## BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKETS UE-240004 & UG-240005 (Consolidated)

# CROSS-EXAMINATION EXHIBIT OF SUSAN E. FREE ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

#### EXHIBIT SEF-\_X

Determination of Deficiency Associated with Provisional Pro Forma Adjustments Subject to Refund - Electric

October 28, 2024

EXH. SEF-19 DOCKETS UE-240004/UG-240005 2024 PSE GENERAL RATE CASE WITNESS: SUSAN E. FREE

### BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

**PUGET SOUND ENERGY,** 

Respondent.

Docket UE-240004 Docket UG-240005

### EIGHTEENTH EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED DIRECT TESTIMONY OF

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

#### **ELECTRIC**

LINE	PLANT RELATED COSTS	2025	2026	Source
9	Cost of Debt	2.67%	2.63%	Exh. SEF-3 page 2
10	Requested Rate of Return	7.65%	7.99%	Exh. SEF-3 page 2
11	Statutory Federal Income Tax Rate	21.00%	21.00%	
12	Conversion Factor	75.13%	75.13%	Exh. SEF-3 page 3
13				
14	Rate Base Associated with Post 2024 Plant Additions	\$ 309,022,459 \$	1,612,545,860	SEF-19 page 3 line 89
15	Rate Base Associated with Post 2024 Plant Retirements	 2,492,517	4,530,245	SEF-19 page 4 line 23
16	Total Rate Base Proposed Subject to Refund	311,514,975	1,617,076,105	
17				
18	Depr/Amort Expense Associated with Post 2024 Plant Additions	(13,480,311)	(84,303,982)	SEF-19 page 3 line 80
19	Depr/Amort Expense Associated with Post 2024 Plant Retirements	 724,834	2,463,707	SEF-19 page 4 line 12
20	Impact on Operating Income for Depreciation/Amortization Expense	(12,755,477)	(81,840,275)	
21				
22	Income Tax Expense Associated with Post 2024 Plant Additions	2,830,865	17,703,836	SEF-19 page 3 line 82
23	Income Tax Expense Associated with Post 2024 Plant Retirements	 (111,522)	(547,253)	SEF-19 page 4 line 16
24	Income Tax Expense	 2,719,343	17,156,584	
25				
26	Impact on NOI for Depreciation/Amortization Expense	(10,036,134)	(64,683,692)	
27				
28	Tax Benefit of Proforma Interest	1,746,664	8,931,111	Line 9 x Line 11 x Line 16
29				
30	Net Operating Income	(8,289,469)	(55,752,580)	Line 26 + Line 28
31				
32	Net Operating Income Requirement (Return on Rate Base)	23,830,896	129,204,381	Line 10 x Line 16
33				
34	Net Operating Income Deficiency	32,120,365	184,956,961	Line 32 - Line 30
35		 · ·	<u> </u>	
36	Grossed Up Deficiency - Cumulative	 42,752,308	246,178,305	Line 34 / Line 12
37	. ,	 · · ·	<u> </u>	
38	Grossed Up Deficiency - Cumulative In Rates	 42,752,308	246,178,305	Line 36
39	· · · ·	, .		
40	Grossed Up Deficiency - By Year	42,752,308	203,425,997	Line 38 - Prior Year Line 38
	. , ,	 · · ·		

