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March 12, 2013

**VIA WEB PORTAL AND OVERNIGHT MAIL**

Mr. Steven V. King  
Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive, SW  
Olympia, WA 98504

**Re: PSE and NWECA Decoupling Petition: Docket Nos. UE-121697 and UG-121705  
PSE Expedited Rate Filing: Docket Nos. UE-130137 and UG-130138**

Dear Mr. King:

**I. Introduction and Summary of Proposed Procedural Schedule**

In response to the request at the Recessed Open Meeting of March 5, 2013, Puget Sound Energy, Inc. ("PSE" or "the Company") provides the Commission proposed procedural options for treatment of the following dockets:

- The Amended Petition of NW Energy Coalition and PSE for Decoupling Mechanisms, Dockets UE-121697 and UG-121705 ("Decoupling dockets")
- PSE's Expedited Rate Filing, Dockets UE-130137 and UG-130138 ("ERF dockets")
- Anticipated global settlement of multiple dockets including PSE's Petition for Reconsideration of the Final Order in the Centralia PPA proceeding,<sup>1</sup> Decoupling dockets and ERF dockets ("Global Settlement").

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<sup>1</sup> *In re Petition of Puget Sound Energy, Inc. for Approval of a Power Purchase Agreement for Acquisition of Coal Transmission Power, as Defined in RCW 80.80.010, and the Recovery of Related Acquisition Costs*, Docket UE-121373, Order 03 (January 9, 2013) (hereafter "Centralia Coal Transition PPA docket").

Mr. Steven V. King  
March 12, 2013  
Page 2

In this letter PSE again requests that the Commission consider the Decoupling dockets and ERF dockets at the April 25, 2013 open meeting and allow the tariffs to go into effect on May 1, 2013. Alternatively, assuming a global settlement is filed with the Commission in March as anticipated, PSE requests that the Commission consider all dockets included in the Global Settlement together. Although PSE believes there is no reason to suspend the ERF and Decoupling tariffs as stand alone dockets, PSE does not object to the suspension of the ERF dockets and Decoupling dockets to facilitate the Commission's review and deliberations of the Global Settlement. However, this review of the Global Settlement can be concluded by May 1, 2013. PSE provides proposed procedural schedules with and without settlement in Section III of this letter.

Additionally, this letter provides relevant background information the Commission should consider in choosing a reasonable procedural path for these dockets. First, this letter reviews the Commission's instructions to PSE and stakeholders regarding its interest in (i) decoupling, (ii) an expedited rate filing, and (iii) creative proposals to break the pattern of frequent rate cases. It is this language in the Final Order of PSE's 2011 general rate case that led to the filing of the Decoupling and ERF dockets, and the anticipated filing of a Global Settlement.

Second, this letter reviews the significant opportunity for investigation that has been afforded parties and stakeholders, and the continued opportunities that are available for investigation and input on these dockets. Given these opportunities for discovery and investigation, the May 1, 2013 effective date is reasonable.

Third, this letter documents the calculated strategy of delay in which certain stakeholders have engaged—both before and after the filing of the ERF and Decoupling dockets. They chose not to meaningfully engage in collaborative sessions prior to the filing of the ERF, which has always been intended to be an expedited filing. They have resisted offers to meet since the filing of the ERF and the modified Decoupling dockets. Although PSE and Commission Staff offered six potential meeting dates in March for technical/settlement conferences to discuss the ERF, the amended Decoupling dockets and the Global Settlement, stakeholders refused to meet prior to April. Certain stakeholders have expressed a preference to take depositions and submit written discovery on the proposed global settlement and the ERF dockets, rather than obtaining this same information through technical/settlement conferences.

Stakeholders have been afforded sufficient opportunities to investigate these proposed mechanisms, and it is reasonable for the Commission to take action on these dockets by May 1, 2013.

## **II. Background**

### **A. The Commission's Discussion of Decoupling, ERF and a Global Resolution**

The Commission expressed its interest in, and willingness to further consider, both a decoupling proposal and an expedited rate filing in the Final Order in PSE's 2011 general rate case. With

respect to the decoupling mechanism, the Commission anticipated that the NW Energy Coalition ("the Coalition") and PSE might work together and bring forth such a proposal.<sup>2</sup>

With respect to the expedited rate filing, the Commission anticipated that Staff and PSE would meet to confirm the form of the ERF filing. Even more importantly, in the Final Order the Commission encouraged PSE, Commission Staff and others to look for broader solutions to break the pattern of frequent general rate case filings.

If PSE accepts Staff's invitation "to meet with PSE to confirm mutual expectations" for a filing along the lines Staff suggests, or the Company on its own initiative makes such a filing, we certainly will give it fair consideration. Alternatively, Staff and PSE may enter into a broader discussion with other interested participants in the regulatory process and bring forward for consideration specific proposals that may satisfy a range of both common and diverse interests. In this connection, the Commission would be particularly interested in proposals that might break the current pattern of almost continuous rate cases. This pattern of one general rate case filing following quickly after the resolution of another is overtaxing the resources of all participants and is wearying to the ratepayers who are confronted with increase after increase. This situation does not well serve the public interest and we encourage the development of thoughtful solutions.<sup>3</sup>

This is precisely what PSE and Commission Staff have attempted to do in crafting a settlement of the Centralia PPA docket that includes recommendations regarding ERF and the decoupling proposal, along with a proposed general rate case stay out period. Ironically, it is these efforts to mold a global resolution of outstanding issues about which certain stakeholders now complain.

## **B. Stakeholders Have Been Afforded Significant Opportunity For Process**

### **1. Decoupling**

The Commission has extensively reviewed decoupling proposals, both for PSE and other regulated utilities, over the past two decades.<sup>4</sup> Beginning in April 2010, the Commission

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<sup>2</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049, Order 08, n. 617 (May 7, 2012) ("The Commission remains open to proposals for a full decoupling mechanism, even to one that may vary somewhat from what is described in our Policy Statement.").

<sup>3</sup> *Id.* ¶507.

<sup>4</sup> In 1991, the Commission approved a decoupling program for Puget Sound Power & Light Co. See Docket UE-901183, Third Supplemental Order (April 10, 1991). This decoupling program lasted for six years. Since 2005, the Commission has engaged in several proceedings in which it analyzed decoupling. In 2005, the Commission conducted a rulemaking to consider decoupling mechanisms. Rulemaking to Review Natural Gas Decoupling, Docket UG-050369 (March 14, 2005). In 2006, the Commission considered natural gas decoupling mechanisms

undertook an inquiry as to whether it should adopt new or modified regulations or otherwise adopt policies to address declines in revenues due to utility-sponsored conservation or other causes of conservation. The Commission received extensive and detailed comments, sponsored two work sessions, solicited and received further comments, and ultimately issued its Decoupling Policy Statement.<sup>5</sup>

Most recently, the Commission reviewed a proposal for full decoupling, proposed by the Coalition, in PSE's 2011 general rate case. In that case, the Commission issued Bench Request No. 3, which broadly required Commission Staff to "examine full decoupling as an option for PSE," and invited other parties to respond also.<sup>6</sup> Parties engaged in significant discovery, cross examination, and briefing on the decoupling proposal. In its final order in that case, the Commission determined that the Coalition's proposal largely followed, and was consistent with the purpose of, the Commission's Decoupling Policy Statement; however, the Commission declined to require PSE to implement full decoupling in the face of PSE's opposition.<sup>7</sup>

After the conclusion of the 2011 general rate case, PSE and the Coalition worked together to refine decoupling mechanisms that were filed in October 2012. Since the filing of the decoupling petition, PSE, the Coalition, Commission Staff, and other stakeholders have been engaged in a process of formal and informal discovery, including two technical workshops hosted by the Commission on November 8, 2012, and January 15, 2013. Stakeholders in this process had an opportunity to gain a deeper understanding of the proposal and have shared their views and concerns regarding the decoupling proposal. These discussions highlighted opportunities for broader agreement between PSE, the Coalition, and Commission Staff. As a result, PSE and the Coalition filed an amended petition on March 1 that is supported by Commission Staff and incorporates input received at the January 15, 2013 technical conference.

## 2. Expedited Rate Filing

The Commission also considered the merits of a proposed expedited rate filing mechanism in PSE's most recent general rate case and commented favorably on the proposal. Commission Staff proposed an expedited rate filing to address regulatory lag experienced by PSE. As the name indicates, this expedited rate filing was intended to be an expedited true up of costs that

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proposed in PSE's general rate case and in an accounting petition filed by Avista. The Commission declined to implement PSE's natural gas decoupling mechanism, determining that PSE did not need any further motivation to undertake conservation. *See WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266 and UG-060267, Order 08 (January 5, 2007), ¶¶65-66. In contrast, the Commission approved Avista's decoupling mechanism and authorized a three-year pilot decoupling mechanism for Cascade Natural Gas Corporation. *See In re Petition of Avista Corp. for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism*, Docket UG-060518, Order 04 (February 1, 2007); *WUTC v. Cascade Natural Gas Corp.*, Docket UG-060256, Order 05 (January 12, 2007).

<sup>5</sup> *See In re WUTC Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets (Nov. 4, 2010).

<sup>6</sup> *See generally, WUTC v. Puget Sound Energy, Inc.* Docket Nos. UE-111048 and UG-111049 (consolidated).

