Exhibit No.___(EB-1T)
Docket Nos. UE-111048/UG-111049
Witness: Ellen Blumenthal

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent.	Docket Nos. UE-111048/UG-111049 *(Consolidated)*

RESPONSIVE TESTIMONY OF ELLEN BLUMENTHAL

ON BEHALF OF

THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

REDACTED VERSION

December 7, 2011

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ellen Blumenthal. My business address is 13517 Queen Johanna Court, Corpus Christi, Texas, 78418.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. No. I have not testified before this Commission; however, I have testified before numerous other state utility commissions. I have provided expert testimony on a variety of ratemaking issues including tax matters for over 30 years. Please see my resume included as Exhibit No. ____ (EB-2) for details on my background and qualifications and some of the dockets in which I have participated.

II. PURPOSE OF TESTIMONY

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Industrial Customers of Northwest Utilities ("ICNU").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?

A. I propose a consolidated tax savings adjustment for Puget Sound Energy ("Puget" or the "Company"). I discuss what consolidated tax savings represent, why it is reasonable and a balanced approach to reflect the economic impact of consolidated tax savings. Finally, I quantify the consolidated tax savings adjustment for Puget.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A. Based on my review and analysis of the information provided by Puget in this docket, I conclude that Puget's reasonable and necessary cost of providing service should include a consolidated tax savings adjustment. Puget's income, deductions, gains, losses, and credits are included in the consolidated tax return filed by its parent, Puget Holdings, LLC ("Puget Holdings"). The revenue requirement impact of my consolidated tax savings adjustment is approximately $8.8 million, based on the Company's original filing. This amount will change if the Washington Utilities and Transportation Commission ("WUTC" or the "Commission") approves a different rate of return for Puget than the Company's requested rate of return.

Q. HOW IS THE REMAINDER OF THIS TESTIMONY ORGANIZED?

A. In the next section, I explain what consolidated tax savings are and the various ways that utility commissions can account for tax savings in the ratemaking process. I also explain my proposed consolidated tax savings adjustment. The last section explains the details of how my proposal applies to Puget. My testimony also addresses how my adjustment is consistent with standard ratemaking principles and the Commission's policies.

III. CONSOLIDATED TAX SAVINGS

Q. WHAT ARE CONSOLIDATED TAX SAVINGS?

A. When a group of related companies files a consolidated tax return with the Internal Revenue Service ("IRS"), the group may have a smaller income tax liability than it would if each company in the group computed its tax expense separately. Tax savings result from the ability of a consolidated group to net on a current basis the taxable incomes and the tax losses reported by the members of the group. If each of the members of the consolidated group were to file separate tax returns, the companies with losses might not be able to use those losses. Because the losses incurred by members of the group are combined with the income reported by other members of the group in a consolidated tax return, the tax liability of the group is less. The difference between the total tax liabilities of the group members calculated separately and the actual tax liability of the consolidated group is the consolidated tax savings. This is the basis for the consolidated tax savings adjustment.

Q. WOULD YOU DEMONSTRATE CONSOLIDATED TAX SAVINGS WITH AN EXAMPLE?

A. Yes. The very simple example shown in the table below demonstrates that when at least one company in the consolidated group has a tax loss, the total tax paid by the consolidated group is less than the sum of the taxes that would be due if each of the companies filed its own tax return. The savings result from the ability to immediately monetize the loss reported by Company B. That is, the $17,500 tax savings from Company B's loss would be unused if it filed a separate return. However, when it is included in the consolidated return, the $17,500 tax savings from its loss can be monetized because the taxable income reported by other members of the consolidated group absorbs the losses. The $120,000 of taxable income reported by Utility Company A and Company C becomes $70,000 on a consolidated return basis.

TABLE 1

	Utility Company A	Non-Utility Company B	Non-Utility Company C	Totals
Taxable income (loss)	$ 100,000	$ (50,000)	$ 20,000	
Federal tax rate	35%	35%	35%	
Consolidated taxes paid	$ 35,000	$ (17,500)	$ 7,000	$ 24,500
Total tax paid-separately	$ 35,000	$ -	$ 7,000	42,000
Tax savings from consolidated return				$ 17,500

Q. IS THE ENTIRE $17,500 CONSOLIDATED TAX SAVINGS IN YOUR EXAMPLE TO BE ATTRIBUTED TO UTILITY COMPANY A AS A CONSOLIDATED TAX SAVINGS ADJUSTMENT?

