LEO-16

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. 260

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Re: Exhibit No. LEO-14C

Exhibit No. LEO-14C reflects the ~~removal of~~ $6,197,058 of major maintenance expenses.

a) What recovery, if any, PSE has reflected in this case for this amount.
b) Please explain PSE's expectations for recovery now or in the future for this amount.
c) Please explain whether PSE is expecting the establishment of a regulatory asset or deferral subject to FASB Accounting Standards Codification Section 980 Regulated Operations or the previous Statement of Financial Accounting Standards No. 71 for this major maintenance expense.
d) Exhibit No. LEO-13CT, page 2, lines 15-17 states: "Therefore, the Company is agreeable to implement the accounting guidelines for maintenance in the manner similar to that recommended by Staff and Public Counsel. The Company further agrees to start amortizing the deferred amounts when the major maintenance is completed." Does this similar method and amortization consider a new deferral recommended by the Company in rebuttal that follows Regulated Operations or the previous Statement of Financial Accounting Standards No. 71?

Response:

a) Puget Sound Energy, Inc. ("PSE") is not seeking recovery of the $6,197,058 of major maintenance expense in the current rate proceeding. However, PSE did add back expenses for updated Goldendale contractual services agreement ("CSA") payments of $676,847, which is an ongoing contractual obligation. Please see PSE's Response to WUTC Staff Data Request No. 252(C) for further explanation.

b) Current rates provide recovery of major maintenance based on a cost per MWh or time period between events so the test year costs are covered under that cost methodology. With the change in recovery to the deferral method the method of recovery will be based on actual current year major maintenance cost that will be deferred and amortized over some future period.

c) PSE is not seeking the establishment of regulatory assets for the $6,197,058 major maintenance expense that occurred in the test year.

d) PSE's intent is to initially set up a miscellaneous deferred debit account for major maintenance event. As stated in the Prefiled Rebuttal Testimony of Louis E. Odom, Exhibit No. LEO-13CT, PSE would start amortizing the event immediately. The amortization period would be based on the scheduled maintenance between events. Once the event is approved in rates or by Accounting Petition discussed below, PSE would propose transferring the account to a regulatory asset.

For turbines that have long term contracts, the maintenance deferred and amortized will be determined by review of the contract and its recommended maintenance periods. This is the current procedure that is used for financial reporting purposes.

For turbines that do not have contracts, the deferral and amortization of major maintenance expense will be determined by an internal review of operating characteristics of a particular turbine. Based on the particular turbine, a time period will be determined as to when the next major maintenance would be expected. When major maintenance is done on these turbines, PSE will file an Accounting Petition for Commission approval to defer the costs and start the immediate amortization over the time period determined. A Commission order approving the deferral and amortization will allow PSE to defer the costs for both financial reporting purposes and rate purposes. Previously PSE had expensed the major maintenance for these turbines for financial reporting purposes as the cost recovery built into rates was considered to be an accrual methodology. Under this accrual methodology there was no need to determine a recovery period or defer the maintenance expense.