

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKET NOS. UE-190529 and UG-190530 (*Consolidated*)

MARK E. GARRETT ON BEHALF OF PUBLIC COUNSEL UNIT

EXHIBIT MEG-3

Electric Revenue Requirement

November 22, 2019

PUGET SOUND ENERGY
ELECTRIC DOCKET NO. UE-190529
CALCULATION OF GENERAL REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 2018

Dockets UE-190529 & UG-190530
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Line No.	Description	Amount Per Company	Amount Per PC
1	Adjusted Rate Base	\$ 5,428,588,082	\$ 5,229,775,164
2	Rate of Return	7.62%	7.07%
3	Net Operating Income Requirement	413,658,412	369,714,248
4	Adjusted Net Operating Income	335,137,127	394,951,790
5	Net Operating Income Deficiency/(Sufficiency)	78,521,285	(25,237,542)
6	Revenue Conversion Factor	0.75138	0.75138
7	Revenue Requirement Change(1)	104,502,622	(33,588,209)
8	Changes to Other Price Schedules	(3,117,000)	(3,117,000)
9	Net Revenue Change before Attrition	101,385,622	(36,705,209)
10	Attrition Adjustment	44,501,712	-
11	Net Revenue Change After Attrition	145,887,334	(36,705,209)
12	Reduction to Supported Amount	(6,005,576)	-
13	Net Revenue Change Requested or Recommended	\$ 139,881,758	\$ (36,705,209)