A. No. Each member of the group with taxable income would be allocated its fair share of the savings. For instance, Utility Company A's fair share would be approximately 83% ($100,000 divided by $120,000) of the total tax savings.

Q. WHAT DOES THE UTILITY'S FAIR SHARE OF THE TOTAL CONSOLIDATED TAX SAVINGS REPRESENT?

A. The utility's taxable income, the vast majority of which is derived from its utility customers through rates, is used to offset the losses of its affiliates in the consolidated tax return. These amounts paid by utility customers that are used to offset the losses of affiliates represent a "tax shield" or a loan to the "loss" affiliates and the consolidated group. The consolidated group would be unable to utilize Company B's loss but for its affiliates' taxable income. In my example, Utility Company A shields approximately $42,000 and Non-utility Company C shields approximately $8,000 of Company B's $50,000 loss. The only way a loss affiliate and the consolidated group can monetize losses currently is to have some members of the group with taxable income.

Q. WHAT ROLE DOES A TAX SHARING AGREEMENT PLAY IN THE CALCULATION OF A CONSOLIDATED TAX SAVINGS ADJUSTMENT?

A. It is my understanding that tax sharing agreements are legal agreements among the members of a consolidated group. The parent company is responsible for paying the tax liability for each of its members. The tax sharing agreement provides protection for the members of the group should the parent company fail to pay the taxes due to units of government, for example. I am unaware of any rate case in which the terms of a tax sharing agreement influenced the computation of a consolidated tax savings adjustment.

Q. SHOULD THE TERMS OF A TAX SHARING AGREEMENT GOVERN HOW INCOME TAXES ARE DETERMINED FOR RATEMAKING?

A. No. These agreements are made among affiliates. Consequently, they may or may not be reasonable. They do not govern ratemaking, but instead govern how the total tax expense is paid by each member of the affiliated group.

Q. TABLE 1 ABOVE DEMONSTRATES THAT THERE ARE REAL TAX SAVINGS THAT CAN OCCUR FROM FILING A CONSOLIDATED TAX RETURN. DO UTILITY CUSTOMERS RECEIVE ANY BENEFIT FROM THESE SAVINGS?

A. The only mechanism through which customers can receive a share of the consolidated tax savings is through inclusion of an adjustment in the determination of the utility's rates. When no consolidated tax savings adjustment is recognized in rates, the full benefit of the tax savings accrues to shareholders.

Q. ARE YOU AWARE THAT THE COMMISSION IS CONCERNED THAT A CONSOLIDATED TAX SAVINGS ADJUSTMENT MAY VIOLATE THE NORMALIZATION REQUIREMENTS OF THE INTERNAL REVENUE CODE ("CODE" OR "IRC")?

A. Yes. The Commission stated in a 2008 Avista proceeding that any consolidated tax savings adjustment should not violate the IRC.[1/]

Q. HAS THE DEPARTMENT OF THE TREASURY CLARIFIED THAT CONSOLIDATED TAX ADJUSTMENTS CAN BE MADE IN A MANNER THAT DOES NOT VIOLATE THE IRC?

A. Yes. In November 1990, the Department of the Treasury ("Treasury") published proposed regulations in the Federal Register and invited comment on them. In April 1991, Treasury withdrew its proposed regulations and stated:

> [I]n the absence of regulations specifically prohibiting consolidated tax adjustments, it is the position of the Service that these adjustments can be made without violating the normalization requirements of the Code….
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> Between 1983 and 1988, the Service issued a series of private letter rulings holding that the practices ("consolidated tax savings adjustments" or "effective tax rates") violate the normalization requirements of Section 168(i)(9) and its predecessors. After the refusal of the Pennsylvania

[1/] WUTC v. Avista Corp., Docket Nos. UE-080416/UG-080417, Order No. 08 at ¶ 33 (Dec. 29, 2008).

> Public Utility Commission and the state courts to follow one of these rulings in 1988, the Service began to reexamine the issue.[2]

Q. DO OTHER STATE REGULATORY COMMISSIONS INCLUDE CONSOLIDATED TAX SAVINGS ADJUSTMENTS IN THE CALCULATION OF REGULATED UTILITY RATES?

