

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of King County,)
Washington, BNSF Railway, Frontier)
Communications Northwest, Inc., Verizon)
Wireless, and New Cingular Wireless PCS,)
LLC. For a Declaratory Order to address the)
degradation of service from Puget Sound)
Energy due to the physical deterioration of the)
Maloney Ridge Line underground cable.)

DOCKET NO. UE-141335

EXHIBIT NO.__(MPG-4)

**IMPACT OF \$8 MILLION INVESTMENT
IN MALONEY RIDGE LINE
TO TOTAL UTILITY REVENUE REQUIREMENT**

November 19, 2014

Puget Sound Energy, Inc.

**Impact of \$8 Million Investment in Maloney Ridge Line
to Total Utility Revenue Requirement**

| Line | Description | Revenue Requirement | |
|-------------|--|----------------------------|--------------------------|
| | | Total Company | Distribution Only |
| | | (1) | (2) |
| 1 | PSE Annual Maloney Ridge Line Revenue Requirement ¹ | \$ 1,449,033 | \$ 1,449,033 |
| 2 | Less: O&M Expense ¹ | \$ 547,560 | \$ 547,560 |
| 3 | Annual ML Revenue Requirement Excluding O&M ² | \$ 901,473 | \$ 901,473 |
| 4 | PSE Revenue Requirement ³ | \$2,041,650,653 | \$878,642,701 |
| 5 | PSE Revenue Requirement Increase | 0.04% | 0.10% |

Sources

- ¹ Attachment B to PSE's Response to Petitioners Data Request No. 001.
- ² Row 1 - Row 2
- ³ Attachment A to PSE's Response to Petitioners Data Request No. 007.

Puget Sound Energy, Inc.

**Impact of \$8 Million Investment in Maloney Ridge Line
to Rate Schedule 24 Revenue Requirement**

| Line | Description | Revenue Requirement | |
|------|--|----------------------|--------------------------|
| | | Total Company (1) | Distribution Only (2) |
| 1 | PSE Annual Maloney Ridge Line Revenue Requirement ¹ | \$ 1,449,033 | \$ 1,449,033 |
| 2 | Less: O&M Expense ¹ | \$ 547,560 | \$ 547,560 |
| 3 | Annual ML Revenue Requirement Excluding O&M ² | \$ 901,473 | \$ 901,473 |
| 4 | Schedule 24 Revenue Requirement ³ | \$245,829,144 | \$104,566,514 |
| 5 | Schedule 24 Revenue Requirement Increase | 0.4% | 0.9% |

Sources

- ¹ Attachment B to PSE's Response to Petitioners Data Request No. 001.
- ² Row 1 - Row 2
- ³ Attachment A to PSE's Response to Petitioners Data Request No. 007.

Puget Sound Energy, Inc.

**Electric Cost of Service by Function
Adjusted Test Year Twelve Months Ended December 2010 at Proforma Revenue Requirement**

