

**Revised page 27 to the Prefiled Rebuttal
Testimony of John H. Story,
Exhibit No. ____ (JHS-7CT)**

1 **J. Revenue Deficiency**

2 **Q. Would you please explain Exhibit No. ____ (JHS-9)?**

3 A. Exhibit No. ____ (JHS-9) presents the calculation of the revenue deficiency based
4 on the proforma and restating adjustments discussed above. As shown on page 1
5 of this Exhibit, based on \$2,546,059,451 invested in rate base and ~~\$167,990,528~~
6 170,149,659 of net operating income the Company would have an electric retail
7 revenue deficiency of ~~\$103,302,198~~ 99,832,183 after allocation of ~~\$133,376~~
8 125,263 to wholesale customers

9 **1. Cost of Capital**

10 This schedule, shown on Exhibit No. ____ (JHS-9), page 2, reflects the proposed
11 capital structure for the Company during the rate year and the associated costs for
12 each capital category. The capital structure and costs are presented in the
13 testimony of Mr. Donald Gaines, Exhibit No. ____ (DEG-9CT). The rate of return
14 is 9.12%.

15 **2. Conversion Factor**

16 The conversion factor, shown on Exhibit No. ____ (JHS-9), page 3, is used to adjust
17 the net operating income deficiency by revenue sensitive items and Federal
18 income tax to determine the total revenue requirement. The revenue sensitive
19 items are the Washington State utility tax, Washington WUTC filing fee, and bad
20 debts. The conversion factor used in the revenue requirement calculation, taking
21 into consideration the adjustments discussed earlier, is 62.07738%.