

**EXHIBIT NO. ___(SEF-3)
DOCKETS UE-17___/UG-17___
2017 PSE GENERAL RATE CASE
WITNESS: SUSAN E. FREE**

**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**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 13, 2017

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

LINE NO. DESCRIPTION	
1 RATE BASE	\$ 1,760,693,633
2 RATE OF RETURN	7.74%
3	
4 OPERATING INCOME REQUIREMENT	\$ 136,277,687
5	
6 PRO FORMA OPERATING INCOME	\$ 122,011,947
7 OPERATING INCOME DEFICIENCY	\$ 14,265,740
8	
9 CONVERSION FACTOR	0.620450
10 REVENUE REQUIREMENT DEFICIENCY	\$ 22,992,570

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

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	BAD DEBTS			0.005140
2	ANNUAL FILING FEE			0.002000
3	STATE UTILITY TAX (3.852% - (LINE 1 * 3.852%))		3.852%	0.038322
4				
5	SUM OF TAXES OTHER			0.045462
6				
7	CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5)			0.954538
8	FEDERAL INCOME TAX (LINE 7 * 35%)		35%	0.334088
9				
10	CONVERSION FACTOR			0.620450