A. Yes. For example, Pennsylvania, West Virginia, New Jersey, and Texas have included consolidated tax savings adjustments in the determination of utility rates for many years. Since 1975, Texas law has required that consolidated tax adjustments be reflected in a utility's rates. I am not aware of any consolidated tax savings adjustment that has been found to violate the normalization requirements of the Code.

Q. ARE THERE VARIOUS METHODOLOGIES THAT CAN BE USED TO CALCULATE CONSOLIDATED TAX SAVINGS?

A. Yes. A consolidated tax savings adjustment can be calculated using only one tax year or multiple years. One approach is to calculate an effective tax rate by dividing the consolidated group's tax liability by the sum of the taxable incomes of all members of the group with positive taxable income. This effective rate is then applied to the utility's taxable income to calculate income tax expense. Another approach is to compute the actual tax savings realized by a consolidated group over fifteen or more years. The utility's fair share of the total consolidated tax savings is then deducted from rate base.

Q. EXPLAIN THE CALCULATION METHODOLOGY YOU HAVE USED IN THIS CASE.

A. The adjustment I recommend is a variation of the rate base adjustment outlined above. The consolidated tax savings adjustment I recommend reflects the time value of Puget's fair share of the loans that members of the consolidated group with continuing taxable incomes have made to the members of the consolidated group that have continuing

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[2] Exhibit No.__(EB-5) at 12, 17.

taxable losses. The time value of the loan is computed using Puget's weighted average cost of capital. Exhibit No. __ (EB-3) is a sample calculation that demonstrates the methodology I recommend for computing the consolidated tax savings adjustment. In this example, rates are being set for Utility A. The data for each of the companies included in the consolidated tax return is taken directly from the consolidated tax returns for each of the years included in the calculation. In other words, the total taxable income on line 6 would agree with the taxable income reported to the IRS on Form 1120 for the consolidated group. Utility A's hypothetical $750,000 of continuing taxable income is 49.5% of the total continuing income of $1,515,000. Therefore, Utility A loaned the loss companies 49.5% of the $330,000 of the total continuing losses, or $133,366. The value of this loan is equal to the amount loaned times Utility A's 10 percent weighted average cost of capital, or $16,337 (Exhibit No.__EB-3, line 11). In this example, the consolidated tax savings is equal to 35% of this amount, or $5,718. The revenue requirement adjustment is $8,797.

Q. HOW IS THE CONSOLIDATED TAX SAVINGS ADJUSTMENT REFLECTED IN THE CALCULATION OF UTILITY A'S REVENUE REQUIREMENT?

A. Consolidated tax savings can be reflected as a reduction to the total revenue requirement, or a reduction to rate base. The revenue requirement impact is the same either way provided the correct amount is used. When the consolidated tax savings adjustment is included in rate base, the appropriate amount is the amount shown on line 9 of Exhibit No. __ (EB-3) times the 35% tax rate, or $57,178. If the consolidated tax savings adjustment is included as a reduction to Utility A's revenue requirement, the amount would be the revenue requirement amount of $8,797 shown on line 15 of Exhibit No. __ (EB-3). The revenue requirement effect of these methodologies is the same.

Q. PLEASE EXPLAIN YOUR CALCULATION METHODOLOGY.

A. My calculation is based on the sum of each company's reported taxable income and/or loss for the most recent ten years. The taxable incomes and losses reported by each entity included in the consolidated tax return for each of the years are summed. For some companies, the total for the ten years included in the calculation will be a taxable loss ("continuing losses") while for others it will result in taxable income ("continuing income"). The total continuing losses and total continuing incomes are calculated. The portion of the continuing losses that the utility's continuing income has shielded is determined by dividing the utility's continuing income by the total continuing income reported by all entities with continuing incomes. This is the utility's fair share of the consolidated tax savings.

Q. WHY DOES THE CALCULATION INCLUDE TEN YEARS OF TAX INFORMATION AND NOT JUST THE MOST RECENT TAX YEAR?

A. Under the Code, tax losses can be carried back and carried forward as a deduction against prior or future taxable income. The carry back and carry forward periods have changed from time to time. During the 1980s, the carry back period was three years and the carry forward period was fifteen years. The current carry back period is 2 years and the current carry forward period is 20 years. Ideally, the calculation of a consolidated tax savings adjustment would include twenty years of data based on this carry forward period. The advantage of using at least ten years is that it reflects the ability of a company to go from a loss company to a gain company. The amount of the consolidated tax savings will decrease when a loss company reports taxable income that offsets its own losses.

