

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-111048 and UG-111049  
Puget Sound Energy, Inc.'s  
2011 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 218**

**WUTC STAFF DATA REQUEST NO. 218:**

**RE: Accounting for Cash and Temporary Cash Investments. Refer to the Rebuttal Testimony of Matthew Marcellia at page 61.**

- 1) Please provide the complete details of the journal entry that removed the debit balance from Account 236. Include a copy of the journal entry.
- 2) Please provide a copy of all guidelines that PSE follows for investing and recording large sums of cash, such as for income tax refunds, and how PSE determines whether sums of cash received for tax refunds should be recorded in account 136 or 131.
- 3) How much working capital has PSE requested for amounts in account 131? Please identify the amounts for: (1) electric utility operations, and (2) gas utility operations separately. Include supporting calculations in Excel.
- 4) How much working capital would have PSE requested if the debit balances in Account 236 (income taxes payable) had instead been recorded as cash account 131 through-out the test year? Please identify the amounts for: (1) electric utility operations, and (2) gas utility operations separately. Include supporting calculations in Excel.
- 5) How much working capital would have PSE requested if the debit balances in Account 236 (income taxes payable) had instead been recorded as Temporary Cash Investments, account 136 through-out the test year? Please identify the amounts for: (1) electric utility operations, and (2) gas utility operations separately. Include supporting calculations in Excel.

**Response:**

- 1) Attached as Attachment A to Puget Sound Energy, Inc.'s Response to WUTC Staff Data Request No. 218, please find a copy of the journal entry to record the cash receipt referenced in WUTC Staff Data Request No. 218. The entry is very

simple. The credit is to Account 236, which clears the IRS refund. The debit is to Account 131.

- 2) Attached as Attachment B to PSE's Response to WUTC Staff Data Request No. 218, please find a copy of PSE's Investment Policy Guidelines for "Excess Cash", defined as cash not immediately required for working capital, capital investments, debt repayment or other outstanding financial obligations. It should be noted that cash is not just invested in Account 136. Cash is used to pay liabilities, invest in plant, etc. These payments are assumed to be in the same relationship as the historical working capital calculation.
- 3) Attached as Attachment C to PSE's Response to WUTC Staff Data Request No. 218, please find an MS Excel file tab labeled "DR 218 Sec. 3 Account 131", which contains PSE's requested amounts for working capital in Account 131 for electric operations (\$4,470,088) and gas operations (\$1,719,680).
- 4) The amount requested by PSE for working capital would be the same whether the debt balances for taxes were recorded to Account 236 Federal Income Taxes Payable or Account 131 Cash, since both are treated as Investor Supplied Capital.
- 5) Please see WUTC Staff Witness Roland Martin's Exhibit No. \_\_\_\_ (RCM-6), Combined Working Capital, where he calculates the reclassification of the Account 236 Federal Income Taxes Payable to Account 136 Temporary Cash Investments.

**ATTACHMENT A to PSE's Response to  
WUTC Staff Data Request No. 218**

Doc. Type : ZF ( Treasury Postings ) Normal document  
Parked by PFARR Posted by UEONEV  
Doc. Number 200000085 Company Code 1000 Fiscal Year 2011  
Doc. Date 01/14/2011 Posting Date 01/14/2011 Period 01  
Calculate Tax  
Doc. Currency USD  
Doc. Hdr Text IRS REFUND FROM PE

Item	Px	Account	Account short text	Tx	Cost	Ctr	Order	Amount	Text
1	40	13101023	Cash-Key Bank-Concen					49,656,965.00	ALLOCATION OF IRS REFUND FROM PUGET ENERGY
2	50	23600033	Federal Income Taxes					49,656,965.00	ALLOCATION OF IRS REFUND FROM PUGET ENERGY

**ATTACHMENT B to PSE's Response to  
WUTC Staff Data Request No. 218**

**PUGET ENERGY, INC.**  
**PUGET SOUND ENERGY, INC.**  
TREASURY DEPARTMENT  
INVESTMENT POLICY GUIDELINES  
Revised 7/01/06

I PURPOSE

This investment policy establishes guidelines that define the securities appropriate for the investment of The Company's excess cash. The policy applies to both Puget Energy and Puget Sound Energy. "Excess Cash" is defined as cash in the corporate accounts not immediately required for working capital, capital investments, debt repayment or other outstanding financial obligations.

