

February 28, 2012

**NOTICE OF BENCH REQUEST NOS. 17 – 23  
(Due by Wednesday, March 7, 2012)**

RE: *Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049 (consolidated)

TO ALL PARTIES:

These Bench Requests are directed principally to PSE, Staff, and ICNU. Other parties, however, may respond. Bench Request No. 22 is directed to all parties.

**Bench Request 17:**

**TO PSE:**

Mr. Marcellia testifies that “the property tax calculation becomes more accurate over the course of the year as more factors become available. Generally Accepted Accounting Principles (“GAAP”) require updates to these calculations as PSE receives better information throughout the year.” Exhibit No. MRM-1T at 43:4-44:2. In addition, he testifies that “[t]he property tax calculation presented on Exhibit No. \_\_\_(MRM-12) represents a reasonable estimate of the property tax due. PSE will update the estimate as information becomes available throughout this proceeding.” Id. at 48:3-5. However, Mr. Story’s exhibits JHS-6 at 11, JHS-14 at 11 and JHS-21 at 11 each show the same amount of property tax in the Company’s Property Tax adjustment: \$3,359,921.

- A. Please provide updated estimates of property tax made by the Company during the pendency of this proceeding and state whether they appear in the Company’s testimony and exhibits, and, if so, where. Explain why these updates are not reflected in Mr. Story’s exhibits.

B. Please provide an updated calculation of property taxes presented in a form consistent with Exhibit No. \_\_\_\_ (MRM-12) using the 2011 lien date, the 2011 DOR value (if known), the 2011 system ratio (if known) and the 2011 levy rate, known as of April 2011. If the DOR value and system ratio for 2011 are not known, use PSE's most recent estimates and state when the estimate was made. Indicate any other known and available special or locally assessed property tax amounts.

**Bench Request 18:**

**TO PSE:**

Please state the amount of property tax PSE proposed for recovery and the amount the Commission approved for recovery in rates in each of PSE's general rate proceedings since 2000. Was the methodology used by PSE the same as it uses in the current docket? If not, please explain how the methodology was different in the earlier case(s) and state the reasons for the variation(s).

**Bench Request 19:**

**TO PSE:**

Please state the amount of property taxes PSE actually paid during each calendar year since 2000, identify the associated lien date for each payment and state PSE's estimated property tax for the year as of the lien date, or as soon thereafter as first estimated for the relevant year.

**Bench Request 20:**

**TO PSE:**

On page 7 of his direct testimony (Exh. No. TMH-1T at 7:17-19), Mr. Hunt states that PSE is not requesting recovery of executive compensation incentive pay. Please state the amounts of such executive incentive compensation that is not proposed to be in rates.

On page 8 of his direct testimony (Exh. No. TMH-1T at 8:3-9), Mr. Hunt describes certain categories of incentive pay that are funded by PSE's "investors." These include the Long-Term Incentive Plan, officer annual incentives, officer annual merit increases, and Supplemental Executive Retirement Plan expenses. Please prepare a table showing

the expenditures in the test year for each category of executive compensation that is funded by investors in whole or part. Please provide a brief narrative description of each category.

**Bench Request 21:**

Mr. Buckley testifies that “A further update [of projected rate year power costs due to gas price forecast changes] should be ordered as part of the compliance filing.” Exhibit No. APB-1CT at 31: 12. Mr. Buckley also observes that “The Commission has recently allowed electric utilities to update certain costs during the general rate case process, as long as there is a suitable transparency to the calculation and adequate time for other parties to review the updated amounts. Typically, those updates have been limited to forecasted gas and electric market prices, new firm contracts, or budget updates from third party owners of resources such as the Mid-Columbia project owners.” Exhibit No. APB-1CT at 29:11-16.

