EXHIBIT NO. ___(DEG-12)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

Docket No. UE-060266 Docket No. UG-060267

PUGET SOUND ENERGY, INC.,

Respondent.

FIFTH EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF DONALD E. GAINES ON BEHALF OF PUGET SOUND ENERGY, INC.

1	COST OF 2% MORE EQUITY IN CAPITAL STRUCTURE								
2									
3	(4)	(5)	(0)	(D)	(=)				
4	(A)	(B)	(C)	(D)	(E)				
5	Capital Structure with 43% Equity	0	0 1	Maria Land	After-tax				
6		Capital	Cost	Weighted	Weighted				
7	Chart tarre Daht	Structure	Rate	Cost	Cost				
8	Short-term Debt	2.67%	6.22%	0.17%	0.11%				
9	Long-term Debt	49.88%	6.64%	3.31%	2.15%				
10	Hybrid/Trust Preferred	0.70%	8.54%	0.06%	0.04%				
11	Preferred Stock	3.75%	7.61%	0.29%	0.29%				
12	Common Equity	43.00%	11.25%	4.84%	4.84%				
13	Total	100.00%		8.67%	7.43%				
14									
15	Dugat Saund Energy Direct Testim	 .							
16	Puget Sound Energy - Direct Testim	ony			After toy				
17 18	Exhibit (DEG-6C)	Conital	Cost	\Maiabtad	After-tax				
19		Capital Structure		Weighted Cost	Weighted Cost				
20	Short-term Debt	2.67%	<u>Rate</u> 6.22%	<u>cosi</u> 0.17%	<u>cosi</u> 0.11%				
21		47.88%	6.64%	3.18%	2.07%				
22	Long-term Debt Hybrid/Trust Preferred	47.88% 0.70%	8.54%	0.06%	0.04%				
23	Preferred Stock	0.70% 3.75%	6.54% 7.61%	0.06%					
23 24			11.25%		0.29%				
	Common Equity	45.00%	11.23%	5.06%	5.06%				
25 26	Total	100.00%		8.76%	7.57%				
20 27									
28	Change in After tay Weighted Cost of	Conital			0.14%				
20 29									
30	Impact of 2% change	X	<u>\$4,200</u> \$5.880						
31	Tax Impact (1 - 35% Corporate tax rate	= /	ф3.660 65%						
32									
33	Correct Pre-tax Revenue Impact (in millions) = \$9.046								
34									
35	Mr. Hills Calculation (Exhibit (SO	2∐_1T_page 21	`						
36	WI. HIIIS Calculation (Exhibit (50	on-11, page 31	,						
37	Rate Base assumed by Mr. Hill (in milli	ione)			\$4,200				
38	Change in common equity ratio	10113)		х	2.00%				
39	Cost of Equity			X	11.25%				
40	Erroneous impact of 2% change			× =	\$9.450				
41	Tax Impact (1 - 34% Erroneous Corpor	rate tay rate)		/	φ9. 4 30 <u>66%</u>				
42	Mr. Hill's Erroneous Impact (in millio	,			\$14.318				
43	mi. Tim a Erroneoua impact (iii iiiiiii) (1 <i>)</i>		=	Ψ1+.510				
44	Over-statement of impact by Mr. Hill - i	n dollars (line 41	2 - line 32)		\$5.272				
45	Over-statement of impact by Mr. Hill - in dollars (line 42 - line 32) \$5.272 Over-statement of impact by Mr. Hill - in percent (line 44 / line 32) 58%								
46	Over statement of impact by Wit. 1 IIII - I	ii percent (iiile 4	/ IIIIC 32)		JU /0				
47									
48	(1) Exhibit (SGH-1T), page 31, line	es 15-20)							
40	(1) Exhibit (0011-11), page 31, life	JJ 1J-ZU)							

1 2	COST OF 5% MORE EQUITY IN CAPITAL STRUCTURE						
3 4	(A)	(B)	(C)	(D)	(E)		
5 6 7	Capital Structure with 40% Equity	Capital Structure	Cost Rate	Weighted Cost	After-tax Weighted Cost		
8	Short-term Debt	2.67%	6.22%	0.17%	0.11%		
9	Long-term Debt	52.88%	6.64%	3.51%	2.28%		
10	Hybrid/Trust Preferred	0.70%	8.54%	0.06%	0.04%		
11	Preferred Stock	3.75%	7.61%	0.29%	0.29%		
12	Common Equity	40.00%	11.25%	4.50%	4.50%		
13	Total	100.00%	11.2070	8.53%	7.22%		
14	Total	100.0070		0.5570	1.22/0		
15							
16	Puget Sound Energy - Direct Testim	onv					
17	Exhibit (DEG-6C)	iony			After-tax		
18	EXHIBIT (BES 55)	Capital	Cost	Weighted	Weighted		
19		<u>Structure</u>	Rate	Cost	Cost		
20	Short-term Debt	2.67%	6.22%	0.17%	0.11%		
21	Long-term Debt	47.88%	6.64%	3.18%	2.07%		
22	Hybrid/Trust Preferred	0.70%	8.54%	0.06%	0.04%		
23	Preferred Stock	3.75%	7.61%	0.29%	0.29%		
24	Common Equity	45.00%	11.25%	5.06%	5.06%		
25	Total	100.00%	11.2370	8.76%	7.57%		
26	Total	100.0070		0.7070	7.57 /0		
27							
28	Change in After-tax Weighted Cost of	Canital			0.35%		
29	Rate Base assumed by Mr. Hill (in millions) x \$4,2						
30	Impact of 5% change =						
31	Tax Impact (1 - 35% Corporate tax rate) /						
32							
33	Correcti to tax revenue impuer (iii			_	\$22.615		
34							
35	Mr. Hills Calculation (Exhibit (S	GH-1T. page 31)					
36	(<u></u>	o, pago o.,					
37	Rate Base assumed by Mr. Hill (in mill	lions)			\$4,200		
38	Change in common equity ratio			х	5.00%		
39	Cost of Equity			X	11.25%		
40	Erroneous impact of 5% change			=	\$23.625		
41	Tax Impact (1 - 34% Erroneous Corpo	rate tax rate)		/	<u>66%</u>		
42	Mr. Hill's Erroneous Impact (in million			=	\$35.795		
43	(tal.	, (,			***************************************		
44	Over-statement of impact by Mr. Hill - in dollars (line 42 - line 32) \$13.180						
45	Over-statement of impact by Mr. Hill - in percent (line 44 / line 32) 58%						
46	,,		- ,		• •		
47							
48	(1) Exhibit (SGH-1T), page 31, lin	es 10-14)					
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