

**EXHIBIT NO. WJE-22
DOCKET NOS. UE-090704/UG-090705
2009 PSE GENERAL RATE CASE
WITNESS: W. JAMES ELSEA**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-090704
Docket No. UG-090705**

**FIRST EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
W. JAMES ELSEA
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 17, 2009

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 515

PUBLIC COUNSEL DATA REQUEST NO. 515:

Please identify any Commission orders or rules addressing the treatment of imputed debt along with any specific approved imputed debt amounts which have been adopted by the Commission for the purpose of evaluating purchased power alternatives or for ratemaking purposes.

Response:

Existing Washington Administrative Code rules require that Puget Sound Energy, Inc. ("PSE") consider the imputed debt of power purchase agreements when evaluating and ranking resource alternatives. Specifically, WAC 480-107-035 (2) requires that the criteria used to rank project proposals must at a minimum "recognize... risks imposed on ratepayers" and "recognize differences in relative amounts of risk inherent among different... financing arrangements, and contract provisions." In its 1994 order in PSE's prudence review case, the Commission's 1994 prudence order expressly instructed PSE to consider "rating agencies' views of purchased power" and "to quantify the impacts of future resource acquisitions on capital cost and capital structure."¹ Imputed debt represents a significant risk because of its negative impact on PSE's credit quality. PSE addressed this topic in its 2005 Least Cost Plan as well as the 2007 and 2009 Integrated Resource Plans.

¹ *WUTC v Puget Sound Power & Light Co.*, Docket No. UE-921262, *et al.*, Nineteenth Supplemental Order (September 27, 1994) at 35-36.