

**Puget Sound Energy
Reconciliation of Stephen Hill Calculation**

	Per Hill Exhibit (SGH-1-C) Schedule 4	PSE Correction (3)	Difference	
1 Projected FMB Interest	\$ 155,858	\$ 155,858	\$ -	
2 Necessary Total Income (1 x 2.0)	311,716	311,716	-	
3 Necessary Operating Income (2 - 3a)	280,544	291,261	10,717	Did not use lower Other Income number in calculation.
3a Other Income is limited to the smaller of actual Other Income or 10% of Operating Income				
10% limit (2 x .10)	31,172			
Actual project Other Income		20,455		
3b Other Income used for FMB coverage test	31,172	20,455		
4 Projected Operating Income	223,898	223,898	-	
5 Annual Oper. Income Short Fall (3-4)	56,646	67,363	10,717	
6 Monthly Operating Income Short Fall (See Footnote 1)				
7 Cumulative total	\$ 30,145	\$ 67,363	\$ 10,717	See Footnote 2. (See PSE PC DR 19-I)
8 Conversion Factor for revenue sensitive taxes	<u>0.9552337</u>	<u>0.9552337</u>		
9 Revenue Requirement	<u>\$ 31,558</u>	<u>\$ 70,520</u>		

Footnote:

- 1 FMB test is a cumulative 12 month income test and, therefore, cannot use estimated monthly shortfalls. The \$30.1 million only provides ten months of income in Hill's calculation which will not meet the 2.0 times test. In addition, the 2.0 times interest coverage ratio is a pro forma calculation when issuing new debt.
- 2 This amount does not provide a cushion to issue additional FMB debt but only gets the company to 2.0 times interest coverage ratio. Interest coverage ratio requires current interest plus new issuance to be above the 2.0 times coverage ratio.
- 3 Amounts in this column that are the same as those shown in Mr. Hill's column do not indicate agreement with Mr. Hill's position, but does represent that PSE found no major errors in Mr. Hill's derivation of the amounts.