

**Exh. MCC-8r  
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 Gas Revenue Requirement Deficiency*

**June 30, 2017  
*Revised August 8, 2017***

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

| LINE NO. | DESCRIPTION                     | @ 2011 REVENUE REQUIREMENT DEFICIENCY | (LESS) OTHER SCHEDULE* REVENUE | FINAL REVENUE REQUIREMENT SUFFICIENCY |
|----------|---------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| 1        | RATE BASE                       | \$ 1,762,337,719                      |                                |                                       |
| 2        | RATE OF RETURN                  | 7.37%                                 |                                |                                       |
| 3        |                                 |                                       |                                |                                       |
| 4        | OPERATING INCOME REQUIREMENT    | \$ 129,884,290                        |                                |                                       |
| 5        |                                 |                                       |                                |                                       |
| 6        | PRO FORMA OPERATING INCOME      | \$ 127,463,951                        |                                |                                       |
| 7        | OPERATING INCOME SUFFICIENCY    | \$ 2,420,339                          |                                |                                       |
| 8        |                                 |                                       |                                |                                       |
| 9        | CONVERSION FACTOR               | 0.620450                              |                                |                                       |
| 10       | REVENUE REQUIREMENT SUFFICIENCY | \$ 3,900,942                          | \$ 52,098,690                  | \$ (48,197,748)                       |

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

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

| LINE NO. | DESCRIPTION  | BASE | RATE   | AMOUNT          |
|----------|--|------|--------|-----------------|
| 1        | BAD DEBTS  |      |        | 0.005140        |
| 2        | ANNUAL FILING FEE  |      |        | 0.002000        |
| 3        | STATE UTILITY TAX ( 3.852% - ( LINE 1 * 3.852% ) )           |      | 3.852% | 0.038322        |
| 4        |  |      |        |                 |
| 5        | SUM OF TAXES OTHER   |      |        | 0.045462        |
| 6        |  |      |        |                 |
| 7        | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX ( 1 - LINE 5) |      |        | 0.954538        |
| 8        | FEDERAL INCOME TAX ( LINE 7 * 35%)                           |      | 35%    | 0.334088        |
| 9        |  |      |        |                 |
| 10       | CONVERSION FACTOR  |      |        | <u>0.620450</u> |