

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-060266 & UG-060267
Puget Sound Energy, Inc.'s
2006 General Rate Case**

WUTC STAFF DATA REQUEST NO. 409

WUTC STAFF DATA REQUEST NO. 409:

Reference: Story Rebuttal, pages 14-17

Please provide the following information on the Company's financial modeling:

- a) Fully describe the financial model indicating the type of computer systems used and software
- b) What is the computer capacity of the system and its software? What capacity does a full normal financial model run take?
- c) How many people, or full time equivalents, work in the financial planning area? How many are directly involved in producing model runs?
- d) Please list the different departments that are involved in providing input, of any sort, into the financial modeling? Please indicate the percentage of total departments involved in the process.
- e) Describe the typical financial modeling process throughout the year.

Response:

The prefiled rebuttal testimony of Mr. John H. Story, Exhibit No. ___ (JHS-19T), as referenced in WUTC Staff Data Request No. 409, does not appear to contain any references Puget Sound Energy, Inc.'s ("PSE") financial model. However, PSE will nonetheless attempt to respond to WUTC Staff Data Request No. 409 as follows:

- a) PSE uses UII (Utilities International) – Financial Planning Model, Version 6.8.127. The software is held on a company server, which the members of PSE's Financial Planning and Analysis Department are authorized to access through their desktop computers.

PSE's Response to WUTC Staff Data Request No. 409
Date of Response: September 14, 2006
Person who Prepared the Response: Lisa Rice
Witness Knowledgeable About the Response: Donald Gaines

Page 1

- b) PSE's financial planning software is not on a dedicated computer system but on one of PSE's network servers. PSE believes that it is a normal user for this type of software and that its capacity would be typical for this type of normal user, but PSE is not aware of the specific capacity requirements to run the model. Individual reports from the model vary in size depending on the amount of information requested in the report.
- c) There are 6 people in PSE's Financial Planning department, and 4 of these work full time on financial planning, with direct involvement in producing model runs. The other 2 people do not work directly on financial planning and are not involved in producing model runs.
- d) The following departments provide direct information to the financial planning department:

Financial Reporting; General Accounting; Property Accounting; Tax; Treasury; Rates; Energy Efficiency; Resource Planning; Power and Gas Supply Information; Planning Budgeting and Engineering; Structuring, Asset Optimization and Analytics. These departments represent approximately 25% of all PSE departments.

- e) PSE has no typical financial model process. The financial planning department works mostly on a project by project basis. That being said, there are a few projects that seem to occur each year. Such projects include producing financial forecasts for budget approval purposes and rating agency presentations and Board of Directors strategic planning meetings. The results of certain model runs, typically those developed around PSE's annual budget cycle, form the basis on which PSE sets its earnings guidance range for external equity analysts for the upcoming year.

PSE's financial planning projects are initiated with various departments providing inputs for PSE's financial planning model. These inputs include load by class, operation and maintenance, capital spending, and power costs. The inputs required depend on the project or scenario being modeled. The inputs are loaded into the model. The model has the rate schedules built into its database and calculates the revenue based on the load and rate schedules. Capital spending is input by asset type so that the model can calculate depreciation according to PSE's GAAP accounting rules for that asset type. PSE's planning department consults with the Financial Reporting department and other departments as appropriate to understand how to model new inputs, such as wind farm additions. In such an example, the Financial Planning department consulted with Financial Reporting, the Rates Department and the Tax Department to be certain that the model correctly reflected how these new

resources' rate recovery, depreciation and tax effect would be reflected in PSE's actual financial reports. The financings are input last based on PSE's Treasury Department's input and the model's projection of cash flow. The model runs are then checked and reviewed by department staff before being reviewed by the Vice President Finance & Treasurer and/or Chief Financial Officer.