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October 10, 2006

VIA FEDERAL EXPRESS

Ms. Carole Washburn
Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

**Re: Puget Sound Energy, Inc. 2006 General Rate Case
Docket Nos. UE-060266 and UG-060267**

Dear Ms. Washburn:

Enclosed for filing are the original and nineteen (19) copies of Declaration of Bertrand A. Valdman Disputing Testimony Made Subject to Check in the above-captioned matter.

Very truly yours,

Sheree Strom Carson

SSC:cgm
Enclosures

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FEDERAL EXPRESS

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-060266

Docket No. UG-060267

DECLARATION OF BERTRAND A.
VALDMAN DISPUTING TESTIMONY
MADE SUBJECT TO CHECK

Bertrand A. Valdman declares as follows:

1. I am the Senior Vice President Finance and Chief Financial Officer for Puget Sound Energy, Inc. ("PSE" or "the Company"). I make this Declaration based upon personal knowledge of which I am competent to testify.

2. I testified before the Washington Utilities and Transportation Commission ("WUTC" or "Commission") on Tuesday, September 19, 2006, as part of the hearings in the Company's 2006 general rate case, in the above-referenced dockets. Some of my testimony was provided "subject to check." After having conducted a check of the relevant testimony, I provide the following correction to my testimony:

3. In response to Mr. Cedarbaum's question regarding whether it is reported in the Company's 2005 10K that the change in the accounts receivable arrangement decreased the Company's cash flow by about \$200 million, I stated that I would have to accept this subject to check. *See* page 294, lines 20-25 of the hearing transcript, attached hereto as Exhibit A.

4. Having now conducted a check, I do not accept that the Company's Accounts Receivable Securitization Facility ("A/R Facility") decreased the Company's cash flows by \$200

DECLARATION OF BERTRAND A. VALDMAN

07771-0887/LEGAL11556412.1

million, or that the Company's 2005 10K makes such a statement. The A/R Facility, a credit facility through which the Company borrows funds on a short-term, low-cost basis, does not impact cash flows. However, accounting for the facility, or more specifically, accounting for the change in the A/R Facility from off-balance sheet to on-balance sheet results in a reduction in "Net Cash Provided by Operating Activities" as shown in the Company's Statement of Cash Flows. Restructuring of the facility from off-balance sheet to on-balance sheet resulted in \$150 million of the \$221.9 million change in Accounts Receivable, a component of "Net Cash Provided by Operating Activities" as shown in the Statement of Cash Flows.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

EXECUTED at Bellevue, Washington this 9th day of October, 2006.


BERTRAND A. VALDMAN

1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3 WASHINGTON UTILITIES AND)
4 TRANSPORTATION COMMISSION,)

5 Complainant,)
6 vs.) DOCKET NO. UE-060266

7 PUGET SOUND ENERGY, INC.,)
8 Respondent.) DOCKET NO. UG-060267

9) Volume IV
10) Pages 226-431

11) **COPY**

12 A hearing in the above matter was held on
13 September 19, 2006, at 9:30 a.m., at 1300 South
14 Evergreen Park Drive Southwest, Room 206, Olympia,
15 Washington, before ADMINISTRATIVE LAW JUDGE DENNIS MOSS
16 and CHAIRMAN MARK SIDRAN, and COMMISSIONER PHILIP
17 JONES, and COMMISSIONER PATRICK OSHIE.

18 The parties were present as follows:

19 THE COMMISSION, by ROBERT D. CEDARBAUM,
20 Assistant Attorney General, 1400 South Evergreen
21 Park Drive Southwest, Post Office Box 40128,
22 Olympia, Washington 98504-0128, Telephone
23 (360) 664-1188, Fax (360) 586-5522, E-mail,
24 bcedarba@wutc.wa.gov.

25 THE PUBLIC, by SIMON J. FFITCH, Assistant
26 Attorney General, 900 Fourth Avenue, Suite 2000,
27 Seattle, Washington, 98164-1012, Telephone (206)
28 389-2055, Facsimile (206) 389-2058, E-mail
29 simonf@atg.wa.gov.

30 Deborah L. Cook, RPR, CSR

31 Court Reporter

32 CONTINENTAL REPORTING SERVICE, INC.
33 SEATTLE, WASHINGTON
34 (800) 308 - 3377

1 my question, I guess the preliminary question is,
2 do you -- are you familiar with the accounts
3 receivable arrangement that the Company had with
4 a company called Rainier Receivables?

5 A Yes. Although I will say it was
6 Mr. Gaines who structured that, but that's
7 something I am familiar with.

8 Q And that arrangement changed in 2005; is
9 that right?

10 A Yes, it did.

11 Q Did that change the arrangement with
12 respect to Rainier Receivables have an impact on
13 the Company's cash flow?

14 A Yes, it did. And that's one of the
15 reasons the cash flow did change.

16 Q It changed downward; is that correct?

17 A Yes. Correct. I would offer --

18 Q I don't think there was a question
19 pending. Excuse me.

20 Would you accept, subject to your check,
21 that it's reported in the Company's 2005 10K that
22 that change in the accounts receivable arrangement
23 decreased the Company's cash flow by about \$200
24 million?

25 A I would have to do it subject to check.