

EXHIBIT NO. _____ (BAL-G3)
DOCKET NO. UE-04____/UG-04____
2004 PSE GENERAL RATE CASE
WITNESS: BARBARA A. LUSCIER

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-04____
Docket No. UG-04____

SECOND EXHIBIT TO PREFILED DIRECT TESTIMONY OF
BARBARA A. LUSCIER (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.

APRIL 5, 2004

Summary

PUGET SOUND ENERGY-GAS
 RESULTS OF OPERATIONS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
 GENERAL RATE INCREASE

LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE DEFICIENCY	AFTER RATE INCREASE
1	OPERATING REVENUES:				
2	SALES TO CUSTOMERS	\$ 522,553,139	\$ 169,574,795	\$ 692,127,934	\$ 739,370,360
3	MUNICIPAL ADDITIONS	21,624,997	4,802,002	26,426,999	28,200,049
4	OTHER OPERATING REVENUES	11,020,477	991,673	12,012,150	12,012,150
5	TOTAL OPERATING REVENUES	\$ 555,198,613	\$ 175,368,470	\$ 730,567,083	\$ 779,582,559
6					
7	OPERATING REVENUE DEDUCTIONS:				
8					
9					
10	GAS COSTS:				
11					
12	PURCHASED GAS	\$ 260,366,708	\$ 162,756,809	\$ 423,123,517	\$ 423,123,517
13					
14	TOTAL PRODUCTION EXPENSES	\$ 260,366,708	\$ 162,756,809	\$ 423,123,517	\$ 423,123,517
15					
16	OTHER POWER SUPPLY EXPENSES	\$ 1,134,458	\$ 32,558	\$ 1,167,015	\$ 1,167,015
17	TRANSMISSION EXPENSE	360,965	16,379	377,344	377,344
18	DISTRIBUTION EXPENSE	25,045,610	988,392	26,034,002	26,034,002
19	CUSTOMER ACCOUNT EXPENSES	20,751,969	1,280,636	22,032,605	22,032,605
20	CUSTOMER SERVICE EXPENSES	4,862,124	(2,681,812)	2,180,313	2,180,313
21	CONSERVATION AMORTIZATION	2,008,929	(1,160,780)	848,149	848,149
22	ADMIN & GENERAL EXPENSE	26,373,760	7,331,993	33,705,753	34,063,566
23	DEPRECIATION	57,635,006	241,312	57,876,318	57,876,318
24	AMORTIZATION	9,600,784	0	9,600,784	9,600,784
25	AMORTIZATION OF PROPERTY LOSS	36,543	0	36,543	36,543
26	OTHER OPERATING EXPENSES	600,936	0	600,936	600,936
27	TAXES OTHER THAN F.I.T.	56,143,334	16,094,995	72,238,329	76,017,677
28	FEDERAL INCOME TAXES	(11,871,394)	3,112,467	(8,758,927)	6,948,483
29	DEFERRED INCOME TAXES	20,693,494	918,606	21,612,100	21,612,100
30	TOTAL OPERATING REV. DEDUCT.	\$ 213,376,518	\$ 26,174,746	\$ 239,551,264	\$ 259,395,835
31					
32	NET OPERATING INCOME	\$ 81,455,387	\$ (13,563,085)	\$ 67,892,302	\$ 97,063,207
33					
34	RATE BASE	\$ 1,061,142,641	\$ 3,146,890	\$ 1,064,289,530	\$ 1,064,289,530
35					
36	RATE OF RETURN	7.68%	6.38%		9.12%
37					
38	RATE BASE:				
39	UTILITY PLANT IN SERVICE AND OTHER ASSETS	\$ 1,755,514,587	\$ 3,146,890	\$ 1,758,661,477	
40	ACCUMULATED DEPRECIATION	(540,807,236)	-	(540,807,236)	
41	ACCUMULATED DEFERRED FIT - LIBERALIZED	(140,198,298)	-	(140,198,298)	
42	DEPRECIATION AND OTHER LIABILITIES	(17,174,520)	-	(17,174,520)	
43	TOTAL NET INVESTMENT	\$ 1,057,334,533	\$ 3,146,890	\$ 1,060,481,422	
44	ALLOWANCE FOR WORKING CAPITAL	3,808,108	-	3,808,108	
45	TOTAL RATE BASE	\$ 1,061,142,641	\$ 3,146,890	\$ 1,064,289,530	

