

Puget Sound Energy, Inc.
Response to BPA Issues and Clarification List
For FY 2009 ASC Filing dated January 28, 2009
Submitted February 10, 2009

These responses are submitted by Puget Sound Energy, Inc., (PSE) in response to BPA's Issues and Clarification List for FY 2009 ASC Filing. Common issues have been grouped in the responses, as noted. Generic issues will be addressed at the February 11 FY09 ASC Issues List workshop for Docket No. ASC-09_PS-01.

Issues Nos. 1, 2, and 3 regarding Account 303

Please see PSE's Response to BPA Data Request Nos. 003 and 006 in Docket No. ASC-09-PS-01 for the basis for the determination of the functionalization of specific assets in Account 303. No additional information regarding these assets is available at this time.

Issue No. 4 Regarding the Accounting for Acquisition Adjustments

Please see PSE's Response to BPA Data Request Nos. 007 and 008 in Docket No. ASC-09-PS-01 for documents supporting the regulatory treatment of specific acquisition adjustments. Additionally, please see PSE's Response to BPA Data Request Nos. 006 and 008 in Docket No. ASC-10-PS-01 for a description and examples of the accounting description of PSE's acquisition adjustments. PSE will provide a copy of each of PSE's Response to BPA Data Request No. 006 and PSE's Response to BPA Data Request No. 008 in Docket No. ASC-10-PS-01 as a supplement to PSE's Response to BPA Data Request No. 008 in Docket ASC-09-PS-01.

Please see tab "DIRECT E406 and E407" in Appendix 1, submitted by PSE's in Docket ASC-09-PS-01, for the accounting of the amortization expense of the acquisition adjustments as of December 31, 2006. As shown, the amortization of the Milwaukee Acquisition Adjustment and the Encogen Acquisition Adjustment are booked in Account 406, which is reported on the income statement.

Issue No. 8 regarding Tenaska Regulatory Asset

It is unclear whether the proposed adjustment is consistent with goals of the 2008 ASCM regarding simplification of methodology and the calculation of the ratebase component of the ASC, of which the Tenaska Regulatory Asset is a component.

Issues Nos. 9, 10, 11, 12, 13, and 14 regarding functionalization of certain balance sheet accounts and related income statement accounts, if any.

With respect to the functionalization of balance sheet accounts for which the default functionalization is DIRECT analysis, PSE first determined the regulatory treatment of the balance sheet account. If the balance sheet account was directly included in ratebase for ratemaking purposes, then PSE further reviewed the specific functional nature of the balance sheet account. If, however, the balance sheet account was either not included directly in ratebase for ratemaking purposes, or was included only via the regulated working capital calculation, then PSE functionalized the balance sheet account to DIST/Other.

This set of issues illustrates an inconsistency that can exist in the Appendix 1 if an account on the balance sheet defaults to direct functionalization but the corresponding accounts on the income statement do not. To resolve this inconsistency, the income statement account should be adjusted to directly assign the component related to the balance sheet account. Forcing the balance sheet accounts to conform to the functional method used for the related income statement account is problematic because of the DIRECT analyses default of the balance sheet account.

Issue No. 15 regarding the functionalization of production related property tax

PSE functionalized the property tax related out of state production plant to production, consistent with the Final ASCM ROD, which states as follows:

The ASCM will exclude state and local income- and revenue-related taxes, excise taxes and miscellaneous fees from ASC, although BPA will include in-state and out-of-state property taxes associated with an exchangeable resource or for resource-related costs such as pipelines.

Final ASCM ROD at page 137.

Generic Issues Nos. 5, 6, 7, 16, 17, 18, and 19

Generic Issues Nos. 5, 6, 7, 16, 17, 18, and 19 relate generally to concerns regarding consistent treatment across utilities of specific elements of the base ASC calculation or the ASC forecast. PSE supports the consistent treatment of issues across utilities. PSE, however, recognizes that, in some cases, there are real jurisdictional or cost differences for which a consistent or generic treatment is insufficient. If a generic treatment to a given issue were implemented, such generic treatment should be a default from which a utility could opt out in favor of a utility specific approach. In so opting out, the utility would bear the burden during the ASC review period to justify the use of the utility specific approach.

It is PSE's understanding that issues with respect to generic treatments will be discussed in future meetings, and PSE reserves the right to provide more detailed responses to such generic treatments at such meetings.