(1) Amount related to wholesale

354,912

PSE Adj. #	Description	Puget Sound Energy Adjustments (Note 1)			PC Adjustment		Public Counsel Adjustments and/or PC Neutral in Direct			Public Counsel Position on PSE's Position	Rev. Req. Impact of Differences
		NOI	Rate Base	Rev Req	NOI	Rate Base	NOI	Rate Base	Rev Req		
		391,140,691	5,208,778,506	7,676,839			391,140,691	5,208,778,506	(30,491,565)	PC Opposes COC	(38,168,404)
6.01 ER	Revenues and Expenses	8,327,800	0	(11,083,325)			8,327,800	-	(11,083,325)	PC Neutral in Direct	0
6.02 ER	Temperature Normalization	3,965,157	0	(5,277,159)			3,965,157	-	(5,277,159)	PC Neutral in Direct	0
6.03 ER	Federal Income Tax	(14,935,653)	0	19,877,603	13,464,294	(22,532,936) (1)	(1,471,359)	(22,532,936)	(161,817)	PC Opposes	(20,039,420)
6.04 ER	Tax-Benefit of Interest	33,105,346	0	(44,059,333)			33,105,346	-	(44,059,333)	PC Neutral in Direct	0
6.05 ER	Pass-Through Revenue & Exp.	(1,955,986)	0	2,603,188			(1,955,986)	-	2,603,188	PC Neutral in Direct	0
6.06 ER	Injuries & Damages	66,597	0	(88,633)			66,597	-	(88,633)	PC Neutral in Direct	0
6.07 ER	Bad Debts	303,154	0	(403,462)			303,154	-	(403,462)	PC Neutral in Direct	0
6.08 ER	Incentive Pay	184,145	0	(245,075)	3,781,194	(2)	3,965,339	-	(5,277,401)	PC Opposes	(5,032,325)
6.09 ER	Excise Tax & Filing Fee	71,835	0	(95,604)			71,835	-	(95,604)	PC Neutral in Direct	0
6.10 ER	D&O Insurance	5,301	0	(7,055)			5,301	-	(7,055)	PC Neutral in Direct	0
6.11 ER	Interest on Customer Deposits	(803,909)	0	1,069,909			(803,909)	-	1,069,909	PC Neutral in Direct	0
6.12 ER	Rate Case Expense	(496,558)	0	660,860			(496,558)	-	660,860	PC Neutral in Direct	0
6.13 ER	Pension Plan	(1,726,149)	0	2,297,302			(1,726,149)	-	2,297,302	PC Neutral in Direct	0
6.14 ER	Property and Liability Insur.	319,951	0	(425,817)			319,951	-	(425,817)	PC Neutral in Direct	0
6.15 ER	Wage & Payroll Tax	(61,810)	0	82,262			(61,810)	-	82,262	PC Neutral in Direct	0
6.16 ER	Investment Plan	(13,157)	0	17,510			(13,157)	-	17,510	PC Neutral in Direct	0
6.17 ER	Employee Insurance	(23,850)	0	31,742			(23,850)	-	31,742	PC Neutral in Direct	0
6.18 ER	AMA to EOP Rate Base		182,818,242	18,540,195		(61,459,605) (3)	-	121,358,637	11,418,095	PC Opposes	(7,122,100)
6.19 ER	AMA to EOP Depreciation	(16,904,953)	(16,904,953)	20,784,124	2,190,406	2,190,406 (3)	(14,714,547)	(14,714,547)	18,198,910	PC Opposes	(2,585,214)
6.23 ER	Annualize Rent Expense	340,893	0	(453,689)			340,893	-	(453,689)	PC Neutral in Direct	0
7.01 ER	Power Cost	(7,589,560)	0	10,100,814			(7,589,560)	-	10,100,814	PC Neutral in Direct	0
7.02 ER	Montana Tax	(68,620)	0	91,325			(68,620)	-	91,325	PC Neutral in Direct	0
7.03 ER	Wild Horse Solar	167,531	(1,615,371)	(386,784)			167,531	(1,615,371)	(374,947)	PC Neutral in Direct	11,837
7.04 ER	ASC 815	(32,912,586)	0	43,802,792			(32,912,586)	-	43,802,792	PC Neutral in Direct	0
7.05 ER	Storm Damage	(11,001)	0	14,641			(11,001)	-	14,641	PC Neutral in Direct	0
7.07 ER	Colstrip Depreciation	1,668,426	(11,018,407)	(3,337,892)			1,668,426	(11,018,407)	(3,257,152)	PC Neutral in Direct	80,740
Pro Forma Adjustments											
6.01 EP	Revenues and Expenses	(25,687,973)	0	34,187,680	-	-	(25,687,973)	-	34,187,680	PC Neutral in Direct	0
6.02 EP	Temperature Normalization	6,844,288	0	(9,108,945)	-	-	6,844,288	-	(9,108,945)	PC Neutral in Direct	0
6.04 EP	Tax Benefit of Interest	(387,246)	0	515,379	(1,685,210)	(- 4)	(2,072,456)	-	2,758,196	PC Opposes	2,242,817
6.09 EP	Excise Tax & Filing Fee	(71,835)	0	95,604	71,835	(- 5)	-	-	0	PC Opposes	(95,604)
6.10 EP	D&O Insurance	(5,301)	0	7,055	5,301	(- 5)	-	-	0	PC Opposes	(7,055)
6.14 EP	Property & Liability Insurance	(442,588)	0	589,033	-	(- 442,588)	-	-	589,033	PC Neutral in Direct	0
6.15 EP	Wage Increase	(3,003,557)	0	3,997,382	851,844	(- 6)	(2,151,713)	-	2,863,678	PC Opposes	(1,133,705)
6.16 EP	Investment Plan	(208,177)	0	277,059	208,177	(- 5)	-	-	0	PC Opposes	(277,059)
6.17 EP	Employee Insurance	(691,247)	0	919,969	691,247	(- 5)	-	-	0	PC Opposes	(919,969)
6.20 EP	Def. G/L on Property Sales	(410,038)	0	545,712	410,038	(- 5)	-	-	0	PC Opposes	(545,712)
6.21 EP	Environmental Remediation	(120,118)	0	159,863	120,118	(- 5)	-	-	0	PC Opposes	(159,863)
6.22 EP	AMI	(4,864,376)	28,244,979	9,338,330	11,709,460	(84,410,599) (7)	6,845,084	(56,165,620)	(14,394,377)	PC Opposes	(23,732,707)
6.23 EP	Annualize Rent Expense	394,549	(525,098)	(394,549)	-	(- 5)	-	-	0	PC Opposes	525,098
6.24 EP	GTZ Plant & Deferral	(9,627,594)	25,877,606	15,437,531	9,627,594	(25,877,606) (3)	-	-	0	PC Opposes	(15,437,531)
6.25 EP	Credit Card Amortization	477,331	(635,272)	(477,331)	-	(- 5)	-	-	0	PC Opposes	635,272
6.26 EP	Remove Unprotected ADFIT	9,006,372	4,503,186	(11,529,742)	9,006,372	4,503,186 (8)	18,012,744	9,006,372	(23,125,480)	PC Opposes	(11,595,738)
6.27 EP	Public Improvement	(296,261)	12,855,303	1,697,987	296,261	(12,855,303) (3)	-	-	0	PC Opposes	(1,697,987)
6.28 EP	Contract Escalations	(1,330,726)	1,771,040	1,330,726	-	(- 5)	-	-	0	PC Opposes	(1,771,040)
6.29 EP	HR Tops	(538,588)	5,481,050	1,272,649	538,588	(5,481,050) (3)	-	-	0	PC Opposes	(1,272,649)
7.01 EP	Power Cost	3,256,035	(4,333,401)	14,434,501	-	-	17,690,536	-	(23,544,029)	PC Neutral in Direct	(19,210,628)
7.02 EP	Montana Tax	518,011	(689,412)	-	518,011	-	-	-	(689,412)	PC Neutral in Direct	0
7.05 EP	Storm Damage	(10,681,805)	14,216,230	(10,681,805)	-	(- 5)	-	-	0	PC Neutral in Direct	0
7.06 EP	Regulatory Assets & Liabilities	9,100,115	(23,391,892)	(14,483,434)	(9,100,115)	23,391,892 (5)	-	-	0	PC Opposes	14,483,434
7.08 EP	Remove EIM	4,478,734	(3,321,470)	(6,297,511)	-	(- 5)	-	-	0	PC Neutral in Direct	24,339
7.09 EP	High Molecular Weight Cable	(292,768)	11,899,760	1,596,433	292,768	(11,899,760) (3)	-	-	0	PC Opposes	(1,596,433)
7.10 EP	Energy Management System	(2,441,145)	4,381,543	3,693,224	2,441,145	(4,381,543) (3)	-	-	0	PC Opposes	(3,693,224)
	Pro Forma Total	335,137,127	5,428,588,082	104,502,622	59,814,663	(198,812,918)	394,951,790	5,229,775,164	(33,588,209)		(138,090,831)

