

Exhibit No. ___ (RCM-3)
Dockets UE-111048/UG-111049
Witness: Roland C. Martin

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**DOCKET UE-111048
DOCKET UG-111049
(Consolidated)**

TESTIMONY OF

ROLAND C. MARTIN

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Calculation of Electric Revenue Requirement Deficiency

December 7, 2011

**PUGET SOUND ENERGY-ELECTRIC
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
GENERAL RATE INCREASE**

| LINE NO. DESCRIPTION | REVISED |
|-----------------------------------|-----------------------------|
| 1 RATE BASE | \$ 4,793,863,515 |
| 2 RATE OF RETURN | <u>7.59%</u> |
| 3 | |
| 4 OPERATING INCOME REQUIREMENT | 363,854,241 |
| 5 | |
| 6 PRO FORMA OPERATING INCOME | <u>339,695,092</u> |
| 7 OPERATING INCOME DEFICIENCY | <u>24,159,149</u> |
| 8 | |
| 9 CONVERSION FACTOR | <u>0.6207490</u> |
| 10 REVENUE REQUIREMENT DEFICIENCY | <u>38,919,352</u> |
| 11 LARGE FIRM WHOLESALE | 108,758 |
| 12 SALES FROM RESALE-FIRM | 41,765 |
| 13 REVENUE REQUIREMENT DEFICIENCY | <u><u>\$ 38,768,829</u></u> |

**PUGET SOUND ENERGY-ELECTRIC
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
GENERAL RATE INCREASE**

| LINE NO. DESCRIPTION | PRO FORMA CAPITAL % | COST % | COST OF CAPITAL |
|---------------------------------------------|------------------------|--------|--------------------|
| 1 SHORT TERM DEBT | 4.00% | 2.68% | 0.11% |
| 2 LONG TERM DEBT | 50.00% | 6.22% | 3.11% |
| 3 PREFERRED | 0.00% | 0.00% | 0.00% |
| 4 EQUITY | 46.00% | 9.50% | 4.37% |
| 5 TOTAL | 100.00% | | 7.59% |
| 6 | | | |
| 7 AFTER TAX SHORT TERM DEBT ((LINE 1)* 65%) | 4.00% | 1.74% | 0.07% |
| 8 AFTER TAX LONG TERM DEBT ((LINE 2)* 65%) | 50.00% | 4.04% | 2.02% |
| 9 PREFERRED | 0.00% | 0.00% | 0.00% |
| 10 EQUITY | 46.00% | 9.50% | 4.37% |
| 11 TOTAL AFTER TAX COST OF CAPITAL | 100.00% | | 6.46% |

**PUGET SOUND ENERGY-ELECTRIC
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | RATE |
|-------------|---------------------------------------------------------------|------------------------|
| 1 | BAD DEBTS | 0.004444 |
| 2 | ANNUAL FILING FEE | 0.002000 |
| 3 | STATE UTILITY TAX (3.873% - (LINE 1 * 3.873%)) | 3.873% <u>0.038558</u> |
| 4 | | |
| 5 | SUM OF TAXES OTHER | 0.045002 |
| 6 | | |
| 7 | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5) | 0.954998 |
| 8 | FEDERAL INCOME TAX (LINE 7 * 35%) | 35% 0.334249 |
| 9 | CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 - LINE 8) | <u>0.620749</u> |