

**EXH. SEF-18
DOCKETS UE-190529/UG-190530
UE-190274/UG-190275
2019 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-190529
Docket UG-190530 (*Consolidated*)**

In the Matter of the Petition of

PUGET SOUND ENERGY

**For an Order Authorizing Deferral
Accounting and Ratemaking Treatment
for Short-life IT/Technology Investment**

**Docket UE-190274
Docket UG-190275 (*Consolidated*)**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 15, 2020

PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION		
1	RATE BASE	\$	<i>5,436,017,782</i>
2	RATE OF RETURN		7.57%
3			
4	OPERATING INCOME REQUIREMENT		<i>411,506,546</i>
5			
6	PRO FORMA OPERATING INCOME		<i>318,222,718</i>
7	OPERATING INCOME DEFICIENCY		<i>93,283,828</i>
8			
9	CONVERSION FACTOR		0.751381
10	REVENUE CHANGE BEFORE ATTRITION AND RIDERS (1)		<i>124,149,836</i>
11	CHANGES TO OTHER PRICE SCHEDULES FROM EXH. JAP-14:		
12	DECREASE TO SCHEDULE 95 POWER COST ADJUSTMENT CLAUSE		(3,117,000)
13	DECREASE TO SCHEDULE 141 EXPEDITED RATE FILING RATE ADJUSTMENT		(25,799,000)
14	INCREASE TO SCHEDULE 141Y TEMPORARY FEDERAL INCOME TAX RATE CREDIT		25,799,000
15	SUBTOTAL CHANGES TO OTHER PRICE SCHEDULES		<i>(3,117,000)</i>
16			
17	NET REVENUE CHANGE BEFORE ATTRITION		<i>121,032,836</i>
18			
19	ATTRITION ADJUSTMENT		<i>23,883,816</i>
20			
21	NET REVENUE CHANGE AFTER ATTRITION FROM PAGE 4 OF 6		<i>144,916,652</i>
22			
23	REDUCTION TO SUPPORTED AMOUNT		<i>(5,034,894)</i>
24			
25	NET REVENUE CHANGE REQUESTED EXH. JAP-14	\$	<i>139,881,759</i>
26			
27			
28			
29	(1) AMOUNT RELATED TO WHOLESALE	\$	354,912

**PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
COST OF CAPITAL - GRC**

LINE NO.	DESCRIPTION	CAPITAL STRUCTURE	COST	WEIGHTED COST
1	SHORT AND LONG TERM DEBT	51.50%	5.57%	2.87%
2	EQUITY	48.50%	<i>9.70%</i>	<i>4.70%</i>
3	TOTAL	100%		<i>7.57%</i>
4				
5	AFTER TAX SHORT TERM DEBT ((LINE 1)* 79%)	51.50%	4.40%	2.27%
6	EQUITY	48.50%	<i>9.70%</i>	<i>4.70%</i>
7	TOTAL AFTER TAX COST OF CAPITAL	100%		<i>6.97%</i>

PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
CONVERSION FACTOR

LINE NO.	DESCRIPTION		
1	BAD DEBTS		0.008479
2	ANNUAL FILING FEE		0.002000
3	STATE UTILITY TAX (3.8406% - (LINE 1 * 3.8406%))	3.8734%	<u>0.038406</u>
4			
5	SUM OF TAXES OTHER		0.048885
6			
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 6)		0.951115
8	FEDERAL INCOME TAX (LINE 7 * 21%)	21%	<u>0.199734</u>
9	CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 - LINE 8)		<u>0.751381</u>

PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	AMOUNT
1	ATTRITION DEFICIENCY FROM RON AMEN EXH. RJA-3 (DOES NOT INCLUDE POWER COSTS) \$	<i>90,691,217</i>
2	CHANGES TO OTHER PRICE SCHEDULES	(3,117,000)
3	DEFICIENCY ASSOCIATED WITH POWER COSTS FROM EXH. SEF-3E PAGE 5	<u><i>57,342,436</i></u>
4		
5	NET REVENUE CHANGE AFTER ATTRITION	<u><u><i>\$ 144,916,652</i></u></u>

PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
GENERAL RATE INCREASE

LINE NO.	Description	2019 GRC	Microsoft Update UE-190166	Increase
1	Total Variable Costs per Exhibit A-1	<i>\$ 730,945,418</i>	\$ 670,031,044	
2	Revenue Sensitive Items	0.951115	0.952386	
3	Total Grossed Up Variable Costs per Exhibit A-1	<i>\$ 768,514,237</i>	\$ 703,528,867	
4	Load in MWh's	20,503,307	20,282,959	
5	Dollar per MWh	<i>\$ 37.482</i>	\$ 34.686	<i>\$ 2.80</i>
6	Current Load in MWh's			20,503,307
7	Increase in Power Costs			<i>\$ 57,342,436</i>

