

**EXHIBIT NO. ___(MRM-17)
DOCKET NOS. UE-111048/UG-111049
2011 PSE GENERAL RATE CASE
WITNESS: MATTHEW R. MARCELIA**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-111048
Docket No. UG-111049**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
MATTHEW R. MARCELIA
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JANUARY 17, 2012

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED:	December 21, 2011	WITNESS:	Ralph Smith
DOCKETS:	UE-111048/UG-111049	RESPONDER:	Ralph Smith
REQUESTER:	Puget Sound Energy	TELEPHONE:	(360) 664-1188

PSE Data Request No. 003 to WUTC Staff:

Re: Ralph Smith, Exhibit No. ____ (RCS-01CT), page 2

On page 2 of Exhibit No. ____ (RCS-1CT), Mr. Smith states, "The Company's proposal to include a debit balance of approximately \$47.3 million in Account 236 Accrued Taxes Payable as an addition to rate base as working capital, which I recommend should be excluded from the working capital calculation." Please indicate what the proposed ratemaking treatment is for this 236 balance once it is removed from working capital by providing the offsetting debit that would be used to balance the entry that credits working capital.

RESPONSE:

Staff's proposed working capital treatment is to exclude the \$47.3 million because (1) it is abnormal to have a large debit balance in the accrued income taxes payable liability account (account 236) on a continuing basis and (2) the large debit balance in that account has been removed by PSE on its books shortly after the end of the 2010 test year and therefore does not exist on a going forward basis. PSE has not yet provided Staff with the complete details of the associated journal entry. The removal from account 236 was addressed by PSE during phone discussions. However, debiting temporary cash investments because of the size of the amount when the income tax refunds were received by PSE would generally have been appropriate accounting for the debit side of the journal entry. Staff's response to PSE DR 4 describes the reasons for excluding a temporary \$47.3 million post-test year balance in Temporary Cash Investments (account 136) from rate base. Additionally, if PSE were to assume that the \$47.3 million were to be left indefinitely in a non-interest earning Cash account (account 131), that, on its face would be imprudent cash management and would therefore require rate base removal to reverse the impact of such imprudence and for ratemaking purposes to reflect the application of prudent cash management practices which would normally dictate that funds in such a large amount should be held as Temporary Cash Investments (account 136) and should be temporarily invested to earn interest. In summary, the \$47.3 million in Account 236 Accrued Taxes Payable should be removed from rate base as working capital, as Staff has done.