was allocated to the utility and its subsidiaries, Puget Western, Inc. and Hydro Energy Development Corp., based on the relationship of the assets of each company, consistent with the long standing precedent set in rate proceedings for allocating PSE's director and officer insurance. PSE, in its allocation of director and officer insurance, is following the precedent that was approved by the Commission in Docket Nos. UE-920433, UE-920499, and UE-921262.

Second, Mr. Russell ~~did not make the allocation based on the number of PSE and InfrastruX officers and directors as he states in his prefiled response testimony. Had he done so, he would have apportioned 69% to InfrastruX and only 31% to PSE. Instead, he~~ made the allocation based on the simple average of the percentage relationship between PSE and InfrastruX of 1) their total assets, 2) their number of employees; and 3) their number of directors and officers. This simple average results in a 43% allocation to InfrastruX. However, there is no relationship between the number of employees and director and officer insurance and Mr. Russell provides no basis or support for either of those allocation methods.

Third, Puget Energy sold InfrastruX on May 7, 2006 and there is no longer a reason to allocate any insurance expense to InfrastruX since it will not exist in any prospective rate year. The insurance premium liability did not change as a result of the sale of InfrastruX and director and officer insurance should now be allocated based on the remaining subsidiaries of Puget Sound Energy. Given this known and measurable change, using Mr. Russell's allocation method would