense and amortization determined in the Company's "Storm Damage Adjustment" is a fair measure of this cost for this proceeding.

IV. CONTESTED ADJUSTMENTS

Q. Have you prepared a reconciliation between the Company's revenue deficiency filed in rebuttal and Commission Staff's revenue deficiency?

A. Yes. The following table highlights the differences between the Company's and Commission Staff's electric revenue deficiency.

Commission Staff Revenue Deficiency	21,327,865
Cost of Equity (11.75% vs. 9%)	47,492,476
Power Costs	~~21,621,611~~ 22,165,351
Capital Structure and Debt Cost	9,999,516
Miscellaneous Operating Expense	2,376,209

Property Taxes	~~1,337,918~~ (2,675,837)
Wage Increase	1,009,651
Tax Benefit of Proforma Interest	384,997
Rate Case Expenses	151,107
Property and Liability Insurance	143,383
Bad Debt Percentage	141,099
White River	(17,652)
Miscellaneous Adjustments (less than $1 million each)	(64,105)
Beginning Rate Base	(2,601,877)
Company Revenue Deficiency	$~~103,302,198~~ 99,832,183

Ms. Luscier discusses the differences between Commission Staff and the Company for test year rate base and working capital for the electric and natural gas operations. For the test year, the Company's electric rate base, including working capital, is $2,516,697,113 which is $14,983,693 less than Commission Staff's electric rate base shown in Exhibit No. ___(JMR-2C).

A. Power Cost Adjustment 2.03

Q. Is the Company in agreement with the power cost adjustments proposed by Commission Staff and other parties to this proceeding?

A. The Company is agreeing with some, but not all, of the proposed power cost

Petition in its compliance filing for this general rate case.

This adjustment reduces net operating income by ($~~58,398,870~~ 58,730,987).

Q. Mr. Schoenbeck characterizes the Company's adjustment for power costs in developing the PCA baseline as not being "normalize costs." Do you agree?

A. Mr. Schoenbeck mischaracterizes the normalization of power costs. The Company does normalize the amount of electricity projected to be consumed during the rate year. This is done by modeling normal load and water availability. In addition, the Company uses plant availability based on historical plant factors (calculated under a methodology approved by the Commission in prior cases) for modeling the generation available to project the source and cost of MWh's available for the rate year. Thus, Mr. Schoenbeck's hypothetical, which assumes that the Company builds in plant availability based on unusual but known events, rests on a flawed premise.

In more general terms, Mr. Schoenbeck's argument rests on the premise that all power costs should be normalized rather than just electric usage and as and hydro generation. This was not the intent of the PCA settlement. The intent of the PCA was to set a baseline power cost using the expected commodity usage levels (normalized electric loads served and normalized natural gas and hydroelectric usage to generate electricity). The costs for purchasing or generating power to serve this normalized usage would be based on the best information available; for example, (i) coal contract prices for Colstrip and not a national average or the Oregon Department of Revenue following an adverse ruling by the Oregon Supreme Court. The Oregon Department of Revenue billed the Company back for property taxes in late 2002, which was the first time that Company was actually assessed for the taxes. The Company was able to reach a settlement with Oregon, and the amount that the Company is seeking to recover is the tax settlement amount (which is 75% of the original amount assessed for the 1995 through 2001 tax periods). The Company should not be penalized for protesting and contesting questionable tax assessments, particularly when the taxing authority had not even billed the Company until the fall of 2002, which is part of the test year. The impact of this adjustment is to ~~lower~~ increase income by $~~1,277,761~~ 2,555,521 and the total impact of the property tax adjustment is to increase NOI by $~~830,545~~1,679,813. ~~more than Commission Staff's adjustment.~~

The Company does not believe the Montana Corporate License Tax refund of $1,892,000 described above and the payment of the Oregon property tax are similar. However, if Commission decides they are the same type of test period activity, the appropriate adjustment would be to offset (net) the Montana Corporate License Tax and the Oregon property tax assessment. The ~~net of these two items is $1,941,282 in expense, which amortized over three years would be a $420,611 reduction of net operating income.~~ increase in income would be $630,667 for amortizing the refund over three years and the increase in net operating income would be $409,933.

treatment of rate case costs. The Company's adjustment properly matches revenues and expenses associated with this cost, provides an audit trail and should be accepted by the Commission. The Commission Staff's proposed adjustment fails to recognize the variation in rate case expenses from year to year and mismatches revenues and expenses. In addition, the Commission Staff's proposal provides no methodology for future determination of such costs on a normalized basis. For these reasons, the Commission should not accept the Commission Staff's proposed adjustment.

