

**EXHIBIT NO. __ (JRD-4)
DOCKET NOS. UE-90704/UG-090705
2009 PSE GENERAL RATE CASE
WITNESS: JAMES R. DITTMER**

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION)	
)	
Complainant,)	
)	Docket No. UE-090704
v.)	Docket No. UG-090705
)	
PUGET SOUND ENERGY, INC.,)	
)	
Respondent.)	
_____)	

**FOURTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
JAMES R. DITTMER
ON BEHALF OF PUBLIC COUNSEL**

November 17, 2009

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. 439

PUBLIC COUNSEL DATA REQUEST NO. 439:

The following questions/requests all relate to the Asset Purchase Agreement with Cascade regarding the sale of White River assets and pending water rights:

- a. There are a number of payments expected to be received, above the \$25,000,000 single cash payment made at closing. For each payment, list the actual or most likely date that PSE will receive each such payment.
- b. What is the undepreciated tax basis of all plant, property and equipment being sold to Cascade?
- c. What is the estimated before-tax book gain/loss on the sale of all assets and water rights to Cascade?
- d. What is the estimated after-tax book gain/loss on the sale of all assets and water rights to Cascade?
- e. Discuss, describe and explain why the full amount of the \$25 million of proceeds received from Cascade, shown as a rate base offset in Company adjustment 4.31E is tax-effected? Explain why there is no "cost basis" offset deducted from such proceeds to determine the likely amount to be subject to federal income taxes.

Response:

- a. Please refer to Attachment C to Puget Sound Energy, Inc.'s ("PSE") Response to WUTC Staff Data Request No. 168 parts a. and b. for a schedule showing the payments and reimbursements received and future expected receipts from Cascade Water Alliance ("CWA"). Future receipts will occur at closing of the transaction which is dependant on the issuance of a revised title report. Closing could occur within one to several months following receipt of the revised title report which was issued late August 2009. An additional payment of \$5 million will be received if the Record of Examination for the municipal water right is issued by the Washington State Department of Ecology ("Ecology") as defined by the Purchase and Sale Agreement. The timing of this payment from CWA is linked to Ecology's issuance of a public document, so the anticipated timing is not reasonably known.

- b.-d. Attached as Attachment A to PSE's Response to Data Request No. 439, please find the estimated book and tax gain/loss calculation. PSE is selling the White River as the project as whole, therefore, Cascade Water Alliance would retain all the existing assets. The total taxable depreciable plant can be found in the tax gain loss calculation in Attachment A. The estimated pre-tax book gain/loss and the estimated after-tax book gain/loss are also in Attachment A.

- e. At the time of the filing PSE needed to recognize the sale of White River Assets to CWA as current revenue for tax purposes given that the transaction was very probable. PSE calculated the taxes on the payment on a standalone basis under the assumption that the taxes for plant and other regulatory deferred costs were incorporated in the calculation of the deferred amounts. Netting the sales proceeds against the net tax plant and other regulatory deferred costs would result in \$2.1 million tax receivable (see Line 19 in Attachment A to PSE's Response to Data Request No. 439) instead of an \$8.75 million tax payable resulting from the sales proceeds on a standalone basis.

**ATTACHMENT A to PSE's Response to
Public Counsel Data Request No. 439**

**White River Sale to Cascade Water Alliance
Estimated Book-Tax Gain/Loss**

**Book Balances 8/31/2009
Tax Balances 12/31/2008**

	Book	Tax
	Calculation	Calculation
1		
2		
3 Sales Price	\$ 25,000,000	\$ 25,000,000
4		
5		
6 Depr Plant	(65,784,332)	(68,958,803)
7 Depr Reserve	27,248,688	49,123,129
8 Land	(679,795)	(679,795)
9 182 Costs	(21,297,210)	(10,410,410)
10 Total Pre Tax Gain	\$ (35,512,648)	\$ (5,925,879)
11 Total Taxes	11,180,125	
12 Net Book Gain/(Loss)	\$ (24,332,523)	
13		
14 Tax Gain/(Loss)		\$ (5,925,879)
15 FIT Rate		35%
16 Current Tax		\$ (2,074,057)
17 Deferred Tax		(9,106,068)
18 Total FIT		\$ (11,180,125)