				EOP		EOP		AMA		AMA
	ELECTRIC									
				Dec-23	2024	ADJUSTED	2025	ADJUSTED	2026	ADJUSTED
			TRADITIONAL	ADJUSTED	GAP YEAR	RESULTS	RATE YEAR 1	RESULTS	RATE YEAR 2	RESULTS
LINE			PROFORMA	RESULTS OF	PROFORMA	START OF	PROVISIONAL	END OF	PROVISIONAL	END OF
NO.	DESCRIPTION		ADJUSTMENTS	OPERATIONS	ADJUSTMENTS	RATE YEAR 1	ADJUSTMENTS	RATE YEAR 1	ADJUSTMENTS	RATE YEAR 2
1	S .	(less Co	lstrip)							
2			-	-	-	-	5,990,412.97	5,990,412.97	17,959,710.56	23,950,123.53
3	403 ELEC. PORTION OF COMMON		-	-	-	-	41,980.05	41,980.05	1,022,585.54	1,064,565.59
4	404 ELEC. AMORTIZATION EXPENSE		-	-	-	-	97,753.04	97,753.04	768,446.99	866,200.03
5	404 ELEC. PORTION OF COMMON	-	-	-	-	-	270,530.37	270,530.37	6,400,893.25	6,671,423.62
6 7	TOTAL DEPRECIATION AND AMORTIZATION EXPENSE		-	-	-	-	6,400,676.43	6,400,676.43	26,151,636.34	32,552,312.77
8	INCREASE (DECREASE) EXPENSE		_	_	_	_	6,400,676.43	6,400,676.43	26,151,636.34	32,552,312.77
9	MCNEASE (DECNEASE) EXI ENSE						0,400,070.43	0,400,070.43	20,131,030.34	32,332,312.77
10	INCREASE (DECREASE) FIT	21%	_	_	-	-	(1,344,142.05)	(1,344,142.05)	(5,491,843.63)	(6,835,985.68)
11	,	-					. , , , ,	. , , , , ,	, , , ,	
12	INCREASE (DECREASE) NOI	_	-	-	-	-	(5,056,534.38)	(5,056,534.38)	(20,659,792.71)	(25,716,327.09)
13		=								
14	GROSS PLANT		-	-	-	-	166,513,952.52	166,513,952.52	488,013,286.24	654,527,238.76
15	ACCUM. DEPRECIATION & AMORTIZATION		-	-	-	-	(1,928,464.35)	(1,928,464.35)	(19,305,405.70)	(21,233,870.04)
16	DFIT		-	-	-	-	(1,766,081.95)	(1,766,081.95)	(6,041,782.65)	(7,807,864.60)
17	TOTAL ADJUSTMENT TO RATE BASE	_	-	-	-	-	162,819,406.22	162,819,406.22	462,666,097.89	625,485,504.11
18										
19	Programmatic Customer Driven									
20	403 ELEC. DEPRECIATION EXPENSE		-	-	-	-	1,837,128.33	1,837,128.33	3,997,892.69	5,835,021.02
21	403 ELEC. PORTION OF COMMON		-	-	-	-	-	-	-	-
22	404 ELEC. AMORTIZATION EXPENSE		-	-	-	-	44,575.20	44,575.20	88,036.50	132,611.70
23	404 ELEC. PORTION OF COMMON	<u>-</u>	-	-	-	-	-	-	-	-
24	TOTAL DEPRECIATION AND AMORTIZATION EXPENSE		-	-	-	-	1,881,703.53	1,881,703.53	4,085,929.19	5,967,632.72
25										
26	INCREASE (DECREASE) EXPENSE		-	-	-	-	1,881,703.53	1,881,703.53	4,085,929.19	5,967,632.72
27	INCOPACE (DECOPACE) FIT	240/					(205.457.74)	(205.457.74)	(050.045.43)	(4.252.202.07)
28 29	INCREASE (DECREASE) FIT	21%_			-	-	(395,157.74)	(395,157.74)	(858,045.13)	(1,253,202.87)
30	INCREASE (DECREASE) NOI	-					(1,486,545.79)	(1,486,545.79)	(3,227,884.06)	(4,714,429.85)
31	MCNEASE (BECNEASE) NO	-	_				(1,400,343.73)	(1,400,343.73)	(3,227,004.00)	(4,714,423.63)
32	GROSS PLANT		_	_	_	_	58,413,576.16	58,413,576.16	128,498,653.74	186,912,229.90
33			_	_	_	_	(627,007.09)	(627,007.09)	(3,912,985.69)	(4,539,992.78)
34			_	_	_	_	4,466,121.51	4,466,121.51	8,804,158.35	13,270,279.86
35		=	_	-		-	62,252,690.58	62,252,690.58	133,389,826.40	195,642,516.98
36							, ,	, ,	, ,	, ,
37	Specific									
38	403 ELEC. DEPRECIATION EXPENSE		_	-	_	-	669,880.60	669,880.60	10,196,902.23	10,866,782.83
39	403 ELEC. PORTION OF COMMON		_	-	_	-	-	-	-	-
40	404 ELEC. AMORTIZATION EXPENSE		-	-	-	-	-	-	-	-
41	404 ELEC. PORTION OF COMMON		-	-	-	-	-	-	461,782.42	461,782.42
42	TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	=	-	-	-	-	669,880.60	669,880.60	10,658,684.65	11,328,565.25
43										
44	INCREASE (DECREASE) EXPENSE		-	-	-	-	669,880.60	669,880.60	10,658,684.65	11,328,565.25
45										
46	INCREASE (DECREASE) FIT	21%_	-	-	-	-	(140,674.93)	(140,674.93)	(2,238,323.78)	(2,378,998.70)
47		=					/so	/soo:	10 4	10.045
48	INCREASE (DECREASE) NOI	=	-	-	-	-	(529,205.67)	(529,205.67)	(8,420,360.88)	(8,949,566.55)
49										

