

**EXH. SEF-14
DOCKETS UE-18___/UG-18___
2018 PSE EXPEDITED RATE FILING
WITNESS: SUSAN E. FREE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of:

PUGET SOUND ENERGY

Expedited Rate Filing

**Docket UE-18___
Docket UG-18___**

**THIRTEENTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

SUSAN E. FREE

ON BEHALF OF PUGET SOUND ENERGY

NOVEMBER 7, 2018

1 This write-up addresses the processes and procedures that PSE has in place to comply
2 with WAC 480-100-257(2)(b) and WAC 480-90-257(2)(b).

3 **SUMMARY OF PSE'S PROCESSES AND PROCEDURES TO**
4 **ENSURE ACCURACY IN ITS REPORTED FINANCIAL RESULTS**

5 WAC 480-100-257(2) and WAC 480-90-257(2) set forth the information that must be
6 included in PSE's Commission Basis Reports:

- 7 2. The intent of the commission basis report is to
8 depict the electric [gas] operations of an electric [a gas]
9 utility under normal temperature and power supply
10 conditions during the reporting period. The commission
11 basis report must include:
12 (a) Booked results of electric [gas] operations and rate base,
13 and all the necessary adjustments as accepted by the
14 commission in the utility's most recent general rate case or
15 subsequent orders;
16 (b) Results of operations adjusted for any material out-of-
17 period, nonoperating, nonrecurring, and extraordinary items
18 or any other item that materially distorts reporting period
19 earnings and rate base; and
20 (c) Booked revenues and power supply expenses adjusted
21 to reflect operations under normal temperature and power
22 supply conditions before the achieved return on rate base is
23 calculated.

24
25 This write-up focuses on the requirements of subsection (2)(b) set forth above.
26 The requirements of WAC 480-100-257(2)(b) and WAC 480-90-257(2)(b) are similar to
27 GAAP and FERC reporting requirements to which PSE adheres. Additionally, the actual
28 (or unadjusted) results of operations that are the starting point for PSE's Commission
29 Basis Reports are the results of the financial information that are governed by the
30 procedures discussed in this write-up.

1 As required by the 2008 Acquisition Order,¹ PSE complies with Section 404 of the
2 Sarbanes-Oxley Act of 2002, which requires management of public companies to assess
3 the effectiveness of internal controls for financial reporting (“ICFR”). ICFR is a process
4 designed to provide reasonable assurance regarding the reliability of financial reporting
5 and the preparation of financial statements for external purposes in accordance with
6 GAAP. ICFR includes policies and procedures that (i) pertain to the maintenance of
7 records that, in reasonable detail, accurately and fairly reflect the transactions and
8 dispositions of the assets of the company; (ii) provide reasonable assurance that
9 transactions are recorded as necessary to permit preparation of financial statements in
10 accordance with GAAP, and that receipts and expenditures of the company are being
11 made only in accordance with authorizations of management and directors of the
12 company; and (iii) provide reasonable assurance regarding prevention or timely detection
13 of unauthorized acquisition, use, or disposition of the company’s assets that could have a
14 material effect on the financial statements.

15 On an annual basis PricewaterhouseCoopers, LLP (“PwC”), PSE’s external auditors,
16 opine on whether the company maintained effective ICFR. PSE has received only
17 unqualified opinions from PwC with respect to management’s ICFR, meaning that PSE’s
18 financial records and statements are fairly and appropriately presented, and in accordance
19 with GAAP.

¹ *In re Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc. For an Order Authorizing Proposed Transaction, Docket U-072375, Order 08 Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject To Conditions, Attachment C, p. 11 (December 30, 2008).*

1 The underlying records of the GAAP financial statements and FERC Form 1 are used in
2 the creation of PSE's Commission Basis Reports; therefore, the procedures noted above
3 validate the accuracy and completeness of the financial records that are used in PSE's
4 Commission Basis Reports.

5 PSE's annual financial statements (Form 10-K), filed with the SEC, are audited by PwC;
6 and PSE's quarterly financial statements (Form 10-Q), filed with the SEC, are reviewed
7 by PwC. PSE's FERC Form 1 is also audited by PwC on an annual basis. The GAAP
8 financial statement audit is in accordance with the standards of the Public Company
9 Accounting Oversight Board ("PCAOB"), and the FERC Form 1 audit is in accordance
10 with the auditing standard from the American Institute of CPA's ("AICPA"). Those
11 standards require that the audits obtain reasonable assurance about whether the financial
12 statements are free of material misstatement and whether effective ICFR were maintained
13 in all material respects. The audits of the financial statements include procedures to
14 assess the risks of material misstatement of the financial statements and to respond to
15 those risks. These procedures ensure the Commission Basis Report is not materially
16 distorted and are materially correct, including out-of-period, nonoperating, and
17 nonrecurring adjustments.