| Line | Description | Total Company (1) | Function | | | Distribution as Percent of Total (5) |
|-------------------------------------|--|-------------------------|-------------------------|-----------------------|-------------------------|---|
| | | | Production (2) | Transmission (3) | Distribution (4) | |
| Rate Base | | | | | | |
| 1 | Plant in Service | \$ 7,629,582,517 | \$ 3,485,163,615 | \$ 448,255,221 | \$ 3,696,163,682 | 48.4% |
| 2 | Accumulated Reserve | (2,699,587,026) | (1,236,841,303) | (158,794,767) | (1,303,950,957) | 48.3% |
| 3 | Construction Work in Progress | - | - | - | - | 0.0% |
| 4 | Working Capital Assets | 203,573,761 | 92,991,702 | 11,960,419 | 98,621,640 | 48.4% |
| 5 | Other Items | (280,320,825) | 37,042,952 | 84,831,524 | (402,195,302) | 143.5% |
| 6 | TOTAL RATE BASE | \$ 4,853,248,427 | \$ 2,378,356,967 | \$ 386,252,397 | \$ 2,088,639,064 | 43.0% |
| Revenue | | | | | | |
| 7 | Firm Sales | \$ 1,978,331,284 | | | | |
| 8 | Non-Firm Sales | 40,163,723 | | | | |
| 9 | Other Operating Revenue | 39,020,208 | | | | |
| 10 | TOTAL REVENUE | \$ 2,057,515,215 | | | | |
| Expense | | | | | | |
| 11 | Operation and Maintenance | \$ 1,208,402,816 | \$ 1,012,738,802 | \$ 17,387,441 | \$ 178,276,573 | 14.8% |
| 12 | Depreciation Expense | 276,612,250 | 126,682,711 | 12,909,018 | 137,020,521 | 49.5% |
| 13 | Taxes Other Than Income | 124,214,950 | 74,930,512 | 5,137,303 | 44,147,134 | 35.5% |
| 14 | Income Taxes | 109,037,256 | 53,434,215 | 8,677,879 | 46,925,163 | 43.0% |
| 15 | TOTAL EXPENSES | \$ 1,718,267,272 | \$ 1,267,786,240 | \$ 44,111,641 | \$ 406,369,391 | 23.6% |
| 16 | Operating Income | \$ 339,247,943 | \$ 166,250,032 | \$ 26,999,510 | \$ 145,998,400 | |
| 17 | Present Rate of Return | 6.99% | 6.99% | 6.99% | 6.99% | |
| Cost of Service | | | | | | |
| 18 | Required Return | 7.80% | 7.80% | 7.80% | 7.80% | |
| 19 | Required Operating Income | \$ 378,553,377 | \$ 185,511,843 | \$ 30,127,687 | \$ 162,913,847 | 43.0% |
| 20 | Operating Income Deficiency | 39,305,435 | 19,261,811 | 3,128,177 | 16,915,447 | 43.0% |
| 21 | Revenue Conversion Factor | 0.620749 | | | | |
| 22 | Revenue Deficiency* | 63,319,369 | 31,029,951 | 5,039,358 | 27,250,059 | 43.0% |
| 23 | Revenue Requirement* | 2,120,834,583 | 1,039,324,853 | 168,789,514 | 912,720,217 | 43.0% |
| 24 | Revenues Other Than Rate Sch. Rev.* | 79,183,931 | 38,804,454 | 6,301,961 | 34,077,516 | 43.0% |
| 25 | Rate Schedule Revenue Requirement | 2,041,650,653 | 1,000,520,399 | 162,487,552 | 878,642,701 | 43.0% |
| 26 | Percentage Increase | 3.20% | | | | |
| Proposed Revenue Requirement | | | | | | |
| 27 | Proposed Rate of Return | 7.80% | 7.80% | 7.80% | 7.80% | |
| 28 | Proposed Operating Income | \$ 378,553,377 | \$ 185,511,843 | \$ 30,127,687 | \$ 162,913,847 | 43.0% |
| 29 | Operating Income Deficiency | 39,305,435 | 19,261,811 | 3,128,177 | 16,915,447 | 43.0% |
| 30 | Revenue Conversion Factor | 1.610957 | | | | |
| 31 | Revenue Deficiency* | 63,319,369 | 31,029,951 | 5,039,358 | 27,250,059 | 43.0% |
| 32 | Percentage Increase | 3.20% | | | | |
| 33 | Rate Schedule Revenue Requirement* | 2,041,650,653 | 1,000,520,399 | 162,487,552 | 878,642,701 | 43.0% |
| 34 | Revenue to Revenue Requirement | 0.97 | | | | |
| 35 | Adjusted Revenue to Revenue Requirement | 1.00 | | | | |

Source:

Attachment A to PSE's Response to Petitioners Data Request No. 007.

*Functionalized based on Rate Base

Puget Sound Energy, Inc.