<sup>7</sup> *Id.*, ¶¶453, 455.

would occur within a few months after the Commission entered the Final Order in the 2011 general rate case. Parties undertook discovery on the proposal, cross-examined Staff witness Ken Elgin, and responded to the proposal in their briefs. The Commission commented favorably on the proposal, and as discussed above, encouraged PSE and Commission Staff to meet to confirm mutual expectations for the filing.<sup>8</sup>

PSE began meeting with interested parties in June 2012, one month after the Commission entered its Final Order. PSE met with interested stakeholders on four occasions in June, July, September and October 2012. Experts and consultants of the stakeholders participated in the meetings and in the communications about the proposal. *See* Attachment A to this letter. The proposal presented in September and October closely followed the ERF proposal outlined in Mr. Elgin's testimony.<sup>9</sup> It is based on the Commission basis report, includes restating adjustments only, does not adjust the rate of return, and utilizes the rate spread and rate design from the most recent general rate case. Attachment B to this letter is the proposal provided to stakeholders in September 2012. PSE met with Commission Staff in January to confirm mutual expectations for the filing—and particularly to discuss the interaction between the ERF and PSE's modified Decoupling proposal. On February 1, 2013, PSE filed its ERF tariffs, the mechanics of which were nearly identical to the ERF proposal presented to stakeholders in the fall of 2012. Although PSE asked for tariffs to go into effect April 1, 2013, stakeholders waited until March 8 to undertake any discovery relating to the ERF.

Significantly, the ERF proposed by PSE differs in one important respect from the proposal made by Mr. Elgin. It is not an ongoing mechanism that will adjust rates annually as proposed by Mr. Elgin.<sup>10</sup> Instead, it is a one-time rate adjustment that will true up costs and expenses prior to the commencement of the decoupling proposal. The limited role the ERF will have going forward should allay concerns of stakeholders who view this mechanism as a multi-year rate adjustment tool.

### **3. The Global Settlement Is Proper and Consistent with the Commission's Expressed Preference**

On January 15, PSE presented a revised Decoupling proposal to stakeholders at a technical conference hosted by the Commission. On January 22, PSE filed its Petition for Reconsideration of the Final Order in the Centralia Coal Transition PPA docket. With these developments, PSE and Commission Staff met to determine whether there was an opportunity to resolve these pending dockets, and the soon to be filed ERF docket, in a manner that would allow PSE to delay the filing of general rate cases, as suggested by the Commission in the Final Order. PSE and Commission Staff reached an agreement in principle that would achieve these goals. In light of these developments, Commission Staff requested more time to file a response to PSE's Petition for Reconsideration, and stated its intention to work with other stakeholders to see if the larger,

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<sup>8</sup> *Id.*, ¶507.

<sup>9</sup> *See* Testimony of Kenneth L. Elgin, Exhibit No. KLE-1T, p. 81, Docket UE-111048 and UG-111049.

<sup>10</sup> Mr. Elgin's proposal anticipated two expedited filings between fully contested rate cases. *See id.*, pp.81-82.

global resolution that the Commission had requested in PSE's 2011 general rate case could be accomplished.

Surprisingly, PSE and Staff's efforts to carry out the direction set forth by the Commission in its recent Final Order have elicited vociferous protests and allegations of rule violations and sanctionable behavior. However, the proposed global resolution and the discussions surrounding it are entirely appropriate, and the Commission should reject meritless arguments to the contrary. First, there is no legal prohibition against parties proposing a settlement to a Commission final order that has been challenged and such settlements have occurred in the past.<sup>11</sup> Second, there is no legal prohibition against settling open dockets—including dockets that have not been converted to adjudicative proceedings—in conjunction with the settlement of other adjudicative proceedings. For example, the 2001 settlement of PSE's general rate case included settlement of a completely separate docket—a complaint filed by Public Counsel related to the residential exchange credits.<sup>12</sup> Third, there is nothing improper about PSE and Staff meeting to discuss the Decoupling dockets or the proposed ERF dockets. In fact, the Final Order encouraged such discussions.

### **C. Delay Should Not Be an Acceptable Strategy**

The Commission should reject certain stakeholders' pleas for more time to investigate the Decoupling Docket, the ERF docket and the global resolution. These stakeholders knew that the Commission had encouraged these filings, yet they chose to delay their investigation. The Commission should not tolerate this strategy of continued delay.

As discussed above, the Commission has thoroughly reviewed decoupling in general and for PSE in the past decade, and particularly over the past three years. The Decoupling dockets were filed in October. There have been technical meetings to discuss elements of the proposal and PSE modified the proposal to reflect input received from stakeholders. Stakeholders have engaged in discovery with respect to decoupling proposals, both during PSE's 2011 general rate case and over the past four months. Stakeholders continue to have the opportunity to meet with PSE, Staff, and the Coalition to discuss the proposed decoupling prior to the tariff effective date of May 1, 2011.

Similarly, stakeholders had significant opportunities to investigate the ERF proposal prior to the filing, but they chose not to do so. PSE began working with stakeholders and their consultants in June 2012, discussing the proposed filing. PSE revised the ERF proposal in September based on stakeholder input. Stakeholders provided no feedback on the proposed methodology and chose to ignore the proposal last fall. PSE has filed a proposal that is substantively identical to the proposal presented to stakeholders and described in Commission Staff testimony in 2011. Had

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<sup>11</sup> For example, in the recent CenturyLink/Qwest merger, the Commission and CenturyLink engaged in settlement discussions after CenturyLink's appeal of the Final Order. See *Joint Application of Qwest Communications International, Inc. and CenturyTel, Inc. for Approval of Indirect Transfer of Control*, Docket UT-100820.

<sup>12</sup> See *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, Twelfth Supp. Order, (June 20, 2002) ¶ 12; See also *Air Liquide America Corp. v. Puget Sound Energy, Inc.*, Dockets UE-001952 and UE-001959, 11th Supp. Order (April 5, 2001)(resolving numerous pending disputes between PSE and industrial customers).

stakeholders engaged meaningfully in the discussion last summer and fall, they would have had plenty of time for review. This disregard of the proposed filing was at their peril; all parties were on notice that the ERF was intended to be filed, reviewed and approved on an expedited basis.

This strategy of delay has continued after the filing. In February 2013, PSE and Commission Staff invited stakeholders to meet for a technical/settlement conference to discuss the proposed global resolution. PSE offered four dates for the meetings—March 1, 4, 6, and 8. Certain stakeholders ignored or declined all the suggested dates. On March 4, Commission Staff offered two additional dates—March 14 and 18. Again, these stakeholders declined to meet in March, instead expressing a preference for formal discovery over technical conferences and proposing meeting dates of April 4 and 11 for an "Issues Conference"—but only if PSE responded to all discovery within five business days. ICNU also declared its intention to depose Deborah Reynolds on April 2, rejecting the opportunity to obtain information expeditiously and collaboratively.

In sum, stakeholders will have been afforded due process with a May 1, 2013 tariff effective date. The Commission should move forward with these dockets expeditiously, as recommended by PSE in the proposed procedural schedule below.

### **III. Proposed Procedural Schedule**

#### **1. Decoupling Procedure Without Settlement**

- October 25, 2012: Decoupling Petition filed
- November 8, 2012: First Technical Conference
- November 2012: First data requests issued<sup>13</sup>
- January 15, 2013: Second Technical Conference
- March 1, 2013: Amended Decoupling Petition filed<sup>14</sup>
- April 11, 2013: Comments due
- April 25, 2013: Open Meeting presentation and deliberation
- April 29, 2013: Recessed Open Meeting if necessary
- May 1, 2013: Tariffs in effect

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<sup>13</sup> Public Counsel and Staff issued their initial data requests in November. ICNU issued its initial data request on January 21, 2013. No other parties have issued data requests as of this date.

<sup>14</sup> The amended decoupling petition incorporates input received from stakeholders.

## **2. ERF Procedure Without Settlement**

- June 28, 2012: First Stakeholder Meeting re ERF
- July 16, 2012: Second Stakeholder Meeting re ERF
- September 27, 2012: Third Stakeholder Meeting re ERF
- October 11, 2012: Fourth Stakeholder Meeting re ERF
- February 1, 2012: ERF filed
- February 20, 2012: First data requests issued
- April 11, 2013: Comments due
- April 25, 2013: Open Meeting presentation and deliberation
- April 29, 2013: Recessed Open Meeting if necessary
- May 1, 2013: Tariffs in effect

## **3. Global Resolution of Several Open Dockets (assuming settlement of all dockets filed)**

- January 22, 2013: Petition for Reconsideration of Centralia PPA filed by PSE
- March 4, 2013: Proposed terms of settlement provided to stakeholders
- Mar. 1, 4, 6, 8, 14, 18 Proposed dates for Settlement/Technical Conference<sup>15</sup>
- March 19 File Global Settlement
- March 21, 2013: ERF/Decoupling suspended to facilitate deliberation
- March 23 Date by which to file testimony supporting Settlement
- April 4 "Issues conference" proposed by NWIGU/ICNU/PC
- April 11, 2013 Testimony responding to settlement due
- April 18, 2013: Settlement Hearing
- April 30, 2013: Final Order

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<sup>15</sup> These six dates in March were offered to stakeholders for technical/settlement conferences. Stakeholders declined, preferring to tentatively hold "issues conferences" on April 4 and 11.



Mr. Steven V. King  
March 12, 2013  
Page 9

#### IV. Conclusion

Stakeholders have been reviewing PSE's ERF proposal since last June and PSE's decoupling filing since last October. Due process has been afforded to stakeholders, and PSE respectfully requests that the Commission act on these filings by May 1, 2013, adopting the procedural schedules set forth above.

