

**EXHIBIT NO. ___(KJB-3)
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___

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

KATHERINE J. BARNARD

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

PUGET SOUND ENERGY-ELECTRIC
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO.	DESCRIPTION	
1	RATE BASE	\$ 5,097,962,433
2	RATE OF RETURN	7.74%
3		
4	OPERATING INCOME REQUIREMENT	394,582,292
5		
6	PRO FORMA OPERATING INCOME	302,305,322
7	OPERATING INCOME DEFICIENCY	92,276,971
8		
9	CONVERSION FACTOR	0.6190510
10	REVENUE REQUIREMENT DEFICIENCY	149,061,986
11	SALES FROM RESALE-FIRM	406,090
12		
13	REVENUE REQUIREMENT DEFICIENCY	\$ 148,655,896

PUGET SOUND ENERGY-ELECTRIC
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO. DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1 SHORT & LONG TERM DEBT	51.50%	5.81%	2.99%
2 EQUITY	48.50%	9.80%	4.75%
3 TOTAL COST OF CAPITAL	100.00%		7.74%
4			
5 AFTER TAX DEBT	51.50%	5.81%	1.94%
6 EQUITY	48.50%	9.80%	4.75%
7 TOTAL AFTER TAX COST OF CAPITAL	100.00%		6.69%

PUGET SOUND ENERGY-ELECTRIC
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016
GENERAL RATE CASE

LINE NO. DESCRIPTION	RATE
1 BAD DEBTS	0.007157
2 ANNUAL FILING FEE	0.002000
3 STATE UTILITY TAX (3.8734% - (LINE 1 * 3.8734%))	3.8734% <u>0.038457</u>
4	
5 SUM OF TAXES OTHER	0.047614
6	
7 CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5)	0.952386
8 FEDERAL INCOME TAX (LINE 7 * 35%)	35% <u>0.333335</u>
9 CONVERSION FACTOR INCL FEDERAL INCOME TAX (LINE 7 - LINE 8)	<u><u>0.619051</u></u>