

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PUBLIC COUNSEL DATA REQUEST NO. 134

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At pages 107 and 108 of Puget Energy's 2008 S.E.C. Form 10-K, the company indicates that the expected long-term return on its retirement plan assets is 8.25% and the target asset mix of that retirement investment portfolio consisted of 62% equities, 10% hedge funds, 5% tactical asset allocation and 23% fixed income securities.

- a) Please provide the expected long-term return expectations for each class of asset in the portfolio, showing how the weighted average after-tax return from those investments supports the 8.25% overall expected return used by the Company.
- b) Please provide any internal documents prepared by the Company that support the long-term equity return expectations used in the expected return analysis shown in its 2008 10-K, as well as any such documents or studies provided by the Company's pension fund advisors.
- c) If the Company has any similar report or analysis for 2009, please also supply a complete copy of the most current analysis of long-term return expectations for its pension fund portfolio.

Response:

Puget Sound Energy, Inc. ("PSE") typically reviews actuarial assumptions used in the accounting treatment of its Retirement Plan ("Pension") annually.

- a) Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 134, please find the presentation from the December 8, 2008 meeting of the Retirement Plan Committee, presented by PSE's independent investment advisor, R.V. Kuhns, which contains long-term return expectations for each class of asset. Please see the column titled "RVK Return Assumption" and the box at the bottom of the page titled "RVK Return Assumption Based on Weighted Average." At the December 8, 2008 meeting, Mr. Howell advised the Retirement Plan Committee of assumed returns for various asset classes and concluded that an assumed future weighted return of 8.47% would be reasonable, given the plan's asset allocation. After discussion, the Retirement Plan Committee

determined that retaining the 8.25% assumed future return was both conservative and reasonable.

- b) PSE relied on the R.V. Kuhns' analysis and did not produce any additional studies, documents or reports regarding the Pension plan's assumed long-term future returns.
- c) Please see PSE's Response to Public Counsel Data Request No. 134(a) for information regarding the most current analysis of long-term return expectations.

Attachment A

Retirement Plan for the Employees of Puget Sound Energy, Inc.

Historical Rates of Return As of 9/30/08	Annualized Returns (1)						RVK Return Assumption	PSE 12/04/08 Allocation		Current Target
	5 Year	10 Year	20 Year	30 Year	40 Year	50 Year		(Before Rebalance)	(After Rebalance)	
Large Cap US Equities										
S&P 500	5.17	3.06	9.94	11.73	9.72	9.98	8.00	29%	30%	32%
Median Large Cap Universe (2)	6.23	5.14								
Small Cap US Equities										
Russell 2000	8.15	7.81	9.47	NA	NA	NA	9.00	8%	10%	10%
Median Small Cap Universe (2)	8.47	10.90								
Non-US Equity										
MSCI EAFE	10.16	5.42	5.41	10.24	NA	NA	8.25	18%	18%	20%
Median Int'l Universe (2)	10.78	7.92								
Fixed Income										
Barclays Capital Aggregate	3.78	5.20	7.23	8.43	NA	NA	5.00	27%	25%	23%
Median Bond Universe (2)	3.58	5.06								
Real Estate										
NCREIF ODCE	13.93	11.75	8.31	9.66	NA	NA	7.25	0%	0%	0%
Absolute Return										
HFN Fund of Funds	4.78	8.02	10.89	NA	NA	NA	8.00	13%	12%	10%
Global Tactical Assets										
Global Alpha I Index	NA	NA	NA	NA	NA	NA	9.47	5%	5%	5%
Cash										
P&R 90 Day T-Bill Index	3.15	3.48	4.56	6.31	6.30	5.76	3.25	0%	0%	0%

RVK Return Assumption Based on Weighted Average		
without active management alpha:	7.38(3)	7.47(3)
with active management alpha:	8.38(3)	8.47(3)

Notes:
 (1) Annualized returns are geometric means and based on monthly data with the exception of the NCREIF Index, which is published quarterly, and the S&P 500, which is quarterly prior to Jan 1989.
 (2) Median universe returns are gross of fees.
 (3) The weighted average returns are based on expected index returns and since all of the assets are actively managed we would expect an alpha of approximately 1.0%.