**Exhibit A-1 Power Cost Baseline Rates With and Without Microsoft
Exhibit H to the 2017 GRC - Multi-Party Settleent**

<=Contingent Calculation - NO MS Settlement=>						
Row	Test Year					
3	Regulatory Assets (1) (Fixed)	\$	199,079,031			
4	Transmission Rate Base (Fixed)		85,738,601			
5	Production Rate Base (Fixed)		1,961,447,672			
6		\$	2,246,265,304			
7	Net of tax rate of return		6.55%			
8						
9						
9A						
10	Regulatory Asset Recovery (on Row 3)	\$	20,061,041	\$	0.989	F
10a	Equity Adder Centralia Coal Transition PPA		4,770,580	\$	0.235	V
11	Fixed Asset Recovery Other (on Row 4)		8,639,813	\$	0.426	F
12	Fixed Asset Recovery-Prod Factored (on Row 5)		197,653,573	\$	9.745	F
13	501-Steam Fuel Incl PC Reg Amort		69,979,069	\$	3.450	V
14	555-Purchased power Incl PC Reg Amort		370,094,614	\$	18.247	V
15	557-Other Power Exp		7,238,267	\$	0.357	F
15a	Payroll Overheads - Benefits (Inc. Worker's Comp)		8,206,061	\$	0.405	F
15b	Property Insurance		2,763,777	\$	0.136	F
15c	Montana Electric Energy Tax		1,262,954	\$	0.062	V
15d	Payroll Taxes on Production Wages		2,119,540	\$	0.104	F
15e	Brokerage Fees 55700003		313,404	\$	0.015	V
16	547-Fuel Incl PC Reg Amort		171,056,253	\$	8.433	V
17	565-Wheeling Incl PC Reg Amort		108,399,249	\$	5.344	V
18	Transmission Revenue 456.1		(11,639,833)	\$	(0.574)	F
19	Production O&M		138,209,149	\$	6.814	F
20	447-Sales to Others		(39,617,468)	\$	(1.953)	V
21	456-Purch/Sales Non-Core Gas		(16,227,611)	\$	(0.800)	V
22	Transmission Exp - 500KV		662,135	\$	0.033	F
23	Depreciation-Production (FERC 403)		161,583,689	\$	7.966	F
24	Depreciation-Transmission		3,490,805	\$	0.172	F
25	Amortization - Regulatory Assets & Liab - Non PC Only (1)		19,415,532	\$	0.957	F
26	N/A (formerly hedging line of credit)					
27	Subtotal & Baseline Rate	\$	1,228,434,593	\$	60.565	F
28	Revenue Sensitive Items		0.9523860		0.9523860	
29	Grossed up for RSI	\$	1,289,849,486	\$	63.593	F
30	Test Year DELIVERED Load (MWH's)		20,282,959			
31						
32	Baseline Rate Summarized					
33	BLR Net of RSI	\$		\$	60.565	F
34	BLR Grossed Up for RSI	\$		\$	63.593	F
35						
36	(1) - Amortization is picked up in Regulatory Assets and Liabilities Adjustment and White River Adjustment.					

PUGET SOUND ENERGY - NATURAL GAS
RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	
1	RATE BASE	\$ 2,113,443,249
2	RATE OF RETURN	7.57%
3		
4	OPERATING INCOME REQUIREMENT	159,987,654
5		
6	PRO FORMA OPERATING INCOME	96,490,338
7	OPERATING INCOME DEFICIENCY	63,497,316
8		
9	CONVERSION FACTOR	0.754097
10	REVENUE CHANGE BEFORE ATTRITION AND RIDERS	84,203,115
11	CHANGES TO OTHER PRICE SCHEDULES FROM EXH. JAP-15:	
12	DECREASE TO SCHEDULE 149 GAS COST RECOVERY MECHANISM FOR PIPELINE REPLACEMENT	(10,620,092)
13	DECREASE TO SCHEDULE 141 EXPEDITED RATE FILING RATE ADJUSTMENT	(27,975,683)
14	INCREASE TO SCHEDULE 141Y TEMPORARY FEDERAL INCOME TAX RATE CREDIT	6,187,109
15	SUBTOTAL CHANGES TO OTHER PRICE SCHEDULES	(32,408,666)
16		
17	NET REVENUE CHANGE BEFORE ATTRITION	51,794,449
18		
19	ATTRITION ADJUSTMENT	28,166,538
20		
21	NET REVENUE CHANGE AFTER ATTRITION FROM PAGE 4 OF 4	79,960,987
22		
23	REDUCTION TO SUPPORTED AMOUNT	(14,488,177)
24		
25	NET REVENUE CHANGE REQUESTED EXH. JAP-15	\$ 65,472,810

PUGET SOUND ENERGY - NATURAL GAS
RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
COST OF CAPITAL - PROFORMA

LINE NO.	DESCRIPTION	CAPITAL STRUCTURE	COST	WEIGHTED COST
1	SHORT AND LONG TERM DEBT	51.50%	5.57%	2.87%
2	EQUITY	48.50%	<i>9.70%</i>	<i>4.70%</i>
3	TOTAL	100.00%		<i>7.57%</i>
4				
5	AFTER TAX SHORT TERM DEBT ((LINE 1)* 79%)	51.50%	4.40%	2.27%
6	EQUITY	48.50%	<i>9.70%</i>	<i>4.70%</i>
7	TOTAL AFTER TAX COST OF CAPITAL	100.00%		<i>6.97%</i>

PUGET SOUND ENERGY - NATURAL GAS
RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
CONVERSION FACTOR

LINE NO.	DESCRIPTION		
1	BAD DEBTS		0.005124
2	ANNUAL FILING FEE		0.002000
3	STATE UTILITY TAX (3.8323% - (LINE 1 * 3.8323%))	3.8520%	<u>0.038323</u>
4			
5	SUM OF TAXES OTHER		0.045447
6			
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 6)		0.954553
8	FEDERAL INCOME TAX (LINE 7 * 21%)	21%	<u>0.200456</u>
9	CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 - LINE 8)		<u><u>0.754097</u></u>

PUGET SOUND ENERGY - NATURAL GAS
RESULTS OF OPERATIONS
2019 GENERAL RATE CASE
12 MONTHS ENDED DECEMBER 31, 2018
GENERAL RATE INCREASE

LINE NO.	DESCRIPTION	AMOUNT
1	ATTRITION DEFICIENCY SUPPORTED BY RON AMEN (EXH. RJA-4)	\$ <i>112,369,653</i>
2	CHANGES TO OTHER PRICE SCHEDULES	(32,408,666)
3		
4	NET REVENUE CHANGE AFTER ATTRITION	<u>\$ <i>79,960,987</i></u>