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- Column G (Pre-tax Equity Return) provides the monthly pre-tax equity return of an equivalent plant of 346 MW by multiplying the pre-tax weighted average cost of equity of 7.24% by the average net book value of the equivalent plant for that month.

The total nominal pre-tax equity return for an equivalent plant of 346 MW is \$86.22 million. *See* Exhibit No \_\_\_(RG-9) at Row A. This total nominal pre-tax equity return yields a net present value of \$66.75 million, using PSE’s currently authorized rate of return of 7.8%. *See* Exhibit No \_\_\_(RG-9) at Row B.

PSE then calculated a levelized monthly amount of ~~\$0.75~~0.74 million and a levelized annual amount of ~~\$9.04~~8.85 million for an equivalent plant of 346 MW. *See* Exhibit No \_\_\_(RG-9) at Rows C and D, respectively. PSE then converted the levelized monthly and annual results to generic unitized rates to be applied to varying volumes throughout the life of the contract. The unitized results on a unit basis is \$2.13/kW monthly and \$25.61/kW annually. *See id.* at Rows F and G, respectively. This is then converted to a levelized \$2.92/MWh. *See id.* at Row H.

**VII. DEFERRAL OF COSTS**

**Q. Is PSE proposing a recovery methodology for costs associated with the Coal Transition PPA in this proceeding.**

A. Yes. Please see the Prefiled Direct Testimony of Ms. Katherine J. Barnard, Exhibit No \_\_\_(KJB-1T), for a discussion of PSE’s proposed recovery methodology for costs associated with the Coal Transition PPA.