Q. DOES THE CALCULATION EMULATE THE TAX LAWS?

A. The calculation uses the information from the consolidated tax returns prepared in compliance with tax laws and filed with IRS. The calculation is designed to reflect the economic benefit of the loan made by the utility to its loss affiliates over time. Continuing losses indicate that a member of the consolidated group has been unable to offset its own losses with its own income.

Q. HOW DOES THIS METHODOLOGY COMPARE TO THOSE USED IN OTHER JURISDICTIONS?

A. The methodology is similar to the one used in Texas. In Texas, the value of the loan is computed using the utility's embedded cost of debt. In my opinion, the consolidated tax savings adjustment should be included in rate base where the utility's overall cost of capital is applied.

IV. PUGET'S CONSOLIDATED TAX SAVINGS ADJUSTMENT

Q. IS PUGET SOUND ENERGY INCLUDED IN THE CONSOLIDATED FEDERAL INCOME TAX RETURN OF ITS PARENT?

A. Yes. Puget Holdings files a consolidated federal income tax return on behalf of itself and its subsidiaries.

Q. SHOULD A CONSOLIDATED TAX SAVINGS ADJUSTMENT BE INCLUDED IN THE DETERMINATION OF PUGET'S RATES?

A. Yes.

Q. DOES A CONSOLIDATED TAX SAVINGS ADJUSTMENT PENALIZE A UTILITY THAT IS A MEMBER OF A CONSOLIDATED GROUP?

A. No. The consolidated tax savings adjustment simply recognizes the economic benefits of filing a consolidated tax return, and still allows the parent company to retain the tax savings.

Q. HOW MANY YEARS OF TAX DATA ARE INCLUDED IN YOUR CALCULATION OF PUGET'S CONSOLIDATED TAX SAVINGS ADJUSTMENT?

A. My calculation includes the years 2001 through 2010. I used ten years because it is sometimes burdensome on the utility to provide tax returns for the last twenty years and often the information is simply not available. In subsequent rate cases, I recommend that the additional years be added to the ten years in my calculation to extend the total years included to twenty years, the loss carry forward period allowed by the Code.

Q. DID YOU USE THE SAME METHODOLOGY THAT IS REFLECTED IN TABLE 1?

A. Yes. The methodology is the same, but the time period is longer. My calculation of Puget's consolidated tax savings adjustment is shown on Confidential Exhibit No. __ (EB-4C).

Q. IS YOUR PROPOSED CONSOLIDATED TAX SAVINGS ADJUSTMENT FOR PUGET CONSISTENT WITH THE IRC?

A. Yes. As I previously explained, consolidated tax savings adjustments have been found to be consistent with the IRC. My proposal is based on elements of consolidated tax adjustments that have been adopted by other regulatory commissions and does not violate the Code.

In the 2008 Avista case,[3/] the Commission was concerned that the consolidated tax adjustment that was proposed would violate the normalization provisions of the Code. My proposed consolidated tax adjustment does not violate the IRC normalization requirements. In the Avista case, the proposed consolidated tax savings adjustment used an effective tax rate that would be applied in the calculation of Avista's federal income

[3/] Docket Nos. UE-080416/UG-080417, Order No. 08 at ¶ 33.

tax expense. My calculation uses the statutory federal income tax rate and does not inconsistently treat expenses, deferred taxes, or rate base. My approach does not flow through to ratepayers any benefits of accelerated tax depreciation. It does not impact the calculation of the current provision for deferred taxes or the balance of accumulated deferred taxes. My calculation simply reflects the time value of the loans Puget has made to its affiliates with continuing losses.

Q. DID YOU INCLUDE IN YOUR CALCULATION OF PUGET'S CONSOLIDATED TAX SAVINGS ADJUSTMENT ALL COMPANIES THAT WERE INCLUDED IN THE CONSOLIDATED TAX RETURNS FOR THE YEARS 2001 THROUGH 2010?

A. Yes. My understanding is that the Commission rejected a consolidated tax adjustment in the 2008 Avista case because the Commission was concerned that it is not appropriate for ratemaking to consider only those operations of non-regulated enterprises that had taxable losses and not include those that had taxable income.[4/] My proposal does not "cherry pick" only those affiliates that reported tax losses, but is fair and balanced because it includes all members of the consolidated group whether they reported taxable losses or incomes.

