

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. 145

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- a) Please explain in as much detail as possible why, following the WUTC approval of the purchase of Puget by the Macquarie consortium, the Company has any concerns regarding its ability to fund its capital budget plans.
- b) Is the Company's capital budget significantly larger than it was last year? Please provide support for your response.
- c) Please explain why the Company is unable to obtain funding for its capital budget from its private investors and plans, instead, to access the public debt markets.

Response:

- a. Mr. Markell does not state in his Prefiled Direct Testimony, Exhibit No. ___ (EMM-1CT), that Puget Sound Energy, Inc. ("PSE") has concerns regarding its ability to fund its capital budget plans. Rather, Mr. Markell highlights the financial challenges facing PSE, which include executing a significant capital budget program. Specifically, Mr. Markell's testimony describes the financial challenges PSE is facing, which include: 1) accessing uncertain credit markets; 2) PSE's significant capital budget program; 3) PSE's modest internal cash flow relative to its capital expenditure program; and 4) its inability to earn its authorized rate of return. Please see page 24, lines 5-24 of the Prefiled Direct Testimony of Eric Markell, Exhibit No. ___ (EMM-1CT). Further, Mr. Markell testifies that it is important for PSE to demonstrate to the debt markets, which PSE must access, sufficient financial strength to execute a large capital budget program. Please see page 26, lines 9-17 of Mr. Markell's Prefiled Direct Testimony, Exhibit No. ___ (EMM-1CT).
- b. As stated on page 26, lines 9-17, of Mr. Markell's Prefiled Direct Testimony, Exhibit No. ___ (EMM-1CT), it is Mr. Markell's opinion that PSE's capital spending program is significant to PSE's size, including both the 2009 capital budget and 2008 capital spending levels. The difference between the two years' spending levels is not significant. (PSE's 2009 capital budget of \$921 million is \$34 million, or 4% greater than PSE's 2008 capital spending of \$887 million.)

- c. Please see PSE's Response to Public Counsel Data Request No. 139 for information regarding funding for PSE's capital budget.

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PUBLIC COUNSEL DATA REQUEST NO. 139

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(Markell Direct, p. 15, ll. 14-19)

- a) Does Mr. Markel agree that in the recent sale case, the Company represented that, if the sale were allowed to proceed, Macquarie had arranged for financing Puget's capital needs over the next five years? If not, please explain why not.
- b) What portion of the total new funds cited on page 15 will not be provided by the debt facilities arranged during the sale of Puget to Macquarie?
- c) What portion of the total new funds cited on page 15 are expected to be provided by additional equity infusions from Macquarie or the Canadian pension fund investors?

Response:

Puget Sound Energy, Inc. ("PSE") objects to Public Counsel Data Request No. 139 to the extent that it requests information or data that is neither relevant nor reasonably calculated to lead to admissible evidence. Without waiving such objection, and subject thereto, PSE responds as follows:

- a) No. As stated in the merger proceeding, WUTC Docket No. U-072375, the Joint Applicants represented that Puget Holdings LLC would provide \$1.4 billion in credit facilities that, "****in combination with PSE's retained earnings and *long-term debt issuance* will be available to fund PSE's capital expenditures****". (emphasis added), Such credit facilities became effective and available upon closing of the merger, February 6, 2009.

Please see page 10 of the Reply Brief of Puget Holdings LLC and Puget Sound Energy, Inc. in Support of the Proposed Transaction, filed with the Commission in WUTC Docket No. U-072375.

- b) On page 15 of the Prefiled Direct Testimony of Eric M. Markell, Exhibit No. ___ (EMM-1CT), Mr. Markell states that Puget Sound Energy, Inc.'s ("PSE") long term business plan dated March 2009 shows a need to raise an estimated \$ [REDACTED] in new funds during the period 2009 to 2013. At the time such estimate was made, sources of funds to meet such need were expected to include \$ [REDACTED] in new equity and \$ [REDACTED] in long term debt, including new debt issuances to be made by PSE of \$ [REDACTED] and including the refunding requirements of maturing PSE debt, which was then estimated to be \$665 million during the forecast period. During such planning period, short term debt was expected to be reduced by \$ [REDACTED]. Please see the Second Exhibit to Mr. Markell's Prefiled Direct Testimony, Exhibit No. ___ (EMM-03), page 12 for more information.

As already stated, PSE will continue to have a need to refund maturing debt and issue new debt in addition to the equity to be provided by Puget Energy, Inc. ("Puget Energy"). PSE will remain an active participant in the short and long-term debt markets and will continue to pursue strong credit ratings to facilitate access to, and minimize the cost of, such debt. Thus, the entire \$ [REDACTED] in new long-term debt need shown in the March 2009 business plan is required, in addition to the committed credit facilities provided by Puget Energy.

- c) The \$ [REDACTED] in new equity forecasted in the March 2009 business plan has been or will be provided by Puget Energy. Puget Energy has been capitalized with equity from its investors and debt from the 5 year credit facilities already described.

PSE's Response to Public Counsel Data Request No. 139 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-090704 and UG-090705.