

1 explains the differences for maintenance between Commission Staff and the  
2 Company. Mr. Marcellia discusses the difference between Commission Staff and  
3 the Company for property taxes associated with this plant. The Company has not  
4 included an insurance premium for this property as the insurance broker will not  
5 be providing a new premium for the total project including the expansion until  
6 later in 2010.

7 ~~Q. Are there any errors in Commission Staff's adjustment filed November 17,~~  
8 ~~2009?~~

9 ~~A. Yes, Mr. Marcellia discusses a tax normalization error in Ms. Breda's calculation of~~  
10 ~~DFIT filed December 11, 2009. Due to this Commission Staff filing occurring~~  
11 ~~while the Company was finalizing its rebuttal, it was not possible to check all the~~  
12 ~~calculations filed by Commission Staff for accuracy.~~

13 **Q. Did any other parties have an adjustment for this plant addition?**

14 A. No other parties had adjustments for this plant addition.

15 **Q. Please continue with your review of the contested adjustments.**

16 A. The following adjustments are also contested:

17 **Mint Farm, Adjustment 16.08**

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18 This plant went into service in December, 2008. This pro forma adjustment  
19 follows the same methodology that has been used in prior cases to determine the

1 supplemental filing. The impact of the operating expenses presented on this  
2 adjustment is to decrease net operating income by \$138,869 less as compared to  
3 the \$738,416 net operating income decrease reflected in PSE's supplemental  
4 filing.

5 **Q. Please discuss the differences between the Commission Staff and the**  
6 **Company in calculating this adjustment.**

7 A. There are four differences between the Company's rebuttal filing and  
8 Commission Staff's December 11, 2009 filing. Commission Staff updated their  
9 adjustment with recorded balances through August 2009 for Plant in Service,  
10 Accumulated Depreciation balances using PSE's response to WUTC Staff DR  
11 158 as a source for the revisions. Commission Staff then recalculated their  
12 Deferred Federal Income Taxes (DFIT) calculation based on the new Plant in  
13 Service and Accumulated Reserve numbers. Commission Staff adjusts all  
14 property taxes to test year amounts and moves this part of the adjustment to their  
15 Adjustment 15 Property Tax. Mr. Marcellia discusses why Commission Staffs'  
16 proposed adjustments to reflect property taxes at test year amounts are  
17 inappropriate.

18 ~~Q. Are there any errors in Commission Staff's adjustment filed November 17,~~  
19 ~~2009?~~

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20 ~~A. Yes, however, Commission Staff filed new numbers for this adjustment on~~  
21 ~~December 11, 2009 that appear to have corrected some errors from the original~~

1 ~~filing that involved the deferred tax calculation. Due to this Commission Staff~~  
2 ~~filing occurring while the Company was finalizing its rebuttal, it was not possible~~  
3 ~~to check all the calculations filed by Commission Staff for accuracy.~~

4 **Q. Did any other parties have an adjustment for this plant addition?**

5 A. No other parties have any adjustments for this plant addition.

6 **Q. Please continue with your review of the contested adjustments.**

7 A. The following adjustments are also contested:

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8 **Whitehorn, Adjustment 16.10**

9 This plant was also put in service during the test year. As with the Hopkins Ridge  
10 Wind Infill Project, this adjustment follows the same procedures used in prior  
11 dockets where a generating plant that was approved for recovery in a preceding  
12 docket was put in-service during what has become a test year for a new  
13 proceeding. In the preceding docket the full value of the new plant was included  
14 in the revenue deficiency as a pro forma adjustment for the period of time it was  
15 in-service.

16 **Q. Please explain the differences between the Company's supplemental filing**  
17 **and rebuttal filing for this plant addition.**

18 A. The Company's rebuttal adjustment includes updates for actual balances through  
19 August 2009. The property insurance premium has been updated to the current

1 premium for the 2009 to 2010 policy period. Property taxes for Sumas were  
2 updated to the current estimate as explained by Mr. Marcellia. The Company has  
3 corrected an AMA calculation error in the accumulated deferred taxes included in  
4 the prefiled direct testimony and exhibits for this plant. Correcting the DFIT  
5 calculation to the correct AMA calculation decreases rate base by (\$337,117).  
6 These adjustments decrease rate base by \$324,637 from the \$18,323,366 increase  
7 reflected in the Company's supplemental filing. The impact of the operating  
8 expenses presented on this adjustment is to decrease net operating income by an  
9 additional \$15,210 as compared to the \$2,015,304 decrease reflected in the PSE  
10 supplemental filing.