I also included all companies because, over time, companies may be sold, change their names, or go out of business. The consolidated tax savings adjustment calculation is not a snapshot of one year, but is instead a cumulative calculation of the loans Puget has made to its "loss" affiliates over the last ten years. The value of these loans is equal to the amount of consolidated tax savings over the last ten years that would not have been realized by the consolidated group as of the end of the historic test year but for their affiliation with Puget multiplied by Puget's cost of capital. If an unprofitable member of

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[4/] Id. at ¶ 31.

the consolidated group fails to earn profits of its own, Puget Holdings would lose the tax benefit of that loss but for the profits earned by Puget and the other members of the consolidated group with continuing tax income.

Q. ARE YOU AWARE OF CONCERNS THAT CONSOLIDATED TAX ADJUSTMENTS VIOLATE THE "BENEFITS/BURDENS TEST" OR ANY REQUIREMENTS TO SEPARATE REGULATED AND UNREGULATED OPERATIONS?

A. Yes. I am aware that in past proceedings in Washington and in other states, electric utilities have raised a number of arguments against consolidated tax adjustments. These include claims that customers should not be entitled to benefits from actions if they have not borne the costs or risks, that a consolidated tax adjustment violates ring fencing or other provisions that insulate ratepayers from unregulated operations, and that a consolidated tax adjustment would result in inappropriate cross subsidizations.[5] The Commission has stated that these are important issues that should be fully addressed when any party proposes a consolidated tax adjustment, and that regulated and unregulated operations can be commingled if a compelling reason is shown.[6]

Q. DOES YOUR CONSOLIDATED TAX ADJUSTMENT VIOLATE THE "BENEFITS/BURDENS TEST" OR ANY REQUIREMENTS TO SEPARATE REGULATED AND UNREGULATED OPERATIONS?

A. No. I agree with the fundamental principle of utility ratemaking that ratepayers should generally be isolated from the impacts of a utility's non-regulated activities and that ratepayers should not be required to subsidize or be exposed to the risks of a utility's non-regulated operations. Many utility commissions, including the WUTC, have adopted

[5] Docket Nos. UE-080416/UG-080417, Order No. 08 at ¶¶ 28-30; WUTC v. PacifiCorp, Docket Nos. UE-050684/050412, Order Nos. 04 and 03 at ¶¶ 153-160 (April 17, 2006).

[6] Docket Nos. UE-080416/UG-080417, Order No. 08 at ¶¶ 29; Docket Nos. UE-050684/050412, Order Nos. 04 and 03 at ¶ 160.

strict ring fencing provisions to isolate utility operations from financial impacts flowing from unregulated operations. As I have explained, my proposed consolidated tax adjustment does not violate any of these principles or requirements.

Q. WHAT IMPACT, IF ANY, HAVE CONSOLIDATED TAX SAVINGS ADJUSTMENTS HAD ON THE UTILITIES IN THE OTHER STATES?

A. There is no evidence that consolidated tax savings adjustments have had any impact, either positive or negative, on the utilities in these states. Because there is no evidence that a consolidated tax savings adjustment impacts the risk of the utility or alters shareholder assessment of the utility's risk, no corresponding adjustment is made to the allowed return on equity. There is no evidence that the consolidated tax savings adjustment exposes utility customers to liabilities from unregulated activities. In other words, other states have adopted consolidated tax adjustments without exposing ratepayers or utilities to problems or concerns associated with commingling regulated and non-regulated operations, and have not violated any ring fencing provisions. Neither Puget nor its ratepayers will be exposed to any financial risks associated with Puget Holdings or other affiliates because of my proposed consolidated tax adjustment.

Q. DOES YOUR CONSOLIDATED TAX SAVINGS ADJUSTMENT RESULT IN CROSS-SUBSIDIZATION BETWEEN A UTILITY AND ITS AFFILIATES?

A. No. The consolidated tax savings adjustment is the utility's fair share of the consolidated tax savings times Puget's cost of capital. Some of the unprofitable affiliates might never be able to use their tax losses if they were not part of a consolidated tax return. The consolidated tax savings adjustment simply represents the time value of the money that Puget's ratepayers have loaned to Puget Holdings. There is no transfer of tax losses from any affiliates to Puget. My adjustment reflects only the value of the "loan," so there is no transfer of the tax benefit, and is instead providing ratepayers their fair share of the value of filing a consolidated tax return that could not occur but for money collected from ratepayers. Essentially, without a consolidated tax adjustment, ratepayers will subsidize Puget Holding's non-regulated operations.

