

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: Oct. 5, 2006
CASE NO.: UG-060256
REQUESTER: WUTC

WITNESS: Mike Parvinen
RESPONDER: Mike Parvinen
TELEPHONE: (360) 664-1315

BENCH REQUEST NO. 3:

In Mr. Parvinen's responsive testimony (MPP-1T) and in Exhibit No. ____ (MPP-4), Mr. Parvinen recommends adjusting the Company's investor-supplied working capital (ISWC) calculation for three accounts, Account 1430, Account 2320 and Account 1650. For each of these accounts, please identify and explain: 1) the account that creates these accounts, and 2) what return was made on each of these accounts and who paid the return.

RESPONSE:

Account 1430 – The FERC Uniform System of Accounts identifies account 143 as Other Accounts Receivable. The Company uses a sub account within the receivables account to record the balance of appliance loans for employees.

Per response to a Staff data request, the description of this account is "Interest-free gas appliance loans up to \$7,500 for employee who are customers in the Company's service area and for which the employee is required to make monthly payments through payroll deductions over a 60-month period. This program is nearly phased out, but the Company will continue maintaining the current outstanding loans until paid in full."

The stated interest rate recovered by the company from employees is zero. This account falls under the question, as described in Mr. Parvinen's testimony on page 8, lines 8 to 10, should the account earn a return? The answer is "yes," based on the company having the discretion on whether actual interest is charged or not. The account is similar to Receivables from Associated Companies in that the company may or may not charge interest, but for working capital purposes it is assumed that interest is charged and rate payers are not responsible for the return on the funds for these type items.

Account 2320 – Pension Contribution. The amount shown in Exhibit No. ____ (MPP-4), line 5, in the amount of \$5,777,813, is the net of all balance sheet accounts associated with the actuarial determination of the pension expense per FAS 87.

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
2190	Accumulated Other Comprehensive Income	\$12,603,650

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1900	Other Accumulated Deferred Income Tax	7,033,288
2320	Pension Contribution	(13,859,126)
	Net	\$ 5,777,813

It is Staff's understanding that the derivation of the net amount by the Company's actuarial consultant, in order to comply with FAS 87, includes a calculation of the current pension expense, which is recorded during the test year. Staff does not know the exact interest rate used in the actuarial determination of the net pension expense and the net pension asset, as it is based on a market determination and the actuary's professional determination. However, since the expense is included in the results of operation, rate payers are assumed to have contributed the net asset and are entitled to the benefits of the return on that asset and should not, therefore, pay a return through working capital for the funds.

Account 1650 – Prepaid ESRP Deferred Compensation. Per response to a Staff data request, the description of this account is “The balance in the Prepaid Executive Supplemental Retirement is the cumulative effect of funding the plan in excess of amounts accrued under FAS 87. Expense for each fiscal year is determined under the provisions of FAS 87 by the Company's actuarial consulting firm.”

The explanation of the interest rate and who pays the interest is the same as Account 2320 above.