

Exh. MCC-3r
Dockets UE-170033/UG-170034
Witness: Melissa Cheesman

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-170033 and
UG-170034 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

Melissa C. Cheesman

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Calculation of Electric Revenue Requirement Deficiency

June 30, 2017
Revised August 8, 2017

PUGET SOUND ENERGY-ELECTRIC
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO.	DESCRIPTION	@ 2011 REVENUE REQUIREMENT DEFICIENCY	(LESS) CURRENT SCHEDULE* REVENUE	FINAL OVERALL REVENUE REQUIREMENT SUFFICIENCY
1	RATE BASE	\$ 5,075,734,045		
2	RATE OF RETURN	7.37%		
3				
4	OPERATING INCOME REQUIREMENT	374,081,599		
5				
6	PRO FORMA OPERATING INCOME	342,138,021		
7	OPERATING INCOME DEFICIENCY	31,943,578		
8				
9	CONVERSION FACTOR	0.6190510		
10	REVENUE REQUIREMENT DEFICIENCY	51,600,883		(34,607,339)
11	SALES FROM RESALE-FIRM	405,143	(22,000)	427,143
12				
13	REVENUE REQUIREMENT SUFFICIENCY	\$ 51,195,740	86,230,222	\$ (35,034,482)

* Note: Current 2017 revenues related to PSE's PCORC, ERF, and Decoupling that will be folded into base rates.

PUGET SOUND ENERGY-ELECTRIC
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	SHORT TERM DEBT	1.00%	3.06%	0.03%
2	LONG TERM DEBT	51.00%	5.73%	2.92%
3	EQUITY	48.00%	9.20%	4.42%
4	TOTAL COST OF CAPITAL	100.00%		7.37%
5				
6	AFTER TAX SHORT TERM DEBT	1.00%	3.06%	0.02%
7	AFTER TAX LONG TERM DEBT	51.00%	5.73%	1.90%
8	EQUITY	48.00%	9.20%	4.42%
9	TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.34%

PUGET SOUND ENERGY-ELECTRIC
 CONVERSION FACTOR
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
 GENERAL RATE CASE

LINE NO.	DESCRIPTION	RATE
1	BAD DEBTS	0.007157
2	ANNUAL FILING FEE	0.002000
3	STATE UTILITY TAX (3.8734% - (LINE 1 * 3.8734%))	3.8734%
4		0.038457
5	SUM OF TAXES OTHER	0.047614
6		
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5)	0.952386
8	FEDERAL INCOME TAX (LINE 7 * 35%)	35% 0.333335
9	CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 - LINE 8)	0.619051