I. Production Adjustment

Q. Please explain the difference between the Commission Staff and Company Adjustment 2.30, Production Adjustment?

A. The production adjustment reflects all the production related expenses and rate base items that have been revised through other adjustments. As with power costs, these items are adjusted from a rate year basis to a test year basis using a production factor. The Company and Commission Staff agree as to the production factor to use. However, because some of the costs are based on adjustments that are contested, the net operating income and rate base amounts will be different. The Company's adjustment increase net operating income $~~546,675~~ 546,289 and lowers rate base $9,748,332.

J. Revenue Deficiency

Q. Would you please explain Exhibit No. ___(JHS-9)?

A. Exhibit No. ___(JHS-9) presents the calculation of the revenue deficiency based on the proforma and restating adjustments discussed above. As shown on page 1 of this Exhibit, based on $2,546,059,451 invested in rate base and $~~167,990,528~~ 170,149,659 of net operating income the Company would have an electric retail revenue deficiency of $~~103,302,198~~ 99,832,183 after allocation of $~~133,376~~ 125,263 to wholesale customers

1. Cost of Capital

This schedule, shown on Exhibit No. ___(JHS-9), page 2, reflects the proposed capital structure for the Company during the rate year and the associated costs for each capital category. The capital structure and costs are presented in the testimony of Mr. Donald Gaines, Exhibit No. ___(DEG-9CT). The rate of return is 9.12%.

2. Conversion Factor

The conversion factor, shown on Exhibit No. ___(JHS-9), page 3, is used to adjust the net operating income deficiency by revenue sensitive items and Federal income tax to determine the total revenue requirement. The revenue sensitive items are the Washington State utility tax, Washington WUTC filing fee, and bad debts. The conversion factor used in the revenue requirement calculation, taking into consideration the adjustments discussed earlier, is 62.07738%.

PUGET SOUND ENERGY
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
RESTATING AND PRO FORMA ADJUSTMENTS

REVISED 12/09/04

LINE NO.		ACTUAL RESULTS OF OPERATIONS WITH CONSERVATION TRUST	TEMPERATURE NORMALIZATION 2.01	GENERAL REVENUES 2.02	POWER COSTS 2.03	SALES FOR RESALE - SEC 2.04	FEDERAL INCOME TAX 2.05	TAX BENEFIT OF PRO FORMA INTEREST 2.06	DEPRECIATION/ AMORTIZATION 2.07
1	OPERATING REVENUES								
2	SALES TO CUSTOMERS	$ 1,262,309,726	$ 7,045,746	$ 145,470,106	$ -	$ -	$ -	$ -	$ -
3	SALES FROM RESALE-FIRM	364,717	1,194	91,532					
4	SALES TO OTHER UTILITIES	199,186,464				(171,647,821)			
5	OTHER OPERATING REVENUES	45,262,737		1,136,399	(9,704,193)	(3,329,377)			
6	TOTAL OPERATING REVENUES	$ 1,507,123,644	$ 7,046,940	$ 146,698,037	$ (9,704,193)	$ (174,977,198)	$ -	$ -	$ -
7									
8	OPERATING REVENUE DEDUCTIONS:								
9									
10	POWER COSTS:								
11	FUEL	$ 64,236,514	$ -	$ -	$ (90,698,650)	$ -	$ -	$ -	$ -
12	PURCHASED AND INTERCHANGED	769,384,600			(10,583,873)				
13	WHEELING	39,868,912			4,363,075				
14	RESIDENTIAL EXCHANGE	(172,382,420)			172,382,420				
15	TOTAL PRODUCTION EXPENSES	$ 701,107,606	$ -	$ -	$ 75,462,972	$ -	$ -	$ -	$ -
16									
17	OTHER POWER SUPPLY EXPENSES	$ 46,852,153	$ -	$ -	$ 5,194,506	$ -	$ -	$ -	$ -
18	TRANSMISSION EXPENSE	3,409,865			(6,306)				
19	DISTRIBUTION EXPENSE	58,327,849							
20	CUSTOMER ACCTS EXPENSES	34,589,847	31,768	661,315					
21	CUSTOMER SERVICE EXPENSES	8,700,615							
22	CONSERVATION AMORTIZATION	40,389,187							
23	ADMIN & GENERAL EXPENSE	59,296,783	13,389	278,726					
24	DEPRECIATION	124,154,290							130,808
25	AMORTIZATION	24,086,070							18,811
26	AMORTIZ OF PROPERTY GAIN/LOSS	6,000,000							
27	OTHER OPERATING EXPENSES	(3,438,725)							
28	TAXES OTHER THAN F.I.T.	131,930,399	271,698	(34,117,687)		(128,365)			
29	FEDERAL INCOME TAXES	(5,764,878)	2,355,530	62,956,489	(31,624,378)	(61,197,091)	35,362,248	9,337,425	(52,367)
30	DEFERRED INCOME TAXES	57,844,151					(30,710,901)		
31	TOTAL OPERATING REV. DEDUCT.	$ 1,287,485,210	$ 2,672,385	$ 29,778,844	$ 49,026,794	$ (61,325,456)	$ 4,651,347	$ 9,337,425	$ 97,252
32									
33	NET OPERATING INCOME	$ 219,638,434	$ 4,374,555	$ 116,919,193	$ (58,730,987)	$ (113,651,741)	$ (4,651,347)	$ (9,337,425)	$ (97,252)
34									
35	RATE BASE	$ 2,516,697,113							$ (74,810)
36									
37	RATE OF RETURN	8.73%							
38									
39	RATE BASE:								
40	UTILITY PLANT IN SERVICE	$ 2,578,449,579	$ -	$ -	$ -	$ -	$ -	$ -	$ (65,404)
41	DEFERRED DEBITS	334,433,269							(9,406)
42	DEFERRED TAXES	(390,406,512)							
43	CONSERVATION TRUST	11,569,864							
44	ALLOWANCE FOR WORKING CAPITAL	15,068,558							
45	OTHER	(32,417,645)							
46	TOTAL RATE BASE	$ 2,516,697,113	$ -	$ -	$ -	$ -	$ -	$ -	$ (74,810)