II GOALS AND OBJECTIVES

A Goals

The goal in managing excess cash is to maximize the after-tax return while:

- 1 Preserving the value and safety of principal,
- 2 Managing risk through appropriate diversification,
- 3 Maximizing return through evaluation of investment options, and
- 4 Providing adequate liquidity to meet projected cash requirements.

B Objectives

- 1 Safety  
The preservation of capital, provided for by investing in high quality securities as defined in Qualifying Investments. Qualifying Investments are those where the return is derived primarily from income rather than fluctuations in principal, thereby preserving capital. (Qualifying Investments are listed in Section IV.)
- 2 Liquidity  
The availability of funds at the time needed, provided for by structured maturities and the use of marketable securities.
- 3 Maximization of Investment Income  
Maximization of after-tax income earned by the portfolio that is consistent with this policy.
- 4 Diversification  
Diversification of investments that minimizes risk exposure to any one particular industry or type of issuer that is consistent with this policy.

III ASSIGNMENT OF RESPONSIBILITIES

A Treasurer - Directs the formulation of and approves investment policy.

B Assistant Treasurer -

- 1 Assists in formulation and implementation of the investment policy.
- 2 Recommends specific portfolio strategies.
- 3 Assumes responsibility for all transactions.
- 4 Confirms in writing the actions necessary to be taken to be in compliance with this investment policy if an investment is downgraded.

C Treasury Analyst - Implements the approved Investment Policy.

IV QUALIFYING INVESTMENTS


A Taxable and Tax Exempt/Tax Managed Instruments

- 1 Obligations issued by the U.S. Treasury.
- 2 Institutional (Taxable) or Tax-Exempt Money Market Funds composed of instruments rated no lower than: BBB, A2, P2 or MIG2, at the time of purchase by the fund. Unrated issues are acceptable if the quality, as judged by the fund's advisers, are of quality consistent with the fund's requirements.
- 3 Commercial paper issued by domestic or foreign institutions with ratings of A1 (Standard & Poor's) and/or P1 (Moody's). In the case of split issues, the minimum acceptable rating would be either A2 or P2. Also, Commercial Paper with ratings of A2 and/or P2 are qualified investments as approved by the Assistant Treasurer prior to purchase.
- 4 Corporate obligations with long term ratings A or higher by either Standard & Poor's or Moody's.
- 5 Banker's Acceptance, Euro Dollar and Certificates of Deposits with the issuer possessing a long term debt rating of AA or a Commercial Paper rating of A1 or P1.
- 6 Repurchase Agreements which are fully collateralized by U.S. Treasury or agencies (e.g., FNMA, SLMA, Farm Credits, FHLB) or mortgage-backed securities.
- 7 Municipal Notes/Bonds with a MIG1, VMIG1 or an underlying A rating of the state or municipality

V RESTRICTIONS

- A Funds may be invested in U.S. Treasuries or qualified diversified pooled funds, such as money market funds without restriction. Investment in other "Qualifying Investments" shall not exceed \$50 million in any single entity or industry security (e.g. corporate obligations or commercial paper of one company or industry).
- B Transactions costs, if any, will be considered in computing comparative effective yields.
- C Maturity may not exceed 365 days from date of purchase unless approved in advance by the Assistant Treasurer or Treasurer.
- D Investment policy to be reviewed periodically for appropriateness.

Approved by:

