

Exhibit No.      (HL-4)  
Docket No. UE-92-1262  
Witness: Hugh Larkin, Jr.

BEFORE THE  
WASHINGTON UTILITIES & TRANSPORTATION  
COMMISSION

COMPLAINANT

VS.

PUGET SOUND POWER & LIGHT COMPANY

RESPONDENT

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION	
UE-920433, -920499;	
No. <u>-921262</u>	Ex. <u>795</u> ✓

*entered  
except  
Schedule 36*

Line No.	Description	Per Company	Adjustments	Per DOD
1	RATE BASE	2,051,809,870	(35,069,855)A	2,016,740,015
2	RATE OF RETURN	10.00%		9.37% B
3		205,180,987		188,968,539
4				
5	CONSERVATION INVESTMENT (INV. PRIOR TO 1/1/91)	66,938,378		
6	ADDITIONAL RETURN ON CONSERVATION	0.90%		
7				
8	OPERATING INCOME REQUIREMENT	602,445		602,445
9		205,783,492		189,570,984
10	PRO FORMA OPERATING INCOME	131,423,423	5,670,301 A	137,093,724
11	NET INCOME REQUIREMENT	74,360,009		52,477,260
12				
13	CONVERSION FACTOR	0.6313845		0.6316622 C
14	TOTAL REVENUE REQUIREMENT	117,772,940		83,078,044
15	ASSIGNMENT OF REVENUE REQUIREMENT TO FIRM			
16	WHOLESALE CUSTOMERS	999,385		999,385
17	NET REVENUE REQUIREMENT	116,773,555		82,078,659
18				
19	UNCOLLECTIBLES	349,468		209,711
20	ANNUAL FILING FEE	204,354		143,638
21	STATE UTILITY TAX	4,509,106		3,170,781
22				
23	TOTAL TAXES OTHER	5,062,928		3,524,130
24				
25	GENERAL RATE INCREASE	111,710,627		78,554,529
26				
27	FEDERAL INCOME TAX	37,981,613		26,708,540
28		34%		34%
29	NET GENERAL RATE INCREASE	73,729,014		51,845,989

SOURCE

Company amounts: Puget Ex.T-559 (JHS-4), page 4.00

- A Schedule 2, page 1
- B Schedule 2, page 2
- C Schedule 2, page 3

NOTE: Updated for DOD witness Legler's rate of return and for consolidated tax savings adjustment

Puget Sound Power & Light Company  
 Summary of Adjustments  
 Test Year Ended June 30, 1992

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Line No.	Description	Reference	Adjustment Amount (Decrease) Increase			Net Operating Income Impact (E)	Approximate Revenue Requirement Impact (F)
			Rate Base (A)	Revenue (B)	Operating Expense (C)		
1	Plant Held for Future Use:						
2	Properties Puget identified as inappropriate	Schedule 4	(994,882)			99,488	(157,571)
3	Properties not expected to be in service within 10 years	Schedule 5	(731,162)			73,116	(115,803)
4	Remaining properties in Puget's rate base claim	Schedule 6	(13,472,872)			1,347,287	(2,133,861)
5	Working Capital						
6	Remove merchandise inventory	Schedule 7	(15,435)			1,544	(2,445)
7	Remove dividends declared	Schedule 8	(8,118,272)			811,827	(1,285,789)
8	ADIT Dr. bal's for environmental contingency accrual	Schedule 9	(343,258)			34,326	(54,366)
9	Remove ADIT Dr. from loss transfers to affiliates	Schedule 10	(417,714)			41,771	(66,158)
10	Remove R&D, a period expense, from rate base	Schedule 11	(234,201)			23,420	(37,093)
11	Remove FAS 106 deferral from rate base	Co. Ex., p.212	(1,167,427)			116,743	(184,900)
12	Other accumulated deferred income taxes	Schedule 12	(216,000)			21,600	(34,211)
13	Adjust storm damage reserve	Schedule 13	(15,172,596)			1,517,260	(2,403,068)
14	Associated accumulated deferred income taxes	Schedule 13				(581,396)	920,827
15	Weather normalization - line losses	Schedule 14		235,329		155,318	(245,996)
16	Payroll	Schedule 15			(417,968)	275,859	(436,911)
17	Management wage increase, and bonus treatment	Schedule 16			(623,211)	411,319	(651,456)
18	Adjust for merit increase overstatements	Schedule 17			(24,374)	16,087	(25,479)
19	Incentive bonuses						
20	Lump sum distribution to officers and directors	Schedule 18			(507,540)	334,976	(530,542)
21	Pay-at-risk primary funding amount	Schedule 19			(25,299)	16,697	(26,445)
22	Employee benefits - insurance	Schedule 20			(279,165)	184,249	(291,817)
23	FAS 106 - Use EITF 92-12 phase-in	Schedule 21			(725,000)	478,500	(757,888)
24	Directors & officers liability insurance	Schedule 23			(346,875)	228,937	(362,595)
25	Environmental remediation	Schedule 24			(1,960,648)	1,294,028	(2,049,509)
26	Storm damage	Schedule 28			(1,494,046)	986,070	(1,561,758)
27	EET dues	Schedule 29			(83,695)	55,239	(87,489)
28	EET Media Communications Fund dues	Schedule 30			(40,940)	27,020	(42,795)
29	Other membership dues	Schedule 31			(41,953)	27,689	(43,854)
30	Research & development costs	Schedule 32			(687,490)	453,743	(718,648)
31	Bank fees paid to agents	Schedule 33			(24,570)	16,216	(25,683)
32	Miscellaneous expenses	Schedule 34			(19,000)	12,540	(19,861)
33	Property taxes - PPHFU	Schedule 4			(6,558)	4,328	(6,855)
34	Consolidated income tax adjustment	Schedule 36				857,486	(1,358,104)
35	Interest synchronization adjustment	Schedule 35				(166,000)	262,914
36	Totals		(\$35,069,855)	\$235,229	(\$7,308,332)	\$9,177,287	(\$14,535,179)
37	Difference in recommended rate of return						(20,122,000)
38	Total Impact of DOD adjustments on revenue requirement	Note G, below					(\$34,657,179)

