

Exhibit No. MRM-12
Puget Sound Energy
2010 General Rate Case
WUTC Docket Nos. UE-090704 and UG-090705

FEA Cross Examination Exhibit

PSE Response to FEA DR 01.34

Witness: Matthew Marcellia (PSE)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

FEA DATA REQUEST NO. 01.34

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- (a) As of July 15, 2009, how many of the 22 WTGs have been installed and are operational at the Wild Horse Wind Project Expansion?
- (b) When does PSE anticipate that each of the remaining WTGs will be installed and commercially operational?
- (c) Please identify, quantify and explain all bonus tax depreciation in 2008 and 2009 that the Wild Horse Wind Project Expansion would produce.
- (d) Please identify, quantify and explain in detail exactly how PSE has reflected such bonus tax depreciation in its rate case filing, including but not limited to, the impacts on Accumulated Deferred Income Taxes.
- (e) Please identify and explain all other tax benefits that would be produced by the Wild Horse Wind Project Expansion.
- (f) Please quantify the impact of each such benefit on the rate year rate base and operating expenses.

Response:

- (a) As of July 15, 2009, ten base and mid-sections of the wind turbine generators ("WTG") towers are installed out of 22 WTGs. None of the 22 WTGs were 100% installed and operational.
- (b) Puget Sound Energy, Inc. ("PSE") anticipates that all 22 WTGs will be commercially operational in November 2009.
- (c & d) Please see PSE's Response to FEA Data Request No. 01.44 for information regarding bonus tax depreciation.
- (d) The Wild Horse Expansion proforma captured the estimated incremental production tax credits ("PTC") that the project is expected to produce. PTCs are passed through to customers under Schedule 95A and are not included in general rate case filings. Additionally, as outlined in the Prefiled Direct Testimony of Matthew Marcellia, Exhibit No. ___ (MRM-1T), pages 14-16, the American Recovery and Reinvestment Act ("ARRA")

introduced additional benefits that may be claimed in lieu of the PTC, namely, the possibility to elect investment tax credit ("ITC") or cash grants from the U.S. Treasury.

- (e) PSE is updating the Wild Horse Expansion analysis to identify which option (PTC, ITC, or cash grants) is most beneficial for customers. That review has not been completed at this time. PSE will identify the option that appears most favorable in its update to power costs later in this proceeding.