Very truly yours,



Sheree Strom Carson

SSC:cgm  
Enclosures

# **Attachment A**

## **Carson, Sheree S. (Perkins Coie)**

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**From:** Tom Deboer (PSEDRS)  
**Sent:** Wednesday, October 03, 2012 5:32 PM  
**To:** Tom Deboer (PSEDRS); 'Melinda J. Davison'; 'Brad Van Cleve'; 'Schooley, Thomas (UTC)'; 'mvasconi@utc.wa.gov'; 'mfoisy@utc.wa.gov'; 'kwhite@utc.wa.gov'; 'Ron Roseman'; 'Nancy Hirsh'; 'Danielle Dixon'; 'agoodin@earthjustice.org'; 'Furuta, Norman J CIV NAVFAC SW'; 'Don Schoenbeck'; 'Chad Stokes'; 'ffitch, Simon (ATG)'; 'Daeschel, Lea (ATG)'; 'DEX@BBRSLaw.com'; 'KHiggins@Energystrat.com'; 'jdittmer@utilitech.net'; 'Kboehm@BKLawfirm.com'; 'efinklea@nwigu.org'; Johnson, Stefanie (ATG); cmickels@utc.wa.gov  
**Cc:** m8y7xtka John Story (PSEDRS); Barnard, Kathie; Free, Susan E; Piliaris, Jon  
**Subject:** RE: PSE Expedited Rate Filing Discussion

Thanks to all for your responses. Based on the response to my email below, it appears that Thursday, Oct. 11 starting at 2:30 works the best to reconvene to continue to discuss PSE's expedited rate case proposal. The conference bridge information is below. Talk to you next Thursday.

Regards,  
Tom DeBoer

**When:** Thursday, October 11, 2012 2:30 PM-4:30 PM (GMT-08:00) Pacific Time (US & Canada).

To join the meeting

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MeetingPlace Main Number 425-456-2500

Toll Free Number 888-228-0484

Meeting ID: 95999

Password: 85774

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**From:** DeBoer, Tom  
**Sent:** Tuesday, October 02, 2012 8:53 AM  
**To:** DeBoer, Tom; 'Melinda J. Davison'; 'Brad Van Cleve'; 'Schooley, Thomas (UTC)'; 'mvasconi@utc.wa.gov'; 'mfoisy@utc.wa.gov'; 'kwhite@utc.wa.gov'; 'Ron Roseman'; 'Nancy Hirsh'; 'Danielle Dixon'; 'agoodin@earthjustice.org'; 'Furuta, Norman J CIV NAVFAC SW'; 'Don Schoenbeck'; 'Paula Pyron'; 'Chad Stokes'; 'ffitch, Simon (ATG)'; 'Daeschel, Lea (ATG)'; 'DEX@BBRSLaw.com'; 'KHiggins@Energystrat.com'; 'jdittmer@utilitech.net'; 'Kboehm@BKLawfirm.com'; 'efinklea@nwigu.org'; 'cmickles@utc.wa.gov'; Johnson, Stefanie (ATG)  
**Cc:** Story, John; Barnard, Kathie; Free, Susan E; Piliaris, Jon  
**Subject:** RE: PSE Expedited Rate Filing Discussion

Thanks to everyone for participating in the meeting last Thursday. I would like to set up the follow up meeting we discussed for the week of Oct. 8. Please let me know your availability for the following time periods and I will set up a call.

Tuesday, Oct. 9 between 1:00 and 5:00 pm  
Wed., Oct. 10 between 1:00 and 5:00 pm  
Thursday, Oct. 11 after the Open Meeting (1:00 to 5:00 pm)

Thanks,  
Tom DeBoer

office 425.462.3495  
email [tom.deboer@pse.com](mailto:tom.deboer@pse.com)

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**From:** DeBoer, Tom  
**Sent:** Wednesday, September 26, 2012 3:44 PM  
**To:** DeBoer, Tom; 'Melinda J. Davison'; 'Brad Van Cleve'; 'Schooley, Thomas (UTC)'; 'mvasconi@utc.wa.gov'; 'mfoisy@utc.wa.gov'; 'kwhite@utc.wa.gov'; 'Ron Roseman'; 'Nancy Hirsh'; 'Danielle Dixon'; 'agoodin@earthjustice.org'; 'Furuta, Norman J CIV NAVFAC SW'; 'Don Schoenbeck'; 'Paula Pyron'; 'Chad Stokes'; 'ffitch, Simon (ATG)'; 'Daeschel, Lea (ATG)'; 'DEX@BBRSLaw.com'; 'KHiggins@Energystrat.com'; 'jdittmer@utilitech.net'; 'Kboehm@BKLawfirm.com'; 'efinklea@nwigu.org'; 'cmickles@utc.wa.gov'  
**Cc:** Story, John; Barnard, Kathie; Free, Susan E; Piliaris, Jon; 'Carson, Sheree S. (Perkins Coie)'  
**Subject:** PSE Expedited Rate Filing Discussion

Just a reminder of the meeting on Thursday, Sept. 27 from 1:00 to 3:00 pm to discuss PSE's proposed expedited rate filing proposal. I have attached the proposal again for your convenience (this is the same version sent out on Sept. 17 but combined as one document with pagination).

We will be meeting in room 139 at the WUTC beginning at 1:00 pm. Below is the conference bridge information for those that need to call in. Thanks and see you tomorrow.

Tom

To join the meeting

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MeetingPlace Main Number 425-456-2500

Internal Number 81-2500

Toll Free Number 888-228-0484

Meeting ID: 4955

Password: 50698

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**From:** DeBoer, Tom  
**Sent:** Monday, September 17, 2012 1:47 PM  
**To:** 'Melinda J. Davison'; 'Brad Van Cleve'; 'Schooley, Thomas (UTC)'; 'mvasconi@utc.wa.gov'; 'mfoisy@utc.wa.gov'; 'kwhite@utc.wa.gov'; 'Ron Roseman'; 'Nancy Hirsh'; 'Danielle Dixon'; 'agoodin@earthjustice.org'; 'Furuta, Norman J CIV NAVFAC SW'; 'Don Schoenbeck'; 'Paula Pyron'; 'Chad Stokes'; 'ffitch, Simon (ATG)'; 'Daeschel, Lea (ATG)'; 'DEX@BBRSLaw.com'; 'KHiggins@Energystrat.com'; 'jdittmer@utilitech.net'; 'Kboehm@BKLawfirm.com'; 'efinklea@nwigu.org'  
**Cc:** Story, John; Barnard, Kathie; Free, Susan E; Piliaris, Jon; 'Carson, Sheree S. (Perkins Coie)'; DeBoer, Tom  
**Subject:** RE: PSE Attrition Discussion

Well the last idea we had was such a success we thought we would try again.

We would like to invite folks to discuss an idea (details attached) that builds on the Staff testimony in the last rate case. An overview is provided in the attached "Draft ERF Proposal Write-up". Please let me know if you are interested and your availability for the following dates and I try to get a consensus date.

Monday, Sept. 24 -- anytime  
Wed., Sept. 26 -- afternoon  
Thurs., Sept. 27 -- afternoon after the Open Meeting (perhaps we could meet at the UTC)  
Fri., Sept. 28 -- anytime

Thanks for your consideration.

Tom DeBoer  
425-462-3495  
[tom.deboer@pse.com](mailto:tom.deboer@pse.com)

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**From:** DeBoer, Tom  
**Sent:** Thursday, July 12, 2012 4:32 PM  
**To:** DeBoer, Tom; 'Melinda J. Davison'; 'Brad Van Cleve'; 'Schooley, Thomas (UTC)'; 'mvasconi@utc.wa.gov'; 'Martin, Roland (UTC)'; 'mfoisy@utc.wa.gov'; 'kwhite@utc.wa.gov'; 'Ron Roseman'; 'Nancy Hirsh'; 'Danielle Dixon'; 'agoodin@earthjustice.org'; 'Furuta, Norman J CIV NAVFAC SW'; 'Don Schoenbeck'; 'Paula Pyron'; 'Chad Stokes'; 'ffitch, Simon (ATG)'; 'Daeschel, Lea (ATG)'; 'DEX@BBRSLaw.com'; 'KHiggins@Energystrat.com'; 'jdittmer@utilitech.net'; 'Kboehm@BKLawfirm.com'  
**Cc:** Story, John; Barnard, Kathie; Free, Susan E; Piliaris, Jon; 'Carson, Sheree S. (Perkins Coie)'  
**Subject:** RE: PSE Attrition Discussion

Hi Folks,

Just a reminder of the meeting scheduled for Monday, July 16, 2012 from 1:00 pm to 4:00 pm here in Bellevue. Details below.

Tom

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**From:** DeBoer, Tom  
**Sent:** Sunday, July 01, 2012 4:20 PM  
**To:** Melinda J. Davison; Brad Van Cleve; Schooley, Thomas (UTC); 'mvasconi@utc.wa.gov'; 'Martin, Roland (UTC)'; mfoisy@utc.wa.gov; kwhite@utc.wa.gov; Ron Roseman; Nancy Hirsh; Danielle Dixon; agoodin@earthjustice.org; Furuta, Norman J CIV NAVFAC SW; Don Schoenbeck; 'Paula Pyron'; Chad Stokes; ffitch, Simon (ATG); Daeschel, Lea (ATG); DEX@BBRSLaw.com; KHiggins@Energystrat.com; jdittmer@utilitech.net; Kboehm@BKLawfirm.com  
**Cc:** Story, John; Barnard, Kathie; Free, Susan E; Piliaris, Jon; Carson, Sheree S. (Perkins Coie)  
**Subject:** PSE Attrition Discussion

Thanks to everyone for participating in last Friday's discussion. I have attached the documents sent out for the last meeting as well as John Story's explanatory email (on the email chain below). I think I have everyone on the email list but let me know if I have left anyone off.