Notes:  
 CoLD is amount of income tax adjustment, or CoLaB and C x the combined state and federal income tax rate  
 CoLE is the result of subtracting CoLD from CoLaB & C, or CoLa x Puget's proposed return on rate base.  
 CoLF is the result of multiplying CoLE by the gross revenue conversion factor (See page 3 of 3).

Note G - Revenue Requirement Impact of Difference in Recommended Rate of Return

	(\$000)	Puget Ex.T-557
G1	\$2,051,810	CoLa, above
G2	(35,070)	G1 + G2
G3	2,016,740	Page 2 of 3
G4	-0.63%	G3 x G4
G5	(12,705)	Page 3 of 3
G6	1,583,821	G5 x G6
G7	(20,122)	

NOTE: Updated for DOD witness Legler's rate of return and for consolidated tax savings adjustment

Puget Sound Power & Light Company  
 Capital Structure and Cost Rates  
 Test Year Ended June 30, 1992

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 Schedule 2 05/05/93  
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 Revised

<u>Line No.</u>	<u>Description</u>	<u>Weight (A)</u>	<u>Cost (B)</u>	<u>Weighted Cost (C)</u>
<u>I. Per Company (witness Olson, Ex. (REO-3), page 20)</u>				
1	Debt	47.00%	7.91%	3.72%
2	Preferred	8.00%	8.10%	0.65%
3	Common equity	45.00%	12.50%	5.63%
4	Total	<u>100.00%</u>		<u>10.00%</u>
<u>II. Per DOD (DOD witness Legler)</u>				
5	Debt	47.85%	7.86%	3.76%
6	Preferred	8.15%	8.12%	0.66%
7	Common equity	44.00%	11.25%	4.95%
8	Total	<u>100.00%</u>		<u>9.37%</u>
9	Weighted cost of debt			<u>3.76%</u>
<u>III. Difference in Recommended Rate of Return</u>				
10	DOD-proposed	Col.C, line 8		9.37%
11	Company-proposed	Col.C, line 4		<u>10.00%</u>
12	Difference	Line 10 - line 11		<u>-0.63%</u>

Puget Sound Power & Light Company  
Interest Synchronization Adjustment  
Test Year Ended June 30, 1992  
(Thousands of Dollars)

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<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Rate base, per Company	\$2,051,810	Puget Ex. T-557, p.4
2	Deductible CWIP	22,354	Puget Ex. T-559, p.3.04
3	DOD's adjustments	<u>(35,070)</u>	Schedule 2 Page 1 of 3
4	Adjusted rate base and deductible CWIP	\$2,039,094	Lines 1, 2 and 3
5	Weighted cost of debt, per OCC	<u>3.76%</u>	Schedule 2 Page 2 of 3
6	Synchronized interest	\$76,670	Line 4 x line 5
7	Pro forma interest, per Company	<u>77,159</u>	Puget Ex. T-559, p.3.04
8	Increase (reduction) to interest expense	(\$489)	Line 6 - line 7
9	Federal income tax rate	<u>34.0000%</u>	Schedule 2 Page 3 of 3
10	Interest synchronization adjustment (decreases) increases income tax expense	<u>\$166</u>	Line 8 x line 9

Puget Sound Power & Light Company  
 Consolidated Income Tax Savings Adjustment  
 Test Year Ended June 30, 1992

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 Schedule 36 05/05/93  
~~CONFIDENTIAL~~ *all*

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Five-year average non-regulated taxable losses	(\$2,562,140)	Note A, below
2	Federal income tax rate	<u>-34.00%</u>	Schedule 2 Page 3 of 3
3	Consolidated income tax savings	\$871,128	Line 1 x line 2
4	Puget portion of positive taxable income	<u>98.43%</u>	Note B, below
5	Puget portion of consolidated tax savings	<u>\$857,486</u>	Line 3 x line 4

Note A - Five-Year Average of Non-Regulated Taxable Losses

<u>Line</u>	<u>Year</u>	<u>Taxable Loss</u>	<u>Reference</u>
A.1	1987		
A.2	1988		
A.3	1989		
A.4	1990		
A.5	1991		
A.6	Average	<u>(\$2,562,140)</u>	DOD-1871 supplement ( <del>CONFIDENTIAL</del> ) <i>all</i>

Note B - Puget Portion of Total Taxable Income (From DOD-1871 supp. - ~~CONFIDENTIAL~~) *all*

<u>Line</u>	<u>Year</u>	<u>Non-Puget Taxable Incomes</u>	<u>Puget Taxable Income</u>	<u>Total Taxable Incomes</u>	<u>Puget as Percent of Total</u>
B.1	1987				
B.2	1988				
B.3	1989				
B.4	1990				
B.5	1991				
B.6	Average	<u>\$1,865,942</u>	<u>\$152,111,967</u>	<u>\$153,977,909</u>	98.43%