Table - PSE's Expense Per Customer Growth Since the 2004 GRC Test Year

**2004 GRC Docket**

**Nos. UE-040640 &**

**UG-040641**

**2009 GRC Docket**

**No. UE-090704**

**2010 GTIF Docket**

**No. UG-101644**

***Electric***

Approved Test Year Revenue Requirement

1,472,878,464

$

2,034,528,051

$

Less: Approved Test Year Power Costs

994,621,953

1,428,033,627

Expenses Net of Power Costs

478,256,511

$

606,494,424

$

Test Year Customers

963,672

1,063,953

Expenses per Customer Net of Power Costs

496

$

570

$

Approx. Annual Average Growth Rate Since 2004 GRC

2.8%

***Gas***

Approved Test Year Revenue Requirement\*

296,832,057

$

440,015,433

$

Test Year Customers

628,680

748,628

Expenses per Customer

472

$

588

$

Approx. Annual Average Growth Rate Since 2004 GRC

3.2%

\* The rates approved in PSE's gas GRC's do not relate to gas supply costs. These are handled through PSE's ~~Power~~ Purchased Gas

Adjustment Mechanism.

Q. How can a company's revenue-per-customer keep pace between the test year and rate year?

A. Since rates do not change between a "modified" test year and the corresponding rate year, the only way for revenue-per-customer to increase between the test year and rate year is for use-per-customer (i.e., the second part of the Commission’s found margin) to increase between these two time periods or to add new customers at a cost less than what is embedded in rates. Ultimately, for the Commission’s historic ratemaking theory to hold and for a utility’s total revenues and expenses to remain matched in the rate year, its revenue-per-customer must grow at the same rate as its expense-per-customer between the test year and rate year.

Q. Has PSE’s use-per-customer kept pace with its expense-per-customer unrelated to energy supply?

**REVISED**

**July 27, 2011**