

**EXHIBIT NO. ___(KJB-9)
DOCKETS UE-17___/UG-17___
2017 PSE GENERAL RATE CASE
WITNESS: KATHERINE J. BARNARD**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UE-17___

Docket UG-17___

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

KATHERINE J. BARNARD

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

Puget Sound Energy
ELECTRIC CRM REVENUE REQUIREMENT MODEL

Program Year

2017

Input Capital Costs and Rates			
Rows	Cost of Capital	% of Capital	Weighted Cost
A	Short Term and Long Term Debt	51.50%	2.99%
B	Common Equity	48.50%	4.75%
C	Total Pre Tax Cost of Capital	100.00%	7.74%
D	Federal Tax Rate		35.00%
E	Revenue Sensitive Rate		4.76%
F	Depreciation Rate		3.83%
G	Bonus Tax Depreciation toggled (1 = yes, 2 = no)		1
H	Replacement Plan Investment Normalized Investment (baseline) Investment		\$76,410,703

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
1 Depreciation	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887
2 Federal Taxes on Equity Return	\$ 1,752,627	\$ 1,512,770	\$ 1,438,544	\$ 1,366,243	\$ 1,295,714	\$ 1,226,833	\$ 1,159,469
Return on Rate Base							
3 Short Term and Long Term Debt	\$ 2,048,861	\$ 1,768,462	\$ 1,681,690	\$ 1,597,169	\$ 1,514,719	\$ 1,434,196	\$ 1,355,446
4 Common Equity	\$ 3,254,880	\$ 2,809,430	\$ 2,671,581	\$ 2,537,308	\$ 2,406,326	\$ 2,278,404	\$ 2,153,300
5 Total Return	\$ 5,303,741	\$ 4,577,892	\$ 4,353,271	\$ 4,134,477	\$ 3,921,044	\$ 3,712,600	\$ 3,508,746
6 Cost of Service	\$ 9,980,255	\$ 9,014,549	\$ 8,715,702	\$ 8,424,607	\$ 8,140,645	\$ 7,863,320	\$ 7,592,102
7 Revenue Sensitive Items	\$ 498,957	\$ 450,677	\$ 435,737	\$ 421,183	\$ 406,987	\$ 393,122	\$ 379,563
8 Total Cost of Service	\$ 10,479,212	\$ 9,465,226	\$ 9,151,438	\$ 8,845,790	\$ 8,547,632	\$ 8,256,442	\$ 7,971,665
9							
10							
11 Total Cost of Service (Capital & O&M)	\$ 10,479,212	\$ 9,465,226	\$ 9,151,438	\$ 8,845,790	\$ 8,547,632	\$ 8,256,442	\$ 7,971,665
12							
13							
14 Annual Cost of Service as % of Investment	13.71%	12.39%	11.98%	11.58%	11.19%	10.81%	10.43%
15							
16							
17							
18 Rate Base - net of deprec. & def. tax	\$ 68,523,781	\$ 59,145,892	\$ 56,243,812	\$ 53,417,016	\$ 50,659,486	\$ 47,966,409	\$ 45,332,635
19							
20							
21 Federal Taxable Equity Income	\$ 5,007,507	\$ 4,322,200	\$ 4,110,125	\$ 3,903,551	\$ 3,702,039	\$ 3,505,238	\$ 3,312,769
22 Less: Federal Tax	\$ 1,752,627	\$ 1,512,770	\$ 1,438,544	\$ 1,366,243	\$ 1,295,714	\$ 1,226,833	\$ 1,159,469
23 Return	\$ 3,254,880	\$ 2,809,430	\$ 2,671,581	\$ 2,537,308	\$ 2,406,326	\$ 2,278,404	\$ 2,153,300
24							
25							
26 Book Depreciation	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887	\$ 2,923,887
27 Tax Depreciation	\$ 39,638,052	\$ 2,758,044	\$ 2,550,971	\$ 2,359,945	\$ 2,182,672	\$ 2,019,153	\$ 1,867,478
28 Book-Tax Difference	\$ 36,714,165	\$ (165,843)	\$ (372,916)	\$ (563,943)	\$ (741,215)	\$ (904,734)	\$ (1,056,409)
29 Tax Effect	\$ 12,849,958	\$ (58,045)	\$ (130,521)	\$ (197,380)	\$ (259,425)	\$ (316,657)	\$ (369,743)
30							
31 Applicable Tax Depreciation Rate	51.88%	3.61%	3.34%	3.09%	2.86%	2.64%	2.44%
32							
33							
34 MACRS Depreciation - 20	3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%
35 MACRS Depreciation - 20 year - Bonus	51.88%	3.61%	3.34%	3.09%	2.86%	2.64%	2.44%

69.85%