**Electric Cost of Service by Function
Adjusted Test Year Twelve Months Ended December 2010 at Proforma Revenue Requirement**

| Line | Description | Rate | Function | | | Distribution |
|-------------------------------------|--|-----------------------|-----------------------|----------------------|-----------------------|-------------------------------|
| | | Schedule 24 (1) | Production (2) | Transmission (3) | Distribution (4) | as Percent of Total (5) |
| Rate Base | | | | | | |
| 1 | Plant in Service | \$ 918,986,590 | \$ 420,757,292 | \$ 52,088,772 | \$ 446,140,527 | 48.5% |
| 2 | Accumulated Reserve | (319,980,902) | (149,321,540) | (18,583,966) | (152,075,396) | 47.5% |
| 3 | Construction Work in Progress | - | - | - | - | 0.0% |
| 4 | Working Capital Assets | 24,520,550 | 11,226,714 | 1,389,841 | 11,903,994 | 48.5% |
| 5 | Other Items | (45,005,927) | 4,472,126 | 10,410,192 | (59,888,245) | 133.1% |
| 6 | TOTAL RATE BASE | \$ 578,520,311 | \$ 287,134,593 | \$ 45,304,839 | \$ 246,080,880 | 42.5% |
| Revenue | | | | | | |
| 7 | Firm Sales | \$ 245,101,490 | | | | |
| 8 | Non-Firm Sales | 4,848,891 | | | | |
| 9 | Other Operating Revenue | 4,141,811 | | | | |
| 10 | TOTAL REVENUE | \$ 254,092,192 | | | | |
| Expense | | | | | | |
| 11 | Operation and Maintenance | \$ 145,610,406 | \$ 122,209,121 | \$ 2,020,479 | \$ 21,380,805 | 14.7% |
| 12 | Depreciation Expense | 33,295,023 | 15,293,910 | 1,500,071 | 16,501,041 | 49.6% |
| 13 | Taxes Other Than Income | 14,939,107 | 9,043,855 | 598,330 | 5,296,921 | 35.5% |
| 14 | Income Taxes | 12,997,535 | 6,451,013 | 1,017,858 | 5,528,665 | 42.5% |
| 15 | TOTAL EXPENSES | \$ 206,842,071 | \$ 152,997,900 | \$ 5,136,738 | \$ 48,707,432 | 23.5% |
| 16 | Operating Income | \$ 47,250,121 | \$ 23,451,457 | \$ 3,700,232 | \$ 20,098,433 | |
| 17 | Present Rate of Return | 8.17% | 8.17% | 8.17% | 8.17% | |
| Cost of Service | | | | | | |
| 18 | Required Return | 7.80% | 7.80% | 7.80% | 7.80% | |
| 19 | Required Operating Income | \$ 45,124,584 | \$ 22,396,498 | \$ 3,533,777 | \$ 19,194,309 | 42.5% |
| 20 | Operating Income Deficiency | (2,125,537) | (1,054,959) | (166,454) | (904,124) | 42.5% |
| 21 | Revenue Conversion Factor | | | | | |
| 22 | Revenue Deficiency* | 727,653 | 361,153 | 56,984 | 309,517 | 42.5% |
| 23 | Revenue Requirement* | 254,819,846 | 126,473,680 | 19,955,344 | 108,390,821 | 42.5% |
| 24 | Revenues Other Than Rate Sch. Rev.* | 8,990,702 | 4,462,318 | 704,076 | 3,824,308 | 42.5% |
| 25 | Rate Schedule Revenue Requirement | 245,829,144 | 122,011,362 | 19,251,268 | 104,566,514 | 42.5% |
| 26 | Percentage Increase | 0.30% | | | | |
| Proposed Revenue Requirement | | | | | | |
| 27 | Proposed Rate of Return | 7.80% | 7.80% | 7.80% | 7.80% | |
| 28 | Proposed Operating Income | \$ 45,124,584 | \$ 22,396,498 | \$ 3,533,777 | \$ 19,194,309 | 42.5% |
| 29 | Operating Income Deficiency | (2,125,537) | (1,054,959) | (166,454) | (904,124) | 42.5% |
| 30 | Revenue Conversion Factor | | | | | |
| 31 | Revenue Deficiency* | 727,653 | 361,153 | 56,984 | 309,517 | 42.5% |
| 32 | Percentage Increase | 0.30% | | | | |
| 33 | Rate Schedule Revenue Requirement* | 245,829,144 | 122,011,362 | 19,251,268 | 104,566,514 | 42.5% |
| 34 | Revenue to Revenue Requirement | 1.00 | | | | |
| 35 | Adjusted Revenue to Revenue Requirement | 1.03 | | | | |

Source:

Attachment A to PSE's Response to Petitioners Data Request No. 007.

*Functionalized based on Rate Base