

**EXH. SEF-11  
DOCKET UE-20\_\_\_\_  
2020 PSE PCORC  
WITNESS: SUSAN E. FREE**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent**

**Docket UE-20\_\_\_\_**

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

**SUSAN E. FREE**

**ON BEHALF OF PUGET SOUND ENERGY**

**DECEMBER 9, 2020**

Line	Description	Amount (in millions)
9	<b><u>Current Estimated Under-Earnings</u></b>	
10		
11	Twelve Months Ending June 2020 Estimated Under-Earnings (page 6)	\$ (46.3)
12		
13	New GRC Revenues Not Offset by New Costs (page 3)	<u>20.4</u>
14		
15	Net Current Company Under-Earnings	<u><u>\$ (25.8)</u></u>
16		
17		
18	<b><u>Incremental PCORC Revenues</u></b>	
19		
20	Incremental Variable Revenues Subject to PCA (page 2)	\$ 33.3
21		
22	Incremental Fixed Production Cost Revenues (SEF-4 line 40)	<u>(9.9)</u>
23		
24	Incremental PCORC Revenues	<u><u>\$ 23.5</u></u>
25		
26		
27	<b>Current Estimated Under-Earnings Exceeds Incremental PCORC Revenue</b>	<u><u>\$ (2.4)</u></u>

3	Incremental Power Cost Revenues				
4	Variable Increase (SEF-4 Line 26)		\$ 88,387,835		
5					
6		Company		Customer	Combined
7					
8	Dead Band	\$ 17,000,000	100%	0%	\$ 17,000,000
9	First Band	11,500,000	50%	11,500,000 50%	23,000,000
10	Second Band	4,838,783	10%	43,549,051 90%	48,387,835
11	Total	<u>33,338,783</u>		<u>55,049,051</u>	<u>88,387,835</u>
12					

<b>Line</b>	<b>Description</b>	<b>Amount</b>
		(in millions)
7	2019 GRC Electric Deficiency Before Mitigation (page 4 line 71)	\$ 56.5
8		
9	Offset by New Amortization:	
10	AMI (grossed up NOI from page 4 line 76)	(8.2)
11	GTZ (grossed up NOI from page 4 line 77)	(16.7)
12	Storm (page 5 line 61)	(11.2)
13		
14	New Revenues Not Offset by New Costs	<u>\$ 20.4</u>