PUGET SOUND ENERGY
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2004
RESTATING AND PRO FORMA ADJUSTMENTS

REVISED 12/09/04

LINE NO.		CONSERVATION 2.08	BAD DEBTS 2.09	MISCELLANEOUS OPERATING EXPENSE 2.10	PROPERTY TAXES 2.11	WHITE RIVER RELIC/PLANT COSTS 2.12	FILING FEE 2.13	D&O INSURANCE 2.14	MONTANA ENERGY TAX 2.15
1	OPERATING REVENUES								
2	SALES TO CUSTOMERS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	SALES FROM RESALE-FIRM								
4	SALES TO OTHER UTILITIES								
5	OTHER OPERATING REVENUES			(712,770)					
6	TOTAL OPERATING REVENUES	$ -	$ -	$ (712,770)	$ -	$ -	$ -	$ -	$ -
7									
8	OPERATING REVENUE DEDUCTIONS:								
9									
10	POWER COSTS:								
11	FUEL	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12	PURCHASED AND INTERCHANGED								
13	WHEELING								
14	RESIDENTIAL EXCHANGE								
15	TOTAL PRODUCTION EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16									
17	OTHER POWER SUPPLY EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	TRANSMISSION EXPENSE		-						
19	DISTRIBUTION EXPENSE		-	2,000,000					
20	CUSTOMER ACCTS EXPENSES		(1,478,697)						
21	CUSTOMER SERVICE EXPENSES								
22	CONSERVATION AMORTIZATION	(40,290,817)							
23	ADMIN & GENERAL EXPENSE			(273,367)			220,827	(7,961)	
24	DEPRECIATION								
25	AMORTIZATION					(1,381,963)			
26	AMORTIZ OF PROPERTY GAIN/LOSS					1,494,702			
27	OTHER OPERATING EXPENSES								
28	TAXES OTHER THAN F.I.T.			(19,136)	(2,584,327)				166,039
29	FEDERAL INCOME TAXES	14,101,786	517,544	(847,094)	904,514	(39,459)	(77,289)	2,786	(58,114)
30	DEFERRED INCOME TAXES								
31	TOTAL OPERATING REV. DEDUCT.	$ (26,189,031)	$ (961,153)	$ 860,403	$ (1,679,813)	$ 73,280	$ 143,538	$ (5,175)	$ 107,925
32									
33	NET OPERATING INCOME	$ 26,189,031	$ 961,153	$ (1,573,174)	$ 1,679,813	$ (73,280)	$ (143,538)	$ 5,175	$ (107,925)
34									
35	RATE BASE	$ (11,569,864)		$ 1,711,055		$ 19,837,623			
36									
37	RATE OF RETURN								
38									
39	RATE BASE:								
40	UTILITY PLANT IN SERVICE	$ -	$ -	$ 1,711,055	$ -	$ (43,511,694)	$ -	$ -	$ -
41	DEFERRED DEBITS					63,291,415			
42	DEFERRED TAXES					57,902			
43	CONSERVATION TRUST	(11,569,864)							
44	ALLOWANCE FOR WORKING CAPITAL								
45	OTHER								
46	TOTAL RATE BASE	$ (11,569,864)	$ -	$ 1,711,055	$ -	$ 19,837,623	$ -	$ -	$ -

