



Rob McKenna

ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

1400 S Evergreen Park Drive SW • PO Box 40128 • Olympia WA 98504-0128 • (360) 664-1183

September 28, 2006

Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *Puget Sound Energy General Rate Case*
Docket Nos. UE-060266 and UG-060267 Consolidated

Dear Ms. Washburn:

Enclosed for filing in the above-referenced docket are the original and 16 copies Commission Staff's response to Bench Request No. 10.

Sincerely,

ROBERT D. CEDARBAUM
Senior Counsel

Enclosures
RDC:klg
cc: Parties



WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO BENCH REQUEST

DATE PREPARED: September 28, 2006
DOCKET: UE-060266 & UG-060267
REQUESTER: Bench

WITNESS: James M. Russell
RESPONDER: Staff

BENCH REQUEST NO. 10:

The Agreement between PSE and Staff on various revenue requirement issues, Exhibit No. 4C, page 1, states that Staff agrees to the Company's adjustment for Everett Delta. On page 11 of Attachment A to the Agreement, however, line 25 shows PSE's NOI adjustment for Everett Delta as \$48,303 and Staff's NOI adjustment for this line item as \$(154,839). Thus, though this page states it was updated as of the date of the Agreement, September 15, 2006, the Company and Staff do not appear to be in agreement. Similarly, on page 15 of Attachment A, the NOI effect of the Everett Delta adjustment is shown to be \$(154,839), while on page 13 of Attachment B the NOI effect of the Everett Delta adjustment is shown as \$48,303.

Please explain these apparent discrepancies and state the amount of the adjustment to which PSE and Staff have agreed.

RESPONSE:

Regarding Exhibit No. 4C, page 1, the last sentence in the section entitled "Everett Delta Pipeline Expansion" inadvertently references the "Miscellaneous Operating Expense Adjustment". The sentence should have referenced the "Everett Delta" adjustment. The attached revised page 1 of Exhibit No. 4C corrects that error.

As indicated in Exhibit No. 4C, the only difference between the Staff and Company Everett Delta adjustments relates to the different after-tax rates of return (Staff at 6.61% v. Company at 7.57%). Staff had "rewired" its adjustment to mirror PSE's methodology as reflected in PSE's rebuttal case. However, Staff neglected to include its rewired adjustment in Exhibit No. 4C. Attached is a new page 16 of Attachment A to Exhibit No. 4C to correct that deficiency.

Inputting PSE's after-tax rate of return of 7.57% into Staff's re-wired calculation matches PSE's NOI of \$48,303. The last page of the Attachment provides the calculation.

Finally, by way of clarification of Exhibit No. 4C, please note that Attachment A to the agreement contains revised exhibit pages for Mr. Russell and Attachment B contains revised exhibit pages for Mr. Story and Mr. Karzmar. Those revised pages supersede prior versions where conflicts exist.

ATTACHMENT

DOCKET NOS. UE-060266 AND UG-060267
STAFF/COMPANY AGREEMENT ON REVENUE REQUIREMENT
ADJUSTMENTS

Section 1 – Revenue Requirement Adjustments – agreement on rebuttal changes

The following items describe adjustments presented in the Company's rebuttal case with which Commission Staff agrees:

Wages and Investment Plan – Commission Staff has confirmed the amounts and reasons for the changes made in the Company's rebuttal filing for the Wage Increase and Investment Plan, Adjustments 20.20 and 20.21, Exhibit No. ___ (JHS-20) and Adjustments 12.12 and 12.13, Exhibit No. ___ (KRK-12). The Company and Commission Staff agree that these adjustments as shown in the Company's prefiled rebuttal are uncontested as presented by the Company.

Wild Horse - The Company and Commission Staff agree that the Company's Wild Horse Wind Plant Adjustment shown on page 20.26, Exhibit No. ___ (JHS-20) reflects the deferred taxes associated with this project correctly and that this adjustment is uncontested. With this agreement, the Miscellaneous Operating Expense Adjustment becomes uncontested except as to differences caused by different rates of return as applied to ratebase.

Incentive Plan – The Company and Commission Staff agree for purposes of settlement of this issue in this proceeding that the calculations presented by the Company on page 20.27, Exhibit No. ___ (JHS-20) and page 12.15, Exhibit No. ___ (KRK-12) are uncontested as presented by the Company.

