

Exhibit No. \_\_\_\_ (RCM-3)  
Dockets UE-111048/UG-111049  
Witness: Roland C. Martin

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-111048  
DOCKET UG-111049  
(Consolidated)

TESTIMONY OF

ROLAND C. MARTIN

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Calculation of Electric Revenue Requirement Deficiency  
Per Multiparty Settlement Agreement  
On Renewable Energy Credits*

January 30, 2012

**PUGET SOUND ENERGY-ELECTRIC  
GENERAL RATE INCREASE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
GENERAL RATE INCREASE**

**STAFF DIRECT CASE WITH REC'S REMOVED**

LINE NO. DESCRIPTION	REVISED
1 RATE BASE	\$ 4,796,573,325
2 RATE OF RETURN	7.59%
3	
4 OPERATING INCOME REQUIREMENT	364,059,915
5	
6 PRO FORMA OPERATING INCOME	339,123,452
7 OPERATING INCOME DEFICIENCY	<u>24,936,464</u>
8	
9 CONVERSION FACTOR	0.6207490
10 REVENUE REQUIREMENT DEFICIENCY	<u>40,171,573</u>
11 LARGE FIRM WHOLESAL	112,258
12 SALES FROM RESALE-FIRM	43,109
13 REVENUE REQUIREMENT DEFICIENCY	<u><u>\$ 40,016,206</u></u>

**STAFF ORIGINAL DIRECT CASE**

1 RATE BASE	\$ 4,793,863,515
2 RATE OF RETURN	7.59%
3	
4 OPERATING INCOME REQUIREMENT	363,854,241
5	
6 PRO FORMA OPERATING INCOME	339,695,092
7 OPERATING INCOME DEFICIENCY	<u>24,159,149</u>
8	
9 CONVERSION FACTOR	0.6207490
10 REVENUE REQUIREMENT DEFICIENCY	<u>38,919,352</u>
11 LARGE FIRM WHOLESAL	108,758
12 SALES FROM RESALE-FIRM	41,765
13 REVENUE REQUIREMENT DEFICIENCY	<u><u>\$ 38,768,829</u></u>

REVENUE REQUIREMENT DIFFERENCE WITH REC REMOVED  
(Before allocation of firm resale and large firm wholesale)

\$1,252,221

**PUGET SOUND ENERGY-ELECTRIC  
PRO FORMA COST OF CAPITAL  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
GENERAL RATE INCREASE**

LINE NO. DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1 SHORT TERM DEBT	4.00%	2.68%	0.11%
2 LONG TERM DEBT	50.00%	6.22%	3.11%
3 PREFERRED	0.00%	0.00%	0.00%
4 EQUITY	46.00%	9.50%	4.37%
5 TOTAL	100.00%		7.59%
6			
7 AFTER TAX SHORT TERM DEBT ( (LINE 1)* 65%)	4.00%	1.74%	0.07%
8 AFTER TAX LONG TERM DEBT ( (LINE 2)* 65%)	50.00%	4.04%	2.02%
9 PREFERRED	0.00%	0.00%	0.00%
10 EQUITY	46.00%	9.50%	4.37%
11 TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.46%

**PUGET SOUND ENERGY-ELECTRIC  
CONVERSION FACTOR  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010  
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	RATE
1	BAD DEBTS	0.004444
2	ANNUAL FILING FEE	0.002000
3	STATE UTILITY TAX ( 3.873% - ( LINE 1 * 3.873% ) )	3.873% 0.038558
4		
5	SUM OF TAXES OTHER	0.045002
6		
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE 5 )	0.954998
8	FEDERAL INCOME TAX ( LINE 7 * 35% )	35% 0.334249
9	CONVERSION FACTOR INCL FEDERAL INCOME TAX ( LINE 7 - LINE 8 )	0.620749