7.757010			EOP		EOP		AMA		AMA
ELECTRIC			Dec-23	2024	ADJUSTED	2025	ADJUSTED	2026	ADJUSTED
		TRADITIONAL		GAP YEAR	RESULTS	RATE YEAR 1	RESULTS	RATE YEAR 2	RESULTS
LINE		PROFORMA	RESULTS OF	PROFORMA	START OF	PROVISIONAL	END OF	PROVISIONAL	END OF
NO. DESCRIPTION			OPERATIONS	ADJUSTMENTS	RATE YEAR 1	ADJUSTMENTS	RATE YEAR 1	ADJUSTMENTS	RATE YEAR 2
50 GROSS PLANT	,	-	-	-	-	32,685,474.27	32,685,474.27	446,418,402.21	479,103,876.48
51 ACCUM. DEPRECIATION & AMORTIZATION		_	_	-	_	(69,214.33)	(69,214.33)	(6,032,352.12)	(6,101,566.45)
52 DFIT		_	_	_	_	(1,717,398.14)	(1,717,398.14)	(5,014,087.90)	(6,731,486.04)
53 TOTAL ADJUSTMENT TO RATE BASE	_	_	-	_	_	30,898,861.80	30,898,861.80	435,371,962.19	466,270,823.99
54						,,	,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,
55 Projected		_	_	_	_	_	_	_	_
56 403 ELEC. DEPRECIATION EXPENSE		_	_	_	_	1,902,729.21	1,902,729.21	7,696,925.22	9,599,654.43
57 403 ELEC. PORTION OF COMMON		_			_	110,891.08	110,891.08	1,896,880.34	2,007,771.43
58 404 ELEC. AMORTIZATION EXPENSE		_			_	1,215,588.80	1,215,588.80	11,020,720.20	12,236,309.00
59 404 ELEC. PORTION OF COMMON			_		_	1,298,841.37	1,298,841.37	9,312,895.08	10,611,736.45
60 TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	-					4,528,050.46	4,528,050.46	29,927,420.85	34,455,471.31
61						4,328,030.40	4,328,030.40	23,327,420.83	34,433,471.31
62 INCREASE (DECREASE) EXPENSE		_	_	_	_	4,528,050.46	4,528,050.46	29,927,420.85	34,455,471.31
63						4,320,030.40	4,320,030.40	23,327,420.03	34,433,471.31
64 INCREASE (DECREASE) FIT	21%					(950,890.60)	(950,890.60)	(6,284,758.38)	(7,235,648.97)
65	21/0_		<u> </u>	<del>_</del>	<del>_</del>	(930,890.00)	(930,890.00)	(0,264,736.36)	(7,233,048.37)
66 INCREASE (DECREASE) NOI	_		_	_	-	(3,577,159.87)	(3,577,159.87)	(23,642,662.47)	(27,219,822.33)
67	=					(3,377,133.07)	(3,377,133.07)	(23,042,002.47)	(27,213,022.33)
68 GROSS PLANT						55,142,914.74	55,142,914.74	296,849,170.94	351,992,085.68
69 ACCUM. DEPRECIATION & AMORTIZATION			_		_	(1,107,051.09)	(1,107,051.09)	(19,746,564.90)	(20,853,615.99)
70 DFIT						(984,363.75)	(984,363.75)	(5,007,091.33)	(5,991,455.08)
71 TOTAL ADJUSTMENT TO RATE BASE	-					53,051,499.90	53,051,499.90	272,095,514.71	325,147,014.62
72						33,031,433.30	33,031,433.30	272,033,314.71	323,147,014.02
73 Total All Provisional Proformas									
74 403 ELEC. DEPRECIATION EXPENSE						10,400,151.11	10 400 151 11	39,851,430.70	50,251,581.81
		-	-	-	-		10,400,151.11		
75 403 ELEC. PORTION OF COMMON		-	-	-	-	152,871.13 1,357,917.04	152,871.13 1,357,917.04	2,919,465.89	3,072,337.02
76 404 ELEC. AMORTIZATION EXPENSE 77 404 ELEC. PORTION OF COMMON		-	-	-	-	1,569,371.74		11,877,203.69 16,175,570.76	13,235,120.73
77 404 ELEC. PORTION OF COMMON  78 TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	_	-	-	-	-	13,480,311.02	1,569,371.74 13,480,311.02	70,823,671.03	17,744,942.49 84,303,982.05
78 TOTAL DEPRECIATION AND AMORTIZATION EXPENSE 79		-	-	-	-	13,480,311.02	13,480,311.02	70,823,071.03	84,303,982.05
						12 400 211 02	12 400 211 02	70 022 671 02	04 202 002 05
80 INCREASE (DECREASE) EXPENSE 81		-	-	-	-	13,480,311.02	13,480,311.02	70,823,671.03	84,303,982.05
82 INCREASE (DECREASE) FIT	21%					(2 020 065 21)	(2 020 065 21)	(14 972 070 02)	(17 702 026 22)
83	2170_	-	-	-	-	(2,830,865.31)	(2,830,865.31)	(14,872,970.92)	(17,703,836.23)
84 INCREASE (DECREASE) NOI	-					(10,649,445.71)	(10,649,445.71)	(55,950,700.12)	(66,600,145.82)
85	=					(10,043,443.71)	(10,043,443.71)	(33,330,700.12)	(00,000,143.02)
86 GROSS PLANT						312,755,917.69	312,755,917.69	1 250 770 512 12	1 672 525 420 02
87 ACCUM, DEPRECIATION & AMORTIZATION		-	-	-	-			1,359,779,513.13	1,672,535,430.82
87 ACCOM. DEPRECIATION & AMORTIZATION 88 DFIT		-	-	-	-	(3,731,736.86) (1,722.33)	(3,731,736.86) (1,722.33)	(48,997,308.40) (7,258,803.53)	(52,729,045.26)
89 TOTAL ADJUSTMENT TO RATE BASE	_	=	<del>-</del>	=	-	309,022,458.50	309,022,458.50	1,303,523,401.20	(7,260,525.86) 1,612,545,859.70
03 TOTAL ADJUSTIVIENT TO RATE DAJE		-	-	-	-	303,022,430.50	303,022,430.30	1,303,323,401.20	1,012,343,033.70

