

**Nucor Recommended Gas Cost of Service Study Approach**  
**PSE Average Demand Allocation Modified to Reflect Direct Assignment of Small Distribution Mains**  
**Summary at PSE's \$58.1 Million Requested Revenue Increase**

Line No.	Description	Total Company	Residential (16,23,53)	Comm. & Indus. (31,36,51,61)	Large Volume (41)	Interruptible (85)	Limited Interruptible (86)	Non-Exclusive Interruptible (87)	Transport & Contracts	CNG Service (50)	Rentals
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)
<b>Rate Base</b>											
1	Plant in Service	\$ 2,282,742,658	\$ 1,538,970,384	\$ 556,363,866	\$ 66,828,339	\$ 17,856,974	\$ 13,805,328	\$ 29,097,795	\$ 14,592,447	\$ 532,635	\$ 44,694,890
2	Accumulated Reserve	(773,227,502)	(515,152,639)	(193,376,330)	(20,728,153)	(5,869,527)	(4,442,852)	(9,007,041)	(4,656,880)	(98,485)	(19,895,595)
3	Other Rate Base Items	(160,120,115)	(101,566,611)	(46,460,926)	(4,687,282)	(977,394)	(826,651)	(1,877,342)	(916,745)	7,595	(2,814,758)
4	<b>TOTAL RATE BASE</b>	<b>\$ 1,349,395,041</b>	<b>\$ 922,251,133</b>	<b>\$ 316,526,610</b>	<b>\$ 41,412,904</b>	<b>\$ 11,010,053</b>	<b>\$ 8,535,825</b>	<b>\$ 18,213,413</b>	<b>\$ 9,018,822</b>	<b>\$ 441,745</b>	<b>\$ 21,984,537</b>
<b>Revenue at Current Rates</b>											
5	Gas Revenues	-	-	-	-	-	-	-	-	-	-
6	Base Rate Revenues	333,460,649	226,714,023	65,386,783	13,729,465	6,557,084	3,542,875	5,803,776	3,908,922	28,932	7,788,789
7	Other Revenues	6,291,644	4,614,507	1,446,076	44,583	115,235	32,661	15,641	22,222	719	-
8	<b>TOTAL REVENUE</b>	<b>\$ 339,752,293</b>	<b>\$ 231,328,530</b>	<b>\$ 66,832,859</b>	<b>\$ 13,774,048</b>	<b>\$ 6,672,319</b>	<b>\$ 3,575,536</b>	<b>\$ 5,819,417</b>	<b>\$ 3,931,144</b>	<b>\$ 29,651</b>	<b>\$ 7,788,789</b>
<b>Expenses at Current Rates</b>											
9	Operation and Maintenance	108,932,397	80,201,875	21,602,650	2,267,234	1,216,332	595,764	1,220,412	840,825	53,555	933,749
10	Depreciation Expense	99,429,849	62,124,350	22,531,048	2,680,730	707,055	544,705	1,155,190	592,559	50,985	9,043,226
11	Taxes Other Than Income	28,153,873	18,719,712	7,013,171	850,761	236,488	176,554	362,792	189,614	5,323	599,457
12	Income Taxes	22,497,545	15,316,199	3,418,339	1,738,007	983,366	492,182	671,426	502,998	(17,480)	(607,492)
13	<b>TOTAL EXPENSES - Current</b>	<b>\$ 259,013,663</b>	<b>\$ 176,362,137</b>	<b>\$ 54,565,208</b>	<b>\$ 7,536,732</b>	<b>\$ 3,143,241</b>	<b>\$ 1,809,205</b>	<b>\$ 3,409,821</b>	<b>\$ 2,125,996</b>	<b>\$ 92,383</b>	<b>\$ 9,968,941</b>
14	Operating Income - Current	\$ 80,738,630	\$ 54,966,393	\$ 12,267,651	\$ 6,237,316	\$ 3,529,078	\$ 1,766,330	\$ 2,409,596	\$ 1,805,148	\$ (62,732)	\$ (2,180,152)
15	Current Rate of Return	5.9833%	5.9600%	3.8757%	15.0613%	32.0532%	20.6931%	13.2298%	20.0153%	-14.2009%	-9.9168%
<b>Calculation of Rate Schedule Revenue Requirement at Equal Rates of Return</b>											
16	Required Return	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%	8.6000%
