

December 9, 2009

**SENT VIA E-MAIL AND FIRST CLASS MAIL**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

Re: In the Matter of the Petition of PUGET SOUND ENERGY, INC.  
For an Accounting Order Authorizing the Appropriate Tracking of Treasury Grants  
Received Under Section 1603 of the American Recovery and Reinvestment Act of 2009  
Associated with the Wild Horse Expansion Project  
Docket No. UE-091570

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's December 10, 2009, Open Meeting. This docket is a PSE request for authority for certain accounting and ratemaking treatment for treasury grants expected to be received under Section 1603 of the American Recovery and Reinvestment Act of 2009, associated with the Wild Horse Expansion Project. Public Counsel's review has raised a number of questions and concerns which are not adequately addressed by the information provided with the filing.

Based on our review to date, Public Counsel does not believe PSE has made a sufficient showing to warrant approval of the application. Specifically, it is not clearly demonstrated in the filing that based on the information included in Attachment A, or otherwise, that the treasury cash grant option provides a superior ratepayer benefit as compared to the Investment Tax Credit (ITC) or Production Tax Credit (PTC) options.

Public Counsel has identified the following concerns and/or questions that have arisen from our review of the Company's filing, as shown below.

- Is PSE's inability to benefit from PTCs or ITCs expected to be limited as a result of filing a consolidated rather than stand-alone PSE corporate federal income tax return (i.e. resulting in reporting smaller taxable income)? If so, and this is a result of the merger, this may constitute a merger "cost" in that the merger has negatively affected PSE's ability to benefit from PTCs. This may run afoul of provisions in the merger settlement and order requiring customers to be insulated from merger costs.
- In developing the Company's initial wind feasibility studies, did PSE consider the inability to immediately receive PTC tax savings in its economic analysis? If yes, what was the impact of such consideration in the Company's economic feasibility studies? If no, why wasn't this considered in wind feasibility studies? Have any circumstances

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changed that now limit PSE's ability to immediately receive PTC's that were unknown when PSE was undertaking their wind feasibility studies?

- The Company should provide the following comparisons to determine which option provides the greatest ratepayer benefit.
  - the revenue requirement impact to retail ratepayers by year, for the life of the plant, under each tax option (PTC, ITC or treasury cash grant), taking into account any and all known or estimated limitations to use ITC or PTCs immediately, due to the Company's lack of taxable income.
  - the revenue requirement impact of each option assuming *no* limitations to immediately receive ITC or PTC tax savings when initially generated.
- The proposed revised Schedule 95A Production Tax Credit Tracker found in Attachment B contains numerous revisions, including deletion of the provision regarding providing for carrying costs on the deferred tax balance for the credits. Does this mean the Company expects that the carrying cost provision will be a net cost to the Company rather than a benefit, as it has been in the past? There is no description of the purpose of each proposed revision and so we are unable to answer this question.

Another issue is that Attachment A to Company's filing, intended to show benefits to utility customers under various assumptions, does not include details of the actual calculations (spreadsheets with formulae intact), to support the analysis.

For the foregoing reasons, Public Counsel believes the accounting petition should not be granted without further review of these issues and provision by PSE of additional information on the questions listed. Lea Daeschel will participate in the December 10th, 2009, Open Meeting to address this matter for Public Counsel, either in person or via the conference bridge.

Sincerely,

Simon J. ffitc  
Senior Assistant Attorney General  
Public Counsel Section Chief

cc: Anne Solwick  
Kathryn Breda  
Mike Parvinen  
Sheree Carson