Docket Numbers [illegible]40640 et. al
Exhibit No. (JHS-E8)
[illegible] E8-C

PUGET SOUND ENERGY
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2004
RESTATING AND PRO FORMA ADJUSTMENTS

REVISED 12/09/04

LINE NO.		INTEREST ON CUST DEPOSITS 2.16	SFAS 133 2.17	RATE CASE EXPENSES 2.18	PROPERTY SALES 2.19	PROPERTY & LIABILITY INS 2.20	PENSION PLAN 2.21	WAGE INCREASE 2.22	INVESTMENT PLAN 2.23	EMPLOYEE INSURANCE 2.24
1	OPERATING REVENUES									
2	SALES TO CUSTOMERS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	SALES FROM RESALE-FIRM									
4	SALES TO OTHER UTILITIES									
5	OTHER OPERATING REVENUES									
6	TOTAL OPERATING REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7										
8	OPERATING REVENUE DEDUCTIONS:									
9										
10	POWER COSTS:									
11	FUEL	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12	PURCHASED AND INTERCHANGED									
13	WHEELING									
14	RESIDENTIAL EXCHANGE									
15	TOTAL PRODUCTION EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16										
17	OTHER POWER SUPPLY EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ 536,545	$ -	$ -
18	TRANSMISSION EXPENSE							74,324		
19	DISTRIBUTION EXPENSE							1,205,899		
20	CUSTOMER ACCTS EXPENSES	151,631						676,660		
21	CUSTOMER SERVICE EXPENSES							94,774		
22	CONSERVATION AMORTIZATION									
23	ADMIN & GENERAL EXPENSE			$243,063		494,792	8,562,018	953,746	160,316	1,269,733
24	DEPRECIATION									
25	AMORTIZATION									
26	AMORTIZ OF PROPERTY GAIN/LOSS									
27	OTHER OPERATING EXPENSES		(855,328)		4,489,703					
28	TAXES OTHER THAN F.I.T.							319,356		
29	FEDERAL INCOME TAXES			$ (85,072)	(1,571,396)	(173,177)	(2,996,706)	(1,351,456)	(56,111)	(444,407)
30	DEFERRED INCOME TAXES		299,365							
31	TOTAL OPERATING REV. DEDUCT.	$ 151,631	$ (555,963)	$ 157,991	$ 2,918,307	$ 321,615	$ 5,565,312	$ 2,509,848	$ 104,205	$ 825,326
32										
33	NET OPERATING INCOME	$ (151,631)	$ 555,963	$ (157,991)	$ (2,918,307)	$ (321,615)	$ (5,565,312)	$ (2,509,848)	$ (104,205)	$ (825,326)
34										
35	RATE BASE									
36										
37	RATE OF RETURN									
38										
39	RATE BASE:									
40	UTILITY PLANT IN SERVICE	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
41	DEFERRED DEBITS									
42	DEFERRED TAXES									
43	CONSERVATION TRUST									
44	ALLOWANCE FOR WORKING CAPITAL									
45	OTHER									
46	TOTAL RATE BASE	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PUGET SOUND ENERGY
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2004
RESTATING AND PRO FORMA ADJUSTMENTS

