

May 22, 2002

VIA U.S. Mail and Electronic Email

Ms. Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

RE: Docket A-020405—Comments on Customer Deposit Interest Rate

Dear Ms. Washburn,

Puget Sound Energy (“PSE” or “The Company”) appreciates the opportunity to provide comment on what interest rate should replace the one-year Treasury bill interest rate for customer deposits, in the above noted Docket. PSE believes the following method most closely resembles the interest rate on the one-year Treasury bill referenced in the current rule, will provide a fair and objective measure that is readily available, and finally, will simplify administration.

PSE concurs with Northwest Natural Gas Co.’s suggestion to use the one-year Treasury constant maturity rate. This interest rate is consistent with the one-year Treasury bill in terms of the underlying financial instrument and timing. Additionally, the one-year Treasury constant maturity rate is published in the Federal Reserve’s H.15 statistical release, so is readily available and objective. The rule should specify a specific date, such as the one-year Treasury constant maturity on January 15 (or the next following business day if January 15 falls on a non-business day) as reported in the Federal Reserve statistical Release H.15. Utilities could simply apply the interest rate reported in that publication effective February 1 for the following year—no letter or other Commission action would be necessary. Thus, this approach would have the added benefit of a simplified process relative to the existing procedure.

PSE hopes the comments above are helpful to the other interested parties. We look forward to working together to find a reasonable replacement for the interest rate to apply to customer deposits. Please contact me at (425) 462-3229 if I can be of any assistance.

Sincerely,

Phillip Popoff  
Supervisor-Regulatory Planning