Line No.	Adj. No.	Adjustment	Commission Decision				PS&E Compliance Filing				Difference			
			NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement	NOI	Rate Base	Revenue Requirement
6		Actual Results of Operator	\$ 391,140,691	\$ 5,208,778,506	\$ 18,267,590	\$ 391,140,691	\$ 5,208,778,506	\$ 18,267,590	\$ 391,140,691	\$ 5,208,778,506	\$ 18,267,590	\$ 391,140,691	\$ 5,208,778,506	\$ 18,267,590
7														
8	6.01	Revenues and Expenses	8,327,800			8,327,800								
9	6.02	Temperature Normalization	4,922,913			4,922,913								
10	6.03	Federal Income Tax	(38,397,755)			(38,397,754)								
11	6.04	Tax Benefit of Interest	33,059,305			33,059,305								
12	6.05	Pass-Through Revenues and Expenses	(1,955,986)			(1,955,986)								
13	6.06	Normalize Injuries and Damages	66,597			66,597								
14	6.07	Bad Debts	303,154			303,154								
15	6.08	Incentive Pay	184,145			184,145								
16	6.09	Excise Tax & Filing Fee	71,835			71,835								
17	6.10	Directors & Officers Insurance	5,301			5,301								
18	6.11	Interest on Customer Deposits	803,909			803,909								
19	6.12	Case Expenses	(496,558)			(496,558)								
20	6.13	Pension Plan	(1,726,149)			(1,726,149)								
21	6.14	Property & Liability Insurance	319,951			319,951								
22	6.15	Wage Increase	(61,810)			(61,810)								
23	6.16	Investment Plan	(13,157)			(13,157)								
24	6.17	Employee Insurance	(23,850)			(23,850)								
25	6.18	AMA to EOP Rate Base	182,818,242			182,818,242								
26	6.19	AMA to EOP Depreciation	(16,904,953)			(16,904,953)								
27	6.23	Rent Expense	340,893			340,893								
28	7.01	Power Costs	(7,589,560)			(7,589,560)								
29	7.02	Montana Electric Energy Tax	(68,620)			(68,620)								
30	7.03	Wild Horse Solar	167,531			167,531								
31	7.04	ASC 815	(32,912,586)			(32,912,586)								
32	7.05	Storm Damage	(11,001)			(11,001)								
33	7.07	Colstrip Depreciation	1,855,595			1,855,595								
34														
35	6.01	Revenues and Expenses	(25,679,090)			(25,679,090)								
36	6.02	Temperature Normalization	8,570,014			8,570,014								
37	6.04	Tax Benefit of Interest	(768,317)			(768,317)								
38	6.09	Excise Tax & Filing Fee												
39	6.10	Directors & Officers Insurance												
40	6.14	Property & Liability Insurance	(442,588)			(442,588)								
41	6.15	Wage Increase	(3,003,557)			(3,003,557)								
42	6.16	Investment Plan	(208,177)			(208,177)								
43	6.17	Employee Insurance	(691,247)			(691,247)								
44	6.20	Deferred Gains/Losses on Property Sales	4,520,668			4,520,668								
45	6.21	Environmental Remediation	(120,118)			(120,118)								
46	6.22	AMI	(6,154,931)			(6,154,931)								
47	6.23	Rent Expense	394,549			394,549								
48	6.24	Get to Zero	(12,535,389)			(12,535,389)								
49	6.25	Credit Card Payment Processing Costs	477,331			477,331								
50	6.26	Unprotected EDI												
51	6.27	Public Improvement	(582,530)			(582,530)								
52	6.28	Contract Escalations	(1,330,726)			(1,330,726)								
53	6.29	HR TOPS	(567,399)			(567,399)								
54	7.01	Power Costs	1,112,237			1,112,237								
55	7.02	Montana Electric Energy Tax	(835,714)			(835,714)								
56	7.05	Storm Damage	526,903			526,903								
57	7.06	Regulatory Assets and Liabilities	9,100,115			9,100,115								
58	7.08	Energy Imbalance Market (EIM)	4,478,734			4,478,734								
59	7.09	High Molecular Weight Cubic	(809,932)			(809,932)								
60	7.10	Energy Management System (EMS)	(2,484,594)			(2,484,594)								
61														
62	12.01	SmartBum (Staff)	431,825			431,825								
63	12.02	Remove Colstrip Change (Staff)												
64	12.03	Remove Green Direct (Staff)												
65	AWEC -	Boilert Data Center (AWEC)												
66	12.04	Remove Shaftflexion (Staff)	45,030			45,030								
67		Total Adjustments	(89,691,819)			(89,691,819)								
68		Revenue Requirement Before Other Tariff Schedules	\$ 301,448,872			\$ 301,448,872								
69		Less Riders												
70		Less EDIT, Separate Credit Tariff Sch												
71		Revenue Requirement Before Mitigation Strategy	\$ 301,448,872			\$ 301,448,872								
72		Extend Amortization of Regulatory Assets-Estimated												
73		Decoupling Deferral - Estimated												
74		Final Revenue Requirement	\$ 301,448,872			\$ 301,448,872								
75														
76														
77														

**PUGET SOUND ENERGY-ELECTRIC  
STORM DAMAGE O&M EXPENSE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018  
2019 GENERAL RATE CASE**