Q. IS YOUR PROPOSAL CONSISTENT WITH THE REGULATORY PRINCIPLES OF COST CAUSATION AND THAT RATEPAYER BENEFITS SHOULD FOLLOW REGULATORY BURDENS?

A. Yes. Ratepayers fully contribute and pay for Puget's cost of service, including a cost related to federal income taxes. Under Puget's approach, ratepayers are burdened with the full payment associated with income taxes on a stand-alone basis, but do not receive any of the benefits associated with the fact that there are tax savings resulting from participation in the filing of a consolidated tax return. The federal income tax expense included in rates does not reflect the economic reality of Puget's inclusion in a consolidated return. The consolidated group benefits from being able to monetize the losses reported by other members of the group because Puget has taxable income. It is improper to burden ratepayers with the full payment of tax expenses without reflecting the value of the monies Puget and its ratepayers have loaned to the loss affiliates. Therefore, my consolidated tax adjustment is entirely consistent with the principles of cost causation because the tax savings could not occur but for the inclusion of funds collected from ratepayers. Under the principles of cost causation, ratepayers should receive their fair share of the benefits that ratepayers have funded.

Q. IN THE 2005 PACIFICORP GENERAL RATE CASE, THE PROPOSED CONSOLIDATED TAX ADJUSTMENT WAS MOOTED BY AN OWNERSHIP CHANGE, IS THAT CORRECT?

A. Yes.

Q. THE CONSOLIDATED TAX SAVINGS ADJUSTMENT PROPOSED HERE INCLUDES CALCULATIONS DATING BACK ACROSS AN OWNERSHIP CHANGE FOR PUGET. DOES THE OWNERSHIP CHANGE MOOT ANY OF THE DATA INCLUDED IN YOUR CONSOLIDATED TAX SAVINGS ADJUSTMENT CALCULATION?

A. No. The adjustment I propose is totally different from the one that was proposed in the PacifiCorp case. In that case, my understanding is that the adjustment was based on one year's tax data and involved using an effective tax rate. The adjustment I propose includes ten years of tax data and simply calculates the continuing losses and incomes which are not dependent on who ultimately files the consolidated tax return. In fact, one of the benefits of my calculation is that it accommodates changes in ownership as well as changes in the members of the consolidated group.

Q. DID THE COMMISSION ADDRESS "IMPORTANT QUESTIONS REGARDING THE APPROPRIATE ACCOUNTING FOR DEFERRED TAXES" RELATED TO THE PROPOSED ADJUSTMENT IN THE 2005 PACIFICORP CASE?

A. Yes.

Q. ARE THERE IMPORTANT DEFERRED TAX ACCOUNTING QUESTIONS RELATED TO THE CONSOLIDATED TAX SAVINGS ADJUSTMENT PROPOSED IN THIS CASE WHICH THE COMMISSION SHOULD CONSIDER?

A. No. The consolidated tax adjustment in the 2005 PacifiCorp case relied on "the facts and circumstances of PHI's [PacifiCorp Holdings, Inc.] ownership of PacifiCorp, PHI's loan from Scottish Power and PHI's consolidated tax returns."[7/] As I have stated, the calculation methodology I use in this case accommodates changes in ownership as well as changes in the make-up of the members in the consolidated group, and thus, the concerns expressed in the PacifiCorp case are not present here.

[7/] Docket UE-050412 Order at ¶159.

Q. PLEASE SUMMARIZE YOUR CONSOLIDATED TAX SAVINGS FOR PUGET.

A. Over the last ten years, Puget Sound Energy electric system has loaned loss companies approximately [redacted] The economic benefits related to this loan should be included as a reduction to Puget's rate base. The revenue requirement effect of doing so is $8,841,018.

Q. HOW DID YOU ALLOCATE PUGET'S TOTAL CONSOLIDATED TAX SAVINGS BETWEEN ELECTRIC AND GAS OPERATIONS?

A. The allocation is based on the Company's as filed rate base for electric operations and gas operations as shown on Mr. Stranik's Exhibit No. __(MJS-4).

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.