Public Counsel Adjustments

- (1) Adjustment to include the protected EDIT that was reversed by the Company from January 2018 through February 2019, and to amortize the regulatory liability to ratepayers over a two year period.
- (2) Adjustment to share the financial related incentives with shareholders that directly benefit.
- (3) Adjustment to plant related investment and depreciation expense on an AMA basis to the pro forma period ended June 30, 2019.
- (4) Adjustment to the tax benefit of interest based on the rate base adjustments recommended by the Public Counsel.
- (5) Adjustments to remove the post-test year adjustments opposed by the Public Counsel.
- (6) Adjustment to recognize wage increases occurring within the pro forma year.
- (7) Adjustment to exclude the AMI investment.
- (8) Adjustment to amortized the unprotected EDIT over a two year period.

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
<u>WAGES:</u>			
1	Purchased Power	\$ 137,409	\$ 245,951
2	Other Power Supply	565,257	691,615
3	Transmission	219,321	329,178
4	Distribution	773,165	869,409
5	Customer Accounts	294,116	344,111
6	Customer Service	29,688	49,352
7	Sales	10,244	18,507
8	Admin & General	603,247	1,071,661
9	Total Wage Increase	<u>\$ 2,632,447</u>	<u>\$ 3,619,783</u>
10	Payroll Taxes	91,240	182,188
11	Total Wages & Taxes	<u>\$ 2,723,687</u>	<u>\$ 3,801,971</u>
12	Increase (Decrease) Operating Expense	\$ 2,723,687	\$ 3,801,971
13	Increase(Decrease) FIT @ 21%	(571,974)	(798,414)
14	Increase (Decrease) NOI	<u><u>\$ (2,151,713)</u></u>	<u><u>\$ (3,003,557)</u></u>

Source/Notes:

NEW-PSE-WP-SEF-6.15E-6.15G-WageIncr-19GRC-06-2019.xlsx.