#### ELECTRIC

LINE NO. DESCRIPTION		DEC TRAD PROI	OP 2023 ITIONAL FORMA ITMENTS	Dec-23 ADJUSTED RESULTS OF OPERATIONS	EOP 2024 GAP YEAR PROFORMA ADJUSTMENTS	ADJUSTED RESULTS START OF RATE YEAR 1	AMA 2025 RATE YEAR 1 PROVISIONAL ADJUSTMENTS	ADJUSTED RESULTS END OF RATE YEAR 1	AMA 2026 RATE YEAR 2 PROVISIONAL ADJUSTMENTS	ADJUSTED RESULTS END OF RATE YEAR 2
1										
2 403 ELEC. DEPRECIATION EXPENSE		-	-	-	-	-	(724,834.00)	(724,834.00)	(1,738,872.72)	(2,463,706.72)
3 403 ELEC. PORTION OF COMMON		-	-	-	-	-	-	-	-	-
4 404 ELEC. AMORTIZATION EXPENSE		-	-	-	-	-	-	-	-	-
5 404 ELEC. PORTION OF COMMON		-	-	-	-	-	-	-	-	-
6 SUBTOTAL DEPRECIATION EXPENSE 403		-	-	-	-	-	(724,834.00)	(724,834.00)	(1,738,872.72)	(2,463,706.72)
7 403.1 ELEC. ASSET RETIREMENT COST DEPRECIATION		-	-	-	-	-	-	-	-	-
8 403.1 ELEC. PORTION OF COMMON		-	-	-	-	-	-	-	-	-
9 411.10 ELEC. ASSET RETIREMENT OBLIGATION ACCRETION		-	-	-	-	-	-	-	-	-
10 TOTAL DEPRECIATION AND ACCRETION		-	-	-	-	-	(724,834.00)	(724,834.00)	(1,738,872.72)	(2,463,706.72)
11										
12 INCREASE (DECREASE) EXPENSE		-	-	-	-	-	(724,834.00)	(724,834.00)	(1,738,872.72)	(2,463,706.72)
13										
14 INCREASE (DECREASE) FIT	21%	-	-	-	-	-	152,215.14	152,215.14	365,163.27	517,378.41
15 INCREASE (DECREASE) DFIT	_	-	-	-	-	-	(40,693.04)	(40,693.04)	70,567.17	29,874.14
16 INCREASE (DECREASE) TAX EXPENSE		-	-	-	-	-	111,522.10	111,522.10	435,730.44	547,252.55
17										
18 INCREASE (DECREASE) NOI		-	-	-	-	-	613,311.90	613,311.90	1,303,142.28	1,916,454.17
19										
20 ADJUSTMENT TO RATE BASE:		-	-	-	-	-	-	-	-	-
21 ADJUSTMENT TO ACCUM. DEPREC.		-	-	-	-	-	241,061.32	241,061.32	1,594,270.37	1,835,331.69
22 DFIT	_	-	-	-	-	-	2,251,455.31	2,251,455.31	443,457.99	2,694,913.29
23 TOTAL ADJUSTMENT TO RATEBASE		-	-	-	-	-	2,492,516.63	2,492,516.63	2,037,728.36	4,530,244.98
24										
25										
26										
27										
28 Four Factor Allocation Percentages:	Gas:	34.55%								
29	Electric:	65.45%								