

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-141141
Puget Sound Energy, Inc.'s
2014 Power Cost Only Rate Case**

BENCH DATA REQUEST NO. 001

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- a) On page 9 of Exhibit No. KJB-4, sponsored by Katherine J. Barnard, PSE shows the rate base and expense calculation of Adjustment 5 related to the Treasury Grants associated with the Snoqualmie Falls and Lower Baker Projects. The amortization expense (credit) is not subject to federal income tax. However, the adjustment indicates that the non-taxable nature of the amortization has not been considered in the adjustment calculation, unlike the treatment accorded the non-taxable portion of depreciation in Adjustments 3, line 12, and Adjustment 4, line 12 depicted in Exhibit No. KJB-4, pages 7 and 8, respectively. Please explain the disparate treatment.

- b) Please explain if the disparity described in part a) of this request is similarly reflected in the expense calculation of Adjustment 6- Treasury Grants Deferral, page 10 of Exhibit No. KJB-4.

Response:

The amortization expense (a credit) associated with the Treasury Grants, reduces the company's book expenses, however, there is not a corresponding reduction in taxable income because that benefit is not subject to federal income tax. This "expense reduction" is reversed on the tax books thereby decreasing the additional tax expenses. The customers are held harmless by directly receiving the full value of the tax credit.

The Snoqualmie and Baker Project plant adjustments reflected in Adjustments 3 and 4, were calculated in a similar manner to the rate base adjustment prepared for the Lower Snake River project that was originally presented in the 2011 general rate case and, as a result, inadvertently included the "Revenue Adjustment for Flow-Thru Taxes". In order to address the inconsistency, PSE is updating Adjustments 3 and 4 to remove the revenue adjustment associated with the flow through taxes (line 13) in order to remove the federal tax impact and to be consistent with the original intent of the PCORC to present adjustments on a pretax basis. These revisions will be reflected in the revenue

requirement figures presented with the Multi-Party settlement agreement which is to be filed on or before September 5.