

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

WUTC STAFF DATA REQUEST NO. 209

WUTC STAFF DATA REQUEST NO. 209:

Re: Deferral Method for Major Maintenance and Response to Staff Data Request No. 078

- a. Please explain why the Company did not adopt the deferral method under AICPA Audit and Accounting Guide for Airlines or the FASB Accounting Standards Codification for all major maintenance.
- b. Please explain why the 2008 Major Maintenance for Whitehorn 3 was not amortized per the deferral method.

Response:

- a. Puget Sound Energy, Inc. ("PSE") has fully adopted the AICPA Audit and Accounting Guide for Airlines for all of its O&M major maintenance.

PSE is currently accounting for major maintenance O&M expenses on units which have long-term service agreements, regardless of their dollar amount per occurrence, under the Deferral methodology. PSE has adopted the Deferral methodology for units with long-term service agreements because they are the only type of plant that has the information available that is necessary to implement the Deferral methodology. This information includes the fact that payments for major maintenance O&M are prepaid through a monthly factor-fire hour fee. Additionally, as baseload plants, these units have a more repetitive and relatively predictable time period between events. This allows for a reasonable basis for estimating the period over which to amortize the prepayments.

PSE is currently accounting for major maintenance O&M expenses on units which do not have long term service agreements ("peaking units"), regardless of their dollar amount per occurrence, under the Direct expensing methodology. PSE has adopted the Direct expensing methodology for these units because they do not have the information available that is necessary to implement the Deferral methodology. As units without long-term service agreements, there is no prepayment of major

PSE's Response to WUTC Staff Data Request No. 209

Date of Response: November 4, 2009

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maintenance O&M. Rather, major maintenance O&M is paid as the events happen. Additionally, as peaking units, the time between O&M major maintenance events is less predictable, and therefore, a reasonable basis to determine the time period over which to amortize costs is not available. Accordingly, as major maintenance O&M events occur on peaking units, PSE is currently expensing the amounts incurred at the time of the event.

The current accounting that PSE follows for major maintenance O&M has been audited without exception by PSE's external auditors, PricewaterhouseCoopers, and thus is in compliance with GAAP.

- b. Please see part a. above regarding PSE's current accounting under the Direct expensing methodology for peaking units. Whitehorn 3 is a peaking unit and therefore expenses associated with the major maintenance O&M event were expensed rather than deferred and amortized.