 7/27/06  
James D. Sant Date  
Assistant Treasurer

 7-28-06  
Donald E. Gaines Date  
Vice President Finance & Treasurer

**ATTACHMENT C to PSE's Response to  
WUTC Staff Data Request No. 218**



**WUTC Data Request No. 218 -Section 3 Account 131 Cash**

<b>Account</b>	<b>Account Description</b>	<b>AMA (December 10)</b>
13100543	Cash - State Bank - Concrete	39,278
13100563	US Bank - General Account 1775586	1,142,495
13100573	US Bank - Damage Claims 1771847	10,882
13101003	Cash-UBOC-Payment Processing Bothell 44	8,127,031
13101013	Cash-UBOC-Bill Payment Consolidator 443	(1,617)
13101023	Cash-Key Bank-Concentration 47968102460	9,113,802
13101033	Cash-Key Bank-PSE Receipts 479681024614	738,820
13101063	Cash-Key Bank-Baker Recreation 47968102	2
13101083	Cash-Key Bank-Credit Card Receipts 4796	35
13101093	Cash-Key Bank-Payroll 190994701174	(469,376)
13101113	Cash-Key Bank-Accounts Payable 19099470	(12,959,725)
13101123	Cash-Key Bank- SAP Credit Balance Refun	(1,010,169)
13101133	Cash-Key Bank- Checkfree	1,323
13101163	Cash - Key Bank Tri Ad Flex Spending	45,305
13101183	Cash Credit Card Receipts - Billmatrix	833,198
13101253	Wells Fargo Direct Debit	484,083
13109993	CLX Cash Clearing	259,836
	<b>Total Account 131</b>	<b>6,355,204.47</b>

Electric Operations	70.3374%	4,470,088
Gas Operatins	27.0594%	1,719,680
Non-Operating	2.6032%	165,437

Puget Sound Energy  
Combined Working Capital  
For the Twelve Month Period Ended December 31, 2010

Electric	Four Factor	NOL
Gas	66.51%	55.67%
	33.49%	44.33%

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Line No.	Description	Unadjusted Test Year AMA	Track Taxes for Repairs / NOL AMA	Per JHS/MJS-3 Page 3.04 AMA	Section 3 Percent
1	<b>Average Invested Capital</b>				
2	Common Stock	\$ 859,038	\$ -	\$ 859,038	
3	Preferred Stock	-	-	-	
4	Additional Paid in Capital	2,958,716,487	-	2,958,716,487	
5	Unamortized Debt Expense	(56,743,291)	-	(56,743,291)	
6	Unappropriated Retained Earnings	194,884,510	-	194,884,510	
7	Notes Payable - Misc	-	-	-	
8	Long Term Debt	3,314,651,667	-	3,314,651,667	
9	Short Term Debt	137,068,619	-	137,068,619	
10	Accumulated Deferred ITC	318,143	-	318,143	
11	Treasury Grant	25,090,331	-	25,090,331	
12	Deferred Debits-Other	(36,658)	-	(36,658)	
13	Unamortized Gain/Loss on Debt	(18,851,136)	-	(18,851,136)	
14	Total Average Invested Capital	6,555,957,710	-	6,555,957,710	
15					
16	<b>Average Operating Investments - Electric</b>				
17					
18	Plant in Service (includes acquisition adj)	6,853,037,154	-	6,853,037,154	
19	Electric Future Use Property	28,549,726	-	28,549,726	
20	Customer Advances for Construction	(67,513,639)	-	(67,513,639)	
21	Customer Deposits	(20,606,765)	-	(20,606,765)	
22	Deferred Taxes	(663,185,306)	-	(663,185,306)	
23	Deferred Debits/Credits - Other	412,578,353	-	412,578,353	
24	Less: Accumulated Depreciation	(2,624,571,373)	-	(2,624,571,373)	
25	Conservation Investment	-	-	-	
26	Common Plant-Allocation to Electric	276,084,410	-	276,084,410	
27	Common Accum Depr-Allocation to Electric	(131,669,590)	-	(131,669,590)	
28	Common Deferred Taxes-Allocation to Electric	(12,457,006)	2,969,365	(9,487,641)	
29	NOL Carryforward	12,149,203	11,086,726	23,235,929	
30	Total Average Operating Investment - Electric	4,062,395,167	14,056,091	4,076,451,258	
31					
32	<b>Average Operating Investments - Gas</b>				
33					
34	Gas Utility Plant in Service	2,648,893,764	-	2,648,893,764	
35	Deferred Items - Other	19,962,603	-	19,962,603	
36	Gas Stored Underground, Non-Current	7,815,443	-	7,815,443	
37	Gas Accumulated Depreciation	(857,738,071)	-	(857,738,071)	
38	Gas Customer Advances for Construction	(31,779,227)	-	(31,779,227)	
39	Gas Customer Deposits	(8,348,081)	-	(8,348,081)	
40	DFIT 17	(288,622,372)	-	(288,622,372)	
41	PGA	(9,255,951)	-	(9,255,951)	
42	Common Plant-Allocation to Gas	139,017,695	-	139,017,695	
43	Common Deferred Tax - Allocation to Gas	(6,272,517)	2,364,955	(3,907,562)	
44	Common Accumulated Depreciation-Allocation to Gas	(66,300,024)	-	(66,300,024)	
45	NOL Carryforward	9,676,250	8,830,039	18,506,289	
46	Total Average Operating Investment - Gas	1,557,049,512	11,194,994	1,568,244,506	
47					
48	Total Electric & Gas Operating Investment	5,619,444,679	25,251,084	5,644,695,763	
49					
50	<b>Construction Work in Progress</b>				
51					
52	Elec Construction Work in Process	416,213,955	-	416,213,955	
53	Gas Construction Work in Process	49,912,986	-	49,912,986	
54	Other WWork in Process	729,075	-	729,075	
55	Electric Preliminary Surveys	2,152,924	-	2,152,924	
56	Total Construction Work in Progress	469,008,940	-	469,008,940	
57					
58	<b>Nonoperating</b>				
59					
60	Non-Utility Property	(81,520,475)	-	(81,520,475)	
61	Investment in Associated Companies	50,127,428	-	50,127,428	
62	Other Investments & FAS 133	80,318,879	-	80,318,879	
63	Deferred Items-Other	200,268,839	-	200,268,839	
64	Deferred Federal Income Tax	(33,934,336)	-	(33,934,336)	
65	Temporary Cash Investments	-	-	-	
66	Environmental Receivables	(64,474,449)	-	(64,474,449)	
67	Current Accounts - Gas Allocation only	1,553	-	1,553	
68	Merchandising Inventory - Gas Only	80,791	-	80,791	
69					