11 **Q. Please discuss the differences between the Commission Staff and the**  
12 **Company in calculating this adjustment.**

13 A. Commission Staff filed new numbers on December 11, 2009 with updates to their  
14 accumulated depreciation and accumulated amortization balances using PSE's  
15 responses to Data Request 163 as their basis. Commission Staff also fixed the  
16 DFIT calculation to include accumulated amortization when developing their  
17 DFIT balances. Commission Staff adjusts all property taxes to test year amounts  
18 and moves this part of the adjustment to Adjustment 15, Property Tax. Mr.  
19 Marcellia discusses why Commission Staffs' proposed adjustments to reflect  
20 property taxes at test year amounts are inappropriate.

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1 ~~Q. Are there any errors in Commission Staff's adjustment filed November 17,~~  
2 ~~2009?~~

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3 ~~A. Yes, however, Commission Staff filed new numbers for this adjustment on~~  
4 ~~December 11, 2009 that appear to have corrected some errors from the original~~  
5 ~~filing that involved the deferred tax calculation. Due to this Commission Staff~~  
6 ~~filing occurring while the Company was finalizing its rebuttal it was not possible~~  
7 ~~to check all the calculations filed by Commission Staff for accuracy.~~

8 **Q. Did any other parties have an adjustment for this plant addition?**

9 A. No other parties made any adjustment to the Whitehorn Adjustment.

10 **Q. Please continue with your review of the contested adjustments.**

11 A. The following adjustments are also contested:

12 **Baker Hydro Relicensing, Adjustment 16.11**

13 The costs associated with the Baker Hydro Relicensing were also included in the  
14 2007 general rate case. This pro forma adjustment annualizes the amortization of  
15 the FERC licensing costs as they were only included in the test year for two  
16 months.

1 **Q. Please discuss the differences between the Commission Staff and the**  
2 **Company in calculating this adjustment.**

3 A. Ms. Breda changed the amortization rate that was approved in the Company's last  
4 general rate case filing so that the remaining costs would be amortized over 50  
5 years beginning October 2009 instead of April 2010, which is when the new  
6 amortization rate would be approved and should be implemented. As indicated  
7 earlier in my testimony, the remaining costs as of April, 2010 should be amortized  
8 over the remaining 50 years of the license from the time the license was received.  
9 The new rate of amortization should only be applied when it is approved.

10 Ms. Breda also removed the rate year federal land use fees from this adjustment.

11 Mr. Lane explains why these federal land costs are known and measurable and  
12 should not be removed.

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13 **Q. Are there any errors in Commission Staff's adjustment filed ~~November~~**  
14 **~~17~~December 11, 2009?**

15 A. Yes, ~~however, Commission Staff filed new numbers for this adjustment on~~  
16 ~~December 11, 2009 that appear to have corrected some, but not all, errors from~~  
17 ~~the original filing that involved the deferred tax calculation.~~ Ms. Breda used the  
18 AMA amount for her rate year DFIT balance instead of the IRS calculation. This  
19 is a normalization violation and is discussed by Mr. Marcellia in his rebuttal  
20 testimony. ~~Due to this Commission Staff filing occurring while the Company was~~  
21 ~~finalizing its rebuttal, it was not possible to check all the calculations filed by~~

1 ~~Commission Staff for accuracy.~~

2 **Q. Did any other parties have an adjustment for this plant addition?**

3 A. No other parties had any adjustments to Adjustment 16.11.

4 **Q. Please continue with your review of the contested adjustments.**

5 A. The following adjustments are also contested:

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6 **Miscellaneous Operating Expense, Adjustment 16.14**

7 **Q. Please explain the differences between the Company's supplemental filing**  
8 **and rebuttal filing for this ~~plant addition~~ adjustment.**

9 A. The Company's rebuttal adjustment includes one update to remove from net  
10 operating income the merger related costs of (\$1,831) charged to advertising  
11 expense that should have been charged below the line. The revised increase to  
12 net operating income is \$995,982.

13 **Q. Please discuss the differences between the Commission Staff and the**  
14 **Company in calculating this adjustment.**

15 A. There is one difference between the Company and Commission Staff.  
16 Commission Staff removed the Company service provider contract increases for  
17 transmission and distribution expense from the rate year, reducing forecast  
18 expenses by (\$23,515) and (\$874,539) respectively. Commission Staff stated that