

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-072300 and UG-072301
Puget Sound Energy, Inc.'s
2007 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 583

PUBLIC COUNSEL DATA REQUEST NO. 583:

Refer to response to Public Counsel Data Request Nos. 323 (CONFIDENTIAL) and 330.

- a. Please provide Puget Energy Inc. consolidated tax returns for 2004, 2005, 2006 and 2007.
- b. Explain in detail why the total tax, line 31 of each federal income tax return (2006, 2005 and 2004) for Puget Sound Energy, Inc. shows the word "NONE"? Provide a detailed explanation for each tax year.

Supplemental Response:

- a. Attachment A, B, and C to Puget Sound Energy, Inc.'s ("PSE") original Response to Public Counsel Data Request No. 583 are still valid.
- b. In each year, 2004, 2005, and 2006, PSE was a wholly-owned subsidiary of Puget Energy. As a result, PSE does not file a separate (or single entity) tax return with the IRS. Instead, PSE's taxable income or loss is included with the taxable income or loss of Puget Energy and its other subsidiaries. The consolidated Puget Energy group files one consolidated tax return with the IRS. Although only one tax return is filed for the group, the IRS requires that actual taxable income be computed for each legal entity on a separate company basis.¹ The tax liability of any member of the consolidated group can be determined by multiplying that member's taxable income by the statutory tax rate and then adjusting for any tax credits that the member may have generated.

In fact, it is PSE's common practice to make this exact calculation to determine each subsidiary's separate tax liability. However, those calculations are not submitted to the IRS as part of PSE's tax filings because it is not required. In the case of the Puget Energy consolidated group, such calculations are simple, straight-forward, and non-controversial.

¹ When the IRS performs an audit, it actually audits the separate company calculations of taxable income – these are not hypothetical estimations, but actual stand-alone calculations of taxable income.

The reason that the individual subsidiary tax liability is not calculated on the tax filing is that there is no reason to do it. The IRS treats the consolidated group as one taxpayer and only requires the calculation of one tax – at the consolidated level.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**Docket Nos. UE-072300 and UG-072301
Puget Sound Energy, Inc.'s
2007 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 583****PUBLIC COUNSEL DATA REQUEST NO. 583:**

Refer to response to Public Counsel Data Request Nos. 323 (CONFIDENTIAL) and 330.

- a. Please provide Puget Energy Inc. consolidated tax returns for 2004, 2005, 2006 and 2007.
- b. Explain in detail why the total tax, line 31 of each federal income tax return (2006, 2005 and 2004) for Puget Sound Energy, Inc. shows the word "NONE"? Provide a detailed explanation for each tax year.

Response:

- a. Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 583, please find an Adobe pdf file containing Puget Energy, Inc.'s ("PE") 2004 consolidated income tax return.

Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 583, please find an Adobe pdf file containing PE's 2005 consolidated income tax return.

Attached as Attachment C to PSE's Response to Public Counsel Data Request No. 583, please find an Adobe pdf file containing PE's 2006 consolidated income tax return.

PE is in the process of preparing its 2007 consolidated income tax return; and thus, it is unavailable.

- b. In each year, PSE was a subsidiary of PE. Subsidiaries do not report a tax liability when they are included in a consolidated income tax return.

Attachments A, B, and C to PSE's Response to Public Counsel Data Request No. 583 are HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-072300 and UG-072301.