

## **APPENDIX C**

### **Utility Return on Common Equity**

**2002 Utility Operations:**

Results of Operations - Corrected (Per Exhibit 56, pages 6 & 7)	Electric	Gas	Total
1 Net Operating Income	212,276,159	78,710,111	290,986,270
2 Rate Base	2,588,830,450	1,068,854,952	3,657,685,402
3 Overall Rate of Return	8.20%	7.36%	7.96%
4 Implied Utility Operations ROE	9.95%	7.42%	<b>9.21%</b>

PSE "Utility" Capital Structure (Per Exhibit 57, page 3)	AMA Amount	Structure (%)	Rate (%)	Weighted Cost
5 Short Term Debt	131,839,500	3.25%	2.77%	0.09%
6 Long Term Debt	2,180,798,445	53.76%	7.42%	3.99%
7 Trust Preferred	300,000,000	7.40%	8.58%	0.63%
8 Preferred Stock	104,099,400	2.57%	7.78%	0.20%
9 Common Stock	1,339,577,881	33.02%	<b>9.21%</b>	3.04%
10 Total	\$4,056,315,226	100.00%		7.96%

**2003 Utility Operations:**

Results of Operations - Corrected (Per Exhibit 56, pages 3 & 4)	Electric	Gas	Total
11 Net Operating Income	213,474,475	82,184,876	295,659,351
12 Rate Base	2,492,964,158	1,040,474,027	3,533,438,185
13 Overall Rate of Return	8.56%	7.90%	8.37%
14 Implied Utility Operations ROE	10.74%	8.97%	<b>10.22%</b>

PSE "Utility" Capital Structure (Per Exhibit 57, page 12)	AMA Amount	Structure (%)	Rate (%)	Weighted Cost
15 Short Term Debt	52,290,500	1.31%	8.80%	0.12%
16 Long Term Debt	2,092,562,193	52.37%	7.02%	3.68%
17 Trust Preferred	282,718,750	7.08%	8.60%	0.61%
18 Preferred Stock	71,427,213	1.79%	7.87%	0.14%
19 Common Stock	1,496,527,416	37.46%	<b>10.22%</b>	3.83%
20 Total	\$3,995,526,072	100.00%		8.37%