

Exhibit ___ (JMR-4)
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**

Gas Results of Operations and Revenue Requirement

July 25, 2006

Revised August 9, 2006 (pp. 1-3, 5, 19, 27, 30)

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	\$ 114,500,635	\$ 943,772,431	\$ 19,348,874	\$ 963,121,305
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>\$ 81,387,234</u>	<u>\$ 960,827,523</u>	<u>\$ 19,348,874</u>	<u>\$ 980,176,397</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	\$ 28,492	\$ 1,549,034	\$ -	\$ 1,549,034
17	445,738	6,791	452,529	-	452,529
18	33,307,919	(134,026)	33,173,893	-	33,173,893
19	22,239,694	996,782	23,236,476	65,841	23,302,318
20	3,914,552	(2,064,529)	1,850,023	-	1,850,023
21	3,454,161	(3,733,733)	(279,572)	-	(279,572)
22	36,522,434	4,614,791	41,137,225	36,763	41,173,988
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	(32,860,843)	51,061,444	742,782	51,804,226
29	9,529,694	1,920,793	11,450,487	6,476,221	17,926,708
30	(4,023,283)	12,203,333	8,180,050	-	8,180,050
31	<u>\$ 267,287,926</u>	<u>\$ (18,346,120)</u>	<u>\$ 248,941,806</u>	<u>\$ 7,321,607</u>	<u>\$ 256,263,413</u>
32					
33	\$ 72,496,462	\$ 8,133,884	\$ 80,630,346	\$ 12,027,267	\$ 92,657,613
34					
35	\$ 1,179,240,567	\$ 1,111,176	\$ 1,180,351,743	\$ -	\$ 1,180,351,743
36					
37		6.15%	6.83%		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
G.01 - REVENUES & EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	ACTUAL	RESTATE	ADJUSTMENT
1	OPERATING REVENUE EXCL MUNI TAXES	\$ 829,271,796	\$ 851,390,447	\$ 22,118,651
2	MUNICIPAL TAXES	34,376,447	-	(34,376,447)
3	OTHER		-	-
4	PGA RATE INCREASE		92,472,757	92,472,757
5				
6	INCREASE TO OPERATING REVENUE	\$ 863,648,243	\$ 943,863,204	\$ 80,214,961
7				
8	OTHER OPERATING REVENUE			
9	OTHER OPERATING REVENUE	\$ 15,438,897	\$ 17,055,092	1,616,195
10	MUNICIPAL TAXES	353,149	-	(353,149)
11				
12	INCREASE TO OPERATING REVENUE	\$ 15,792,046	\$ 17,055,092	\$ 1,263,046
13				
14	TOTAL REVENUE ADDITIONS	\$ 879,440,289	\$ 960,918,296	81,478,007
15				
16	OPERATING EXPENSE			
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	TOTAL OPERATING EXPENSES	\$ 539,655,901	\$ 631,255,371	\$ 91,599,470
21	MUNICIPAL TAX EXPENSED			(34,721,856)
22	OTHER OPERATING EXPENSE	0.340286%		277,258
23	FILING FEE	0.190000%		154,808
24	GROSS RECEIPTS	3.838892%		3,127,853
25				
26	TOTAL EXPENSE BEFORE FIT			\$ 60,437,533
26				
27	NOI BEFORE FIT			\$ 21,040,474
28				
29	FIT		35%	7,364,166
30				
31	TOAL INCREASE/(DECREASE) NOI			\$ 13,676,308

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

LINE NO.	DESCRIPTION	ACTUAL	PROFORMA RESTATED	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	PRODUCTION MANUF. GAS	\$ 6,230	\$ 4,565	\$ (1,665)
3	OTHER GAS SUPPLY	32,932	22,826	(10,106)
4	STORAGE, LNG T&G	39,756	27,806	(11,950)
5	TRANSMISSION	16,911	11,828	(5,083)
6	DISTRIBUTION	1,435,055	1,008,075	(426,980)
7	CUSTOMER ACCTS	531,359	372,892	(158,467)
8	CUSTOMER SERVICE	69,720	48,557	(21,163)
9	SALES	32,932	22,826	(10,106)
10	ADMIN. & GENERAL	801,934	516,566	(285,368)
11	TOTAL INCENTIVE PAY	\$ 2,966,829	\$ 2,035,940	\$ (930,889)
12				
13	PAYROLL TAXES ASSOC WITH MERIT PAY	206,491	\$ 144,426	(62,065)
14	INCREASE(DECREASE) EXPENSE			(992,954)
15				
16	INCREASE (DECREASE) OPERATING EXPENSE			(992,954)
17				
18	INCREASE(DECREASE) FIT @		35%	347,534
19	INCREASE(DECREASE) NOI			\$ 645,420