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
1	Restated Incentive Compensation Plus Payroll Taxes	9,106,452	9,106,452
2	Test Year Incentive Compensation Plus Payroll Taxes	<u>9,339,547</u>	<u>9,339,547</u>
3	Adjustment for Restated Expenses	(233,095)	(233,095)
4	Exclude 50% Shareholder Benefit	<u>(4,553,226)</u>	<u>-</u>
5	Total Adjustment to Incentive Compensation and Payroll Taxes	(4,786,321)	(233,095)
6	Federal Income Tax Rate	<u>21%</u>	<u>21%</u>
7	Reduction in Federal Income Tax Expense	<u>1,005,127</u>	<u>48,950</u>
8	Adjustment to Net Operating Income	<u><u>3,781,194</u></u>	<u><u>184,145</u></u>

Source/Notes:

NEW-PSE-WP-SEF-6.08E-6.08G-Incentive-19GRC-06-2019.xlsx, tab Electric

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
1	Plant In Service	\$ 247,651,569	\$ 326,078,877
2	Accumulated Depreciation	(144,767,918)	(143,742,278)
3	Deferred Debits and Credits		(12,697,239)
4	Deferred Federal Income Tax	18,474,987	22,974,387
5	Allowance for Working Capital		(7,927,989)
6	Other		(1,867,516)
7	Total Rate Base Update Adjustment	<u>\$ 121,358,637</u>	<u>\$ 184,685,758</u>
8	Depreciation Expense Update	\$ 18,626,008	\$ 12,326,972
9	Income Tax Expense	<u>(3,911,462)</u>	<u>(2,588,664)</u>
10	Total Net Operating Income Adjustment	<u>\$ (14,714,547)</u>	<u>\$ (9,738,308)</u>
11	Accumulated Depreciation for Deprec. Exp. Update	\$ (18,626,008)	\$ (12,326,972)
12	ADIT for Depreciation Expense Update	<u>3,911,462</u>	<u>2,588,664</u>
13	Total Rate Base Adjustment for Depreciation Expense	<u>\$ (14,714,547)</u>	<u>\$ (9,738,308)</u>

Source/Notes:

PSE amounts: NEW-PSE-WP-SEF-5.01-5.02-E-n-G-WC-RB-19GRC-06-2019.xlsx, tab 2017 GRC WC Det Format, cells AJ20, AJ21, AT20, AT21.

PC amounts: PC Plant Update WP 1

PUGET SOUND ENERGY
ELECTRIC DOCKET NO. UE-190529
INTERIM AMORTIZATION OF PROTECTED EDIT
TEST YEAR ENDED DECEMBER 31, 2018

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Line No.	Description	Per PC Adjustment	Per PSE Adjustment
1	2018 Protected EDIT ARAM Amortization	\$ 23,516,910	\$ -
2	2019 Protected EDIT ARAM Amortization	21,106,142	
3	Portion of 2019 Amortization by February 28 ((31+28)/365)	<u>16.164384%</u>	
4	2019 Amortization through February 28	<u>\$ 3,411,678</u>	
5	Total Protected EDIT Amortization 1/1/2018 - 2/28/2019	\$ 26,928,588	
6	Adjustment to EDIT AMA Regulatory Liability to 6/30/2019	<u>\$ 22,532,936</u>	\$ -
7	Amortization of Interim EDIT (2 years for PC, TY for PSE)	\$ 13,464,294	\$ -
8	Impact on Net Operating Income	<u>\$ 13,464,294</u>	<u>\$ -</u>

