

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. 557

PUBLIC COUNSEL DATA REQUEST NO. 557:

Referring to pages 14 through 18 of Mr. Michael Stranik's rebuttal testimony, wherein arguments regarding the inclusion of corporate aircraft cost in rate development is discussed and answer/provide the following:

- a. Please provide any and all calculations, studies, estimates of any kind made by Mr. Stranik or any person working for or on behalf of PSE setting forth alleged "loss of productivity by employees" or any other savings that Mr. Stranik indicates justify the inclusion of corporate aircraft costs in the rate setting process. Provide the study/report/estimate as well as all underlying calculations and a listing of assumptions employed in such study.
- b. Putting aside Mr. Stranik's argument that labor savings have not properly been accounted for and considered in developing Mr. Dittmer's corporate aircraft adjustment, please provide a listing of any errors in calculations identified by Mr. Stranik as well as a listing of assumptions about alternative transportation costs with which Mr. Stranik disagrees. If prepared, provide the alternative spreadsheet calculation that modifies Mr. Dittmer's calculation for errors observed or any assumptions with which Mr. Stranik disagrees. Please list any overstatement of alternative transportation costs used in Public Counsel's study as well as any understatement of alternative transportation costs.
- c. How does the Company transport employees to the airfield in Renton and what time and costs are associated with this travel when corporate aircraft travel originates out of Renton.
- d. Please provide any publications or authorities that Mr. Stranik relies upon to conclude that the IRS mileage reimbursement rate used by Mr. Dittmer is only an approximate cost reimbursement rate for *variable* costs associated with a vehicle and specifically does not cover depreciation, maintenance, insurance or other fixed ownership costs.
- e. What is the Company's policy and cost reimbursement amount for when employees are required to use their personal vehicles for carrying out company work? Provide actual rules/guidelines/employee notification if available.
- f. Please provide the amount paid in 2008 for reimbursing employees for use of personal vehicles for PSE work efforts. Provide the number of miles for which reimbursement was made as well as the amount of reimbursement.

- g. Please discuss and describe the ground transportation arrangements made in Portland, when the corporate aircraft transports employees to Portland, and discuss/quantify the costs incurred in providing such ground transportation.
- h. Please provide the number of corporate aircraft flights made in 2008 to perform snow level survey flights in the Cascade mountains.
- i. Please state the methods and intervals of snow level surveys undertaken by other Northwest utilities owning hydro facilities or purchasing power from hydro facilities.
- j. Please confirm that aircraft amounts charged to FERC Account 426.5 includes only the costs determined to be variable with aircraft usage and that no fixed costs of owning/operating the aircraft were charged to FERC Account 426.5. Alternatively, please state, describe and show where any fixed costs of owning and operating the corporate aircraft were charged below the line.

Response:

- a. Puget Sound Energy, Inc. ("PSE") has not performed a detailed employee productivity study related to PSE's use of a corporate owned aircraft. Mr. Stranik's Prefiled Rebuttal Testimony, Exhibit No. MJS-12T, provides an example of productivity associated with its aircraft.
- b. Exhibit No. MJS-12T specifically identifies two areas regarding alternative transportation costs that Public Counsel witness James R. Dittmer failed to address: 1) loss of employee productivity and 2) the exclusion of snow survey level. However, PSE believes there are other inaccuracies in Mr. Dittmer's workpaper in addition to these two examples.
- c. PSE employees generally use personal vehicles or PSE pool cars when traveling from work locations to the Renton Hanger, where PSE's aircraft is kept. The mileage from PSE's Bellevue general office complex to the Renton Hanger is 11 miles, with a commute time of approximately 15 to 30 minutes, depending on I-405 traffic.
- d. Pursuant to review of Internal Revenue Service ("IRS") releases, the standard mileage rate established by the IRS does include fixed and operating cost components, although the IRS does not disclose the details of how the rate is computed.
- e. PSE's policy with regard to the use of company-owned vehicles and reimbursement for personal usage of employee vehicles for business purposes is listed in its Corporate Policy Procedure No. 26 – Company Vehicle Usage.

Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 557, please find a copy of the Corporate Policy Procedure No. 26 - Company Vehicle Usage.

- f. In calendar year 2008, PSE paid a total of \$775,143 to employees in reimbursement for business use of personal vehicles. In accordance with PSE's policy on business use of personal vehicles (Corporate Policy Procedure No. 26 - Company Vehicle Usage), the reimbursement rate is the IRS standard mileage rate, which was \$.505/mi for the first six months of 2008 and \$.585 for the last six months of 2008. Employees were reimbursed an aggregate of approximately 1,428,200 miles of use of personal vehicles during 2008.

Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 557, please find an MS Excel worksheet showing the amount paid to PSE Employees for reimbursement of business miles. The actual mileage associated with mileage reimbursements is not maintained in such a way as to report that mileage at a later time. Therefore, an estimate of the mileage associated with the calendar year 2008 reimbursements has been included in Attachment B based on PSE's reimbursement rate in effect at the time the reimbursements were made.

- g. PSE maintains a seven year-old Ford vehicle at the business aviation center at the Portland airport for business use by employees. The vehicle is driven approximately 2,500 miles a year, and its availability saves taxi and rental auto expenses.
- h. PSE performed eight Mt. Baker snow level survey flights in 2008, which is a typical number of such flights made during winter months.
- i. PSE maintains eleven snow level markers on primarily the eastern slopes of Mt. Baker that reveal the depth of snow pack, and thus data on the amount of future electric generation anticipated at PSE's largest two hydroelectric facilities. Information obtained by observing the snow level markers is useful in electric resource portfolio management. Generally, PSE attempts to obtain monthly level measurements, except during summer months. PSE has not performed a study of other Pacific Northwest utilities' methods for measuring future hydroelectric generation by facility, but each technique is likely to be unique and dependent on geography.
- j. PSE "functionalizes" (distributes the costs for accounting purposes based on the specific usage documented in flight authorization forms and flight logs) only the variable costs of its aircraft. The fixed costs (ownership and depreciation costs) are not functionalized. The flight logs provided in Exhibit No. MJS-19 for the three flights referenced in that exhibit indicate an aggregate of 10 hours of use out of a total of 274 flight hours during calendar year 2008. Thus, an allocation of fixed costs for these three flights would be $10/274 * \$226,394$ (Exhibit No. JRD-2C; ownership costs of \$139,358 and depreciation of \$87,000) = \$8,261.

**ATTACHMENT A to PSE's Response to
Public Counsel Data Request No. 557**



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EXPENSE REPORT POLICY

References


Expense Report Form 1080
 Controller's Manual #7 (CTM 7) Invoice Approval Policy
 Controller's Manual #19 (CTM 19) Cash Advances

Key words

travel mileage airfare lodging meals

Approvals


 James W. Eldredge
 Vice President and Controller


 Jennifer L. Connor
 Senior Vice President, General Counsel,
 Corporate Secretary, and
 Chief Ethics and Compliance Officer

POLICY:

The purpose of this policy is to establish responsibilities, guidelines, and procedures in accordance with applicable provisions of the Internal Revenue Code and the Honest Leadership and Open Government Act for PSE employees who are assigned to travel or incur expenses related to Company business.

The intent of this policy is to:

- Ensure compliance with IRS reporting and accountable plan requirements;
- Ensure that when an employee requests reimbursement of expenses from the Company, all such expenses are directly work-related, necessary for Company business, and properly documented;
- Ensure compliance with applicable laws; and
- Assist supervisors in exercising prudent judgment in approving travel-related costs.

This policy applies to all PSE employees.

DISCUSSION:

Travel and employee expenses incurred must be supported by a business purpose documented on an expense report form. A separate memorandum or explanation of receipts can also be attached to the expense report form. The purchase of personal items as part of the travel and entertainment will not be reimbursed by the Company.