17	Required Operating Income	\$ 116,047,973	\$ 79,313,597	\$ 27,221,288	\$ 3,561,510	\$ 946,865	\$ 734,081	\$ 1,566,353	\$ 775,619	\$ 37,990	\$ 1,890,670
18	Operating Income (Deficiency)/Surplus	(35,309,344)	(24,347,204)	(14,953,637)	2,675,806	2,582,214	1,032,250	843,242	1,029,530	(100,722)	(4,070,822)
19	Revenue Conversion Factor	0.6220									
20	Revenue (Deficiency) / Surplus	\$ (56,771,024)	\$ (39,055,778)	\$ (21,875,051)	\$ 3,070,149	\$ 3,208,573	\$ 1,247,514	\$ 925,171	\$ 1,240,377	\$ (131,869)	\$ (5,400,110)
21	Revenue Requirement	\$ 396,523,317	\$ 270,384,308	\$ 88,707,910	\$ 10,703,898	\$ 3,463,746	\$ 2,328,022	\$ 4,894,245	\$ 2,690,768	\$ 161,520	\$ 13,188,899
22	Revenues Other Than Rate Sch. Rev.	6,291,644	4,614,507	1,446,076	44,583	115,235	32,661	15,641	22,222	719	-
23	Rate Schedule Revenue Requirement	390,231,673	265,769,801	87,261,834	10,659,316	3,348,511	2,295,361	4,878,605	2,668,545	160,801	13,188,899
24	Deficiency / (Surplus) as % of Sales & Trans Rev	17.02%	17.23%	33.45%	-22.36%	-48.93%	-35.21%	-15.94%	-31.73%	455.79%	69.33%
<b>Expenses at Required Return</b>											
25	Operation and Maintenance	\$ 109,200,356	\$ 80,395,334	\$ 21,665,445	\$ 2,272,020	\$ 1,218,618	\$ 597,000	\$ 1,222,436	\$ 842,188	\$ 53,565	\$ 933,749
26	Depreciation Expense	99,429,849	62,124,350	22,531,048	2,680,730	707,055	544,705	1,155,190	592,559	50,985	9,043,226
27	Taxes Other Than Income	30,335,012	20,180,712	7,553,128	915,693	252,517	189,658	389,984	202,965	5,391	644,964
28	Income Taxes	41,510,127	28,370,315	9,737,000	1,273,945	338,692	262,579	560,281	277,437	13,589	676,289
29	<b>TOTAL EXPENSES - Required</b>	<b>\$ 280,475,343</b>	<b>\$ 191,070,711</b>	<b>\$ 51,486,622</b>	<b>\$ 7,142,389</b>	<b>\$ 2,516,882</b>	<b>\$ 1,593,941</b>	<b>\$ 3,327,892</b>	<b>\$ 1,915,149</b>	<b>\$ 123,530</b>	<b>\$ 11,298,228</b>
30	Nucor Proposed Revenue Apportionment	\$ 391,526,109	\$ 266,279,122	\$ 81,911,437	\$ 13,729,465	\$ 6,557,084	\$ 3,542,875	\$ 5,803,776	\$ 3,908,922	\$ 36,244	\$ 9,757,184
31	Other Revenue	6,291,644	4,614,507	1,446,076	44,583	115,235	32,661	15,641	22,222	719	-
32	<b>Total</b>	<b>\$ 397,817,753</b>	<b>\$ 270,893,629</b>	<b>\$ 83,357,513</b>	<b>\$ 13,774,048</b>	<b>\$ 6,672,319</b>	<b>\$ 3,575,536</b>	<b>\$ 5,819,417</b>	<b>\$ 3,931,144</b>	<b>\$ 36,963</b>	<b>\$ 9,757,184</b>
33	Nucor Rate Spread @ PSE Requested Increase	\$ 58,065,460	\$ 39,565,099	\$ 16,524,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,312	\$ 1,968,395
34	Revenue Increase @ Nucor Rate Spread	\$ 397,817,753	\$ 270,893,629	\$ 83,357,513	\$ 13,774,048	\$ 6,672,319	\$ 3,575,536	\$ 5,819,417	\$ 3,931,144	\$ 36,963	\$ 9,757,184
35	Current Revenue to Cost Ratio	0.85	0.85	0.75	1.29	1.96	1.54	1.19	1.46	0.18	0.59
36	<b>Parity Ratio</b>	<b>1.00</b>	<b>1.00</b>	<b>0.88</b>	<b>1.51</b>	<b>2.29</b>	<b>1.81</b>	<b>1.39</b>	<b>1.71</b>	<b>0.21</b>	<b>0.69</b>
37	Nucor Proposed Revenue to Cost Ratio	1.00	1.00	0.94	1.29	1.93	1.54	1.19	1.46	0.23	0.74