Here are the details for the next meeting scheduled for Monday, July 16, 2012 1:00 PM-4:00 PM Pacific Time. We have scheduled the same conference room at Perkins Coie in Bellevue for those that wish to join in person. The phone bridge information is below.

Thanks and we look forward to a good discussion on the 16th.

Regards,

Tom DeBoer

Where: Perkins Coie - Thomsen Room

Subject: PSE Attrition Discussion (Second Meeting)

Date/Time: Jul 16, 2012, 1:00 PM (Pacific Daylight Time)

Duration: 3 hrs

To join the meeting

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MeetingPlace Main Number 425-456-2500

Toll Free Number 888-228-0484

Meeting ID: 65488

Password: 65488

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**From:** Story, John

**Sent:** Thursday, June 28, 2012 11:05 AM

**To:** Schooley, Thomas (UTC); cmickels@utc.wa.gov; ffitch, Simon (ATG); 'Paula Pyron'; Chad Stokes; Brad Van Cleve; 'Trion A. Sanger'; Danielle Dixon; Ronald Roseman; Furuta, Norman J CIV NAVFAC SW; Kboehm@BKLawfirm.com; DEX@BBRSLaw.com

**Cc:** DeBoer, Tom; Barnard, Kathie; Free, Susan E; Piliaris, Jon; SCarson@perkinscoie.com

**Subject:** Meeting Friday June 28, 9:30 am

Attached are four PDF files that demonstrate the attrition tracker mechanism that we will be discussing on Friday. A brief description of the mechanism follows.

An attrition factor would be defined as the annualized growth rate of a particular group of accounts, such as transmission or distribution from the most recent general rate compliance filing to the end of the current CBR period. The attrition factors between the test year from the most recent GRC and the end of the current year Commission Basis Report ("CBR") would be the attrition factors used to adjust the mechanism's rate year.

A test to see if the CBR attrition factor is appropriate would be to adjust the most recent GRC test year by the attrition factors between a prior general rate case compliance filing and the current test year. For this test, we are using the GRC attrition factors which are based on the annual growth rate between the most recently approved GRC test year and the GRC compliance filing that is at least 5 years prior to the most recent test year. The purpose of this time span is to remove volatility in changes for expenses and rate base that can occur between two consecutive test periods. The attrition factors that result in a lower revenue requirement would be the ones that would be used to adjust rates for the next recovery period.

PDF No. 1 is a back cast of the 2009 Electric GRC compared to the 2011 Electric CBR. The purpose of the packet is to demonstrate how the attrition mechanism would have worked had it been in place following the 2009 GRC. The attrition factors used for this presentation are calculated from GRC compliance filings with at least 5 years from the 2009 GRC, which happens to be the 2004 GRC. This calculation shows that the 2008 test year escalated out to December 2011 is less than the actual revenue required based on the 2011 CBR. As this is less than the CBR we use the 2004 GRC to 2009GRC attrition factors to escalate the 2008 test year one more time to 2012 and the new revenues needed for 2012 would be \$570,281,023 shown on line 19 of page 1.

PDF No. 2 is showing the same calculation using the 2011 GRC and 2010 test year and represent the proposed factors that would be used. In this presentation we moved to the attrition factors for the 2006 GRC to 2011 GRC for calculating the attrition factors for the revenue requirement using the 5 year rule. We use those factors to calculate the revenue requirement shown on page 5 of 7. This result is greater than the actual revenue requirement shown for the 2011 CBR so we use the CBR attrition factors. Those factors are shown on page 7 along with the other attrition factors from the historical general rate cases. The CBR attrition factors are calculated from the most recent GRC (2011 GRC) to the most recent CBR (2011 CBR). The calculation of the revenue required is shown on page 4 of the packet and page 3 shows the calculated revenue required versus the 2011 CBR. The attrition adjusted amount differs slightly from the CBR amount due to grouping of accounts, rounding, etc., however this is relatively immaterial and can vary slightly up or down. We then attrition adjust the 2010 test year using these CBR attrition factors out to 2012. This calculation is shown on page 2 and the revenue adjustment is shown on page 1. Based on this calculation rates would be adjusted by \$28.4 million which reflects an increase based on two years of growth, 2011 and 2012. If this mechanism had already been in place the increase would only have been for one year and instead of using the 2010 test year as the base amount set in rates we would have used what would have been set for 2011 and the adjustment would be approximately ½ of this amount assuming equal growth.

PDF No. 3 is the back cast of the 2009 Gas GRC and is equivalent to Packet No. 1 for the electric. In this scenario the GRC attrition factors are too high, shown on page 4, so we use the 2011 CBR attrition factors. This provides an attrition adjusted revenue requirement of \$374.5 million compared to the 2011 CBR revenue requirement of \$375.3 million, again an immaterial difference. Escalating the 2011 calculated amount by one more year to 2012 shows that the revenue required would be \$385.7 million shown on page 1.

PDF No. 4 is the gas calculation that is equivalent to the electric PDF No. 2 and is based on the 2011 GRC. Again the GRC attrition factors provide a revenue requirement that is higher than the actual 2011 CBR revenue requirement. Again we use the attrition factors for the 2011 CBR compared to the 2010 test year and that shows that the escalated amount is slightly lower than the CBR, page 3. Escalating this by one more year we get the revenue requirement for 2012 and the revenue deficiency is shown on page 1, \$14.2 million. Again this is a two year calculation of growth because there was no adjustment for 2011.

We would suggest that the timing of this mechanism would be based on the filing of the annual CBR. When that is filed by March of a given year, the revenue deficiency for the mechanism would also be provided. Rates for that year would be adjusted no later than May of that year and remain in effect until the next filing.

If you are planning on calling in on the conference line or attending the meeting tomorrow in Bellevue would you please send Tom DeBoer confirmation.

# **Attachment B**



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**Discussion points on how the Expedited Rate Filing (ERF) mechanism might operate:**

1. A mechanism for recovery of items other than PCA, PGA, and Property Taxes on an expedited basis. Follows Staff recommended mechanism discussed in Ken Elgin's testimony in the 2011 GRC whereby a filing based on PSE's annual Commission Basis Reports (CBR) would allow recovery of PSE's changes in rate base, changes in revenues and costs and changes in load.
2. Annual filing to change rates based on the annual Commission Basis Report.
  - a. Filed by March 1<sup>st</sup> for an April 1<sup>st</sup> or May 1<sup>st</sup> effective date.
  - b. Open to incorporating Staff review prior to filing, or periodically throughout the year prior to the calendar year being closed. Open to filing a semi-annual report to facilitate this process. This could be developed into a process by which Staff could review prudence.
  - c. Rates spread based on methodology approved in the most recent GRC unless revenue-neutral rate design changes can be accommodated.
  - d. Rates spread on weather adjusted test year load from the CBR period.
  - e. No true-up for load or mix changes.
3. Rate of Return would be from the most recent GRC known at the time of the ERF filing.
4. Revenues associated with ERF categories from the most recent ERF and GRC filings known at the time of the ERF filing would be annualized for application to the ERF filing prior to calculating the deficiency.
5. Future GRC filings would include an ERF adjustment to bring GRC rates in alignment with existing ERF rates that are in effect at the time the GRC is effective. Thus, GRC rates would supersede ERF rates until the next ERF filing.
6. Need to change recovery of property taxes to a rider. It is suggested that this be done by filing an Accounting Petition requesting the approval to break out the revenue requirement associated with property taxes built into rates as a subsection of the general rate tariff. This part of the general rate tariff would be updated yearly based on actual property tax assessments.

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**Methodology for calculating the ERF Deficiency in this draft proposal.**

PSE's draft ERF is based on its 2011 CBR filings made under UE-120608 and UG-120609.

1. The 2011 CBR is segregated between items related to the Power Cost Adjustment Mechanism, Purchased Gas Adjustment, Property Taxes and all remaining items are included in the ERF.

2. The return used to calculate the ERF deficiency is the 7.80% approved in the 2011 GRC, PSE's most recent general rate case.

*Although the rate of return was not known when PSE filed its 2011 CBR, PSE is agreeable to including the most recent rate of return available at the time of an ERF filing if it is known. PSE has incorporated the 7.80% authorized rate of return from the 2011 GRC into this draft proposal.*

3. Because there are no pro-forma re-pricing adjustments made in a Commission Basis report, the revenue requirement under the ERF proposal has been credited to recognize the increased revenues received under the 2010 GTIF and the 2011 GRC.