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EXPENSE REPORT POLICY

Employees who conduct business with foreign governments or companies inside or outside the United States must comply with federal, state, and local laws of the United States and the foreign country. This includes the Foreign Corrupt Practices Act ("FCPA"), a federal law that prohibits paying bribes or otherwise giving anything of value to a foreign official for the purpose of influencing that official. Promising, offering, or authorizing another to pay a bribe or to give something of value to an official all may violate the FCPA. The law is not limited to payments of cash: it applies to all goods, services, rights, contracts, and other benefits. Violation of the FCPA can result in criminal penalties, including prison terms for individuals, as well as monetary fines imposed on PSE.

To ensure compliance with the FCPA, employees may not make payments, give gifts, or otherwise provide anything of value to any foreign official without the prior written authorization of the Vice President Controller and Chief Accounting Officer. For purposes of this section, a foreign official includes any foreign government representative, candidate for public office, representative of a political party, or any employee of a business owned by a governmental organization. Because the FCPA also prohibits making bribes or payments indirectly through third parties, no employee may retain a consultant or agent in connection with pursuing any business relationship with any foreign official, foreign government, or foreign governmental entity without the prior written authorization of the Vice President Controller and Chief Accounting Officer.

In addition, PSE expense report forms require each employee to certify that no expenditure for which reimbursement is being sought directly or indirectly violated the FCPA or constituted a bribe or gift of any value to any foreign official.

In addition, reimbursement of any gifts (including travel and entertainment) to members of Congress is prohibited. The application of this policy must be consistent throughout the Company. Any exceptions must be reported and reviewed by the designated officers of the Company.

Allowable business expenses include, but are not limited to: transportation (including public transportation), airfare, personal vehicle mileage, lodging, rental car, and business meals. Expenses that are not reimbursable are found on the attached Exhibit 1, Expense Report General Instructions, Item 2.

PSE maintains an Internal Revenue Service (IRS) "accountable plan" under which reimbursements for travel and business expenses are not required to be reported as income to the employee. Under an accountable plan, travel advances and reimbursement of expenses must meet three requirements:



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1. Advances and reimbursements must be made only for travel, entertainment, or business expenses that directly benefit the Company;
2. Employees must provide a statement (with appropriate documentation) substantiating the amount, dates, and business purpose of the expenses within a reasonable period of time; and
3. Any amount paid to the employee that is more than the business-related expenses adequately accounted for must be returned within a reasonable period of time (see Controller's Manual CTM 19).

The IRS requires that employee reimbursements for items failing to meet these criteria be treated as income to the employee and reported to the IRS on Form W-2 (subject to withholding of employment taxes).

TIMELINES OF REPORTING:

The following procedures will help ensure timely and accurate reporting of company travel, entertainment, and business expenses, and compliance with accountable plan rules:

- Employee claims for reimbursement of approved travel, entertainment and business expenses, and the return of any advances in excess of substantiated expenses, are to be received in Accounts Payable within thirty (30) days, but no later than sixty (60) days, after completion of a trip or the date on which an entertainment or business expense was incurred.
- Any claim for reimbursement received in Accounts Payable more than the sixty (60) days described above may be required to be reported as income to the employee and subject to withholding of any applicable employment taxes.
- In rare cases, additional time beyond the maximum 60 days may be allowed; this would require officer approval for a reasonable exception.

Reasonable exceptions depend on the facts and circumstances of the situation. They would typically involve unforeseen circumstances or circumstances that provide reasonable cause for the submission of travel and expense reimbursements beyond the 60-day period.

Examples of reasonable exceptions include, but are not limited to:

- Extended personal illness;
- Death in the family;
- Unanticipated leave of absence; or
- Travel outside of the country for an unexpected extended period of time.

It is the responsibility of the employee to submit timely and accurate expense reports for reimbursement of legitimate business expenses. PSE reserves the



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right to deny reimbursement of expenses left unreported for more than six months (180 days) after the business expense was incurred.

