

**EXHIBIT NO. EMM-7C  
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**

**SECOND 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**  
**GRC 2009 Rate Year 12 months Ending March 31, 2011**  
**(\$ in thousands)**

|  | Forecast      |                                       |             |            |
|--|---------------|---------------------------------------|-------------|------------|
|  | 2009          | Rate Year - Year Ended March 31, 2011 |             |            |
|  | Budget<br>(a) | PSE<br>(b)                            | WUTC<br>(c) | PC<br>(c)  |
| Net Operating Income   | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Ratebase   | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Rate of Return (L6 / L7)                                       | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| % Equity per Books (AMA)                                       | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Equity Related to Ratebase (L7*L10)                            | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Weighted Interest Cost   | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Interest Recovery per Rates (L7*L13)                           | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Tax Benefit of Interest ( (Actual Interest minus L14 ) * 35%)  | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Net Income (L6-L14-L15)  | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Average Equity Related to Ratebase (L11)                       | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| <b>Earned Return on Average Equity for Utility (L17 / L18)</b> | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| Allowed Return on Equity                                       | 10.15%        | 10.80%                                | 10.00%      | 9.50%      |
| Allowed Equity Ratio   | 46.00%        | 48.00%                                | 45.00%      | 43.00%     |
| Leveraged ROE (L21*L22/L10)                                    | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| <b>Equity Under-earnings % (L23-L19)</b>                       | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |
| <b>Equity Under-earnings \$ (L18*L25)</b>                      | XXXXXXXXXX    | XXXXXXXXXX                            | XXXXXXXXXX  | XXXXXXXXXX |

**PSE RETURN ON REGULATORY EQUITY**  
**Supporting Calculations**  
**(\$ presented in thousands)**

|  | PSE        | WUTC       | PC         |
|--|------------|------------|------------|
| <b>Operating Income:</b>                   |            |            |            |
| Net Operating Income                       | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Less: PWI & HEDC Net Earnings              | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| PSE Adjusted Operating Income              | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| <b>Tax Benefit of Interest Calculation</b> |            |            |            |
| Actual Interest Expense                    | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Less: Allowed Interest Expense             | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Difference                                 | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Actual Less Allowed Interest Expense       | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Tax Rate                                   | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |
| Tax Benefit of Interest                    | XXXXXXXXXX | XXXXXXXXXX | XXXXXXXXXX |