

1 combination accounting (Accounting Standards Codification 805) resulting from
2 the merger. In other words, the assets and liabilities have different carrying values
3 at PSE than they do in the upstream entities.

4 To allocate insurance expenses between utility and non-utility activity, the
5 Company is using an allocation methodology evenly weighted between the 1)
6 allocation of directors' fees and 2) direct labor charges for Company personnel
7 who are covered by D&O insurance between utility and non-utility charges.
8 Utility D&O insurance is allocated between electric and gas based on the number
9 of customers allocation factor.

10 This adjustment increases net operating income for natural gas operations by
11 \$23,376.

12 **6.14 Interest on Customer Deposits**

13 This pro forma adjustment reflects the impact of interest associated with using
14 customer deposits as a reduction to rate base. This pro forma adjustment adds to
15 operating expense the cost of interest for this item based on the most currently
16 implemented annual interest rate which is ~~0.42~~0.26%. Pursuant to WAC 480-100-
17 113(9), the interest rate paid on customer deposits is determined annually based
18 on the interest rate for a one year Treasury Constant Maturity as of the fifteenth
19 day of January of that year. This approach is consistent with prior general rate
20 cases. This adjustment decreases net operating income for natural gas operations
21 by \$21,705.