

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

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DOCKETS UE-220066, UG-220067, and UG-210918 (*Consolidated*)

**J. RANDALL WOOLRIDGE  
ON BEHALF OF THE  
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL  
PUBLIC COUNSEL UNIT**

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**EXHIBIT JRW-3**

Recommended Cost of Capital

**July 28, 2022**

**Dockets UE-220066, UG-220067, and UG-210918 (Consolidated)**  
**Exhibit JRW-3**  
**Recommended Cost of Capital**  
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**Exhibit JRW-3**

**Puget Sound Energy**  
**Recommended Cost of Capital**

<b>Capital Source</b>	<b>Capitalization Ratios</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate*</b>
<b>Short-Term Debt</b>	<b>1.66%</b>	<b>2.09%</b>	<b>0.03%</b>
<b>Long-Term Debt</b>	<b>49.84%</b>	<b>5.07%</b>	<b>2.53%</b>
<b>Common Equity</b>	<b><u>48.50%</u></b>	<b><u>8.80%</u></b>	<b><u>4.27%</u></b>
<b>Total Capitalization</b>	<b>100.00%</b>		<b>6.83%</b>

\* Weighted short-term debt cost rate includes .02% of commttment and amortization fees  
Weighted long-term debt cost rate includes .02% of amortization of reacquired debt.

**Panel A**

**Puget Sound Energy Rate of Return Recommendation  
PSE's Weighted Average Cost of Capital and Rate of Return  
Calendar Year 2022**

Capital Source	Capitalization Ratios	Cost Rate
Short-Term Debt	1.40%	1.43%
Long-Term Debt	50.10%	5.07%

**Panel B**

**Puget Sound Energy Rate of Return Recommendation  
PSE's Weighted Average Cost of Capital and Rate of Return  
Calendar Year 2023**

Capital Source	Capitalization Ratios	Cost Rate
Short-Term Debt	2.40%	1.43%
Long-Term Debt	48.60%	5.07%

**Panel C**

**Puget Sound Energy Rate of Return Recommendation  
PSE's Weighted Average Cost of Capital and Rate of Return  
Calendar Year 2024**

Capital Source	Capitalization Ratios	Cost Rate
Short-Term Debt	2.40%	2.36%
Long-Term Debt	48.10%	5.07%

**Panel D**

**Puget Sound Energy Rate of Return Recommendation  
PSE's Weighted Average Cost of Capital and Rate of Return  
Calendar Year 2025**

Capital Source	Capitalization Ratios	Cost Rate
Short-Term Debt	1.90%	3.14%
Long-Term Debt	48.10%	5.08%

**Panel E**

**Public Counsel Rate of Return Recommendation  
Average Recommended Capitalization Ratios and Debt Cost Rates  
Calendar Years 2022-25**

Capital Source	Capitalization Ratios	Cost Rate
Short-Term Debt	1.62%	2.09%
Long-Term Debt	48.73%	5.07%

\* Weighted short-term debt cost rate includes .02% of commitment and amortization fees  
Weighted long-term debt cost rate includes .02% of amortization of reacquired debt.

**Panel F**

**Public Counsel Rate of Return Recommendation  
Capitalization Ratios and Debt Cost Rates with a 48.50% Common Equity Ratio  
Calendar Years 2022-25**

Capital Source	Capitalization Ratios	Adjustment Factor	Capitalization Ratios	Cost Rate
Short-Term Debt	1.62%	1.0229417	1.66%	2.09%
Long-Term Debt	48.73%	1.0229417	49.84%	5.07%
Common Equity	48.50%	1.0000000	48.50%	
Total Capital			100.00%	

\* Weighted short-term debt cost rate includes .02% of commitment and amortization fees  
Weighted long-term debt cost rate includes .02% of amortization of reacquired debt.