*There is a unique challenge that exists whenever GRC revenues are to be applied to an ERF filing. Because there are many pro forma adjustments allowed in a GRC that are not allowed in a CBR, application of all GRC revenues to CBR amounts will yield unintended results. To accommodate for this challenge, PSE has segregated the 2011 GRC revenue requirement between the categories shown in the list below. The portion of the 2011 GRC revenue requirement that aligns with ERF categories is the suitable amount to use for application against the ERF filing. Accordingly, rates that would be necessary to recover this 2011 GRC ERF related revenue requirement were determined based on the applicable rate design parameters from the 2011 GRC. These re-designed GRC ERF rates were then applied to the 2011 CBR load to determine the amount of 2011 GRC revenues to apply prior to calculation of the ERF deficiency.*

*The 2011 GRC revenue requirement was broken down into the following categories and the revenue requirement from category E was used to determine the revenue to apply before determination of the ERF deficiency:*

- A. **PCA** (electric only - actual costs that occurred in 2011 in fixed cost categories were used)
- B. **PGA** (gas only – includes storage revenues from Jackson Prairie)
- C. **Property Taxes** (except those already recovered through the PCA)
- D. **Material Pro-forma items not related to CBR**
  - Wage Increase
  - Large Customer Loss (gas only - revenues and therms)
  - Inclusion of Deferred FIT associated with repairs and retirements in rate base
- E. **ERF Related** - all other revenue, rate base and cost categories

## Unit Cost - ERF (Draft as of 9-\_\_\_\_-2012)

Category	Gas	Electric	Combined
Mix change	\$ 3.8	\$ 2.1	\$ 5.9
T&D	1.4	(5.8)	(4.4)
Customer	(1.0)	1.7	0.7
A&G	2.1	(4.1)	(2.0)
Dep	4.6	6.3	10.9
Amorts & Other Taxes	(1.3)	(1.7)	(3.0)
Income Taxes	(3.3)	4.7	1.4
Rate Base	(4.4)	1.7	(2.7)
Revenue Sensitive	1.2	2.8	4.0
Gross Deficiency	<u>\$ 3.1</u>	<u>\$ 7.7</u>	<u>\$ 10.8</u>

<i>DRAFT PROPOSAL PRESENTED 9/14/2012</i>		
<b>PUGET SOUND ENERGY-ELECTRIC  GENERAL RATE INCREASE  FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011</b>		
<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>EXPEDITED RATE FILING</b>
1	RATE BASE	\$ 2,512,461,666
2	RATE OF RETURN	7.80%
3		
4	OPERATING INCOME REQUIREMENT	195,972,010
5		
6	PRO FORMA OPERATING INCOME	191,164,714
7	OPERATING INCOME DEFICIENCY	4,807,296
8		
9	CONVERSION FACTOR	0.6204330
10	REVENUE REQUIREMENT DEFICIENCY	7,748,293
11	LARGE FIRM WHOLESALE	
12	SALES FROM RESALE-FIRM	
13	REVENUE REQUIREMENT DEFICIENCY	\$ 7,748,293

**PUGET SOUND ENERGY**  
**ELECTRIC RESULTS OF OPERATIONS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2011 VS DECEMBER 31, 2008**  
**EXPEDITED RATE FILING UNIT COST**  
**(EXPEDITED RATE FILING CATEGORIES ONLY)**

LINE NO.	2011 CBR		2011 GRC		VARIANCE
	RESTATED RESULTS OF OPERATIONS	UNIT COST Dollars/Therm 23,302,797,456	RESTATED RESULTS OF OPERATIONS	UNIT COST Dollars/Therm 23,098,213,509	
1	<b>OPERATING REVENUES:</b>				
2	\$ 652,297,995	\$ 0.027992	\$ 648,106,088	\$ 0.028059	\$ 1,548,455
3	\$ 367,992	\$ 0.000016	\$ 1,741,287	\$ 0.000075	\$ 1,388,717
4	\$ -	-	\$ -	\$ -	\$ -
5	\$ 34,639,194	0.001486	\$ 33,524,569	0.001451	(817,692)
6	\$ 687,305,181	\$ 0.029495	\$ 683,371,944	\$ 0.029585	\$ 2,119,480
7					
8	<b>OPERATING REVENUE DEDUCTIONS:</b>				
9					
10	<b>POWER COSTS:</b>				
11	\$ -	\$ -	\$ -	\$ -	-
12	\$ -	\$ -	\$ 0	\$ 0.000000	(0)
13	\$ -	\$ -	\$ -	\$ -	-
14	\$ -	\$ -	\$ -	\$ -	-
15	\$ -	\$ -	\$ 0	\$ 0.000000	\$ (0)
16					
17	\$ -	\$ -	\$ -	\$ -	-
18	8,266,753	0.000355	\$ 10,470,925	0.000453	(2,296,915)
19	78,245,091	0.003358	\$ 81,032,992	0.003508	(3,505,621)
20	40,950,302	0.001757	\$ 41,267,241	0.001787	(682,448)
21	4,046,304	0.000174	\$ 1,662,017	0.000072	2,369,566
22	2,384	0.000000	\$ 2,589	0.000000	(228)
23	84,402,616	0.003622	\$ 87,756,285	0.003799	(4,130,937)
24	16,334,316	0.000701	\$ 15,477,405	0.000670	719,826
25	(1,519,094)	(0.000065)	\$ (176,765)	(0.000008)	(1,340,763)
26	-	-	\$ -	-	-
27	230,728,672	0.009901	237,492,688	0.010282	(8,867,520)
28	129,500,545	0.005557	122,158,056	0.005289	6,260,518
29	28,386,171	0.001218	28,672,155	0.001241	(539,937)
30	31,840,147	0.001366	32,091,369	0.001389	(535,460)
31	(10,190,348)	(0.000437)	(98,099,031)	(0.004247)	88,777,559
32	85,875,281	0.003685	168,465,833	0.007293	(84,082,677)
33	\$ 496,140,467	\$ 0.021291	\$ 490,781,071	\$ 0.021248	\$ 1,012,483
34					
35	\$ 191,164,713	\$ 0.008204	\$ 192,590,873	\$ 0.008338	\$ 3,131,962
36					
37	\$ 2,512,461,666	\$ 0.107818	\$ 2,469,113,744	\$ 0.106896	
38	7.80%		7.80%		
39	\$ 195,972,012	\$ 0.008410	\$ 192,590,872	\$ 0.008338	1,675,337
40	\$ 4,807,299		\$ (1)		\$ 4,807,299

Grossup Factor \$ 0.620433  
 Revenue Deficiency 7,748,296

check 3 \$ (21,654,412)

Mix 2.1  
 RB Return \$ 1.7  
 T&D (5.8)  
 Customer 1.7  
 A&G (4.1)  
 Dep 6.3  
 Amorts & Other Taxes (1.7)  
 Income Taxes 4.7  
 Revenue Sensitive 2.8  
 7.7

**PUGET SOUND ENERGY-ELECTRIC  
DETERMINATION OF ERP RELATED REVENUES AND EXPENSES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

(Based on Commission Staff Report filed under WUE Docket No. U-120003)	
(Included in Original Filing)	(Segregated by Recovery Mechanism)

LINE NO.	ACTUAL RESULTS OF OPERATIONS		RESTATEd RESULTS OF OPERATIONS		PCA EXHIBIT A-1	PROPERTY TAXES	EXPEDITED RATE FILING	2011 LOAD PRICED ADJUSTMENT AT 2011 GRC RATES FOR 2011 GRC RELATED TO ERF	
	A	B	C = A + B	D				E	F = C - D - E
1	<b>OPERATING REVENUES</b>								
2	\$ 2,133,846,001	\$ (94,555,772)	\$ 2,039,290,229	1,435,434,435	17,560,191	586,355,603	\$ 65,942,392	652,297,995	
3	371,445	(3,453)	367,992			367,992	-	367,992	
4	140,420,599	(2,059,961)	138,360,638	138,360,638		0	-	-	
5	81,684,812	(98,845,392)	(17,160,580)	(51,799,773)		34,639,194	-	34,639,194	
6	2,356,322,857	(195,464,578)	2,160,858,279	1,521,995,369	17,560,191	621,362,788	65,942,392	687,305,181	
7									
8	<b>OPERATING REVENUE DEDUCTIONS:</b>								
9									
10	<b>POWER COSTS:</b>								
11	\$ 199,471,094	\$ 11,033,255	\$ 210,504,349	210,504,349		(0)		(0)	
12	783,082,464	(24,462,121)	758,620,343	758,620,343		(0)		(0)	
13	82,631,624	-	82,631,624	82,631,624		(0)		(0)	
14	(71,147,374)	71,147,374	(0)	0		(0)		(0)	
15	994,037,808	57,718,508	1,051,756,316	1,051,756,317	0	(1)	-	(0)	
16									
17	\$ 114,139,604	\$ -	\$ 114,139,604	114,139,604		0			
18	9,481,215	-	9,481,215	1,214,467		8,266,753		8,266,753	
19	78,245,091	-	78,245,091			78,245,091		78,245,091	
20	49,059,716	(918,840)	48,140,876	7,103,965	86,605	40,950,302		40,950,302	
21	15,881,133	(12,161,178)	3,719,955			3,719,955	326,349	4,046,304	
22	86,285,987	(86,283,603)	2,384			2,384		2,384	
23	95,893,696	468,141	96,361,837	11,924,221	35,000	84,402,616		84,402,616	
24	196,706,434	(187,935)	196,518,499	67,149,839		129,368,660	131,885	129,500,545	
25	40,172,915	-	40,172,915	11,786,744		28,386,171		28,386,171	
26	17,829,018	-	17,829,018	1,494,702		16,334,316		16,334,316	
27	116,451,295	(108,921,116)	7,530,179	9,049,277		(1,519,094)		(1,519,094)	
28	54,145,597	(54,145,597)	-			0		-	
29	207,140,327	(79,411,834)	127,728,493	76,175,659	22,253,946	29,298,859	2,541,288	31,840,147	
30	133,244	7,250,851	7,384,095	41,310,855	(1,706,377)	(37,220,383)	22,030,654	(10,190,348)	
31	39,724,568	46,150,713	85,875,281			85,875,281		85,875,281	
32	\$ 2,115,327,648	\$ (230,441,890)	\$ 1,884,885,758	1,593,195,669	20,669,177	471,110,911	25,029,556	496,140,467	
33									
34	\$ 240,995,209	\$ 34,977,312	\$ 275,972,521	125,589,630	\$ (3,168,966)	\$ 150,251,877	40,912,836	191,164,714	
35									
36	\$ 4,168,735,160	\$ (3,056,780)	\$ 4,165,678,380	1,653,216,718	\$ -	\$ 2,512,461,666	\$ -	\$ 2,512,461,666	
37									
38	5.78%		6.62%	7.80%	N/A	5.98%	N/A	7.61%	
39									
40	<b>RATE BASE</b>								
41	\$ 7,368,096,541	\$ (4,530,703)	\$ 7,363,565,838	5,036,522,945		\$ 4,277,042,893		\$ 4,277,042,893	
42	\$ (2,839,059,503)	\$ 694,741	\$ (2,838,364,762)	(1,372,861,276)		(1,465,503,486)		(1,465,503,486)	
43	313,951,313	-	313,951,313	239,682,624		55,268,685		55,268,685	
44	(772,206,073)	779,182	(771,426,891)	(319,127,575)		(452,299,316)		(452,299,316)	
45	183,562,563	-	183,562,563			183,562,563	0	183,562,563	
46	(85,609,681)	-	(85,609,681)	(8)		(85,609,673)		(85,609,673)	
47	\$ 4,168,735,160	\$ (3,056,780)	\$ 4,165,678,380	1,653,216,718	0	2,512,461,666	0	2,512,461,666	



