

**EXHIBIT NO. ___(BJL-3)
DOCKETS UE-17___/UG-17___
2017 PSE GENERAL RATE CASE
WITNESS: BRANDON J. LOHSE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UE-17___

Docket UG-17___

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

BRANDON J. LOHSE

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

PUGET SOUND ENERGY

**Utility Capital Structure
Cost of Capital and Rate of Return
For The 12 Months Ending September 30, 2016**

(A)	(B)	(C)	(D)	(E)
<u>Description</u>	<u>Amount (i)</u> <i>(\$ in dollars)</i>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost of Capital</u>
Short Term Debt	\$58,312,833	0.8%	0.68%	0.01%
Commitment Fees				0.02%
Amortization of Short-Term Debt Issue Cost				0.02%
Weighted Short-Term Debt Rate				0.05%
Long Term Debt	\$3,753,975,376	50.3%	5.89%	2.96%
Amortization of Reacquired Debt				0.03%
Weighted Long-Term Debt Rate				2.99%
Total Debt	\$3,812,288,209	51.1%		3.04%
Common Stock	\$3,647,339,820	48.9%	9.80%	4.79%
Total	\$7,459,628,029	100.0%		7.83%

(i) - Average of Month-End Balances.

PUGET SOUND ENERGY
Utility Capital Structure Calculation
September 30, 2015 Through September 30, 2016
Average of Month-End Balances

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16		Avg of Mo- end Balances
1															
2	(\$ thousands)														
3	Commercial Paper	\$79,500	\$77,000	\$110,000	\$159,004	\$93,000	\$93,000	\$93,000			\$36,000	\$33,000	\$66,000	\$172,000	\$58,313
4	Short-term debt	\$79,500	\$77,000	\$110,000	\$159,004	\$93,000	\$93,000	\$93,000			\$36,000	\$33,000	\$66,000	\$172,000	\$58,313
5	Long-term Bonds	\$3,521,957	\$3,521,962	\$3,521,968	\$3,491,951	\$3,521,978	\$3,521,984	\$3,492,690	\$3,492,936	\$3,493,178	\$3,493,423	\$3,493,667	\$3,493,912	\$3,494,155	\$3,503,975
6	Jr. Subordinated Notes	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
7	Long Term Debt	\$3,771,957	\$3,771,962	\$3,771,968	\$3,741,951	\$3,771,978	\$3,771,984	\$3,742,690	\$3,742,936	\$3,743,178	\$3,743,423	\$3,743,667	\$3,743,912	\$3,744,155	\$3,753,975
8	Regulated Common Equity	3,565,218	3,585,558	3,623,629	3,591,259	3,642,828	3,687,205	3,669,640	3,691,551	3,697,689	3,659,718	3,660,982	3,666,805	3,617,209	3,647,340
9	Total Capital	\$7,416,675	\$7,434,520	\$7,505,597	\$7,492,214	\$7,507,806	\$7,412,330	\$7,434,487	\$7,440,868	\$7,439,141	\$7,437,649	\$7,476,717	\$7,533,363	\$7,459,628	\$7,459,628
10	Short-term debt	1.1%	1.0%	1.5%	2.1%	1.2%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.9%	2.3%	0.8%
11	Long-term debt	50.9%	51.8%	50.3%	49.9%	50.2%	50.6%	50.5%	50.3%	50.3%	50.3%	50.3%	50.1%	49.7%	50.3%
12	Total Debt	51.9%	51.8%	51.7%	52.1%	51.5%	50.6%	50.5%	50.3%	50.3%	50.8%	50.8%	51.0%	52.0%	51.1%
13	Common	48.1%	48.2%	48.3%	47.9%	48.5%	49.4%	49.5%	49.7%	49.2%	49.2%	49.2%	49.0%	48.0%	48.9%
14	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
15	Consol. Common Equity	\$3,325,793	\$3,342,175	\$3,380,566	\$3,362,992	\$3,417,150	\$3,452,650	\$3,454,569	\$3,490,110	\$3,502,088	\$3,476,562	\$3,478,929	\$3,484,969	\$3,431,068	\$3,431,068
16	Subsidiary R.E.	(14,903)	(14,903)	(14,903)	(14,600)	(14,600)	(14,600)	(14,757)	(14,757)	(14,757)	(14,765)	(14,765)	(14,765)	(14,853)	(14,853)
17	Puget Western	(14,903)	(14,903)	(14,903)	(14,600)	(14,600)	(14,600)	(14,757)	(14,757)	(14,757)	(14,765)	(14,765)	(14,765)	(14,853)	(14,853)
18	Total Subsidiary R.E.	(14,903)	(14,903)	(14,903)	(14,600)	(14,600)	(14,600)	(14,757)	(14,757)	(14,757)	(14,765)	(14,765)	(14,765)	(14,853)	(14,853)
19	Other Comprehensive Income Adjustments (OCI) and Derivative Accounting														
20	Derivative Impacts through Income	(\$62,112)	(\$64,079)	(\$66,034)	(\$57,631)	(\$55,848)	(\$65,532)	(\$46,697)	(\$33,874)	(\$29,400)	(\$16,327)	(\$15,579)	(\$15,579)	(\$20,439)	(\$20,439)
21	OCI - Derivatives	(5,752)	(5,725)	(5,699)	(5,673)	(5,646)	(5,593)	(5,567)	(5,541)	(5,514)	(5,488)	(5,461)	(5,461)	(5,435)	(5,435)
22	OCI - Other	(156,658)	(158,675)	(156,427)	(150,364)	(149,584)	(148,803)	(148,024)	(147,243)	(145,904)	(146,550)	(146,221)	(146,031)	(145,414)	(145,414)
23	Total OCI Adj	(224,522)	(228,480)	(228,160)	(213,668)	(211,079)	(219,955)	(200,315)	(186,684)	(180,845)	(168,391)	(167,288)	(167,071)	(171,288)	(171,288)
24	Regulated Common Equity	\$3,565,218	\$3,585,558	\$3,623,629	\$3,591,259	\$3,642,828	\$3,687,205	\$3,669,640	\$3,691,551	\$3,697,689	\$3,659,718	\$3,660,982	\$3,666,805	\$3,617,209	\$3,617,209