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

LINE NO.	ACTUAL RESULTS OF OPERATIONS 12ME Sept. 30, 2003	REVENUE & PURCHASED GAS 2.01	FEDERAL INCOME TAX 2.02	TAX BENEFIT OF PRO FORMA INTEREST 2.03	DEPRECIATION/AMORTIZATION 2.04	CONSERVATION 2.05	BAD DEBITS 2.06
1	OPERATING REVENUES						
2	SALES TO CUSTOMERS	\$ 522,553,139	\$ 169,574,795	\$ -	\$ -	\$ -	\$ -
3	MUNICIPAL ADDITIONS	21,624,997	4,802,002				
4	OTHER OPERATING REVENUES	11,020,477	991,673				
5	TOTAL OPERATING REVENUES	\$ 555,198,613	\$ 175,368,470	\$ -	\$ -	\$ -	\$ -
6							
7							
8	OPERATING REVENUE DEDUCTIONS:						
9							
10	GAS COSTS:						
11							
12	PURCHASED GAS	\$ 260,366,708	\$ 162,756,809	\$ -	\$ -	\$ -	\$ -
13							
14	TOTAL PRODUCTION EXPENSES	\$ 260,366,708	\$ 162,756,809	\$ -	\$ -	\$ -	\$ -
15							
16	OTHER ENERGY SUPPLY EXPENSES	\$ 1,134,458	\$ -	\$ -	\$ -	\$ -	\$ -
17	TRANSMISSION EXPENSE	360,965					
18	DISTRIBUTION EXPENSE	25,045,610					
19	CUSTOMER ACCTS EXPENSES	20,751,969	946,990				
20	CUSTOMER SERVICE EXPENSES	4,862,124					
21	CONSERVATION AMORTIZATION	2,008,929					
22	ADMIN & GENERAL EXPENSE	26,373,760					
23	DEPRECIATION	57,635,006			241,312		
24	AMORTIZATION	9,600,784					
25	AMORTIZATION OF PROPERTY LOSS	36,543					
26	OTHER OPERATING EXPENSES	600,936					
27	TAXES OTHER THAN F.I.T.	56,143,334					
28	FEDERAL INCOME TAXES	(11,871,394)	302,494	6,061,718		406,273	22,833
29	DEFERRED INCOME TAXES	20,693,494	(766,622)				
30	TOTAL OPERATING REV. DEDUCT.	\$ 213,376,518	\$ 14,035,387	\$ 6,061,718	\$ 241,312	\$ (754,507)	\$ (42,404)
31							
32	NET OPERATING INCOME	\$ 81,455,387	\$ (1,423,726)	\$ (6,061,718)	\$ (241,312)	\$ 754,507	\$ 42,404
33	RATE BASE	\$ 1,061,142,641		\$	(120,656)		
34							
35	RATE OF RETURN	7.68%					
36							
37							
38	RATE BASE:						
39	UTILITY PLANT IN SERVICE AND OTHER ASSETS	\$ 1,755,514,587	\$ -	\$ -	\$ (120,656)	\$ -	\$ -
40	ACCUMULATED DEPRECIATION	(540,807,236)					
41	ACCUMULATED DEFERRED FIT - LIBERALIZED	(140,198,298)					
42	DEPRECIATION AND OTHER LIABILITIES	(17,174,520)					
43	TOTAL NET INVESTMENT	\$ 1,057,334,533	\$ -	\$ -	\$ (120,656)	\$ -	\$ -
44	ALLOWANCE FOR WORKING CAPITAL	3,808,108					
45	TOTAL RATE BASE	\$ 1,061,142,641	\$ -	\$ -	\$ (120,656)	\$ -	\$ -

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

LINE NO.	MISCELLANEOUS OPERATING EXPENSE 2.07	PROPERTY TAXES 2.08	EXCISE TAX & FILING FEE 2.09	RATE CASE EXPENSES 2.10	PROPERTY & LIABILITY INS 2.11	PENSION PLAN 2.12
1						
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3						
4						
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6						
7						
8						
9						
10						
11						
12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13						
14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15						
16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17						
18						
19						
20						
21						
22	(152,837)		106,472	\$542,370	652,413	4,779,637
23						
24						
25						
26	(10,699)	2,033,645	72,367			
27	57,238	(711,776)	(62,594)	(189,829)	(228,345)	(1,672,873)
28						
29						
30	(106,298)	1,321,869	116,245	352,540	424,068	3,106,764
31						
32	106,298	(1,321,869)	(116,245)	(352,540)	(424,068)	(3,106,764)
33						
34	3,267,546					
35						
36						
37						
38						
39						
40	3,267,546					
41						
42						
43	3,267,546					
44						
45	3,267,546					