**PUGET SOUND ENERGY-ELECTRIC  
RESULTS OF OPERATIONS WITH ALLOCATION TO RECOVERY MECHANISM  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
2011 GENERAL RATE CASE**

LINE NO.	(As Approved in UE-111048)					(Segregated by Recovery Mechanism)				
	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE	PCA EXHIBIT A-1	PROPERTY TAXES	PROFORMA ADJ. NOT IN PCA	EXPEDITED RATE FILING	
1	OPERATING REVENUES									
2	\$ 2,042,334,319	\$ (65,220,782)	\$ 1,977,113,537	\$ 62,795,830	\$ 2,039,909,367	\$ 1,374,903,042	\$ 19,887,008	\$ (2,986,771)	\$ 648,106,088	
3	350,182	867,565	1,217,748	523,539	1,741,287	-	-	-	1,741,287	
4	201,262,557	(161,098,834)	40,163,723	-	40,163,723	40,163,723	-	-	-	
5	30,706,333	8,313,875	39,020,208	-	39,020,208	5,495,638	-	-	33,524,569	
6	<u>2,274,653,391</u>	<u>(217,138,176)</u>	<u>2,057,515,215</u>	<u>63,319,369</u>	<u>2,120,834,584</u>	<u>1,420,562,403</u>	<u>19,887,008</u>	<u>(2,986,771)</u>	<u>683,371,944</u>	
7	OPERATING REVENUE DEDUCTIONS:									
8	POWER COSTS									
10	FUEL									
11	\$ 268,147,071	\$ (139,012)	\$ 268,008,059	\$ -	\$ 268,008,059	\$ 268,008,059	\$ -	\$ -	\$ -	
12	832,711,097	(357,662,572)	475,048,524	-	475,048,524	475,048,524	-	-	0	
13	78,564,669	11,825,943	90,390,612	-	90,390,612	90,390,612	-	-	-	
14	(75,109,150)	75,109,150	-	-	-	-	-	-	-	
15	<u>1,104,313,687</u>	<u>(270,866,491)</u>	<u>833,447,196</u>	<u>-</u>	<u>833,447,196</u>	<u>833,447,196</u>	<u>-</u>	<u>-</u>	<u>0</u>	
16	OTHER POWER SUPPLY EXPENSES									
17	\$ 102,409,192	\$ 21,932,742	\$ 124,341,933	\$ -	\$ 124,341,933	\$ 124,341,933	\$ -	\$ -	\$ -	
18	11,865,443	81,665	11,947,108	-	11,947,108	1,389,837	-	86,546	10,470,925	
19	82,924,735	(1,367,811)	81,556,924	-	81,556,924	-	-	513,932	81,032,992	
20	50,172,086	(2,695,193)	47,476,893	281,391	47,758,284	6,110,069	88,378	292,596	41,267,241	
21	13,431,632	(11,734,878)	1,696,754	-	1,696,754	-	-	34,737	1,662,017	
22	75,336,909	(75,334,320)	2,589	-	2,589	-	-	-	2,589	
23	94,643,935	5,227,225	99,871,160	126,639	99,997,798	10,941,267	766,803	513,443	87,756,285	
24	190,245,449	29,478,180	219,723,630	-	219,723,630	97,565,573	-	-	122,158,056	
25	40,184,321	(236,433)	39,947,888	-	39,947,888	11,275,733	-	-	28,672,155	
26	17,493,031	(552,298)	16,940,733	-	16,940,733	1,463,328	-	-	16,477,405	
27	30,169,560	(22,107,298)	8,062,262	-	8,062,262	8,239,028	-	-	(176,765)	
28	166,953,097	(166,953,097)	-	-	-	-	-	-	-	
29	193,255,907	(69,040,956)	124,214,950	2,441,468	126,656,419	75,397,150	19,031,827	1156,072	32,091,369	
30	16,263,334	(75,691,914)	(59,428,580)	21,164,436	(38,264,144)	61,198,467	-	(1,363,880)	(98,099,031)	
31	(32,436,237)	200,902,071	168,465,833	-	168,465,833	-	-	-	168,465,833	
32	<u>2,157,226,080</u>	<u>(438,958,808)</u>	<u>1,718,267,272</u>	<u>24,013,934</u>	<u>1,742,281,206</u>	<u>1,231,369,581</u>	<u>19,887,008</u>	<u>243,546</u>	<u>490,781,071</u>	
33	NET OPERATING INCOME									
34	\$ 117,427,311	\$ 221,820,632	\$ 339,247,943	\$ 39,305,435	\$ 378,553,378	\$ 189,192,822	\$ -	\$ (3,230,317)	\$ 192,590,873	
35	RATE BASE									
36	\$ 4,100,870,913	\$ 752,377,515	\$ 4,853,248,427	\$ -	\$ 4,853,248,427	\$ 2,425,549,006	\$ -	\$ (41,414,322)	\$ 2,469,113,744	
37	RATE OF RETURN									
38	2.86%		6.99%		7.80%	7.80%		7.80%	7.80%	
39	RATE BASE:									
41	\$ 7,157,671,291	\$ 690,844,482	\$ 7,848,515,773	\$ -	\$ 7,848,515,773	\$ 3,754,419,305	\$ -	\$ -	\$ 4,094,096,468	
42	(2,758,182,029)	3,627,745	(2,754,554,285)	-	(2,754,554,285)	(1,321,591,491)	-	-	(1,432,962,793)	
43	241,208,023	188,590,338	429,798,361	-	429,798,361	370,152,085	-	-	59,646,276	
44	(656,658,557)	(129,306,223)	(785,964,779)	-	(785,964,779)	(377,430,893)	-	(41,414,322)	(367,119,564)	
45	204,952,589	(1,378,828)	203,573,761	-	203,573,761	-	-	-	203,573,761	
46	(88,120,404)	-	(88,120,404)	-	(88,120,404)	-	-	-	(88,120,404)	
47	<u>4,100,870,913</u>	<u>752,377,515</u>	<u>4,853,248,427</u>	<u>-</u>	<u>4,853,248,427</u>	<u>2,425,549,006</u>	<u>-</u>	<u>(41,414,322)</u>	<u>2,469,113,744</u>	

PSE's Draft Expedited Rate Filing Proposal (09-27-2012)



REVENUES ASSOCIATED WITH PROFORMA ITEMS (OTHER THAN PROPERTY TAXES AND PCA) THAT ARE NOT COMPARABLE FOR PURPOSES OF APPLYING TO ERF (ELECTRIC)

	DESCRIPTION	WAGE INCREASE	DFIT RPRS/RTRMTS	TOTAL
1	RATE BASE	\$ -	\$ (41,414,322)	\$ (41,414,322)
2	RATE OF RETURN	7.80%	7.80%	7.80%
3				
4	OPERATING INCOME REQUIREMENT (RATE BASE)	-	(3,230,317)	(3,230,317)
5	OPERATING INCOME REQUIREMENT (REV & EXPS)	926,937	449,345	1,376,282
6				
7	TOTAL OPERATING INCOME REQUIREMENT	926,937	(2,780,972)	(1,854,035)
8	CONVERSION FACTOR	0.620749	0.620749	0.620749
9				
10	REVENUE REQUIREMENT	\$ 1,493,255	\$ (4,480,026)	\$ (2,986,771)
11				
12	OPERATING INCOME REQUIREMENT (REV & EXPS):			
13	TOTAL OPERATING REVENUES	\$ -		\$ -
14	LESS OPERATING EXPENSES:			
15	PURCHASED POWER	(NOTE 1)		-
16	OTHER POWER SUPPLY EXPENSES	(NOTE 1)		-
17	TRANSMISSION EXPENSE	86,346		86,346
18	DISTRIBUTION EXPENSE	523,932		523,932
19	CUSTOMER ACCOUNT EXPENSES	305,869		305,869
20	CUSTOMER SERVICE EXPENSES	34,737		34,737
21	ADMIN & GENERAL EXPENSE	648,607		648,607
22	TAXES OTHER THAN INCOME TAXES	142,046		142,046
23	INCOME TAXES	(814,601)	449,345	(365,255)
24	OPERATING INCOME REQUIREMENT (REV & EXPS)	\$ 926,937	\$ 449,345	\$ 1,376,282
25				
26	(NOTE 1) - THE PORTION OF THIS ADJUSTMENT ASSOCIATED WITH THE PCA IS NOT BEING INCLUDED			
27	HERE AS IT HAS ALREADY BEEN SEGREGATED INTO THE PCA ON THE			
28	"2011 GRC ERF" TAB			

