

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-151871 UG-151872  
Puget Sound Energy's  
Electric and Natural Gas Equipment Lease Service**

**WUTC STAFF DATA REQUEST NO. 044**

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Referring to Schedule 75, please provide all evidence relied on by PSE, including industry documents, service agreements, contracts, or company documents, that establishes or supports all executory costs as defined by the Financial Accounting Standards Board Accounting Standards Update for Leases (Topic 842) No. 2016-02 issued in February 2016, for each one of the appliances (equipment) proposed in the tariff. Please sort information by customer class.

**Response:**

Puget Sound Energy ("PSE") does not believe that Financial Accounting Standards Board Accounting Standards Update for Leases (Topic 842) is applicable to leased assets proposed to be leased under PSE's Schedule 75 Tariff because PSE will follow General Instructions 19 "Criteria for classifying leases" and 20 "Accounting for leases" of the Uniform System of Accounts in Title 18, Chapter I, Subchapter F, Parts 101 and 201 in the Code of Federal Regulations ("CFR") for regulatory reporting.

Executory costs are defined in Topic 842 as well as in General Instructions 19 and 20 in the CFR as taxes, insurance and maintenance.

**Taxes:**

Please see PSE's Response to SMACNA Data Request No. 016 and PSE's Response to WUTC Staff Data Request No. 020, each of which outline the treatment and type of tax included directly in lease pricing and those that will be recovered under separate schedules. The below provides the various taxes that may be applied to the lease business, how and when such taxes are calculated, and what authority or responsibility PSE has in collection and remittance.

***Property Taxes***

Actual Property tax system ratios and levy rates for 2015 are provided in PSE's Response to WUTC Staff Data Request No. 067. As advised in PSE's Response

to WUTC Data Request No. 020, PSE will revise the pricing worksheet to recover the property taxes through Schedule 140 and will update the lease rates to reflect this change in its rebuttal testimony.

### ***WUTC Annual Filing Fee***

Amounts assigned by product for the WUTC Annual Filing Fee were based on RCW 80.24.010 and were provided in PSE's highly confidential pricing worksheet that PSE provided on February 19, 2016, on row 82 of the following tabs:

35 (HC)	39 (HC)	42 (HC)	32 (HC)
36 (HC)	40 (HC)	44 (HC)	33 (HC)
38 (HC)	41 (HC)	45 (HC)	34 (HC)

### ***State/City Sales Tax & City Utility Tax (where applicable)***

A lease is treated as a retail transaction; therefore, sales tax is the responsibility of the buyer. PSE as the seller is the collector of the sales tax for the state and will remit applicable sales tax to the Washington Department of Revenue (DOR).

In the case of leased equipment purchased and installed through third parties on behalf of PSE, PSE will provide reseller permits to said vendors so they can install the equipment for the customer and charge PSE for the equipment and installation costs without sales tax. PSE then leverages its Customer Information System to determine the appropriate tax code for the installation location and adds any appropriate sales tax to the monthly lease rate at the time of billing.

Additionally, some cities have received authority to bill city utility taxes on PSE retail sales activities, which may include leased equipment. For installations in those cities, PSE again will leverage its Customer Information System to determine the appropriate tax code for the installation location and add any appropriate city utility tax to the monthly lease rate at the time of billing.

Current sales tax rates are provided in PSE's Response to WUTC Staff Data Request No. 068. City utility taxes are included in PSE's Electric Tariff Schedule 81 and Gas Tariff Schedule 1.

### ***State Retailing B&O Tax***

Gross revenues from Schedule 75 are not subject to State Utility Tax, but they will be subject to the State Retailing B&O Tax ("B&O Tax"). The State B&O tax rate is .471%

(<http://dor.wa.gov/Content/FindTaxesAndRates/BAndOTax/BandOrates.aspx>).

State B&O tax is not collected in a separate tariff schedule and therefore should have been included in the pricing of Schedule 75 rates. However, this rate was

inadvertently not included in the pricing worksheet. Accordingly, the B&O Tax will be added to the pricing worksheet along with the change to Property Taxes discussed above. Please see PSE's Response to SMACNA Data Request No. 023.

**Insurance:**

Please see PSE's Response to SMACNA Data Request No. 013. General corporate insurance, as incorporated in internal cost allocation assumptions, have been used to develop proposed leasing rates. Additionally, customers taking service under commercial tariff schedules will be required to maintain general liability and property damage insurance as detailed in PSE's Response to WUTC Staff DR No. 025.

**Maintenance:**

Please see PSE's Response to WUTC Staff Data Request No. 059 and PSE's Response to WUTC Staff Data Request No. 061, each of which references where all values used to calculate the maintenance cost for each type of equipment included in the Equipment Lease Service proposed in this filing can be found. Maintenance costs used were derived from individual bidder response, which were used to establish average costs for each product and the associated services and then bundled based on aligned characteristics. The individual bidder responses were provided in the highly confidential attachments to PSE's Response to WUTC Staff Data Request No. 016, which was communicated in PSE's Responses to SMACNA Data Requests Nos. 008 and 009. Additionally, highly confidential Attachment A to PSE's Response to WUTC Staff Data Request No. 059 provides all values used to calculate the equipment and service per unit costs for each type of equipment included in the Equipment Lease Service proposed in this filing.