1 OPERATING REVENUES
 2 SALES TO CUSTOMERS
 3 MUNICIPAL ADDITIONS
 4 OTHER OPERATING REVENUES
 5 TOTAL OPERATING REVENUES
 6
 7
 8 OPERATING REVENUE DEDUCTIONS:
 9
 10 GAS COSTS:
 11
 12 PURCHASED GAS
 13
 14 TOTAL PRODUCTION EXPENSES
 15
 16 OTHER ENERGY SUPPLY EXPENSES
 17 TRANSMISSION EXPENSE
 18 DISTRIBUTION EXPENSE
 19 CUSTOMER ACCTS EXPENSES
 20 CUSTOMER SERVICE EXPENSES
 21 CONSERVATION AMORTIZATION
 22 ADMIN & GENERAL EXPENSE
 23 DEPRECIATION
 24 AMORTIZATION
 25 AMORTIZATION OF PROPERTY LOSS
 26 OTHER OPERATING EXPENSES
 27 TAXES OTHER THAN F.I.T.
 28 FEDERAL INCOME TAXES
 29 DEFERRED INCOME TAXES
 30 TOTAL OPERATING REV. DEDUCT.
 31
 32 NET OPERATING INCOME
 33
 34 RATE BASE
 35
 36 RATE OF RETURN
 37
 38 RATE BASE:
 39 UTILITY PLANT IN SERVICE AND OTHER ASSETS
 40 ACCUMULATED DEPRECIATION
 41 ACCUMULATED DEFERRED FIT - LIBERALIZED
 42 DEPRECIATION AND OTHER LIABILITIES
 43 TOTAL NET INVESTMENT
 44 ALLOWANCE FOR WORKING CAPITAL
 45 TOTAL RATE BASE

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

LINE NO.	WAGE INCREASE 2.13	INVESTMENT PLAN 2.14	EMPLOYEE INSURANCE 2.15	LOW INCOME AMORTIZATION 2.16	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1 OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ 169,574,795	\$ 692,127,934
2 SALES TO CUSTOMERS					4,802,002	26,426,999
3 MUNICIPAL ADDITIONS					991,673	12,012,150
4 OTHER OPERATING REVENUES						
5 TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ 175,368,470	\$ 730,567,083
6						
7						
8 OPERATING REVENUE DEDUCTIONS:						
9						
10 GAS COSTS:						
11						
12 PURCHASED GAS	\$ -	\$ -	\$ -	\$ -	\$ 162,756,809	\$ 423,123,517
13						
14 TOTAL PRODUCTION EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ 162,756,809	\$ 423,123,517
15						
16 OTHER ENERGY SUPPLY EXPENSES	\$ 32,558	\$ -	\$ -	\$ -	\$ 32,558	\$ 1,167,015
17 TRANSMISSION EXPENSE	16,379				16,379	377,344
18 DISTRIBUTION EXPENSE	988,392				988,392	26,034,002
19 CUSTOMER ACCTS EXPENSES	398,884				1,280,636	22,032,605
20 CUSTOMER SERVICE EXPENSES	75,423			(2,737,235)	(2,661,812)	2,180,313
21 CONSERVATION AMORTIZATION					(1,160,780)	848,149
22 ADMIN & GENERAL EXPENSE	552,370	103,124	748,444		7,331,993	33,705,753
23 DEPRECIATION					241,312	57,876,318
24 AMORTIZATION					-	9,600,784
25 AMORTIZATION OF PROPERTY LOSS					-	36,543
26 OTHER OPERATING EXPENSES					-	600,936
27 TAXES OTHER THAN F.I.T.	144,662				16,094,995	72,238,329
28 FEDERAL INCOME TAXES	(773,034)	(36,093)	(261,955)	965,032	3,112,467	(8,758,927)
29 DEFERRED INCOME TAXES					918,606	21,612,100
30 TOTAL OPERATING REV. DEDUCT.	\$ 1,435,634	\$ 67,031	\$ 486,489	\$ (1,792,203)	\$ 26,174,746	\$ 239,551,264
31						
32 NET OPERATING INCOME	\$ (1,435,634)	\$ (67,031)	\$ (486,489)	\$ 1,792,203	\$ (13,563,085)	\$ 67,892,302
33						
34 RATE BASE					\$ 3,146,890	\$ 1,064,289,530
35						
36 RATE OF RETURN						6.38%
37						
38 RATE BASE:						
39 UTILITY PLANT IN SERVICE AND OTHER ASSETS	\$ -	\$ -	\$ -	\$ -	\$ 3,146,890	\$ 1,758,661,477
40 ACCUMULATED DEPRECIATION					-	(540,807,236)
41 ACCUMULATED DEFERRED FIT - LIBERALIZED					-	(140,198,298)
42 DEPRECIATION AND OTHER LIABILITIES					-	(17,174,520)
43 TOTAL NET INVESTMENT	\$ -	\$ -	\$ -	\$ -	\$ 3,146,890	\$ 1,060,481,422
44 ALLOWANCE FOR WORKING CAPITAL					-	3,808,108
45 TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ 3,146,890	\$ 1,064,289,530

