

Puget Sound Energy, Inc.
Response to BPA Issues and Clarification List
For FY 2010-2011 ASC Filing
Submitted February 27, 2009

These responses are submitted by Puget Sound Energy, Inc., (PSE) in response to BPA's Issues and Clarification List for FY 2010-2011 ASC Filing. Common issues have been grouped in the responses, as noted. Generic issues will be also be addressed at the March 4, 2009 FY 2010-2011 ASC Issues List workshop for Docket No. ASC-10-PS-01.

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

Please see PSE's Response to BPA Data Request Nos. 003 and 005 in Docket No. ASC-10-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. 7 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. 8, 9, 10, 11, 12, 13, 14, 15, 16, and 18 regarding functionalization of certain balance sheet accounts and related income statement accounts, if any. Similar summary issues were raised in BPA Generic Issues Nos. 6 and 23.

Functionalization determinations should, to the extent possible, reflect the regulatory treatment of the balance sheet and related income statement accounts.

This issue illustrates an inconsistency that can exist in the Appendix 1 if an account on the balance sheet defaults to Direct Analysis, but the corresponding accounts on the income statement do not. To resolve this inconsistency, BPA should adjust the income statement 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 Analysis default of the balance sheet account.

With respect to the functionalization of balance sheet accounts for which the default functionalization is Direct Analysis, the utility should first determine the regulatory treatment of the balance sheet account. If the balance sheet account was directly included in rate base (i.e., the balance sheet account was included in rate base but not through the regulated working capital component of rate base calculation) for ratemaking purposes, the utility should further review the specific

functional nature of the balance sheet account. If, however, the balance sheet account was either not included directly in rate base for ratemaking purposes or was included only via the regulated working capital calculation, the utility should functionalize the balance sheet account to DIST/Other.

Issue No. 19 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.

Issue No. 17 regarding gas related portion of gain from sale of former office building

As noted in PSE Response to BPA Data Request 10, the inclusion of the gas related portion of the gain was in error. PSE agrees that the error should be corrected in the final calculation.

Generic Issues Nos. 4, 5, 6, 20, 21, 22, and 23

Functionalization determinations identified in these issues should, to the extent possible, reflect the regulatory treatment of the given issue.

Generic Issues Nos. 4, 5, 6, 20, 21, 22, and 23 relate generally to concerns regarding consistent treatment across utilities of specific elements of the base ASC calculation or the ASC forecast. PSE generally 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.

A similar set of generic issues were raised by BPA in ASC Docket ASC-09-PS-01. On February 10, 2009 PSE provided comments in response to the FY 2009 issues and on February 25, 2009 PSE also provided additional supplemental

comments regarding the FY 2009 generic issues list, both of which are hereby incorporated by reference in their entireties.

Related to the resolution of Generic Issues Nos. 21 and 22, in particular, is the generic issue regarding the incorporation in the final ASC forecast of new, improved, revised, updated, and supplemental or replacement new resource related information that becomes apparent/available during the ASC review period. For example, in a best efforts approach, an exchanging utility may provide/propose updated cost estimates so as to better reflect the latest projections regarding when the new resource will come on line and/or how the new resource is projected to operate in the exchange period. Additionally, the utility may determine during the course of the review period that a given new resource is no longer projected to come on line and may determine substitute or replacement new resources that are now projected to come on line instead. These updates, if made available to BPA during the review period should be included by BPA in the final new resource projections in the ASC forecast, and should trigger adjustments to the ASC during the exchange period subject to the provisions of the 2008 ASCM.

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.