<i>DRAFT PROPOSAL 9/14/2012</i>		
<b>PUGET SOUND ENERGY-GAS  GENERAL RATE INCREASE  FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011</b>		
<b>LINE NO.</b>	<b>DESCRIPTION</b>	<b>EXPEDITED RATE FILING</b>
1	RATE BASE	\$ 1,644,558,987
2	RATE OF RETURN	7.80%
3		
4	OPERATING INCOME REQUIREMENT	128,275,601
5		
6	PRO FORMA OPERATING INCOME	126,357,371
7	OPERATING INCOME DEFICIENCY	1,918,229
8		
9	CONVERSION FACTOR	0.6212420
10	REVENUE REQUIREMENT DEFICIENCY	3,087,733
11	LARGE FIRM WHOLESale	
12	SALES FROM RESALE-FIRM	
13	REVENUE REQUIREMENT DEFICIENCY	\$ 3,087,733

**PUGET SOUND ENERGY**  
**GAS RESULTS OF OPERATIONS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2011 VS DECEMBER 31, 2010**  
**UNIT COST**  
**(EXPEDITED RATE FILING CATEGORIES ONLY)**

LINE NO.	2011 CBR		2011 GRC		VARIANCE	
	RESTATED RESULTS OF OPERATIONS	UNIT COST Dollars/Therm	RESTATED RESULTS OF OPERATIONS	UNIT COST Dollars/Therm		
		1,117,989,093		1,089,556,625		
1	<b>OPERATING REVENUES:</b>					
2	\$ 417,962,347	\$ 0.373852	\$ 408,618,618	\$ 0.375032	\$ 1,319,357	
3	\$ (0)	(0.000000)	-	-	0	
4a	\$ 7,578,748	0.006779	8,207,817	0.007533	843,256	
4b	\$ 5,338,820	0.004775	6,760,042	0.006204	1,597,628	
5	\$ 430,879,915	\$ 0.385406	\$ 423,586,478	\$ 0.388770	\$ 3,760,242	
6						
7	<b>OPERATING REVENUE DEDUCTIONS:</b>					
8						
9	<b>FUEL COSTS</b>					
10						
11	\$ -	-	-	-	-	
12						
13						
14	\$ -	\$ -	\$ -	\$ -	\$ -	
15						
16	\$ 1,575,816	\$ 0.001410	\$ 1,927,323	\$ 0.001769	(401,802)	
17	\$ 49,692	0.000044	226,131	0.000208	(182,340)	
18	\$ 52,286,164	0.046768	49,005,584	0.044978	2,001,757	
19	\$ 27,937,360	0.024989	28,113,399	0.025803	(909,671)	
20	\$ 1,080,045	0.000966	1,108,462	0.001017	(57,343)	
21	\$ 0	0.000000	-	-	0	
22	\$ 45,126,074	0.040364	41,788,117	0.038353	2,247,478	
23	-	-	-	-	-	
24	(151,356)	(0.000135)	(45,370)	(0.000042)	(104,802)	
25	-	-	-	-	-	
26	Subtotal	127,903,796	0.114405	122,123,647	0.112086	2,593,277
27	DEPRECIATION	102,889,642	0.092031	95,831,671	0.087955	4,557,200
27	AMORTIZATION	12,487,218	0.011169	12,778,120	0.011728	(624,353)
28	TAXES OTHER INCOME TAXES	20,225,901	0.018091	20,361,343	0.018688	(666,781)
29	INCOME TAXES	10,191,738	0.009116	570,823	0.000524	9,606,019
30	DEFERRED INCOME TAXES	30,824,249	0.027571	42,613,037	0.039110	(12,900,795)
31	TOTAL OPERATING REV. DEDUCT.	\$ 304,522,543	\$ 0.272384	\$ 294,278,642	\$ 0.270090	\$ 2,564,568
32						
33	NET OPERATING INCOME	\$ 126,357,371	\$ 0.113022	\$ 129,307,836	\$ 0.118679	\$ 6,324,810
34						
35	RATE BASE	\$ 1,644,558,987	\$ 1.470997	\$ 1,657,792,777	\$ 1.521530	
36	RATE OF RETURN	7.80%		7.80%		
37	Return on Rate Base	\$ 128,275,603	\$ 0.114738	\$ 129,307,837	\$ 0.118679	(4,406,579)
38	Revenue Deficiency - Net of Tax	\$ 1,918,231		\$ 1		\$ 1,918,230

Grossup Factor \$ 0.621242  
Revenue Deficiency 3,087,736  
3,087,733

Mix change \$ 3.8  
T&D \$ 1.4  
Customer \$ (1.0)  
A&G \$ 2.1  
Dep \$ 4.6  
Amorts & Other Taxes \$ (1.3)  
Income Taxes \$ (3.3)  
Ret & RB \$ (4.4)  
Revenue Sensitive \$ 1.2  
Gross Deficiency \$ 3.1

**PUGET SOUND ENERGY-GAS  
DETERMINATION OF ERF RELATED REVENUES AND EXPENSES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

(Based on Commission Basis Report filed under WUTC Docket No. UG-120609)	
(Included in Original Filing)	(Segregated by Recovery Mechanism)

LINE NO.	ACTUAL RESULTS OF OPERATIONS		RESTATED RESULTS OF OPERATIONS		PGA (INCL JP REVS)	PROPERTY TAXES	CBR EXPEDITED RATE FILING	2011 LOAD PRICED ADJUSTMENT AT 2011 GRC RATES FOR 2011 GRC RELATED TO ERF	
	A	B	C = A + B	D				E	F = C - D - E
1	<b>OPERATING REVENUES:</b>								
2	\$ 1,103,913,121	\$ (58,108,884)	\$ 1,045,804,237	\$ 633,755,025	\$ 12,761,239	\$ 399,287,973	\$ 18,674,374		417,962,347
3	51,136,280	(51,136,280)	(0)			(0)	-		(0)
4a	7,578,748		7,578,748			7,578,748	-		7,578,748
4b	6,221,420	-	6,221,420	882,600		5,338,820	-		5,338,820
5	<u>1,168,849,569</u>	<u>(109,245,164)</u>	<u>1,059,604,405</u>	<u>634,637,625</u>	<u>12,761,239</u>	<u>412,205,541</u>	<u>18,674,374</u>		<u>430,879,915</u>
6									
7									
8	<b>OPERATING REVENUE DEDUCTIONS:</b>								
9									
10	<b>GAS COSTS:</b>								
11									
12	622,087,912	(16,372,111)	605,715,801	605,715,801		-	-		-
13									
14	<u>622,087,912</u>	<u>(16,372,111)</u>	<u>605,715,801</u>	<u>605,715,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
15									
16	1,575,816	-	1,575,816			1,575,816			1,575,816
17	49,692	-	49,692			49,692			49,692
18	52,286,164	-	52,286,164			52,286,164			52,286,164
19	30,505,504	(133,722)	30,371,782	2,457,317	49,412	27,865,053	72,307		27,937,360
20	5,018,076	(3,938,031)	1,080,045			1,080,045			1,080,045
21	21,360,371	(21,360,371)	0			0			0
22	46,749,178	(365,655)	46,383,523	1,269,275	25,522	45,088,726	37,349		45,126,074
23	102,889,642	-	102,889,642			102,889,642			102,889,642
24	12,487,218	-	12,487,218			12,487,218			12,487,218
25	-	-	-			-			-
26	(151,356)	-	(151,356)			(151,356)			(151,356)
27	115,819,431	(53,493,757)	62,325,674	24,351,080	18,464,647	19,509,347	716,554		20,225,901
28	519,801	1,697,902	2,217,703	295,243	(2,022,420)	3,944,880	6,246,858		10,191,738
29	25,140,413	5,683,836	30,824,249			30,824,249			30,824,249
30	<u>414,249,950</u>	<u>(71,909,798)</u>	<u>342,340,152</u>	<u>28,373,515</u>	<u>16,517,162</u>	<u>297,449,475</u>	<u>7,073,068</u>		<u>304,522,543</u>
31									
32	\$ 132,511,707	\$ (20,963,255)	\$ 111,548,452	548,308	(3,755,923)	\$ 114,756,066	11,601,305		126,357,371
33									
34	\$ 1,644,558,987	-	\$ 1,644,558,987	-		\$ 1,644,558,987	\$ -		\$ 1,644,558,987
35									
36	8.06%		6.78%	N/A	N/A	6.98%	N/A		7.68%
37									
38	<b>RATE BASE:</b>								
39	\$ 2,877,011,061	\$ -	\$ 2,877,011,061	-	-	\$ 2,877,011,061			\$ 2,877,011,061
40	\$ (975,934,226)	\$ -	\$ (975,934,226)	-	-	\$ (975,934,226)			\$ (975,934,226)
41	\$ (298,016,915)	\$ -	\$ (298,016,915)	-	-	\$ (298,016,915)			\$ (298,016,915)
42	\$ (28,225,299)	\$ -	\$ (28,225,299)	-	-	\$ (28,225,299)			\$ (28,225,299)
43	<u>\$ 1,574,834,621</u>	<u>\$ -</u>	<u>\$ 1,574,834,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,834,621</u>	<u>\$ -</u>		<u>\$ 1,574,834,621</u>
44	69,724,366	-	69,724,366	-	-	69,724,366			69,724,366
45	<u>\$ 1,644,558,987</u>	<u>\$ -</u>	<u>\$ 1,644,558,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,558,987</u>	<u>\$ -</u>		<u>\$ 1,644,558,987</u>

Rates from 2011 GRC related solely to ERF categories applied to 2011 CBR weather adjusted delivered load.

