

**EXHIBIT NO. EMM-6C
DOCKET NOS. UE-090704/UG-090705
2009 PSE GENERAL RATE CASE
WITNESS: ERIC M. MARKELL**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-090704
Docket No. UG-090705**

**FIRST EXHIBIT (CONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
ERIC M. MARKELL
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

DECEMBER 17, 2009

**PSE RETURN ON REGULATORY EQUITY
2003 THROUGH 2009
(\$ presented in thousands)**

| | Actual Results | | | | | | | Forecast |
|--|----------------|--------------|--------------|--------------|--------------|--------------|------------------|------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 12ME | 2009 |
| | (a) | (b) | (c) | (d) | (e) | (f) | 9/30/2009 (g) | (h) |
| Net Operating Income | \$ 295,659 | \$ 285,258 | \$ 299,525 | \$ 323,497 | \$ 377,402 | \$ 337,921 | \$ 367,881 | XXXXXXXXXX |
| Ratebase | 3,533,438 | 3,560,831 | 3,725,109 | 3,982,588 | 4,630,446 | 4,928,603 | 5,348,370 | XXXXXXXXXX |
| Rate of Return (L5 / L6) | 8.37% | 8.01% | 8.04% | 8.12% | 8.15% | 6.86% | 6.88% | XXXXXXXXXX |
| % Equity per Books (AMA) | 37.46% | 39.81% | 40.06% | 42.92% | 40.68% | 44.67% | 48.95% | XXXXXXXXXX |
| Equity Related to Ratebase (L6*L10) | 1,323,626 | 1,417,567 | 1,492,279 | 1,709,426 | 1,883,666 | 2,201,607 | 2,618,200 | XXXXXXXXXX |
| Weighted Interest Cost | 4.41% | 4.19% | 4.20% | 3.93% | 3.91% | 3.56% | 3.60% | XXXXXXXXXX |
| Interest Recovery per Rates (L6*L13) | 155,825 | 149,199 | 156,455 | 156,701 | 181,050 | 175,458 | 192,541 | XXXXXXXXXX |
| Tax Benefit of Interest ((Actual Interest minus L14) * 35%) | 9,434 | 7,921 | 6,301 | 3,827 | 9,926 | 9,699 | 9,374 | XXXXXXXXXX |
| Net Income (L5-L14-L15) | 130,401 | 128,138 | 136,769 | 162,969 | 186,425 | 152,764 | 165,965 | XXXXXXXXXX |
| Average Equity Related to Ratebase (L11) | 1,323,626 | 1,417,567 | 1,492,279 | 1,709,426 | 1,883,666 | 2,201,607 | 2,618,200 | XXXXXXXXXX |
| Earned Return on Average Equity for Utility (L17 / L18) | 9.85% | 9.04% | 9.17% | 9.53% | 9.90% | 6.94% | 6.34% | XXXXXXXXXX |
| Allowed Return on Equity (NOTE 1) | 11.00% | 11.00% | 10.42% | 10.30% | 10.40% | 10.36% | 10.17% | 10.15% |
| Allowed Equity Ratio (NOTE 1) | 40.00% | 40.00% | 42.50% | 43.00% | 43.96% | 44.33% | 45.83% | 46.00% |
| Leveraged ROE (L21*L22/L10) | 11.75% | 11.05% | 11.05% | 10.32% | 11.23% | 10.28% | 9.52% | XXXXXXXXXX |
| Equity Under-earnings % (L23-L19) | 1.89% | 2.01% | 1.89% | 0.79% | 1.34% | 3.34% | 3.18% | XXXXXXXXXX |
| Equity Under-earnings \$ (L18*L25) | \$ 25,071 | \$ 28,539 | \$ 28,144 | \$ 13,420 | \$ 25,179 | \$ 73,567 | \$ 83,317 | XXXXXXXXXX |

(NOTE 1)

The allowed equity ratios and returns on equity reflected in columns (d) and (e) are blended rates for those years when the authorized ROE and/or authorized equity ratio changed in general rates

PSE RETURN ON REGULATORY EQUITY

Supporting Calculations

(\$ presented in thousands)

| | | |
|---|------------------|-------------------|
| 2008 (f) | <u>2008</u> | |
| 2008 Electric Net Operating Income (per 2009 GRC) | 225,332 | |
| 2008 Gas Net Operating Income (per 2009 GRC) | <u>111,350</u> | |
| Total 2008 Net Operating Income | 336,682 | |
| Total 2008 Net Operating Income | 336,682 | |
| Plus: Mint Farm Deferral Equity Return & Carrying Costs (After- | <u>1,239</u> | |
| PSE Adjusted Operating Income | 337,921 | |
| 2008 Electric Ratebase (per 2009 GRC) | 3,459,309 | |
| 2008 Gas Ratebase (per 2009 GRC) | <u>1,469,294</u> | |
| Total 2008 Ratebase | 4,928,603 | |
| 2009 (g) Year Ending 9/30/09 | <u>2009</u> | |
| Net Operating Income | 347,060 | Per Rates' Report |
| Plus: Mint Farm Deferral Equity Return & Carrying Costs (After- | <u>20,821</u> | In SAP |
| PSE Adjusted Operating Income | 367,881 | |
| 2009 (h) | <u>2009</u> | |
| Net Operating Income | XXXXXXXXXX | |
| Plus: Mint Farm Deferral Equity Return & Carrying Costs (After- | XXXXXXXXXX | |
| Less: PWI & HEDC Net Earnings | XXXXXXXXXX | |
| PSE Adjusted Operating Income | XXXXXXXXXX | |
| 2009 Ratebase per Model Reports | XXXXXXXXXX | |
| Less: Adjustments in Model | XXXXXXXXXX | |
| 2009 Ratebase | 5,543,433 | |
| Tax Benefit of Interest Calculation | <u>2009</u> | |
| Actual Interest Expense | XXXXXXXXXX | |
| Less: Allowed Interest Expense | XXXXXXXXXX | |
| Difference | XXXXXXXXXX | |
| Actual Less Allowed Interest Expense | XXXXXXXXXX | |
| Tax Rate | XXXXXXXXXX | |
| Tax Benefit of Interest | XXXXXXXXXX | |