

1 adjustment brings PSE in agreement with Commission Staff and is a direct result  
2 of the change to the wage increase adjustment. Adjustment 21.02, Revenue and  
3 Expenses, has been updated to incorporate the impacts on revenues for conditions  
4 agreed to in the settlement agreement for electric cost of service and rate design.  
5 These changes are discussed by Mr. Jon Piliaris in his prefiled rebuttal testimony,  
6 Exhibit No. \_\_\_\_ (JAP-20F24CT).

7 **Q. Are there adjustments where the Company and Commission Staff are in**  
8 **agreement as to methodology used to calculate the adjustment but that are**  
9 **not listed in the above table?**

10 A. Yes. Although we are in agreement as to the methodology used to calculate  
11 several adjustments, these adjustments are dependent on other adjustments that  
12 are disputed, such as power costs, rate base and cost of capital. The difference  
13 related to Adjustment 20.11 Production Adjustment, is the result of differences in  
14 production related costs and rate base items included in other adjustments, and  
15 Adjustment 20.04, Montana Electric Energy Tax, is the result of updated rate year  
16 generation for the Colstrip facility from changes made to the rate year power cost  
17 forecast. The difference in Adjustment 21.05, Tax Benefit of Pro Forma Interest,  
18 is strictly the result of differences between the weighted average cost of debt and  
19 rate base.

**REVISED**  
**FEBRUARY 9, 2012**

1 believes will be deferred over the same time period as used by the Company and  
2 the line numbers are equivalent to the Company's line numbers. As shown on  
3 page 6 all the costs are the same as shown on page 3 of this exhibit other than  
4 property taxes shown on line 11 for both pages. On line 1 of pages 3 and 6 of this  
5 exhibit is the amount of LSR in-service costs, \$667,299,318, which is the average  
6 of monthly average of the first full year of service net of depreciation and deferred  
7 taxes. This is based on the in-service costs as of February, 2012.

8 **Q. What amounts should be approved by the Commission for the LSR Deferral**  
9 **in this proceeding?**

10 A. The Commission should accept PSE's proposed adjustment for the LSR deferral  
11 as it follows the intent of RCW 80.80.060 which allows the deferral of costs  
12 associated with this type of plant. This adjustment decreases net operating  
13 income by \$3,772,213 and increases electric rate base by \$13,105,765.

14 **Q. Please continue with your review of the contested adjustments.**

15 A. The following adjustments are also contested:

16 **Revenues and Expenses, Adjustment 21.02**

17 Adjustment 21.02, Revenue and Expenses, has been updated to incorporate the  
18 impacts on revenues for conditions agreed to in the settlement agreement for  
19 electric cost of service and rate design. These changes are discussed by Mr. Jon  
20 Piliaris in his prefiled ~~rebuttal~~ supplemental testimony, Exhibit No. \_\_\_\_ (JAP-201222T).