

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. 234

WUTC STAFF DATA REQUEST NO. 234:

Referring to the rebuttal testimony of Matthew R. Marcellia, Exhibit No. MRM-4T, page 37, lines 16-22 and page 38, lines 1-2, please provide all supporting documents, including but not limited to WUTC or other regulatory agency orders, textbooks, or publications related to regulation and ratemaking.

Response:

Puget Sound Energy, Inc. ("PSE") objects to WUTC Staff Data Request No. 234 as overly broad and unduly burdensome. PSE also objects to WUTC Staff Data Request No. 234 to the extent that the information requested is publicly available, and WUTC Staff either possesses or has access to the information requested. Without waiving these objections, and subject thereto, PSE responds as follows:

Rates are typically set to recover future costs, not past costs. In Washington, the Commission typically uses an historical test year as a proxy for future costs. As explained in Accounting for Public Utilities, Volume 1, 2009, §3.01[2][a]:

Accordingly, the ratemaking process, by whatever means employed, should result in producing rates that, when applied prospectively to sales or to services rendered, generate revenues equal to the cost incurred.

Rates are future looking. When PSE recorded the benefit of the deferred tax in September 2002, that benefit offset other costs, so the benefit dates back to September 2002, not the point in time when new rates were set.