

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

| | | |
|----------------------------|---|-----------------------------------|
| WASHINGTON UTILITIES AND |) | |
| TRANSPORTATION COMMISSION, |) | |
| |) | |
| Complainant, |) | |
| |) | |
| v. |) | Docket Nos. UE-090904/ |
| |) | UG-090705 (<i>Consolidated</i>) |
| |) | |
| PUGET SOUND ENERGY, INC., |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

EXHIBIT NO. DWS-3
COST-OF-SERVICE STUDY
ICNU RECOMMENDATIONS
November 17, 2009

Puget Sound Energy
ELECTRIC COST OF SERVICE SUMMARY
Adjusted Test Year Twelve Months ended December 2008 @ Proforma Rev Requirement

| Line No. | Description | Total Company | Residential Sch 7 | Sec Volt Sch 24 (kW< 50) | Sec Volt Sch 25 (kW > 50 & < 350) | Sec Volt Sch 26 (kW > 350) | Pri Volt Sch 31 (General Service) | Pri Volt Sch 35 (Irrigation) | Pri Svc 43 | Campus 40 | High Volt 46/49 | Choice/Retail Wheeling PV | Choice/Retail Wheeling HV | Lighting 50-59 | Special Contract | Firm Resale Small |
|-------------------------------------|-----------------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------|----------------------|----------------------|---------------------------|---------------------------|----------------------|---------------------|---------------------|
| (a) | (b) | (c) | (d) | (e) | (g) | (h) | (i) | (j) | (k) | (l) | (m) | (n) | (o) | (p) | (q) | |
| Rate Base | | | | | | | | | | | | | | | | |
| 1 | Plant in Service | \$ 6,699,437,657 | \$ 4,002,872,544 | \$ 790,978,808 | \$ 766,864,960 | \$ 448,334,554 | \$ 286,949,457 | \$ 1,751,499 | \$ 59,850,645 | \$ 129,959,259 | \$ 89,931,290 | \$ 4,362,095 | \$ 52,138,308 | \$ 58,808,539 | \$ 4,428,935 | \$ 2,206,766 |
| 2 | Accumulated Reserve | \$ (2,596,670,252) | \$ (1,558,605,157) | \$ (302,092,136) | \$ (294,012,870) | \$ (173,242,917) | \$ (110,169,545) | \$ (672,215) | \$ (22,490,790) | \$ (51,091,426) | \$ (35,657,570) | \$ (1,563,675) | \$ (19,949,167) | \$ (24,700,649) | \$ (1,581,059) | \$ (851,075) |
| 3 | Construction Work in Progress | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4 | Working Capital Assets | \$ 130,674,250 | \$ 78,077,056 | \$ 15,428,245 | \$ 14,957,898 | \$ 8,744,880 | \$ 5,597,023 | \$ 34,163 | \$ 1,167,402 | \$ 2,534,889 | \$ 1,754,133 | \$ 85,084 | \$ 1,016,971 | \$ 1,147,076 | \$ 86,388 | \$ 43,044 |
| 5 | Other Items | \$ (462,296,309) | \$ (295,622,151) | \$ (62,144,305) | \$ (43,079,485) | \$ (23,517,046) | \$ (15,383,920) | \$ (108,409) | \$ (3,467,019) | \$ (6,676,740) | \$ (4,395,674) | \$ (296,364) | \$ (3,530,667) | \$ (3,652,570) | \$ (300,346) | \$ (121,611) |
| 6 | TOTAL RATE BASE | \$ 3,771,145,346 | \$ 2,226,722,291 | \$ 442,170,611 | \$ 444,730,503 | \$ 260,319,471 | \$ 166,993,015 | \$ 1,005,039 | \$ 35,060,239 | \$ 74,725,981 | \$ 51,632,178 | \$ 2,597,139 | \$ 29,675,444 | \$ 31,602,396 | \$ 2,633,917 | \$ 1,277,123 |
| Revenue | | | | | | | | | | | | | | | | |
| 7 | Firm Sales | \$ 2,003,744,274 | \$ 1,086,009,285 | \$ 251,380,615 | \$ 274,490,508 | \$ 167,558,420 | \$ 106,074,485 | \$ 257,024 | \$ 13,767,819 | \$ 44,871,350 | \$ 35,350,468 | \$ 501,096 | \$ 5,659,994 | \$ 16,499,336 | \$ 974,594 | \$ 349,279 |