**PUGET SOUND ENERGY-GAS
REVENUE & PURCHASED GAS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	OPERATING REVENUE	\$ 522,553,139	\$ 593,754,354	\$ 71,201,215
2				
3	PROFORMA OPERATING REVENUE		\$ 692,127,934	\$ 98,373,580
4				
5	INCREASE TO OPERATING REVENUE			\$ 169,574,795
6				
7	MUNICIPAL ADDITIONS	\$ 21,624,997	\$ 26,426,999	\$ 4,802,002
8				
9	OTHER OPERATING REVENUE	\$ 11,020,477	\$ 11,664,675	\$ 644,198
10				
11	REVENUE BEFORE OTHER ADJUSTMENTS	\$ 555,198,613	\$ 730,219,608	\$ 175,020,995
12				
13	MISC CUSTOMER CHARGE REVENUE			\$ 347,475
14				
15				
16	TOTAL REVENUE ADJUSTMENTS			<u>\$ 175,368,470</u>
17				
18	OPERATING EXPENSE			
19	PURCHASED GAS	\$ 260,366,708	\$ 423,123,517	\$ 162,756,809
20				
21	OTHER OPERATIONS EXPENSE (APUA)	0.54%		946,990
22				
23	TAXES			
24	GROSS RECEIPTS	7.90%		13,855,020
25				
26	FEDERAL INCOME TAXES			
27	CURRENT	35%		(766,622)
28				
29				
30				
31	TOTAL INCREASE/(DECREASE) REVENUE			\$ 175,368,470
32				
33	TOTAL INCREASE/(DECREASE) OPERATING EXPENSE BEFORE FIT			\$ 177,558,819
34				
35	TOTAL INCREASE/(DECREASE) FIT			\$ (766,622)
36				
37	TOAL INCREASE/(DECREASE) NOI			<u>\$ (1,423,726)</u>
38				
39				

**PUGET SOUND ENERGY-GAS
FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ (33,054,000)
2		
3	FEDERAL INCOME TAX	
4	CURRENT FIT @ 35%	(11,568,900)
5	DEFERRED FIT - DEBIT	46,238,850
6	DEFERRED FIT - CREDIT	(23,990,750)
7	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(636,000)
8	TOTAL RESTATED FIT	\$ 10,043,200
9		
10	FIT PER BOOKS:	
11	CURRENT FIT	\$ (11,871,394)
12	DEFERRED FIT - DEBIT	44,894,221
13	DEFERRED FIT - CREDIT	(23,568,000)
14	DEFERRED FIT - INV TAX CREDIT, NET OF AMORTIZATION	(632,727)
15		
16	TOTAL CHARGED TO EXPENSE	\$ 8,822,100
17		
18	INCREASE(DECREASE) FIT	\$ 302,494
19	INCREASE(DECREASE) DEFERRED FIT	921,879
20	INCREASE(DECREASE) ITC	(3,273)
21	INCREASE(DECREASE) NOI	\$ (1,221,100)

**PUGET SOUND ENERGY-GAS
TAX BENEFIT OF PRO FORMA INTEREST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,064,289,530
2	DEDUCTIBLE CWIP	14,897,280
3		<u>\$ 1,079,186,810</u>
4		
5	WEIGHTED COST OF DEBT	3.83%
6	RESTATED INTEREST	\$ 41,332,855
7		
8	<u>INTEREST EXPENSE ITEMS PER BOOKS:</u>	
9	INTEREST ON LONG TERM DEBT	\$ 53,270,991
10	AMORTIZATION OF DEBT DISCOUNT	
11	AND EXPENSE, NET OF PREMIUMS	1,223,952
12	OTHER INTEREST EXPENSE	<u>4,157,105</u>
13	CHARGED TO EXPENSE IN TEST YEAR	58,652,048
14	INCREASE (DECREASE) INTEREST EXPENSE	\$ (17,319,193)
15		
16	INCREASE (DECREASE) FIT @	35% 6,061,718
17	INCREASE (DECREASE) NOI	<u>\$ (6,061,718)</u>

**PUGET SOUND ENERGY-GAS
DEPRECIATION/AMORTIZATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>RESTATED</u>	
2	ACTUAL ACCT 403-DEPRECIATION EXPENSE	\$ 57,593,286
3	RESTATED ACCT 403-DEPRECIATION EXPENSE	<u>57,834,598</u>
4	INCREASE (DECREASE) DEPRECIATION EXPENSE	241,312
5		
6	INCREASE (DECREASE) NOI	<u>(241,312)</u>
7		
8	ADJUST RATE BASE FOR LINE 10 @ 50%	(120,656)
9		
10	ADJUSTMENT TO RATE BASE	<u>\$ (120,656)</u>