REVISED 12/09/04

LINE NO.		MONTANA CORP LICENSE TAX 2.25	STORM DAMAGE 2.26	FREDRICKSON PLANT 2.27 (Note 1)	LOW INCOME AMORTIZATION 2.28	REGULATORY ASSETS 2.29	PRODUCTION ADJUSTMENT 2.30	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1	OPERATING REVENUES								
2	SALES TO CUSTOMERS	$ -	$ -	$ -	$ -	$ -	$ -	$ 152,515,852	$ 1,414,825,578
3	SALES FROM RESALE-FIRM							92,726	457,443
4	SALES TO OTHER UTILITIES							(171,647,821)	27,538,643
5	OTHER OPERATING REVENUES							(12,609,942)	32,652,795
6	TOTAL OPERATING REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ (31,649,184)	$ 1,475,474,459
7									
8	OPERATING REVENUE DEDUCTIONS:			REDACTED					
9									
10	POWER COSTS:								
11	FUEL	$ -	$ -		$ -	$ -	$ -	$ (90,698,650)	$ (26,462,136)
12	PURCHASED AND INTERCHANGED							(10,583,873)	758,800,727
13	WHEELING							4,363,075	44,231,986
14	RESIDENTIAL EXCHANGE							172,382,420	-
15	TOTAL PRODUCTION EXPENSES	$ -	$ -		$ -	$ -	$ -	$ 75,462,972	$ 776,570,577
16									
17	OTHER POWER SUPPLY EXPENSES	$ -	$ -		$ -	$ -	$ (6,873)	$ 5,724,178	$ 52,576,330
18	TRANSMISSION EXPENSE		128,586					196,604	3,606,469
19	DISTRIBUTION EXPENSE		(858,054)					2,347,845	60,675,694
20	CUSTOMER ACCTS EXPENSES							42,677	34,632,524
21	CUSTOMER SERVICE EXPENSES				(5,849,005)			(5,754,231)	2,946,384
22	CONSERVATION AMORTIZATION							(40,290,817)	98,370
23	ADMIN & GENERAL EXPENSE						(50,813)	12,273,902	71,570,684
24	DEPRECIATION						(484,478)	2,336,102	126,490,392
25	AMORTIZATION		165,768				(42,021)	(1,239,405)	22,846,665
26	AMORTIZ OF PROPERTY GAIN/LOSS						(19,147)	1,475,555	7,475,555
27	OTHER OPERATING EXPENSES							3,634,375	195,650
28	TAXES OTHER THAN F.I.T.	1,973,934					(154,356)	(33,242,443)	98,687,956
29	FEDERAL INCOME TAXES	(690,877)	197,295		2,047,152		211,400	25,283,815	19,518,937
30	DEFERRED INCOME TAXES							(30,411,536)	27,432,615
31	TOTAL OPERATING REV. DEDUCT.	$ 1,283,057	$ (366,405)		$ (3,801,853)	$ -	$ (546,289)	$ 17,839,591	$ 1,305,324,801
32									
33	NET OPERATING INCOME	$ (1,283,057)	$ 366,405		$ 3,801,853	$ -	$ 546,289	$ (49,488,775)	$ 170,149,659
34									
35	RATE BASE				$ -	$ (46,237,863)	$ (9,748,332)	$ 29,362,338	$ 2,546,059,451
36									
37	RATE OF RETURN								6.68%
38									
39	RATE BASE:								
40	UTILITY PLANT IN SERVICE	$ -	$ -		$ -		$ (7,770,271)	$ 27,246,325	$ 2,605,695,904
41	DEFERRED DEBITS					(50,464,932)	(3,789,556)	9,027,521	343,460,790
42	DEFERRED TAXES					4,227,069	1,811,495	4,658,357	(385,748,155)
43	CONSERVATION TRUST							(11,569,864)	(0)
44	ALLOWANCE FOR WORKING CAPITAL							-	15,068,558
45	OTHER							-	(32,417,645)
46	TOTAL RATE BASE	$ -	$ -		$ -	$ (46,237,863)	$ (9,748,332)	$ 29,362,338	$ 2,546,059,451

(Note 1) CONFIDENTIAL per Protective Order in UE-040640 and CONFIDENTIAL per WAC 480-07-160

