BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PUBLIC COUNSEL DATA REQUEST NO. 558

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Reference pages 2 and 3 of Mr. Matthew Marcelia's rebuttal testimony and answer/provide the following:

a. Please discuss/describe/explain why considering the before-tax gross proceeds from the sale of White River assets in rate base development is somehow consistent with Order No. UE-090399 while considering the related tax loss effects of this same sale is not consistent with the terms of Order No. UE-090399.
b. Please discuss/describe/explain why, when the estimated tax impact of the White River sale was thought to be a "taxes payable" amount that reducing rate base for such "taxes payable" amount was somehow in compliance with Order No. UE-090399, but when the estimate turned out to be a "tax loss" amount that should reduce taxes calculated to otherwise be payable to the IRS that inclusion of such taxes receivable in rate base development would not be in compliance with Order No. UE-090399.
c. Please confirm that the tax loss on the White River sale that was provided in response to Public Counsel Data Request 439 remains the best estimate of the probable tax ramification from the White River sale. Alternatively, please provide any updated estimates of the tax ramifications from the sale that have been calculated.

Response:

a. At this time, it is unknown whether the transactions described in WUTC Docked No. UE-090399 (sale of assets to Cascade Water Alliance ("CWA") and the sale of White River surplus property) will result in a tax loss or a tax gain. As described in the final order from WUTC Docket No. UE-090399, Puget Sound Energy, Inc. ("PSE") will bring the application of the proceeds from the sale and disposition to the Commission after the sale of the assets and the surplus property have been completed.

b. The estimated tax impact of the transaction as a whole, regardless of whether it was a receivable or payable, was not considered under a separate analysis in PSE's original filing because, as was described in PSE's Response to Public Counsel Data Request No. 439, PSE initially believed that all taxes were already reflected in the deferred balances for White River, and thus it was believed that only the taxes on the proforma CWA proceeds needed to be considered. This was not the case and thus led to the removal of federal income tax on the CWA proceeds from the analysis.

c. The tax calculation that is attached to PSE's Response to Public Counsel Data Request No. 439 reflects sales proceeds of $25 million for the sale of the White River assets to CWA.

   The CWA purchase and sale agreement includes a contingent payment in the amount of $5 million. IRS rules would require that the $5 million contingent payment be reflected in the proceeds for tax purposes even though it is contingent on future events. For accounting purposes, the contingent payment would not be reflected until received. The $5 million contingent payment would reduce the tax loss reported in PSE's Response to Public Counsel Data Request No. 439 from $5,925,879 to $925,879, which would have a tax effect at 35% of $324,058.