Puget Sound Energy  
Combined Working Capital  
For the Twelve Month Period Ended December 31, 2010

Electric	Four Factor	NOL
Gas	66.51%	55.67%
	33.49%	44.33%

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Line No.	Description	Unadjusted Test Year AMA	Track Taxes for Repairs / NOL AMA	Per JHS/MJS-3 Page 3.04 AMA	Section 3 Percent
70	Total Non Operating Investment	150,868,230	-	150,868,230	
71					
72	Total CWIP & Nonoperating Investment	619,877,170	-	619,877,170	
73					
74	Total Average Investments	6,239,321,849	25,251,084	6,264,572,933	
75	Rounding				
76	Total Investor Supplied Capital	\$ 316,635,861	\$ (25,251,084)	\$ 291,384,777	
77					
78					
Allocation of Working Capital					
79	Electric Working Capital				
80	Total Investment	\$ 6,239,321,849	\$ 25,251,084	\$ 6,264,572,933	
81	Less: Electric CWIP	(416,213,955)	-	(416,213,955)	
82	Less: Gas CWIP	(49,912,986)	-	(49,912,986)	
83	Interest Bearing Regulatory Assets				
84	Other Work in Progress	(729,075)	-	(729,075)	
85	Preliminary Surveys	(2,152,924)	-	(2,152,924)	
86	Total	5,770,312,909	25,251,084	5,795,563,993	
87					
88	Electric Working Capital Ratio	5.4873%		5.0277%	
89					
90	Electric Working Capital	\$ 222,916,853	\$ (17,964,264)	\$ 204,952,588	70.3374%
91					
92	Gas Working Capital				
93	Total Investment	\$ 6,239,321,849	\$ 25,251,084	\$ 6,264,572,933	
94	Less: Electric CWIP	(416,213,955)	-	(416,213,955)	
95	Less: Gas CWIP	(49,912,986)	-	(49,912,986)	
96	Interest Bearing Regulatory Assets				
97	Other Work in Progress	(729,075)	-	(729,075)	
98	Preliminary Surveys	(2,152,924)	-	(2,152,924)	
99	Total	5,770,312,909	25,251,084	5,795,563,993	
100					
101	Gas Working Capital Ratio	5.4873%		5.0277%	
102					
103	Gas Working Capital	\$ 85,440,378	\$ (6,593,422)	\$ 78,846,956	27.0594%
104					
105	Non Operating Working Capital	\$ 8,276,631	\$ (693,398)	\$ 7,585,233	2.6032%