Puget Sound Energy
Cost of Short-Term Debt
For The 12 Months Ending September 30, 2016

(A)	(B)	(C)	(D)	(E)
<u>Description</u>	<u>Weighted Amt Outstanding (i)</u>	<u>Interest Rate</u>	<u>Annual Charge</u>	<u>Cost Rate</u>
Commercial Paper	\$44,441,224	0.68%	\$300,680	
Demand Promissory Note	\$0	NA	\$0	
\$650mm Liquidity Facility	\$0	NA	\$0	
Interest Charges & Avg Borrowing Rate	<u>\$44,441,224</u>	<u>0.68%</u>	<u>\$300,680</u>	0.68%
Total Short-Term Debt/Cost	\$44,441,224		\$300,680	0.68%

(i) Weighted Average Daily Balance Outstanding for 12 Months Ended.

**Puget Sound Energy
Commitment Fees
For The 12 Months Ending September 30, 2016**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Weighted Avg. Outstandings and Rates and Total Commitment Fees								
	Wtd. Avg. Outstandings	Period Interest	Wtd. Avg. Rate (365)	Commitment Fees				
Commercial Paper	\$44,441,224	\$300,680	0.68%	\$0				
Demand Promissory Note	\$0	\$0	NA	\$0				
\$650mm Liquidity Facility	\$0	\$0	NA	1,156,458				
Letters of Credit				38,514				
Totals	\$44,441,224	\$300,680	0.68%	\$1,194,972				
Total Capitalization				\$7,459,628,029				
Weighted Cost of Short Term Debt Issuance Cost Amortization:				0.02%				
Bank Facility Fees								
Commitment Fee Calculation								
\$650mm Liquidity Facility	Beginning Date 10/01/15	Ending Date 09/30/16	Days 366	Commitment \$650,000,000	Wgtd Avg Utilized (Drawn)	\$0	Fee % 0.175%	Fee \$ 1,156,458
Bank Facility Commitment Fees					W. Avg Amount \$3,772,993		1.000%	\$38,514
Letters of Credit (LC) Fees				Facility				
Goldendale; Klrickiat PUD Transmission			Wells Fargo (not within facility)		Days 366			
Total Fees								\$38,514

Commitment fees are calculated for actual days elapsed on the basis of a 360 day year.