Source/Notes:
WUTC Staff 67

AMA Adjustment Calculation

June 2018 Additional Property Related EDIT	11,758,455
July 2018 Additional Property Related EDIT	13,718,198
August 2018 Additional Property Related EDIT	15,677,940
September 2018 Additional Property Related EDIT	17,637,683
October 2018 Additional Property Related EDIT	19,597,425
November 2018 Additional Property Related EDIT	21,557,168
December 2018 Additional Property Related EDIT	23,516,910
January 2019 Additional Property Related EDIT	25,275,755
February 2019 Additional Property Related EDIT	27,034,600
March 2019 Additional Property Related EDIT	27,034,600
April 2019 Additional Property Related EDIT	27,034,600
May 2019 Additional Property Related EDIT	27,034,600
June 2019 Additional Property Related EDIT	27,034,600
June 2019 Adjustment for Property Related EDIT	22,532,936

PUGET SOUND ENERGY
ELECTRIC DOCKET NO. UE-190529
TEST YEAR AMI COST AND INVESTMENT
TEST YEAR ENDED DECEMBER 31, 2018

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
	<u>Rate Base</u>		
1	Plant Additions	\$ (66,594,805)	\$ 24,644,868
2	Accumulated Depreciation	6,230,625	(2,140,348)
3	Deferred Income Tax Liability	<u>4,198,559</u>	<u>(1,701,441)</u>
4	Total Post-Test Year Rate Base Adjustment	\$ (56,165,620)	\$ 20,803,079
5	Depreciation Deferral	\$ -	\$ 11,304,151
6	Accumulated Amortization of Depreciation Deferral		(1,884,025)
7	ADFIT on Depreciation Deferral	<u></u>	<u>(1,978,226)</u>
8	Total Deferred Depreciation	\$ -	\$ 7,441,900
9	Total Rate Base Adjustment	<u>\$ (56,165,620)</u>	<u>\$ 28,244,979</u>
	<u>Net Operating Income</u>		
10	Depreciation Expense	\$ (8,664,663)	\$ 1,355,468
11	Less Avoided Depreciation from AMR Retirements in Rate YR.		(66,474)
12	Amort of Def'd Return through Apr 2020: 3YRS May '20 - Apr '23		1,100,395
13	Amort of Def'd Deprec through Apr 2020: 3YRS May '20 - Apr '23		3,768,050
14	Federal Income Tax	<u>1,819,579</u>	<u>(1,293,062)</u>
15	Total Net Operating Income Adjustment	<u>\$ 6,845,084</u>	<u>\$ (4,864,377)</u>

Source/Notes:

PSE adjustment: NEW-PSE-WP-SEF-6.22E-AMI-19GRC-06-2019.xlsx.

PC adjustment: NEW-PSE-WP-RJA-3-and-4-Attrition-Study-19GRC-06-2019.xlsx, tab AMI

Supplemental Calculations

From: NEW-PSE-WP-RJA-3-and-4-Attrition-Study-19GRC-06-2019.xlsx, tab AMI

	Plant Electric	Gas
6/30/2018	44,394,584	16,153,820
7/31/2018	48,285,611	20,449,774
8/31/2018	53,598,408	23,130,928
9/30/2018	56,859,110	23,474,618
10/31/2018	64,531,734	24,069,036
11/30/2018	64,659,699	24,116,006
12/31/2018	65,960,577	25,901,244
1/31/2019	69,170,421	27,430,166
2/28/2019	73,237,781	27,932,655
3/31/2019	78,296,167	31,736,155
4/30/2019	78,520,538	31,736,155
5/31/2019	78,520,538	31,736,155
6/30/2019	90,599,562	38,367,078
June 30, 2019 AMA	66,594,805	26,581,112

