

**EXHIBIT NO. ___(RG-30)
DOCKET NO. UE-111048/UG-111049
2011 PSE GENERAL RATE CASE
WITNESS: ROGER GARRATT**

**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**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JANUARY 17, 2012

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**Docket Nos. UE-111048 and UG-111049
Puget Sound Energy, Inc.'s
2011 General Rate Case**

ICNU DATA REQUEST NO. 02.33

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With regard to the prefiled testimony of Mr. Roger Garratt (Exhibit RG-1HCT), page 24, lines 16 through 18, please explain in greater detail how the Section 1603 Treasury Grant is not dependent upon the Company's tax liability. With regard to the prefiled testimony of Mr. Roger Garratt (Exhibit RG-1HCT), page 25, lines 7 through 9, please explain how the \$321 million benefit to customers will be reflected in rates during the rate effective period of May 2012 through April 2013 and in subsequent years through 2016.

Response:

The Section 1603 Treasury Grant referenced in the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ____ (RG-1HCT), is a cash payment from the U.S. Treasury Department for 30 percent of eligible renewable energy project costs. It is unlike production and Investment Tax Credits ("PTC" or "ITC"), which are tax credits, not cash payments, and must be used to offset taxes payable to the Internal Revenue Service ("IRS"). As such, a taxpayer must have positive taxable income in order for a PTC or ITC to be of value to the holder of the credit.

The Lower Snake River Phase I ("LSR Phase I") Report to the Board of Directors, provided as the Twelfth Exhibit to Mr. Garratt's Prefiled Direct Testimony, Exhibit No. ____ (RG-13HC), contains commentary on how Puget Sound Energy, Inc. ("PSE") intends to treat the Section 1603 Treasury Grant. Please see pages 132-133 of Exhibit No. ____ (RG-13HC).

The LSR Phase I project proforma, submitted as the workpaper entitled, "RG-WP(C)WindProforma_LSR_20100429_RC Exhibit.xls", contains a projection of the Section 1603 Treasury Grant customer benefit by year. Please see the "Fed Incent" worksheet for projection details. The referenced workpapers assume perfect regulation, in that they assume the LSR Phase I Treasury Grant is included in rates commensurate with the in-service date of the project. In reality, however, there would likely be administrative lag times related to receiving the Treasury Grant from the IRS, as is discussed on page 132 of Exhibit No. ____ (RG-13HC). Additionally, the tariff allows 60 days after receipt of a Treasury Grant to include it in Schedule 95A.

The benefit of the Treasury Grant is passed to customers on Schedule 95A, "Federal Incentive Tracker". Once PSE receives the grant from the U.S. Treasury, it will update Schedule 95A as required under the terms of the Schedule. For more information on the mechanics of Schedule 95A or to see the complete filing, please see PSE's tariffs at www.wutc.wa.gov.

Workpapers were submitted to the Commission in this proceeding on June 13, 2011.