| 8 | Non-Firm Sales | \$ 14,813,966 | \$ 8,154,853 | \$ 1,748,551 | \$ 1,968,427 | \$ 1,305,376 | \$ 759,235 | \$ 2,078 | \$ 112,139 | \$ 390,654 | \$ 310,020 | \$ - | \$ - | \$ 57,415 | \$ - | \$ 5,218 |
| 9 | Other Operating Revenue | \$ 38,881,589 | \$ 25,472,631 | \$ 3,824,330 | \$ 2,695,893 | \$ 1,518,543 | \$ 1,425,814 | \$ 9,095 | \$ 208,269 | \$ 472,986 | \$ 1,740,664 | \$ 13,250 | \$ 1,326,061 | \$ 142,573 | \$ 19,823 | \$ 11,656 |
| 10 | TOTAL REVENUE | \$ 2,057,439,829 | \$ 1,119,636,769 | \$ 256,953,497 | \$ 279,154,829 | \$ 170,382,339 | \$ 108,259,533 | \$ 268,197 | \$ 14,088,227 | \$ 45,734,990 | \$ 37,401,152 | \$ 514,346 | \$ 6,986,056 | \$ 16,699,324 | \$ 994,417 | \$ 366,153 |
| Expense | | | | | | | | | | | | | | | | |
| 11 | Operation and Maintenance | \$ 1,398,697,814 | \$ 791,797,783 | \$ 164,817,821 | \$ 175,631,095 | \$ 114,216,800 | \$ 68,035,971 | \$ 227,564 | \$ 10,788,506 | \$ 34,002,747 | \$ 26,590,187 | \$ (179,210) | \$ 1,732,352 | \$ 10,257,128 | \$ 293,979 | \$ 485,090 |
| 12 | Depreciation Expense | \$ 235,322,647 | \$ 142,035,567 | \$ 27,748,136 | \$ 26,333,699 | \$ 15,248,477 | \$ 9,819,999 | \$ 61,889 | \$ 2,085,753 | \$ 4,429,101 | \$ 3,027,541 | \$ 160,778 | \$ 1,923,844 | \$ 2,208,672 | \$ 163,113 | \$ 76,077 |
| 13 | Taxes Other Than Income | \$ 123,255,634 | \$ 71,775,387 | \$ 14,528,728 | \$ 14,756,694 | \$ 9,124,757 | \$ 5,625,654 | \$ 26,228 | \$ 1,024,948 | \$ 2,687,097 | \$ 1,990,618 | \$ 35,208 | \$ 579,272 | \$ 1,004,078 | \$ 55,493 | \$ 41,471 |
| 14 | Income Taxes | \$ 69,576,249 | \$ 41,082,210 | \$ 8,157,886 | \$ 8,205,115 | \$ 4,802,799 | \$ 3,080,960 | \$ 18,543 | \$ 646,849 | \$ 1,378,667 | \$ 952,595 | \$ 47,916 | \$ 547,501 | \$ 583,053 | \$ 48,595 | \$ 23,562 |
| 15 | TOTAL EXPENSES | \$ 1,826,852,344 | \$ 1,046,690,947 | \$ 215,252,570 | \$ 224,926,603 | \$ 143,392,834 | \$ 86,562,584 | \$ 334,223 | \$ 14,546,055 | \$ 42,497,611 | \$ 32,560,941 | \$ 64,693 | \$ 4,782,969 | \$ 14,052,932 | \$ 561,180 | \$ 626,201 |
| 16 | Operating Income | \$ 230,587,485 | \$ 72,945,822 | \$ 41,700,927 | \$ 54,228,226 | \$ 26,989,505 | \$ 21,696,949 | \$ (66,026) | \$ (457,828) | \$ 3,237,379 | \$ 4,840,211 | \$ 449,653 | \$ 2,203,086 | \$ 2,646,392 | \$ 433,236 | \$ (260,048) |
| 17 | Present Rate of Return | 6.1145% | 3.2759% | 9.4310% | 12.1935% | 10.3678% | 12.9927% | -6.5695% | -1.3058% | 4.3323% | 9.3744% | 17.3134% | 7.4239% | 8.3740% | 16.4484% | -20.3620% |
| Cost of Service | | | | | | | | | | | | | | | | |
| 18 | Required Return | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% | 8.5600% |
| 19 | Required Operating Income | \$ 322,810,042 | \$ 190,607,428 | \$ 37,849,804 | \$ 38,068,931 | \$ 22,283,347 | \$ 14,294,602 | \$ 86,031 | \$ 3,001,156 | \$ 6,396,544 | \$ 4,419,714 | \$ 222,315 | \$ 2,540,218 | \$ 2,705,165 | \$ 225,463 | \$ 109,322 |
| 20 | Operating Income Deficiency | \$ 92,222,557 | \$ 117,661,606 | \$ (3,851,122) | \$ (16,159,295) | \$ (4,706,159) | \$ (7,402,347) | \$ 152,057 | \$ 3,458,985 | \$ 3,159,165 | \$ (420,497) | \$ (227,338) | \$ 337,132 | \$ 58,773 | \$ (207,773) | \$ 369,370 |