PUGET SOUND ENERGY
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2004
RESTATING AND PRO FORMA ADJUSTMENTS

REVISED 12/09/04

LINE NO.		ACTUAL RESULTS OF OPERATIONS	CONSERVATION TRUST	ACTUAL RESULTS OF OPERATION W/ CONSERVATION TRUST	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE
1	OPERATING REVENUES:							
2	SALES TO CUSTOMERS	$ 1,250,593,645	$ 11,716,081	$ 1,262,309,726	$ 152,515,852	$ 1,414,825,578	$ 99,832,183	$ 1,514,657,761
3	SALES FROM RESALE-FIRM	364,717		364,717	92,726	457,443	31,885	489,328
4	SALES TO OTHER UTILITIES	199,186,464		199,186,464	(171,647,821)	27,538,643		27,538,643
5	OTHER OPERATING REVENUES	45,262,737		45,262,737	(12,609,942)	32,652,795	93,378	32,746,173
6	TOTAL OPERATING REVENUES	1,495,407,563	11,716,081	1,507,123,644	(31,649,184)	1,475,474,459	99,957,446	1,575,431,905
7								
8	OPERATING REVENUE DEDUCTIONS:							
9								
10	POWER COSTS:							
11	FUEL	$ 64,236,514	$ -	$ 64,236,514	$ (90,698,650)	$ (26,462,136)	$ -	$ (26,462,136)
12	PURCHASED AND INTERCHANGED	769,384,600		769,384,600	(10,583,873)	758,800,727		758,800,727
13	WHEELING	39,868,912		39,868,912	4,363,075	44,231,986		44,231,986
14	RESIDENTIAL EXCHANGE	(172,382,420)		(172,382,420)	172,382,420	-		-
15	TOTAL PRODUCTION EXPENSES	701,107,606	-	701,107,606	75,462,972	776,570,577	-	776,570,577
16								
17	OTHER POWER SUPPLY EXPENSES	$ 46,852,153	$ -	$ 46,852,153	$ 5,724,178	$ 52,576,330	$ -	$ 52,576,330
18	TRANSMISSION EXPENSE	3,409,865		3,409,865	196,604	3,606,469		3,606,469
19	DISTRIBUTION EXPENSE	58,327,849		58,327,849	2,347,845	60,675,694		60,675,694
20	CUSTOMER ACCOUNT EXPENSES	34,589,847		34,589,847	42,677	34,632,524		34,632,524
21	CUSTOMER SERVICE EXPENSES	8,700,615		8,700,615	(5,754,231)	2,946,384		2,946,384
22	CONSERVATION AMORTIZATION	29,421,865	10,967,322	40,389,187	(40,290,817)	98,370		98,370
23	ADMIN & GENERAL EXPENSE	59,296,783		59,296,783	12,273,902	71,570,684	640,527	72,211,212
24	DEPRECIATION	124,154,290		124,154,290	2,336,102	126,490,392		126,490,392
25	AMORTIZATION	24,086,070		24,086,070	(1,239,405)	22,846,665		22,846,665
26	AMORTIZ OF PROPERTY GAIN/LOSS	6,000,000		6,000,000	1,475,555	7,475,555		7,475,555
27	OTHER OPERATING EXPENSES	(3,438,725)		(3,438,725)	3,634,375	195,650		195,650
28	TAXES OTHER THAN F.I.T.	131,930,399		131,930,399	(33,242,443)	98,687,956	3,853,899	102,541,855
29	FEDERAL INCOME TAXES	(5,764,878)		(5,764,878)	25,283,815	19,518,937	33,412,056	52,930,992
30	DEFERRED INCOME TAXES	57,844,151		57,844,151	(30,411,536)	27,432,615		27,432,615
31	TOTAL OPERATING REV. DEDUCT.	$ 1,276,517,888	$ 10,967,322	$ 1,287,485,210	$ 17,839,591	$ 1,305,324,801	$ 37,906,482	$ 1,343,231,283
32								
33	NET OPERATING INCOME	$ 218,889,675	$ 748,759	$ 219,638,434	$ (49,488,775)	$ 170,149,659	$ 62,050,964	$ 232,200,622
34								
35	RATE BASE	$ 2,516,697,113	$ -	$ 2,516,697,113	$ 29,362,338	$ 2,546,059,451	$ -	$ 2,546,059,451
36								
37	RATE OF RETURN	8.70%		8.73%		6.68%		9.12%
38								
39	RATE BASE:							
40	UTILITY PLANT IN SERVICE			$ 2,578,449,579	$ 27,246,325	$ 2,605,695,904		
41	DEFERRED DEBITS			334,433,269	9,027,521	343,460,790		
42	DEFERRED TAXES incl oh study			(390,406,512)	4,658,357	(385,748,155)		
43	CONSERVATION TRUST			11,569,864	(11,569,864)	(0)		
44	ALLOWANCE FOR WORKING CAPITAL			15,068,558	-	15,068,558		
45	OTHER			(32,417,645)	-	(32,417,645)		
46	TOTAL RATE BASE			$ 2,516,697,113	$ 29,362,338	$ 2,546,059,451		

PUGET SOUND ENERGY
POWER COSTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003 REVISED 12/09/04
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	INCREASE (DECREASE)
1	PRODUCTION EXPENSES:			
2	FUEL	$ 64,236,514	$ 146,121,367	$ 81,884,853
3	PURCHASED AND INTERCHANGED	769,384,600	596,801,097	(172,583,503)
3a	TENASKA DISALLOWANCE	-	(10,583,873)	(10,583,873)
4				
5	WHEELING	39,868,912	44,231,987	4,363,075
6	HYDRO AND OTHER POWER	46,852,153	52,046,659	5,194,506
7	TRANS. EXP. INCL. 500KV O&M	492,266	485,960	(6,306)
8	SALES FOR RESALE	(199,186,464)	(27,538,643)	171,647,821
9	PURCHASES/SALES OF NON-CORE GAS	(9,704,193)	-	9,704,193
10	WHEELING FOR OTHERS	(12,727,829)	(9,398,452)	3,329,377
11	SUBTOTAL	$ 699,215,959	$ 792,166,102	$ 92,950,143
12				
13	LESS: SALES FOR RESALE	199,186,464	27,538,643	(171,647,821)
14	LESS: WHEELING FOR OTHERS	12,727,829	9,398,452	(3,329,377)
15	SCH. 94 - RES./FARM CREDIT	(172,382,420)	-	172,382,420
16	TOTAL	$ 738,747,832	$ 829,103,197	$ 90,355,364
17	TRANS. EXP. INCL. 500KV O&M	(492,266)		
18	PURCHASES/SALES OF NON-CORE GAS	9,704,193		
19	POWER COSTS PER G/L	$ 747,959,759		
20	INCREASE(DECREASE) INCOME			$ (90,355,364)
21				
22	INCREASE(DECREASE) FIT @	35%		(31,624,378)
23	INCREASE(DECREASE) NOI			$ (58,730,987)