**Nucor Proposed Rate Spread at PSE's Requested  
\$58.1 Million (17.1%) Revenue Increase**

<b>Customer Class</b>	<b>Schedule</b>	<b>Revised Present Revenues excluding Gas Revenue</b>	<b>Nucor Proposed Change</b>	<b>Nucor Proposed Revenues excluding Gas Revenue</b>	<b>Nucor Proposed Percent</b>
Residential	23	\$ 226,714,023	\$ 39,565,099	\$ 266,279,122	17.5%
Commercial & Industrial	31, 61	65,386,783	16,524,654	81,911,437	25.3%
Large Volume	41	13,729,465	0	13,729,465	0.0%
Compressed Natural Gas	50	28,932	7,312	36,244	25.3%
Interruptible	85	6,557,084	0	6,557,084	0.0%
Limited Interruptible	86	3,542,875	0	3,542,875	0.0%
Non-Exclusive Interruptible	87	5,803,776	0	5,803,776	0.0%
Transportation	57	2,319,556	0	2,319,556	0.0%
Contracts	SC	1,589,366	0	1,589,366	0.0%
Rentals	71, 72, 74	7,788,789	1,968,395	9,757,184	25.3%
Other Revenue		6,291,644	0	6,291,644	0.0%
<b>System Total / Average</b>		<b>\$ 339,752,293</b>	<b>\$ 58,065,460</b>	<b>\$ 397,817,753</b>	<b>17.1%</b>

**Nucor Recommended Rate Spread Approach**  
**Example Assuming WUTC Ordered \$30.9 Million Revenue Increase**  
(PSE Requested Revenue Increase Reduced by 8%)

<b>Step 1 Spread - First 5% Reduction</b>							
Customer Class	Schedule		Revised Present Revenues excluding Gas Revenue	Nucor Class Percent of PSE Requested Increase	Nucor Step 1 Increase w/ Reduction of 5.00%	Nucor Proposed Revenues excluding Gas Revenue	Nucor Proposed Percent
Residential	23	\$	226,714,023	68.1%	\$ 27,989,945	\$ 254,703,968	12.3%
Commercial & Industrial	31, 61		65,386,783	28.5%	11,690,206	77,076,989	17.9%
Large Volume	41		13,729,465	0.0%	0	13,729,465	0.0%
Compressed Natural Gas	50		28,932	0.0%	5,173	34,105	17.9%
Interruptible	85		6,557,084	0.0%	0	6,557,084	0.0%
Limited Interruptible	86		3,542,875	0.0%	0	3,542,875	0.0%
Non-Exclusive Interruptible	87		5,803,776	0.0%	0	5,803,776	0.0%
Transportation	57		2,319,556	0.0%	0	2,319,556	0.0%
Contracts	SC		1,589,366	0.0%	0	1,589,366	0.0%
Rentals	71, 72, 74		7,788,789	3.4%	1,392,522	9,181,311	17.9%
Other Revenue			6,291,644	0.0%	0	6,291,644	0.0%
System Total / Average		\$	339,752,293	100.0%	\$ 41,077,845	\$ 380,830,138	12.1%

<b>Step 2 Spread - Reduction in Excess of 5%</b>						
Customer Class	Schedule		Revised Present Revenues excluding Gas Revenue	Nucor Step 2 Increase for Add'l Reduction of 3.00%	Nucor Proposed Revenues excluding Gas Revenue	Nucor Proposed Percent
Residential	23	\$	226,714,023	\$ 21,188,524	\$ 247,902,547	9.3%
Commercial & Industrial	31, 61		65,386,783	9,728,602	75,115,385	14.9%
Large Volume	41		13,729,465	(411,884)	13,317,581	-3.0%
Compressed Natural Gas	50		28,932	4,305	33,237	14.9%
Interruptible	85		6,557,084	(196,713)	6,360,371	-3.0%
Limited Interruptible	86		3,542,875	(106,286)	3,436,589	-3.0%
Non-Exclusive Interruptible	87		5,803,776	(174,113)	5,629,663	-3.0%
Transportation	57		2,319,556	(69,587)	2,249,969	-3.0%
Contracts	SC		1,589,366	(47,681)	1,541,685	-3.0%
Rentals	71, 72, 74		7,788,789	1,158,859	8,947,648	14.9%
Other Revenue			6,291,644	(188,749)	6,102,895	-3.0%
System Total / Average		\$	339,752,293	\$ 30,885,277	\$ 370,637,570	9.1%