WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

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| DATE PREPARED: | December 27, 2011 | WITNESS: | Kenneth L. Elgin |
| DOCKETS: | UE-111048/UG-111049 | RESPONDER: | Kenneth L. Elgin |
| REQUESTER: | Puget Sound Energy | TELEPHONE: | (360) 664-1194 |

**PSE Data Request No. 038 to WUTC Staff:**

RE: Ken Elgin, Exhibit No. ___(KLE-1T), page 15 lines 21-22

On page 15, lines 21-22 of Exhibit No. ___(KLE-1T), Mr. Elgin states, "As of December 31, 2010, PSE's actual equity ratio was 46.5%..." and on page 16, lines 1-2, he states; "My recommended 46 percent equity ratio is consistent with the actual 2010 year-end equity ratio of PSE."

a. Why does Mr. Elgin propose a 46% equity ratio when the data he cites is 46.5%?
b. Please provide all studies, analyses, reports, etc. that supports the lower ratio Mr. Elgin supports?
c. Please explain why Mr. Elgin posits the use of a year-end equity ratio rather than an equity ratio outstanding on average during the rate year.
d. Is it Mr. Elgin's testimony that this Commission should base equity ratios on a ratio outstanding at a point-in-time rather than an average?
e. Please provide copies of Mr. Elgin's general rate case testimony as it relates to the determination of a recommended capital structure or equity from any electric, gas or combination company for the last eight (8) years.

**RESPONSE:**

a. Mr. Elgin proposes a 46% equity ratio as the appropriate amount of equity in the capital structure because it meets the Commission's policy to balance safety and economy. The request presumes Mr. Elgin's testimony stands for the proposition that the Commission should adopt a capital structure based upon PSE's actual capital structure. It does not.

   Mr. Elgin determined that a 46% equity ratio was consistent with the Commission's policy for determining the appropriate capital structure for the following reasons: 1) it is consistent with the capital structures of the companies as reported by both AUS and SNL; 2) it is consistent with the capital structure of the proxy group; 3) it was determined appropriate by the Commission in the last general rate case despite the fact that PSE's actual equity ratio was significantly higher; 4) it is consistent with PSE's financial plan; 5) it is sufficient to support a corporate credit rating of "BBB" and a secured rating of "A-"; 6) it is consistent with several estimates of PSE's actual equity ratio for the rate year; 7) moving to a 48% equity ratio does not provide sufficient benefits to justify the cost to ratepayers; 8) in conjunction with Mr. Elgin's overall cost of capital recommendation, it produces a reasonable unadjusted pre-tax interest coverage ratio.

b. Please see Mr. Elgin's testimony beginning on page 12, lines 11-14. It is Mr. Elgin's opinion that the determination of an appropriate capital structure requires judgment based upon several factors.

Please also see Mr. Elgin's testimony beginning on page 15, line 18 and ending on page 22, line 6.

c. The question mischaracterizes Mr. Elgin's testimony. See response to (a) above.

d. No.

e. Please see Mr. Elgin's testimony in Docket No. UE-100749. Mr. Elgin understands that PSE has a copy of that testimony.