PUGET SOUND ENERGY
PROPERTY TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE

REVISED 12/09/04

LINE NO.	DESCRIPTION	WASHINGTON	MONTANA	OREGON	TOTAL
1	RESTATED PROPERTY TAX	$ 23,275,330	$ 8,987,002	$ 981,652	$ 33,243,984
2	CHARGED TO EXPENSE IN TY	23,055,301	9,387,665	829,823	33,272,789
3	INCREASE(DECREASE) INCOME	$ (220,029)	$ 400,663	$ (151,829)	$ 28,805
4					
5	1995-2001 BACK TAX PAYMENT MADE IN TEST YEAR			$ 3,833,282	
6	RATE YEAR AMOUNT (BASE ON 3 YEAR AVERAGE)			$ (1,277,761)	
7	INCREASE(DECREASE) INCOME				$ 2,555,521
8					
9	TOTAL INCREASE(DECREASE) INCOME				$ 2,584,327
10	INCREASE(DECREASE) FIT @			35%	904,514
11					
12	INCREASE(DECREASE) NOI				$ 1,679,813

PUGET SOUND ENERGY
PRODUCTION ADJUSTMENT
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE

REVISED 12/09/04

LINE NO.	DESCRIPTION	PROFORMA AND RESTATED	PRODUCTION 1.281%	FIT 35%
1	PRODUCTION WAGE INCREASE:			
2	PURCHASED POWER	$ -	$ -	$ -
3	OTHER POWER SUPPLY	536,545	(6,873)	2,406
4	TOTAL PRODUCTION WAGE INCREASE	536,545	(6,873)	2,406
5	PAYROLL OVERHEADS	1,721,437	(22,052)	7,718
6	PROPERTY INSURANCE	2,245,253	(28,762)	10,067
7	TOTAL A&G	3,966,690	(50,813)	17,785
8				
9	DEPRECIATION / AMORTIZATION:			
10	DEPRECIATION	37,820,331	(484,478)	130,038
11	AMORTIZATION	3,280,326	(42,021)	445
12	TOTAL DEPRECIATION AND AMORTIZATION (FERC 403)	41,100,657	(526,499)	130,483
13	AMORTIZATION (FERC 407)	1,494,702	(19,147)	6,701
14	TAXES OTHER-PRODUCTION PROPERTY:			
15	PROPERTY TAXES - WASHINGTON	4,236,207	(54,266)	18,993
16	PROPERTY TAXES - MONTANA	5,321,477	(68,168)	23,859
17	ELECTRIC ENERGY TAX	1,741,844	(22,313)	7,810
18	PAYROLL TAXES	750,096	(9,609)	3,363
19	TOTAL TAXES OTHER	12,049,624	(154,356)	54,025
20	INCREASE(DECREASE) INCOME		757,689	
21	INCREASE(DECREASE) FIT			211,400
22	INCREASE(DECREASE) NOI			$ 546,289
23				
24	PRODUCTION RATE BASE:			
25	DEPRECIABLE PRODUCTION PROPERTY	$ 1,123,818,126	$ (14,396,110)	
26	LESS PRODUCTION PROPERTY ACCUM DEPR.	(580,591,154)	7,437,373	
27	NON-DEPRECIABLE PRODUCTION PROPERTY	13,260,193	(169,863)	
28	LESS PRODUCTION PROPERTY ACCUM AMORT.	(1,861,180)	23,842	
29	COLSTRIP COMMON FERC ADJUSTMENT	7,518,976	(96,318)	
30	COLSTRIP DEFERRED DEPRECIATION FERC ADJ.	2,214,968	(28,374)	
31	ENCOGEN ACQUISITION ADJUSTMENT	51,952,633	(665,513)	
32	NET PRODUCTION PROPERTY	616,312,563	(7,894,963)	
33	DEDUCT:			
34	LIBR. DEPREC. PRE 1981 (EOP)	(647,743)	8,298	
35	LIBR. DEPREC. POST 1980 (EOP)	(119,403,787)	1,529,563	
36	OTHER DEF. TAXES (EOP)	(21,361,000)	273,634	
37	SUBTOTAL	(141,412,530)	1,811,495	
38		-	-	
39	ADJUSTMENT TO PRODUCTION RATE BASE	474,900,033	(6,083,468)	
40				
41	REGULATORY ASSETS RATE BASE:			
42	BPA POWER EXCHANGE INVESTMENT	41,731,621	(534,582)	
43	TENASKA REGULATORY ASSET	179,146,208	(2,294,863)	
44	CABOT OIL REGULATORY ASSET	5,972,250	(76,505)	
45	WHITE RIVER RELICENSING COSTS	17,900,360	(229,304)	
46	WHITE RIVER PLANT COSTS	41,343,483	(529,610)	
47	ADJUSTMENT TO REGULATORY ASSETS RATE BASE	286,093,922	(3,664,864)	
48				
49	TOTAL ADJUSTMENT TO RATE BASE	$ 760,993,956	$ (9,748,332)	