Accumulated Depreciation

6/30/2018	(1,898,019)	(850,613)
7/31/2018	(2,557,271)	(1,165,123)
8/31/2018	(3,240,873)	(1,491,364)
9/30/2018	(3,939,420)	(1,819,108)
10/31/2018	(4,673,134)	(2,149,452)
11/30/2018	(5,407,433)	(2,480,003)
12/31/2018	(6,147,696)	(2,818,363)
1/31/2019	(6,902,670)	(3,163,413)
2/28/2019	(7,676,286)	(3,510,661)
3/31/2019	(8,473,086)	(3,874,549)
4/30/2019	(9,270,915)	(4,238,437)
5/31/2019	(10,068,743)	(4,602,326)
6/30/2019	(10,921,934)	(4,995,224)
June 30, 2019 AMA AMI	(6,230,625)	(2,852,976)

ADIT

6/30/2018	(2,355,930)	(1,090,038)
7/31/2018	(2,672,766)	(1,222,024)
8/31/2018	(2,984,489)	(1,351,546)
9/30/2018	(3,293,073)	(1,480,753)
10/31/2018	(3,594,273)	(1,609,414)
11/30/2018	(3,895,349)	(1,738,031)
12/31/2018	(4,195,173)	(1,865,009)
1/31/2019	(4,505,775)	(1,985,059)
2/28/2019	(4,812,463)	(2,104,648)
3/31/2019	(5,114,282)	(2,220,742)
4/30/2019	(5,415,885)	(2,336,836)
5/31/2019	(5,717,487)	(2,452,930)
6/30/2019	(6,007,464)	(2,562,932)
June 30, 2019 AMA AMI	(4,198,559)	(1,849,456)

Depreciation Expense, July 2018 - June 2019 8,664,663.00 4,144,611.00

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
1	Rate Base	\$ 5,229,775,164	\$ 5,428,588,081
2	Weighted Cost of Debt	<u>2.83%</u>	<u>2.87%</u>
3	Pro Forma Interest	\$ 147,775,665	\$ 155,800,478
4	Increase (Decrease) in Federal Income Tax at 21%	\$ (31,032,890)	\$ (32,718,100)
5	Restated Tax Benefit of Interest	<u>(33,105,346)</u>	<u>(33,105,346)</u>
6	Update Adjustment for the Tax Benefit of Interest	<u>\$ 2,072,456</u>	<u>\$ 387,246</u>
7	Increase (Decrease) to NOI	<u><u>(2,072,456)</u></u>	<u><u>(387,246)</u></u>

**PUGET SOUND ENERGY
 TRADITIONAL PRO FORMA COST OF CAPITAL**

Line No.	Capital Component	Capital Structure	Cost	Weighted Cost
1	Total Debt	51.5%	5.57%	2.87%
2	Common	48.5%	9.80%	4.75%
3	Total	100.00%		7.62%

**PUBLIC COUNSEL
 TRADITIONAL PRO FORMA COST OF CAPITAL**

Line No.	Capital Component	Capital Structure**	Cost	Weighted Cost*
4	Short-Term Debt	2.3%	2.38%	0.08%
5	Long-Term Debt	<u>49.2%</u>	5.51%	<u>2.74%</u>
6	Total Debt	51.5%		2.83%
7	Common	<u>48.5%</u>	8.75%	<u>4.24%</u>
8	Total	100.00%		7.07%

* Weighted short-term debt cost rate includes .03% of commttment and amortization fees

Line No.	Description	Per PC Adjustment	Per PSE Adjustment
1	Power Cost Adjustment	\$ (22,449,835)	\$ (4,178,315)
2	State Utility Tax Increase (Decrease) at 3.8734%	<u>56,751</u>	<u>56,751</u>
3	Net Increase (Decrease) to Income	\$ 22,393,083	\$ 4,121,563
4	Increase(Decrease) FIT @ 21%	<u>(4,702,547)</u>	<u>(865,528)</u>
5	Increase (Decrease) NOI	<u>\$ 17,690,536</u>	<u>\$ 3,256,035</u>

Sources/References

PSE amounts: NEW-PSE-WP-SEF-7.01E-PowerCosts-19GRC-06-2019.xlsx.

PC amounts: See the Confidential Responsive Testimony of Carla Colamonic.