**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	7.85%
3		<hr/>
4	OPERATING INCOME REQUIREMENT	92,657,612
5		
6	PRO FORMA OPERATING INCOME	80,630,346
7	OPERATING INCOME DEFICIENCY	12,027,266
8		<hr/>
9	CONVERSION FACTOR	62.16003%
10		
11		
12	TOTAL REVENUE REQUIREMENT	\$19,348,874

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	\$13,489,425	-	(\$21,701,124)	\$13,676,308	-	(\$22,007,772)	(\$300,648)
3	Federal Income Tax	490,787	-	(789,554)	490,787	-	(\$789,554)	(\$0)
4	Tax Benefit of Pro-Forma Interest	(7,280,941)	-	11,713,220	(6,776,498)	-	\$10,904,914	(\$808,306)
5	Conservation	2,426,926	-	(3,904,319)	2,426,926	-	(\$3,904,320)	(\$1)
6	Bad Debts	(236,343)	-	380,217	(236,343)	-	\$380,217	\$0
7	Remove Penalties	348	-	(560)	348	-	(\$560)	\$0
8	Amort. Of Def. Taxes Reg. Asset	(923,574)	-	1,485,800	(923,574)	-	\$1,485,800	\$0
9	Depreciation on CWIP In-Service	(55,461)	-	89,222	(55,461)	-	\$89,222	(\$0)
10	Rate Base Adj. CWIP In-Service		2,857,353	402,677		2,857,353	\$360,846	(\$41,831)
11	Property Taxes	469,425	-	(755,188)	469,425	-	(\$755,189)	(\$1)
12	Excise Tax & Filing Fee	389,325	-	(626,327)	389,325	-	(\$626,327)	(\$0)
13	Rate Case Expenses	(273,728)	-	440,360	(42,361)	-	\$68,149	(\$372,211)
14	Property & Liability Ins	123,942	-	(199,392)	123,942	-	(\$199,392)	\$0
15	Pension Plan	(1,603,511)	-	2,579,650	(1,603,511)	-	\$2,579,650	\$0
16	Wage Increase	(1,393,820)	-	2,242,309	(1,393,820)	-	\$2,242,309	(\$0)
17	Investment Plan	(59,018)	-	94,945	(59,018)	-	\$94,944	(\$1)
18	Employee Insurance	(418,486)	-	673,240	(418,486)	-	\$673,240	\$0
19	Incentive Pay	431,333	-	(693,907)	645,420	-	(\$1,036,320)	(\$344,412)
20	Interest On Cust. Deposits	(131,750)	-	211,953	(131,750)	-	\$211,953	\$0
21	Prop. Sales Def. Gains/Losses	456,881	-	(735,008)	456,881	-	(\$735,007)	\$1
22	General Office Relocation	(914,888)	(1,746,177)	1,225,744	(914,887)	(1,746,177)	\$1,251,306	\$25,562
23	Low Income Amortization	1,361,790	-	(2,190,781)	1,361,790	-	(\$2,190,781)	(\$0)
24	D&O Insurance	3,192	-	(5,135)	212,399	-	(\$341,697)	(\$336,562)
25	Everett Delta Pipeline Expansion	176,569	-	(284,056)	(56,424)	-	\$90,773	\$374,829
26	Spirit Ridge Adjustment	-	-	0	494,464	-	(\$795,470)	(\$375,470)
27	Working Capital			0			\$0	\$0
28	Total	\$79,024,886	\$1,180,351,743	\$39,211,574	\$80,630,346	\$1,180,351,743	\$19,348,874	(\$19,862,701)
29	Depreciation Tracker Impact			10,884,680				(\$10,884,680)
30	Total Increase			\$50,096,254			\$19,348,874	(\$30,747,381)

31 Rate of Return 8.76%
 32 Conversion Factor 0.6216003