

Exhibit No. ____ (RCS-3)
Dockets UE-111048/UG-111049
Witness: Ralph C. Smith

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**DOCKET UE-111048
DOCKET UG-111049
(Consolidated)**

**EXHIBIT TO
TESTIMONY OF**

RALPH C. SMITH

**ON BEHALF OF
STAFF OF WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

*Puget Sound Energy, Inc.
Adjustment to Reflect Impact of 2008 Tax Accounting Method Change for Repairs
and Related Tax Accounting Method Change for Retirements
Test Year Ending December 31, 2010*

December 7, 2011

Adjustment to Reflect Impact of 2008 Tax Accounting Method Change for Repairs
 And Related Tax Accounting Method Change for Retirements

Line No.	Description/Account	Electric Utility (A)	Gas Utility (B)	Utility Total (C)
1	Account 282 Repairs	\$ 41,842,225	\$ 24,996,849	\$ 66,839,074
2	Account 282 Retirements	\$ (427,903)	\$ (432,551)	\$ (860,454)
3	Total Repairs/Retirements	<u>\$ 41,414,322</u>	<u>\$ 24,564,298</u>	<u>\$ 65,978,620</u>
4	Account 282, Accumulated Deferred Income Taxes	<u>\$ 41,414,322</u>	<u>\$ 24,564,298</u>	<u>\$ 65,978,620</u>
5	Staff Adjustment (Decrease) to PSE's proposed Rate Base	<u>\$ (41,414,322)</u>	<u>\$ (24,564,298)</u>	<u>\$ (65,978,620)</u>

Notes and Source

PSE Exhibit No. (MRM-7) and related PSE workpapers

This adjustment reflects the rate base impact for the amounts for repairs and retirements tax deductions that PSE has reflected on its books for the test year, on an average of monthly averages basis, as net credit balances in Account 282. PSE proposes to not deduct these known test year balances from rate base based on its position that an IRS audit of its repairs deductions for tax years 2008, 2009 and 2010 must first be completed before these amounts are recognized for ratemaking purposes. Account 282 balances for repairs deductions represent cost-free capital which should be deducted from PSE's rate base in the current case. Staff's adjustment treats the known and measurable rate base impacts occurring during the test year appropriately by deducting the Account 282 balances from rate base, whereas PSE's proposal does not.