Puget Sound Energy
Amortization of Short Term Debt Issue Costs
For The 12 Months Ending September 30, 2016

(A)	(B)	(C)	(D)	(E)	(F)
Description	\$400 million Working Cap Fac 18101083/18900403	\$400 million Capex Fac 18900423	\$650 million Liquidity Fac 18100673	\$650 million Liquidity Refinance 18900443	TOTAL AMORTIZATION
1	Beginning Balance				
2	As of: 9/30/15	\$773,322	\$773,338	\$1,590,533	\$98,259
3	October-15	(27,619)	(27,619)	(36,989)	(2,285)
4	November-15	(27,619)	(27,619)	(36,989)	(2,285)
5	December-15	(27,619)	(27,619)	(36,989)	(2,285)
6	January-16	(27,619)	(27,619)	(36,989)	(2,285)
7	February-16	(27,619)	(27,619)	(36,989)	(2,285)
8	March-16	(27,619)	(27,619)	(36,989)	(2,285)
9	April-16	(27,619)	(27,619)	(36,989)	(2,285)
10	May-16	(27,619)	(27,619)	(36,989)	(2,285)
11	June-16	(27,619)	(27,619)	(36,989)	(2,285)
12	July-16	(27,619)	(27,619)	(36,989)	(2,285)
13	August-16	(27,619)	(27,619)	(36,989)	(2,285)
14	September-16	(27,619)	(27,619)	(36,989)	(2,285)
15	Total Amortization for 12 months ended	(\$331,424)	(\$331,431)	(\$443,870)	(\$27,421)
16	Costs transferred in			11,200	
17	Costs transferred out				
18	Ending Balance	\$441,899	\$441,907	\$1,157,863	\$70,838
19	Total Capitalization				7,459,628,029
20	Weighted Cost of Short Term Debt Issuance Cost Amortization				0.02%

Puget Sound Energy
Cost of Long Term Debt (\$in 000's)
For The 12 Months Ending September 30, 2016

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	
1	Type	Interest Rate	Issue Date	Mat. Date	W. Avg. Amt O/S	Net Proceeds (i)	Cost Rate (ii)	Annual Charge	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	
2	MTN-A	6.740%	Jun-98	Jun-18	200,000	98.99	6.83%	13,660	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
3	MTN-C	7.150%	Dec-95	Dec-25	15,000	99.21	7.21%	1,082	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
4	MTN-C	7.200%	Dec-95	Dec-25	2,000	99.21	7.26%	145	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
5	MTN-A	7.020%	Dec-97	Dec-27	300,000	98.99	7.10%	21,300	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
6	MTN-B	7.000%	Mar-99	Mar-29	100,000	99.04	7.08%	7,080	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
7	PCB	3.900%	May-13	Mar-31	138,460	98.94	3.98%	5,511	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460
8	PCB	4.000%	May-13	Mar-31	23,400	98.94	4.08%	955	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
9	SN	5.483%	May-05	Jun-35	250,000	84.89	6.65%	16,625	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
10	SN	6.724%	Jun-06	Jun-36	250,000	107.52	6.17%	15,425	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
11	SN	6.274%	Sep-06	Mar-37	300,000	98.81	6.36%	19,080	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
12	SN	5.757%	Sep-09	Oct-39	350,000	98.98	5.83%	20,405	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
13	SN	5.795%	Mar-10	Mar-40	325,000	98.96	5.87%	19,078	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
14	SN	5.764%	Jun-10	Jul-40	250,000	98.97	5.84%	14,600	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
15	SN	5.638%	Mar-11	Apr-41	300,000	98.97	5.71%	17,130	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
16	SN	4.434%	Nov-11	Nov-41	250,000	98.96	4.50%	11,250	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
17	SN	4.700%	Nov-11	Nov-51	45,000	98.86	4.76%	2,142	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
18	JrSubN	6.974%	Jun-07	Jun-67	250,000	98.23	7.23%	18,075	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
19	SN	4.300%	May-15	May-45	425,000	98.48	4.39%	18,658	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000
20																						
21	TOTAL LONG TERM DEBT				3,773,860		5.89%	222,199	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860	3,773,860
22																						
23	Short-Term Debt Cost of Interest				44,441		0.68%	301														
24																						
25	Blended Cost of Interest (ST&LT Debt)				3,818,301		5.83%	222,500														
26																						
27	(i) Net proceeds are the net proceeds per \$100 face amount and are the proceeds less underwriter's fees and issuance expenses.																					
28	(ii) Yield to Maturity based on Net Proceeds.																					

