

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

SMACNA DATA REQUEST NO. 025

SMACNA DATA REQUEST NO. 025:

RE: Taxation

Following up on PSE's response to SMACNA-WW's DR 16, assume an installed leased heating equipment value of \$10,000, a 15-year life of that equipment, and total property tax burden of one percent of value. What would be the property tax passed through to the owner of the property on which the leased equipment is located for each of the 15 years of that equipment's life? By way of further explanation and clarification, SMACNA is seeking an understanding of whether the property tax obligation of PSE relating to that equipment would decline over time or whether it would be constant for each of the 15 years.

Response:

Puget Sound Energy ("PSE") objects to SMACNA Data Request No. 025 as beyond the scope of SMACNA's limited intervention in this proceeding and to the extent that it represents a hypothetical situation and implies a number of unstated assumptions that could impact the outcome. Without waiving these objections, and subject thereto, PSE responds as follows:

PSE is unable to answer the request in a simple fashion. PSE is centrally assessed for property taxes. As a result, its property tax is the result of numerous allocations performed by the Washington Department of Revenue ("DOR"). To vastly oversimplify, the allocation is based on the original cost of assets. So, per the example above, the value that will be allocated to a \$10,000 investment will vary year-to-year based on the value of the company and the ratio of the investment over the total original cost of all property. However, the result of the DOR allocation is that the value allocated to the asset remains relatively constant over the life of the asset, even though it does fluctuate. It does not decline like it would were the company not subject to central assessment.

As stated in PSE's Response to WUTC Staff Data Request No. 020 and PSE's Response to WUTC Staff Data Request No. 044, PSE will bill Schedule 75 Customers

for property taxes under Schedule 140 based on the centrally assessed property taxes actually paid during the Schedule 140 rate recovery period. Property taxes in Schedule 140 are allocated to Customer classes based on their relative share of gross plant in service from the last general rate case.

As advised in PSE's Response to WUTC Staff 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.