Revenues and Expenses gas adjustment – Commission Staff has reviewed this adjustment as presented on page 12.01, Exhibit No. ___ (KRK-12) and is in agreement with the Company's correction of the error. This adjustment is uncontested as presented by the Company.

Everett Delta Pipeline Expansion – Commission Staff has reviewed this adjustment as presented on page 12.21, Exhibit No. ___ (KRK-12) and is in agreement with changes proposed by the Company in its prefiled rebuttal testimony. This adjustment is uncontested. With this agreement, the Everett Delta adjustment becomes uncontested except as to differences caused by different rates of return as applied to ratebase.

Spiritridge – Upon further review of the Company's rebuttal and review of subsequent data request responses Commission Staff is not proposing an adjustment for Spiritridge and withdraws its adjustment G.22 page 26 Exhibit No. ___ (JMR-4).

**PUGET SOUND ENERGY-GAS
G.21 - EVERETT DELTA
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

| LINE NO. | DESCRIPTION | ADJUSTMENT |
|-------------|--------------------------------------|---------------------|
| 1 | <u>AMA RATEBASE</u> | |
| 2 | GROSS | \$ 25,735,186 |
| 3 | ACCUMULATED DEPRECIATION (AMA) | (217,396) |
| 4 | DEFERRED FIT | (4,357,192) |
| 5 | NET AMA | <u>21,160,598</u> |
| 6 | | |
| 7 | RATE OF RETURN | <u>6.61%</u> |
| 8 | RETURN ON RATE BASE | 1,398,716 |
| 9 | CONVERSION FACTOR | 65% |
| 10 | RETURN ON RATE BASE AFTER CONVERSION | <u>2,151,870</u> |
| 11 | DEPRECIATION EXPENSE & PROP TAX | 944,702 |
| 12 | TOTAL REVENUE REQUIREMENT | <u>3,096,572</u> |
| 13 | EXCLUDE LEASE PAYMENT | <u>3,334,786</u> |
| 14 | | |
| 15 | REVENUE DEFICIENCY | (238,214) |
| 16 | | |
| 17 | OTHER OPERATING EXPENSE | 0.000000% 0 |
| 18 | FILING FEE | 0.000000% 0 |
| 19 | GROSS RECEIPTS | 0.000000% 0 |
| 20 | TOTAL EXPENSE | <u>0</u> |
| 21 | | |
| 22 | NET REVENUE DEFICIENCY BEFORE FIT | (238,214) |
| 23 | | |
| 24 | TOAL INCREASE (DECREASE) FIT | 35% (83,375) |
| 25 | | |
| 26 | TOAL INCREASE/(DECREASE) NOI | <u>\$ (154,839)</u> |

PUGET SOUND ENERGY-GAS
G.21 - EVERETT DELTA
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE

| LINE NO. | DESCRIPTION | ADJUSTMENT |
|-------------|--------------------------------------|-------------------|
| 1 | <u>AMA RATEBASE</u> | |
| 2 | GROSS | \$ 25,735,186 |
| 3 | ACCUMULATED DEPRECIATION (AMA) | (217,396) |
| 4 | DEFERRED FIT | (4,357,192) |
| 5 | NET AMA | <u>21,160,598</u> |
| 6 | | |
| 7 | RATE OF RETURN | <u>7.57%</u> |
| 8 | RETURN ON RATE BASE | 1,601,857 |
| 9 | CONVERSION FACTOR | 65% |
| 10 | RETURN ON RATE BASE AFTER CONVERSION | <u>2,464,396</u> |
| 11 | DEPRECIATION EXPENSE & PROP TAX | 944,702 |
| 12 | TOTAL REVENUE REQUIREMENT | <u>3,409,098</u> |
| 13 | EXCLUDE LEASE PAYMENT | <u>3,334,786</u> |
| 14 | | |
| 15 | REVENUE DEFICIENCY | 74,312 |
| 16 | | |
| 17 | OTHER OPERATING EXPENSE | 0.000000% 0 |
| 18 | FILING FEE | 0.000000% 0 |
| 19 | GROSS RECEIPTS | 0.000000% 0 |
| 20 | TOTAL EXPENSE | <u>0</u> |
| 21 | | |
| 22 | NET REVENUE DEFICIENCY BEFORE FIT | 74,312 |
| 23 | | |
| 24 | TOAL INCREASE (DECREASE) FIT | 35% 26,009 |
| 25 | | |
| 26 | TOAL INCREASE/(DECREASE) NOI | <u>\$ 48,303</u> |