| 21 | Revenue Conversion Factor | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 |
| 22 | Revenue Deficiency | \$ 148,443,904 | \$ 189,391,282 | \$ (6,198,870) | \$ (26,010,436) | \$ (7,575,159) | \$ (11,915,017) | \$ 244,755 | \$ 5,567,675 | \$ 5,085,077 | \$ (676,843) | \$ (365,929) | \$ 542,657 | \$ 94,603 | \$ (334,437) | \$ 594,547 |
| 23 | Revenue Requirement | \$ 2,205,883,733 | \$ 1,309,028,051 | \$ 250,754,627 | \$ 253,144,393 | \$ 162,807,180 | \$ 96,344,517 | \$ 512,952 | \$ 19,655,902 | \$ 50,820,067 | \$ 36,724,309 | \$ 148,417 | \$ 7,528,712 | \$ 16,793,927 | \$ 659,980 | \$ 960,700 |
| 24 | Revenues Other Than Rate Sch. Rev | \$ 53,695,555 | \$ 33,627,484 | \$ 5,572,882 | \$ 4,664,321 | \$ 2,823,919 | \$ 2,185,048 | \$ 11,173 | \$ 320,408 | \$ 863,640 | \$ 2,050,684 | \$ 13,250 | \$ 1,326,061 | \$ 199,988 | \$ 19,823 | \$ 16,874 |
| 25 | Rate Schedule Revenue Requirement | \$ 2,152,188,178 | \$ 1,275,400,567 | \$ 245,181,745 | \$ 248,480,073 | \$ 159,983,261 | \$ 94,159,468 | \$ 501,779 | \$ 19,335,494 | \$ 49,956,427 | \$ 34,673,625 | \$ 135,166 | \$ 6,202,651 | \$ 16,593,939 | \$ 640,157 | \$ 943,826 |
| 26 | Percentage Increase | 7.4083% | 17.4392% | -2.4659% | -9.4759% | -4.5209% | -11.2327% | 95.2265% | 40.4398% | 11.3326% | -1.9147% | -73.0258% | 9.5876% | 0.5734% | -34.3155% | 170.2213% |
| Proposed Revenue Requirement | | | | | | | | | | | | | | | | |
| 27 | Proposed Rate of Return | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% | 8.56% |
| 28 | Proposed Operating Income | \$ 322,810,042 | \$ 190,607,428 | \$ 37,849,804 | \$ 38,068,931 | \$ 22,283,347 | \$ 14,294,602 | \$ 86,031 | \$ 3,001,156 | \$ 6,396,544 | \$ 4,419,714 | \$ 222,315 | \$ 2,540,218 | \$ 2,705,165 | \$ 225,463 | \$ 109,322 |
| 29 | Operating Income Deficiency | \$ 92,222,557 | \$ 117,661,606 | \$ (3,851,122) | \$ (16,159,295) | \$ (4,706,159) | \$ (7,402,347) | \$ 152,057 | \$ 3,458,985 | \$ 3,159,165 | \$ (420,497) | \$ (227,338) | \$ 337,132 | \$ 58,773 | \$ (207,773) | \$ 369,370 |
| 30 | Revenue Conversion Factor | 1.6096 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 | 0.6213 |
| 31 | Revenue Deficiency | \$ 148,443,904 | \$ 189,391,282 | \$ (6,198,870) | \$ (26,010,436) | \$ (7,575,159) | \$ (11,915,017) | \$ 244,755 | \$ 5,567,675 | \$ 5,085,077 | \$ (676,843) | \$ (365,929) | \$ 542,657 | \$ 94,603 | \$ (334,437) | \$ 594,547 |
| 32 | Percentage Increase | 7.4083% | 17.4392% | -2.4659% | -9.4759% | -4.5209% | -11.2327% | 95.2265% | 40.4398% | 11.3326% | -1.9147% | -73.0258% | 9.5876% | 0.5734% | -34.3155% | 170.2213% |
| 33 | Rate Schedule Revenue Requirement | \$ 2,152,188,178 | \$ 1,275,400,567 | \$ 245,181,745 | \$ 248,480,073 | \$ 159,983,261 | \$ 94,159,468 | \$ 501,779 | \$ 19,335,494 | \$ 49,956,427 | \$ 34,673,625 | \$ 135,166 | \$ 6,202,651 | \$ 16,593,939 | \$ 640,157 | \$ 943,826 |
| 34 | Revenue to Revenue Requirement | 0.93 | 0.85 | 1.03 | 1.10 | 1.05 | 1.13 | 0.51 | 0.71 | 0.90 | 1.02 | 3.71 | 0.91 | 0.99 | 1.52 | 0.37 |
| 35 | Adjusted Revenue to Revenue Requi | 1.00 | 0.91 | 1.10 | 1.19 | 1.12 | 1.21 | 0.55 | 0.76 | 0.96 | 1.10 | 3.98 | 0.98 | 1.07 | 1.64 | 0.40 |