<b>Margin Revenue (Excluding Trackers)</b>	
Residential (16)	\$ 6,281
Residential (23)	\$ 291,397,354
Compressed natural gas (50)	\$ 224,557
Residential (53)	\$ 1,016
Commercial & industrial (31)	\$ 85,041,399
Large volume (41)	\$ 18,632,877
Standby & auxiliary heating (61)	\$ 115,296
Interruptible (85)	\$ 1,830,014
Limited interruptible (86)	\$ 2,908,891
Non exclusive interruptible (87)	\$ 1,865,333
Transportation - large volume (41T)	\$ 1,952,442
Transportation - interrupt with firm option (85T)	\$ 7,690,064
Transportation - limited interrupt with firm option (86T)	\$ 10,435
Transportation - non-exclus inter/firm option (87T)	\$ 4,743,948
Contracts	\$ 1,542,440
Total revenue from sales and transport	<u>\$ 417,962,347</u>

The margin rates used to derive this margin revenue were calculated based on the margin revenue requirement from the 2011 GRC with the property taxes and some other adjustments that are not comparable to a Commission Basis Report filing removed.

**PUGET SOUND ENERGY-GAS  
RESULTS OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
2011 GENERAL RATE INCREASE**

*From Compliance Filing in 2011 GRC WUTC Docket No. UG-111049*

*Segregated by Recovery Mechanism*

2011 GAS GRC LINE NO.	ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS	REVENUE REQUIREMENT DEFICIENCY	AFTER RATE INCREASE	Segregated by Recovery Mechanism			
						PGA	PROPERTY TAXES	REMOVE REVENUES ASSOCIATED WITH PROFORMA ITEMS	EXPEDITED RATE FILING
1 OPERATING REVENUES									
2 SALES TO CUSTOMERS	\$ 953,445,526	\$ 86,342,728	\$ 1,039,788,253	\$ 13,320,092	\$ 1,053,108,345	\$ 628,489,448	\$ 17,416,344	\$ (1,416,064)	\$ 408,618,618
3 MUNICIPAL ADDITIONS	43,761,997	(43,761,997)	-	-	-	-	-	-	-
4 RENTALS	7,639,209	499,573	8,138,782	69,036	8,207,817	-	-	-	8,207,817
5 OTHER OPERATING REVENUES	6,683,785	76,258	6,760,042	-	6,760,042	-	-	-	6,760,042
6 TOTAL OPERATING REVENUES	\$ 1,011,530,516	\$ 43,156,561	\$ 1,054,687,077	\$ 13,389,128	\$ 1,068,076,205	\$ 628,489,448	\$ 17,416,344	\$ (1,416,064)	\$ 421,586,478
7									
8									
9 OPERATING REVENUE DEDUCTIONS									
10									
11 GAS COSTS:									
12									
13 PURCHASED GAS	\$ 535,932,510	\$ 64,990,762	\$ 600,923,272	\$ -	\$ 600,923,272	\$ 600,923,272	\$ -	\$ -	\$ (0)
14									
15 TOTAL PRODUCTION EXPENSES	\$ 535,932,510	\$ 64,990,762	\$ 600,923,272	\$ -	\$ 600,923,272	\$ 600,923,272	\$ -	\$ -	\$ (0)
16									
17 OTHER POWER SUPPLY EXPENSES	\$ 1,937,122	\$ 22,111	\$ 1,959,232	\$ -	\$ 1,959,232	\$ -	\$ -	\$ 31,909	\$ 1,927,323
18 TRANSMISSION EXPENSE	226,853	1,584	228,438	-	228,438	-	-	2,307	226,131
19 DISTRIBUTION EXPENSE	50,238,405	(683,277)	49,555,128	-	49,555,128	-	-	549,544	49,005,584
20 CUSTOMER ACCOUNT EXPENSES	32,629,594	(2,107,163)	30,522,431	46,527	30,568,958	2,184,001	\$ 60,515	\$ 211,043	28,113,399
21 CUSTOMER SERVICE EXPENSES	4,454,346	(3,318,461)	1,135,885	-	1,135,885	-	-	\$ 27,423	1,108,462
22 CONSERVATION AMORTIZATION	14,771,682	(14,771,682)	(0)	-	(0)	-	-	-	(0)
23 ADMIN & GENERAL EXPENSE	42,818,070	1,150,297	43,968,367	26,778	43,995,146	1,256,979	668,546	281,504	41,788,117
24 DEPRECIATION	102,386,843	(6,555,172)	95,831,671	-	95,831,671	-	-	-	95,831,671
25 AMORTIZATION	12,778,120	0	12,778,120	-	12,778,120	-	-	-	12,778,120
26 AMORTIZATION OF PROPERTY LOSS	-	0	-	-	-	-	-	-	-
27 OTHER OPERATING EXPENSES	(187,824)	142,453	(45,370)	-	(45,370)	-	-	-	(45,370)
28 FAS 133	-	0	-	-	-	-	-	-	-
29 TAXES OTHER THAN INCOME TAXES	98,746,988	(38,069,234)	60,677,754	513,955	61,191,709	24,125,146	\$ 16,687,283	\$ 17,887	20,161,343
30 INCOME TAXES	15,204,117	(19,735,619)	(4,531,502)	4,480,658	(50,844)	-	-	\$ (621,666)	570,823
31 DEFERRED INCOME TAXES	(3,067,771)	45,680,808	42,613,037	-	42,613,037	-	-	-	42,613,037
32 TOTAL OPERATING REV DEDUCT	\$ 908,869,057	\$ (38,243,354)	\$ 334,693,193	\$ 5,067,919	\$ 339,761,111	\$ 27,565,176	\$ 17,416,344	\$ 499,933	\$ 294,278,641
33									
34 NET OPERATING INCOME	\$ 102,661,459	\$ 16,409,153	\$ 119,070,612	\$ 8,321,209	\$ 127,391,821	\$ (0)	\$ -	\$ (1,916,015)	\$ 129,307,836
35									
36 RATE BASE	\$ 1,660,735,111	\$ (27,506,633)	\$ 1,633,228,479	\$ -	\$ 1,633,228,479	n/a	n/a	\$ (24,564,298)	\$ 1,657,792,777
37									
38 RATE OF RETURN	6.18%		7.29%		7.80%			7.80%	7.80%
39									
40 RATE BASE									
41 UTILITY PLANT IN SERVICE	2,787,911,459	-	2,787,911,459	-	2,787,911,459	-	-	-	2,787,911,459
42 ACCUMULATED DEPRECIATION	(924,038,095)	(2,755,565)	(926,793,660)	-	(926,793,660)	-	-	-	(926,793,660)
43 ACCUMULATED DEFERRED FIT	(254,856,083)	(24,238,320)	(279,094,403)	-	(279,094,403)	-	-	(24,564,298)	(254,530,105)
44 OTHER	(27,129,125)	-	(27,129,125)	-	(27,129,125)	-	-	-	(27,129,125)
45 TOTAL NET INVESTMENT	\$ 1,581,888,156	\$ (26,993,885)	\$ 1,554,894,271	\$ -	\$ 1,554,894,271	\$ -	\$ -	\$ (24,564,298)	\$ 1,579,358,569
46 ALLOWANCE FOR WORKING CAPITAL	78,846,956	(512,748)	78,334,208	-	78,334,208	-	-	-	78,334,208
46 TOTAL RATE BASE	\$ 1,660,735,111	\$ (27,506,633)	\$ 1,633,228,479	\$ -	\$ 1,633,228,479	\$ -	\$ -	\$ (24,564,298)	\$ 1,657,792,777

PSE's Draft Expedited Rate Filing Proposal (09-27-2012)

REVENUES ASSOCIATED WITH PROFORMA ITEMS (OTHER THAN PROPERTY TAXES AND PGA) THAT ARE NOT COMPARABLE FOR PURPOSES OF APPLYING TO ERF (GAS)

DESCRIPTION	WAGE INCREASE	DFIT RPRS/RTRMTS	LARGE CUSTOMER LOSS	TOTAL
1 RATE BASE	\$ -	\$ (24,564,298)	\$ -	\$ (24,564,298)
2 RATE OF RETURN	7.80%	7.80%	7.80%	7.80%
3				
4 OPERATING INCOME REQUIREMENT (RATE BASE)	-	(1,916,015)	-	(1,916,015)
5 OPERATING INCOME REQUIREMENT (REV & EXPS)	769,423	266,523	383,131	1,419,076
6				
7 TOTAL OPERATING INCOME REQUIREMENT	769,423	(1,649,493)	383,131	(496,939)
8 CONVERSION FACTOR	0.621490	0.621490	0.621490	0.621490
9				
10 REVENUE REQUIREMENT	\$ 1,238,029	\$ (2,654,094)	\$ 616,471	\$ (799,594)
11				
12 OPERATING INCOME REQUIREMENT (REV & EXPS):				
13 TOTAL OPERATING REVENUES	\$ -		\$ (616,471)	\$ (616,471)
14 LESS OPERATING EXPENSES:				
15 PURCHASED GAS				-
16 OTHER POWER SUPPLY EXPENSES	31,909			31,909
17 TRANSMISSION EXPENSE	2,307			2,307
15 DISTRIBUTION EXPENSE	549,544			549,544
16 CUSTOMER ACCOUNT EXPENSES	215,964		(2,142)	213,822
17 CUSTOMER SERVICE EXPENSES	27,423			27,423
18 ADMIN & GENERAL EXPENSE	284,336		(1,233)	283,103
19 TAXES OTHER THAN INCOME TAXES	72,244		(23,664)	48,580
20 INCOME TAXES	(414,304)	266,523	(206,301)	(354,083)
22 OPERATING INCOME REQUIREMENT (REV & EXPS)	\$ 769,423	\$ 266,523	\$ 383,131	\$ 1,419,076