LINE NO.	DESCRIPTION	AMOUNT		
<b>NORMAL STORMS</b>				
1		<b>Transmission</b>	<b>Distribution</b>	<b>Total</b>
2	ACTUAL O&M:			
3	TWELVE MONTHS ENDED 12/31/13	\$ 349,351	\$ 9,163,882	\$ 9,513,232
4	TWELVE MONTHS ENDED 12/31/14	505,311	11,176,183	11,681,493
5	TWELVE MONTHS ENDED 12/31/15	588,383	10,572,644	11,161,028
6	TWELVE MONTHS ENDED 12/31/16	292,661	9,249,534	9,542,195
7	TWELVE MONTHS ENDED 12/31/17	560,520	8,645,868	9,206,387
8	TWELVE MONTHS ENDED 12/31/18	591,854	10,149,755	10,741,609
9	TOTAL NORMAL STORMS	2,888,079	58,957,866	61,845,944
10				
11	SIX-YEAR AVERAGE STORM EXPENSE FOR RATE YEAR (LINE 9 ÷ 6 YEARS)	481,346	9,826,311	10,307,657
12				
13	<u>CHARGED TO EXPENSE 12 MONTH ENDED 12/31/18</u>			
14	STORM DAMAGE EXPENSE (LINE 8)	588,691	9,705,041	10,293,732
15				
16	INCREASE (DECREASE) OPERATING EXPENSE (LINE 11-LINE 14)	(107,345)	121,270	13,925
17				
18	INCREASE (DECREASE) FIT @ 21% (LINE 46 X 21%)		21%	(2,924)
19				
20	INCREASE (DECREASE) NOI			\$ (11,001)
21				
22				
23	<b>CATASTROPHIC STORMS</b>			
24	DEFERRED STORM BALANCES APPROVED FOR 4 YEAR AMORTIZATION IN UE-170033		TEST	12 ME APR 2021
25	AT START OF RATE YEAR (5/1/2020):		YEAR	RATE YEAR
26				
27	ANNUAL AMORTIZATION OF 4 YEAR STORM DEFERRED BALANCES		\$16,261,541	\$ 4,764,806
28	ANNUAL AMORTIZATION OF 6 YEAR STORM DEFERRED BALANCES		\$9,061,379	6,387,808
29				
30	NEW DEFERRED STORM BALANCES PROPOSED FOR 4-YEAR AMORTIZATIONS			
31	<b>2017 STORM DAMAGE-PENDING APPROVAL</b>	<b>12,707,858</b>		
32				
33	<b>2018 STORM DAMAGE-PENDING APPROVAL</b>	<b>12,865,110</b>		
34	<b>2019 STORM DAMAGE-PENDING APPROVAL</b>	<b>28,512,103</b>		
34	TOTAL (LINE 31 THROUGH LINE 34)	54,085,071		
35				
36	ANNUAL AMORTIZATION (LINE 34 ÷ 48) x 12			10,693,720
37				
38	TOTAL RATE YEAR AMORTIZATION ( LINE 27+LINE 28 + LINE 36)			\$ 21,846,335
39				
40	LESS TOTAL TEST YEAR AMORTIZATION		25,322,916	
41				
42	INCREASE (DECREASE) OPERATING EXPENSE			(3,476,581)
43				
44	TOTAL INCREASE (DECREASE) OPERATING EXPENSE (LINE 42)			
45				
46	INCREASE (DECREASE) FIT @ 21% (LINE 44 X 21%)		21%	730,082
47				
48	INCREASE (DECREASE) NOI			\$ 2,746,499
49				
50				
51				
52				
53				5.00
54				60
55				
56			<b>Currently Requested</b>	<b>Amortization Under BR15</b>
57	<b>Description</b>	<b>Balance at 6/2020*</b>	<b>Amortization</b>	<b>Toggle months</b>
58				
59	2017 GRC Approved 4 Year Storms	\$ 23,824,032	\$16,261,541	\$ 4,764,806
60	2017 GRC Approved 6 Year Storm	31,939,042	\$9,061,379	6,387,808
61	2019 GRC Requested 4 Year Storms	53,468,601	\$13,521,268	10,693,720
62				
63	Total Storm	\$ 109,231,675	\$ 38,844,188	\$ 21,846,335

## Estimate of Twelve Months Ended June 2020 Results on an Earnings Sharing Basis

Revenue Sensitive Items	0.047991
Weighted Average Cost of Debt	2.79%
Federal Tax Rate	21%

Line	Description	Total NOI
a	b	c = e - d
11	Unadjusted Net Operating Income	\$ 351,333,151
12		
13	Remove:	
14	Schedule 95a:	
15	Remove Revenue Debit	36,052,790
16	Remove Amortization Credit	(28,809,605)
17	Taxes and Fees on Revenue Debit	(1,730,209)
18	FIT	(1,157,725)
19		
20	Equity Adder Centralia Coal Transition PPA:	
21	Equity Kicker	(4,973,501)
22	FIT	1,044,435
23		
24	AMI Deferrals:	
25	Deferral Amount	(11,955,812)
26	FIT	2,510,720
27		
28	Include: Tax Benefit of Interest	31,669,591
29		
30	Net Operating Income Before Tax Adjustments	373,983,836
31		
32	Adjust Taxes to Statutory Rate	(27,196,782)
33		
34	Include:	
35	Adjust taxes for amounts not at Statutory Rate	17,874,086
36		
37	Adjusted Net Operating Income on Earnings Sharing Basis	\$ 364,661,140
38		
39	Rate Base	\$ 5,405,289,459
40		
41	Earned Rate of Return	6.75%
42	Allowed Rate of Return	7.39%
43	ROR Under Earnings	-0.64%
44		
45	Under Earnings	\$ (46,257,616)