REQUIRED DOCUMENTS:

Receipts are required as follows:

- Original hotel bills are required for all lodging expenditures regardless of dollar amount, as required by the IRS;
- Receipts are required for expenditures that are equal to or greater than \$75;
- Receipts under \$75 need not be forwarded to Accounts Payable;
- Mileage logs, including to/from locations and business purpose.

BUSINESS PURPOSE:

For the Company to exclude reimbursed business expenses from an employee's income, the employee must adequately substantiate such expenses. This means an employee must provide a full business purpose explanation of expenses and include lodging receipts in any amount plus receipts for any other reimbursable item of \$75 or more. IRS regulations also require employees seeking reimbursement of meal expenses to provide names of individuals in attendance and their business affiliations in addition to a business purpose explanation.

All reimbursements must include the following business purpose detail:

- Who attended and their business affiliation (PSE or other company);
- What business function is being performed;
- Why the expenditure is necessary, business purpose, reason;
- Dates of activity, dated receipts; and
- The location(s) of trip, meal, meeting, conference, etc.

Reimbursements with an incomplete business purpose cause rework and delays. If a reimbursement request is incomplete, it will be returned to the employee.

SIGNATURES AND APPROVALS:

The employee requesting reimbursement must sign the expense report attesting to incurring expenses while in the conduct of Company business and that no portion of the reimbursement is for gifts (including meals and travel) to a member, officer, or employee of either House of Congress.

Approver is the direct supervisor or authorized delegate of the individual incurring the reimbursable expenses. For information concerning authorized delegates, please see CTM-7.

POLICY EXHIBITS:

1. Expense Report Instructions
2. Expense Report
3. Mileage Log (and instructions)



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PROCEDURES:

WHO	DOES WHAT
Employee	<ul style="list-style-type: none"> • Submit expense report monthly, or within 30 days of travel or expenditure, requesting the reimbursement of travel and business expenses incurred on behalf of the Company (see attached Exhibit 2). • Include the nature and business purpose of each expenditure, including a list of all guests and business affiliations, if applicable. • Include all receipts over the IRS regulation threshold amount of \$75. • Include all lodging receipts (hotel folios) regardless of the amount. • Affix small receipts with tape to an 8 ½ X 11 sheet of paper for imaging. • Record daily business mileage including business purpose and to/from destinations. Alternatively, if the employee wishes to summarize mileage on the expense report, a mileage log must be included (see attached Exhibit 3). • Submit expense report electronically monthly via the corporate expense report tool, if available. • Submit written expense report with all attachments to immediate supervisor for approval.
Immediate Supervisor	<ul style="list-style-type: none"> • Verify all of the necessary expense information, including attached receipts, proper accounting, and business purpose/documentation. • Determine that the charges are valid, timely, and reasonable. • Approve the expense report with signature and employee number. • Forward approved expense report with all attachments to Accounts Payable or forward to department's Vice President/Officer for approval if expense report is submitted more than sixty (60) days after completion of a trip or the date on which an entertainment or business expense was incurred. • If expenses are submitted more than sixty (60) days after the travel or expenditure, document reason for untimely submission.
Officer/ Vice President	<ul style="list-style-type: none"> • Review expense reports submitted more than sixty (60) days after the travel or expenditure. • Review reason for untimely submission and, if appropriate, or deemed acceptable, approve expense report for reasonable exceptions to submission deadlines.
Accounts Payable Department (A/P)	<ul style="list-style-type: none"> • Review submitted expense report compliance with company policy, accounting requirements, and IRS regulations. • Reimburse employees via direct deposit. • Issue travel advances related to travel (see CTM 19).