Docket Number UE-04______
Exhibit No. ______ (JHS-E9)
PAGE 1.01

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

REVISED 12/09/04

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	170,149,659
7	OPERATING INCOME DEFICIENCY	62,050,963
8		
9	CONVERSION FACTOR	0.6207738
10	REVENUE REQUIREMENT DEFICIENCY	99,957,446
11	ASSIGNMENT TO LARGE FIRM WHOLESALE	93,378
12	ASSIGNMENT TO SMALL FIRM WHOLESALE	31,885
13		$ 99,832,183

Exhibit A-1 Power Cost Rate

REVISED 12/09/04

Row		Test Year	Test Yr $/MWh		Rate Year
3	Regulatory Assets (Variable)	$ 282,429,058			
4	Transmission Rate Base (Fixed)	120,648,501			
5	Production Rate Base (Fixed)	464,344,696			
6		$ 867,422,256			
7	Net of tax rate of return	7.78%			
8					
9					
10	Regulatory Asset Recovery (on Row 3)	$ 33,804,586	$ 1.751	(c)	
11	Fixed Asset Recovery Other (on Row 4)	14,440,697	$ 0.748	(a)	14,440,697
12	Fixed Asset Recovery-Prod Factored (on Row 5)	55,578,488	$ 2.878	(a)	56,299,687
13	501-Steam Fuel	40,197,040	$ 2.082	(c)	
14	555-Purchased power	558,511,331	$ 28.925	(c)	
15	557-Other Power Exp	12,476,357	$ 0.646	(a)	12,638,253
16	547-Fuel	103,714,831	$ 5.371	(c)	
17	565-Wheeling	44,231,987	$ 2.291	(c)	
18	Variable Transmission Income	(3,724,830)	$ (0.193)	(c)	
19	Hydro and Other Pwr.	52,046,659	$ 2.695	(a)	52,722,028
20	447-Sales to Others	(27,538,643)	$ (1.426)	(c)	
21	456-Subaccounts 00012 & 00018 and 00035 & 00036	-	$ -	(c)	
22	Transmission Exp - 500KV	485,960	$ 0.025	(a)	492,266
23	Depreciation-Production (FERC 403)	40,574,158	$ 2.101	(a)	41,100,657
23a	Amortization-Production Reg Assets(FERC 407)	25,290,481	$ 1.310	(c)	
23b	Deferred FIT-Production Reg Assets(FERC 407)	(1,923,059)	$ (0.100)	(c)	
25	Depreciation-Transmission	5,107,346	$ 0.265	(a)	5,107,346
26	Property Taxes-Production	9,435,250	$ 0.489	(a)	9,557,684
27	Property Taxes-Transmission	4,748,192	$ 0.246	(a)	4,748,192
28	Subtotal & Baseline Rate	$ 967,456,830	$ 50.104	(b)	197,106,811
29	Revenue Sensitive Items	0.9550366			
30		$ 1,013,004,978			
31	Test Year Load (MWH's)	19,308,876	<-- includes Firm Wholesale		
32		Before Rev. Sensitive Items	After Rev. Sensitive Items		
33	Power Cost in Rates with Revenue Sensitive Items (the adjusted baseline		52.463		
34	sum of (a) = Fixed Rate Component	10.093	10.568		
35	(b) = Power Cost Rate	50.104	52.463		
36	sum of (c) = Variable Power Rate Component	40.011	41.895		
37					
38					
39	* Regulatory Assets are Tenaska, Encogen Fuel Buyout, BEP and White River Relicensing and Plant Costs				