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

LINE NO. DESCRIPTION	ADJUSTMENT
1 <u>RESTATING</u>	
2 ACTUAL CONSERVATION TRACKER AMORTIZATION	\$ 1,366,028
3 RESTATED CONSERVATION TRACKER AMORTIZATION	-
4 INCREASE (DECREASE) EXPENSE	(1,366,028)
5 INCREASE (DECREASE) OPERATING INCOME	\$ 1,366,028
6	
7 ACTUAL LOST MARGIN ON GAS WATER HEATER	(88,357)
8 RESTATED LOST MARGIN ON GAS WATER HEATER	-
9 INCREASE (DECREASE) EXPENSE	88,357
10 INCREASE (DECREASE) OPERATING INCOME	(88,357)
11	
12 <u>PROFORMA</u> - (RYE 02/28/2006)	
13 CONSERVATION REGULATORY ASSET-ACCT #18230422 WATER HEATER PRGM	350,674
14 CONSERVATION AMORTIZATION FOR RATE YEAR (BASE ON 3 YEAR AVERAGE)	116,891
15 INCREASE (DECREASE) OPERATING INCOME	(116,891)
16	
17	
18 INCREASE (DECREASE) INCOME	\$ 1,160,780
19 INCREASE (DECREASE) FIT	35% 406,273
20	
21 INCREASE (DECREASE) NOI	\$ 754,507

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

LINE NO.	DESCRIPTION	AMOUNT
1	ACTUAL BAD DEBT WRITE-OFF	\$ 2,915,209
2		
3	BAD DEBT PROVISION	(2,980,447)
4		
5	INCREASE (DECREASE) BAD DEBT EXPENSE	\$ (65,238)
6		
7	INCREASE (DECREASE) FIT @	35% 22,833
8		
9	INCREASE (DECREASE) NOI	\$ 42,404

**PUGET SOUND ENERGY-GAS
MISCELLANEOUS OPERATING EXPENSE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	RESTATED / PROFORMA	ADJUSTMENT
1	<u>OPERATING EXPENSES (RESTATED)</u>			
2				
3	INCENTIVE/MERIT PAY	\$ 1,386,483	\$ 1,233,646	\$ (152,837)
4	PAYROLL TAXES ASSOC WITH MERIT PAY	97,054	86,355	(10,699)
5				
6				
7				
8				
9	INCREASE (DECREASE) IN EXPENSE	\$ 1,483,537	\$ 1,320,001	\$ (163,536)
10				
11	INCREASE(DECREASE) INCOME			163,536
12	INCREASE(DECREASE) FIT @		35%	57,238
13				
14	INCREASE(DECREASE) NOI			\$ 106,298
15				
16				
17	<u>RATEBASE</u>			
18	CWIP "IN SERVICE" BUT NOT TRANSFERRED TO PLANT			3,267,546
19				
20				
21	TOTAL ADJUSTMENT TO RATEBASE			\$ 3,267,546

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

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED PROPERTY TAX	\$ 12,436,647
2	CHARGED TO EXPENSE IN TY	10,403,002
3	INCREASE(DECREASE) EXPENSE	\$ 2,033,645
4		
5	INCREASE(DECREASE) FIT @ 35%	(711,776)
6	INCREASE(DECREASE) NOI	\$ (1,321,869)

**PUGET SOUND ENERGY-GAS
EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 21,586,382
2	CHARGED TO EXPENSE FOR TEST YEAR	21,514,016
3	INCREASE(DECREASE) EXCISE TAX	\$ 72,367
4		
5	RESTATED WUTC FILING FEE	\$ 1,052,559
6	CHARGED TO EXPENSE FOR TEST YEAR	946,087
7	INCREASE(DECREASE) WUTC FILING FEE	\$ 106,472
8		
9	INCREASE(DECREASE) OPERATING EXPENSE	\$ 178,839
10		
11	INCREASE(DECREASE) FIT 35%	\$ (62,594)
12	INCREASE(DECREASE) NOI	\$ (116,245)