Puget Sound Energy
Schedule of Annual Charges on Reacquired Debt
For The 12 Months Ending September 30, 2016

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Issue	Issue Date	Maturity Date	Redemption Date	Refinance Issue	Refinance Date	Maturity Date for Amort.	Annual Amortization (i)	SAP #
2	10.250%	29-Dec-87	15-Dec-97	15-Dec-95			10-Nov-16	\$18,336	18900013
3	8.231% Capital Trust I (Call)	6-Jun-97	1-Jun-27	1-Jun-07	JrSubN 6.974%	4-Jun-07	1-Jun-17	\$190,955	18900383
4	9.14% PP	21-Jun-91	21-Jun-01	15-Jun-98	20 Yr 6.740%	15-Jun-98	15-Jun-18	\$3,499	18900243
5	WNG 8.4%	13-Jan-92	12-Jan-22	21-Mar-03			12-Jan-22	\$1,141	18900293
6	WNG 8.39%	13-Jan-92	13-Jan-22	21-Mar-03			13-Jan-22	\$2,663	18900303
7	WNG 8.25%	12-Aug-92	12-Aug-22	29-May-03			12-Aug-22	\$62,486	18900323
8	WNG 7.19%	18-Aug-93	18-Aug-23	18-Aug-03			18-Aug-23	\$10,656	18900353
9	9.625% PP	15-Oct-90	15-Oct-97	7-Feb-94	30 Yr 7.350%	1-Feb-94	1-Feb-24	\$168,880	18900173
10	8.231% Capital Trust I (Tender)	6-Jun-97	1-Jun-27	1-Jun-05			1-Jun-27	\$229,804	18900193
11	PCB Series 1991A	7-Aug-91	1-Aug-21	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$45,480	18900253
12	PCB Series 1991B	7-Aug-91	1-Aug-21	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$34,561	18900263
13	PCB Series 1992	1-Mar-92	1-Mar-22	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$105,825	18900273
14	PCB Series 1993	1-Mar-92	1-Mar-22	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$32,298	18900283
15	PCB Series 2003	11-Mar-03	1-Mar-31	24-Jun-13	2013 PCB's	23-May-13	1-Mar-31	\$299,129	18900433
16	PCB Series 2003	11-Mar-03	1-Mar-31	24-Jun-13	2013 PCB's	23-May-13	1-Mar-31	\$50,553	18900533
17	\$200mm VRN	15-Jul-04	15-Jul-06	27-May-05	30 Yr 5.483%	27-May-05	27-May-35	\$17,087	18900183
18	8.40% Capital Trust II	24-May-01	30-Jun-41	30-Jun-06	30 Yr 6.724%	30-Jun-06	15-Jun-36	\$197,021	18900373
19	\$25M 9.57% Gas FMB's	1-Sep-90	1-Sep-20	23-Dec-11	40 Yr 4.70%	22-Nov-11	15-Nov-51	\$400,519	18900393
20	SN 5.197%	12-Oct-05	1-Oct-15	5-Jun-15	30 Yr 4.30%	26-May-15	20-May-45	\$82,302	18900203
21	SN 6.75%	23-Jan-09	15-Jan-16	5-Jun-15	30 Yr 4.30%	26-May-15	20-May-45	\$316,650	18900213
22	Total Amortization on Reacquired Debt							\$2,269,845	
23	Total Capitalization							\$7,459,628,029	
24	Weighted Cost of Reacquired Debt							0.03%	

(i) Applicable monthly amortization during the 12 month reporting period; Amortization is over life of replacement issue or remaining life of called bond if no replacement issue.