GENERAL INSTRUCTIONS

1. **Corporate Policy & Ethics**
Be familiar with contents as related to expense reimbursement policy.
2. **Expenses Not Reimbursable on Expense Reports include:**
Compensation of any kind, including overtime or missed hours, bonuses, etc.
Donations/contributions
Relocation expenses
Fines or late payment penalties of any kind
Losses, theft, or damage to personal property
Expenses lacking clear documented business purposes
Travel insurance
Personal vehicle expenses
Extravagant or lavish entertainment of business guests
Personal expenses (reading material, laundry services, barber, in-room movies, etc.)
Employee gifts
Company Employee Association (PSEEA), or credit union expenses
Political related expenses
Travel expenses of spouse or other family member unless specifically approved by the CEO and President in writing (attach copy)
Union employee *per diems*
Use of personal aircraft
Gifts, including travel and meals, to members, officers, or employees of the United States Senate or House of Representatives
Gifts or bribes, including travel and meals, to any foreign officials or agents
3. **Reimbursement**
Expense reports over \$100.00 must be paid through Accounts Payable. Employees should seek reimbursement of expense reports totaling less than \$100.00 from petty cash.
4. **Completion**
This report should be completed on a monthly basis through PC-based application and mailed to Accounts Payable. All information in the report (except where indicated A/P use only) must be filled in by the employee.
5. **Documentation**
Receipts for individual expenses of \$75.00 or more must accompany submitted expense reports, except in the case of lodging, where itemized lodging receipts are required regardless of the amount.

A charge card "tissue receipt" is sufficient for meal, transportation, and miscellaneous travel expenses. Do not submit receipts other than lodging receipts for expenditures less than \$75.00. Small receipts must be taped to an 8 ½ by 11 inch piece of paper for microfilming purposes.
6. **Expenditure Purposes**
The business purpose of all expenditures is required to be clearly disclosed. For meals and entertainment, include the names of all guests and their business affiliations (including employees) and the city and establishment where the expenditures took place.

Employee meals or entertainment should be submitted by the highest ranking PSE employee at any Company-expensed group luncheon, dinner, meeting, etc. All attending employees or guests (and their business affiliations) must be listed on the report.
7. **Signatures**
This report is to be signed personally by the employee and approved by the employee's immediate supervisor.

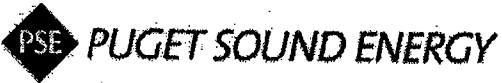


EXHIBIT 3

MILEAGE LOG

Prepare in accordance with instructions on reverse side

NAME (PLEASE PRINT) LAST	FIRST	INITIAL	EMPLOYEE NUMBER
PERIOD COVERED		THRU	

DATE	DESTINATION AND PURPOSE	COST CENTER	WORK ORDER	ODOMETER READINGS		MILEAGE
				BEGINNING	ENDING	

TOTAL MILEAGE FOR COMPANY BUSINESS					
TOTAL MILEAGE		@ \$	/MILE		

I hereby certify that all mileag reported on this form was solely for Company business

DATE

SIGNATURE

MILEAGE REIMBURSEMENT

Mileage

Documentation of mileage is required for reimbursement.

Two alternatives are available for documentation purposes. An individual seeking reimbursement may document mileage on the expense report detail, including business purpose and to and from destinations. Alternatively, more frequent users of mileage reimbursement may find it easier to use the mileage log which includes odometer readings.

INSTRUCTIONS FOR MONTHLY MILEAGE LOG FORM

Employees utilizing personal vehicles for company business can record their reimbursable mileage as follows:

For the period covered, complete the beginning and ending dates.

Complete the month and day, destination and purpose of the vehicle usage. Report usage on a daily basis, utilizing more than one line if necessary. If daily usage involves several destinations, indicate each city, town or area visited. Clearly indicate the purpose of the vehicle usage, using specific descriptions such as "secure easement" instead of "Right of Way Agent duties".

Indicate personal vehicle beginning and ending odometer readings. Readings may be reported for each individual trip or on a daily basis.

Indicate the company business miles traveled. Do not include commuting or other personal use mileage.

At the end of the reporting period, total the mileage log and summarize on your expense report.