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

LINE NO.	DESCRIPTION	AMOUNT
1	2001 GRC EXPENSE BALANCE @ 9/30/03	\$ 1,886,481
2	LESS PROJECTED AMORTIZATION FROM 10/01/03-2/28/05	(851,326)
3	REMAINING BALANCE @ 02/28/2005	<u>1,035,155</u>
4		
5	PROFORMA 2004 RATE CASE EXPENSE:	
6	COST OF SERVICE	736,450
7	OUTSIDE SERVICE-PROFESSIONAL	100,000
8	OUTSIDE SERVICE-LEGAL	1,500,000
9	OUTSIDE SERVICE-IT	10,313
10	SAS CODING	48,000
11		-
12	TOTAL PROFORMA 2004 RATE CASE EXPENSE	<u>2,394,763</u>
13		
14	AMOUNT TO BE AMORTIZED OVER 3 YEARS	<u>\$ 3,429,918</u>
15		
16	ANNUAL AMORTIZATION OVER 3 YEARS	\$ 1,143,306
17	LESS TEST YEAR AMORTIZATION @ \$50,078/MONTH	<u>(600,936)</u>
18		
19	INCREASE (DECREASE) EXPENSE	\$ 542,370
20		
21	INCREASE(DECREASE) FIT @	35% \$ (189,829)
22	INCREASE(DECREASE) NOI	<u>\$ (352,540)</u>

**PUGET SOUND ENERGY-GAS
PROPERTY & LIABILITY INSURANCE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA	ADJUSTMENT
1	PROPERTY INSURANCE EXPENSE	\$ 545,743	\$ 482,589	\$ (63,154)
2	LIABILITY INSURANCE EXPENSE	588,824	1,304,391	715,567
3	INCREASE(DECREASE) EXPENSE	\$ 1,134,567	\$ 1,786,980	\$ 652,413
4				
5				
6	INCREASE (DECREASE) FIT @	35%		(228,345)
7	INCREASE (DECREASE) NOI			\$ (424,068)

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

LINE NO. DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1 QUALIFIED RETIREMENT FUND	\$ (3,427,963)	\$ 1,616,611	\$ 5,044,574
2 SERP PLAN	\$ 1,461,964	\$ 1,197,027	\$ (264,937)
3			
4 INCREASE(DECREASE) EXPENSE	\$ (1,965,999)	\$ 2,813,638	\$ 4,779,637
5			
6			
7 INCREASE (DECREASE) FIT @	35%		(1,672,873)
8 INCREASE (DECREASE) NOI			\$ (3,106,764)

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

LINE NO.	DESCRIPTION	TEST YEAR	RATE YEAR	ADJUSTMENT
1	WAGES:			
2	PRODUCTION MANUF. GAS	\$ 111,843	\$ 119,896	\$ 8,053
3	OTHER GAS SUPPLY	325,936	349,403	23,467
4	STORAGE, LNG T&G	14,424	15,462	1,038
5	TRANSMISSION	227,477	243,856	16,379
6	DISTRIBUTION	13,727,665	14,716,057	988,392
7	CUSTOMER ACCTS	5,540,056	5,938,940	398,884
8	CUSTOMER SERVICE	554,179	594,079	39,900
9	SALES	493,368	528,891	35,523
10	ADMIN. & GENERAL	7,671,801	8,224,171	552,370
11	TOTAL WAGE INCREASE	28,666,749	30,730,755	2,064,006
12				
13	PAYROLL TAXES	2,400,320	2,544,982	144,662
14	TOTAL WAGES & TAXES	\$ 31,067,069	\$ 33,275,737	\$ 2,208,668
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			\$ 2,208,668
17	INCREASE (DECREASE) FIT @ 35%			(773,034)
18	INCREASE (DECREASE) NOI			\$ (1,435,634)

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

LINE NO.	DESCRIPTION	AMOUNT
1	<u>MANAGEMENT (INC. EXECUTIVES)</u>	
2	INVESTMENT PLAN APPLICABLE TO MANAGEMENT	\$1,450,278
3	RATE YEAR MANAGEMENT WAGE INCREASE 6.71%	<u>97,314</u>
4	TOTAL COMPANY CONTRIBUTION FOR MANAGEMENT	1,547,592
5		
6	<u>UNION</u>	
7	INVESTMENT PLAN APPLICABLE TO UNION	692,133
8	RATE YEAR UNION WAGE INCREASE 7.88%	<u>54,540</u>
9	TOTAL COMPANY CONTRIBUTION FOR UNION	746,673
10		
11	<u>TOTAL</u>	
12	TOTAL PROFORMA COSTS (LN 4 + LN 9)	2,294,265
13	PRO FORMA COSTS APPLICABLE TO OPERATIONS 67.91%	1,558,035
14	CHARGED TO EXPENSE FOR YEAR ENDED 9/30/2003	<u>1,454,911</u>
15	INCREASE (DECREASE) EXPENSE	103,124
16		
17	INCREASE (DECREASE) FIT @ 35%	(36,093)
18	INCREASE (DECREASE) NOI	(\$67,031)

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

LINE NO.	DESCRIPTION	AMOUNT
1	<u>BENEFIT CONTRIBUTION:</u>	
2	SALARIED EMPLOYEES	\$ 2,982,450
3	UNION EMPLOYEES	<u>3,050,751</u>
4	PRO FORMA INSURANCE COSTS	6,033,201
5		
6	APPLICABLE TO OPERATIONS @	67.73%
7	CHARGED TO EXPENSE 09/30/03	<u>4,086,287</u>
8	INCREASE(DECREASE) EXPENSE	748,444
9		
10	INCREASE(DECREASE) FIT @	35%
11		(261,955)
12	INCREASE(DECREASE) NOI	\$ (486,489)

**PUGET SOUND ENERGY-GAS
LOW INCOME AMORTIZATION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	AMOUNT
1	AMORTIZATION FOR TEST YEAR	\$ 2,757,235
2		
3		
4	INCREASE (DECREASE) NOI	\$ 2,757,235
5		
6	INCREASE(DECREASE) FIT @ 35%	965,032
7		
8	INCREASE(DECREASE) NOI	\$ 1,792,203

Puget Sound Energy
Gas Allowance For Working Capital
Average-of-the-Monthly-Averages for the Thirteen-Month Period Ended September 30, 2003

Line No.	Electric	Allocation factor	Tax factor
	Gas	68.24%	85.51%
		31.76%	14.49%

Average Invested Capital

1	Debt	\$ 2,139,218,633
2	Less:Debt Discount and Expense	(33,432,334)
3	Compensating Balance Requirements	-
4	Net Debt	<u>2,105,786,299</u>
5	Preferred Stock	381,901,588
6	Investment Tax Credit	3,865,613
7	Common Equity	<u>1,419,616,036</u>
8	Total Invested Capital	<u><u>\$3,911,169,536</u></u>

Average Investment**Gas Operating:**

9	Gas Utility Plant in Service	\$ 1,634,697,162
10	Plus:Software in Service Reclassified	-
11	Gas Completed Work Not Classified	-
12	Plus:Paving in Service Reclassified	-
13	Gas Stored Underground, Non-Current	3,246,534
14	Gas Accumulated Depreciation	(504,330,522)
15	Gas Customer Advances for Construction	(17,174,520)
16	Gas Contributions in Aid of Construction	-
17	Gas Deferred Federal Income Tax	(187,428,993)
18	Less:Deferred tax - Regulatory Tax Liabilitiy	-
19	ADIT SFAS 109	(18,410,392)
20	DSM & Environmental	4,658,977
21	Other Utility ADIT	28,698,080
22	Restating and Pro Forma Adjustments	-
22	Average Gas Operating Investment-Direct	<u>943,956,326</u>
23	Common Plant-Allocation to Gas	117,570,891
23a	Investment in Assoc Company - Rainier Receivables	4,167,953
24	Common Accumulated Depreciation-Allocation to Gas	<u>(36,476,714)</u>
25	Average Common Operating Invest-Allocation to Gas	<u>85,262,130</u>
26	Total Average Gas Operating Investment	<u><u>\$ 1,029,218,456</u></u>

Non Operating:

28	Construction Work in Progress	\$28,009,840
29	Common Construct Work in Progress-Alloc to Gas	3,949,221
30	Less:Software in Service Reclassified	-
31	Intercompany Accounts -net	3,600,500
32	Merchandising Receivable -net	(7,129,436)
33	Investment related deferred debits	113,182,867
34	Less:Paving in Service Reclassified	-
35	DSM & Environmental	(4,658,977)
36	Environmental Remediation - Deferred Credits	-
37	Environmental remediation - Accounts Receivable	-
38	Environmental Remediation - Accounts Payable	-
39	Gas Regulatory Asset SFAS 109	10,287,688
40	Gas Regulatory Liability SFAS 109	-
41	ADIT SFAS 109	18,410,392
42	Less Other Utility ADIT	(28,698,080)

Puget Sound Energy Gas Allowance For Working Capital Average-of-the-Monthly-Averages for the Thirteen-Month Period Ended September 30, 2003
--

Non Operating (continued):

43	Merchandising Inventory	\$	79,012
44	Deferred Purchased Gas Costs - Accounts Rec'ble		(48,814,356)
45	Deferred Purchased Gas Costs - Accounts Payable		-
46	Misc. Reserves for Deferred Dr's - Accounts Receivable		-
47	Deferred SERP - Current Liabilities		(17,458,742)
48	Deferred Severance - Current Liabilities		(4,422)
49	Gas Preliminary Work		-
50	Electric Plant in Service		4,136,698,847
50a	Common Current Accounts-Electric Share		(71,499,794)
50b	Electric Current Accounts		(15,064,008)
51	Common Plant-Allocation to Electric		252,614,535
52	Electric Future Use Property		6,772,284
53	Common Future Use Property-Allocation to Electric		-
54	Customer Advances for Construction		(23,664,861)
55	Customer Deposits		(8,752,784)
56	Deferred Taxes		(410,867,797)
57	Deferred Debits - Other		95,909,633
58	Less: Electric Accumulated Depreciation		(1,736,314,290)
59	Less: Common Accum Depr-Allocation to Electric		(78,374,401)
60	Electric Completed Const. Not Classified		-
61	Conservation Investment		154,506
62	Other & FAS 133		649,197,861
63	Total Non Operating & Electric Plant Investment		2,867,565,238
	Total Average Net Investment		3,896,783,694
64	Total Investor Supplied Working Capital		14,385,842
	Total Average Investments		3,896,783,694
	Less: Gas CWIP		(31,959,061)
	Other work in progress		-
	Preliminary surveys		-
	Total	\$	3,864,824,633
65	Working Capital %		0.37%
66	Utility Allowance	\$	3,808,108

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

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			100%
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.540%
5	OTHER TAXES			
6	STATE UTILITY	100.00%		
7		-0.540%		
8				
9	STATE UTILITY TAX	99.46%	3.852%	3.831%
10	MUNICIPAL REVENUE			3.879%
11	ALL OTHER (FILING FEE)			0.190%
12	FEDERAL INCOME TAX:			
13	CURRENT	91.56%	35.00%	32.046%
14				
15				
16	TOTAL OPERATING REVENUE DEDUCTIONS			40.486%
17				
18	CONVERSION FACTOR			59.514%

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

Method	Description	Electric	Gas	Total
1	* <u>12 Month Average Number of Customers</u>	963,664	628,082	1,591,746
	Percent	<u>60.54%</u>	<u>39.46%</u>	<u>100.00%</u>
2	* <u>Joint Meter Reading Customers</u>	619,724	332,671	952,395
	Percent	<u>65.07%</u>	<u>34.93%</u>	<u>100.00%</u>
3	* <u>Non-Production Plant</u>			
	Distribution	\$ 2,504,397,382	\$ 1,475,499,325	\$ 3,979,896,708
	Transmission	274,609,259	98,770,380	373,379,640
	Direct General Plant	136,210,907	50,818,388	187,029,295
	Total	<u>\$ 2,915,217,549</u>	<u>\$ 1,625,088,093</u>	<u>\$ 4,540,305,642</u>
	Percent	<u>64.21%</u>	<u>35.79%</u>	<u>100.00%</u>
4	* <u>4-Factor Allocator</u>			
	Number of Customers	963,664	628,082	1,591,746
	Percent	60.54%	39.46%	100.00%
	Labor - Direct Charge to O&M	\$ 28,154,990	\$ 14,311,924	\$ 42,466,914
	Percent	66.30%	33.70%	100.00%
	T&D O&M Expense (Less Labor)	\$ 41,897,721	\$ 11,543,859	\$ 53,441,580
	Percent	78.40%	21.60%	100.00%
	Net Classified Plant (Excluding General Plant)	\$ 2,321,603,082	\$ 1,105,973,344	\$ 3,427,576,426
	Percent	67.73%	32.27%	100.00%
	Total Percentages	272.97%	127.03%	400.00%
	Percent	<u>68.24%</u>	<u>31.76%</u>	<u>100.00%</u>
5	* <u>Labor</u>			
	Benefit Assessment Distribution	\$ 5,944,648	\$ 3,322,937	\$ 9,267,585
	Total	<u>\$ 5,944,648</u>	<u>\$ 3,322,937</u>	<u>\$ 9,267,585</u>
	Percent	<u>64.14%</u>	<u>35.86%</u>	<u>100.00%</u>
6	* <u>Current & Deferred FIT</u>	\$ 52,079,273	\$ 8,822,100	\$ 60,901,373
	Percent	<u>85.51%</u>	<u>14.49%</u>	<u>100.00%</u>

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

LINE**NO. DESCRIPTION**

1	RATE BASE	\$ 1,064,289,530
2	RATE OF RETURN	<u>9.12%</u>
3		
4	OPERATING INCOME REQUIREMENT	97,063,205
5		
6	PRO FORMA OPERATING INCOME	<u>67,892,302</u>
7	OPERATING INCOME DEFICIENCY	29,170,903
8		
9	CONVERSION FACTOR	<u>59.51366%</u>
10	REVENUE REQUIREMENT DEFICIENCY	49,015,476
11	MISCELLANEOUS SETTLEMENT ADJUSTMENT	
12	TOTAL REVENUE REQUIREMENT	\$49,015,476