Mr. Schoenbeck testifies that “the Commission should require PSE to perform an additional update to its power supply costs based on forward gas prices from the three-month period of October through December.” Exhibit No. DWS-1CT at 7:17-20. During his explanation of his gas price update calculation, Mr. Schoenbeck states, “...it is also necessary to update PSE’s “out-of-AURORA” mark-to-market adjustment.” Exhibit No. DWS-1CT at 7:10-11.

Mr. Mills argues the Commission should “reject both adjustments [Commission Staff and ICNU’s] and order PSE to update rate year power costs with more recent gas prices...” Exhibit No. DEM-11CT at 51:11-13. Mr. Mills describes this update as “methodical and includes updating the AURORA model for the more recent gas prices and for the fixed-price short-term rate year power contracts in place at the pricing date. In addition, the Not-in-Models costs have been updated to reflect the updated forecast gas prices, the updated AURORA modeled power prices, the more recently dated fixed-price short-term natural gas contracts and the more recently dated short-term power contracts.” Exhibit No. DEM-11CT at 58:17-59-4.

**TO PSE:**

- A. Does the Company propose to update power costs using the same methodology upon which its supplemental testimony updating as-filed power costs in this proceeding is based?

1. If so, describe the methodology and identify each component adjustment that contributes to the overall adjustment.
2. If not, describe the methodology PSE proposes to use, identify each component adjustment that contributes to the overall adjustment and explain why the methodology is different from that used in the previous update.

**TO STAFF and ICNU:**

- B. Do you propose to update power costs using the same methodology that PSE used in its supplemental testimony updating as-filed power costs in this proceeding?
1. If not, describe the methodology you propose to use, identify each component adjustment that contributes to the overall adjustment and explain why you believe the methodology is more appropriate than that PSE used in its supplemental filing.<sup>1</sup>
- C. With respect to each underlying adjustment you propose to PSE's overall power costs, state whether it is an "in-AURORA" adjustment or an "outside-AURORA" adjustment.

**Bench Request 22:****TO ALL PARTIES:**

Please prepare a table establishing a common nomenclature that identifies each contested adjustment in this proceeding, including underlying adjustments (*e.g.*, in the case of power costs, there are numerous underlying adjustments but the parties sometimes use different terms to refer to the same proposed adjustment). If the parties cannot agree to such a common nomenclature, each party should propose its own nomenclature for the adjustments it proposes and show any corresponding or overlapping adjustment that another party proposes using a different nomenclature.

NOTE: The purpose of this Bench Request is to establish a common nomenclature to be used by all parties in their briefs. This will facilitate the Commission's consideration of the issues.

---

<sup>1</sup> If any party responds to Bench Request 21 B, PSE may provide a supplemental response stating its position.

**Bench Request 23:**

**TO PSE:**

Mr. Story testifies that:

“Because the Treasury Grant for the Wild Horse Expansion is required to be normalized under Section 1603 of the American Recovery and Reinvestment Act of 2009, the remaining balance of the Treasury Grant account is included in [the total average invested capital] portion of the working capital calculation in the same manner as Investment Tax Credits, which had similar normalization restrictions.” Story, Exh. No. JHS-1T at 8:15-20.

However, in response to a question from Commissioner Jones after referring to his working capital computation on JHS-03(Page 3.9), Mr. Story testifies:

“[The] treasury grant is not included in working capital because it's not related to general rate[s]...” TR 1072:16-17

- A. Please reconcile Mr. Story’s response to Commissioner’s Jones’s question to Mr. Story’s Exhibit JHS-03 page 3.09 which, consistent with Mr. Story’s direct testimony, includes the treasury grant as invested capital.
- B. Considering that the treasury grant was included in the Company’s direct case working capital computation because it was believed it is “required to be normalized” but “...the National Defense Authorization Act for 2012 eliminated the requirement for utilities to normalize the Section 1603 Treasury Grant.” (Seelig , AS-4HCT at 48:13-15) explain why the Company has not revised its working capital computation removing the treasury grant as investor supplied working capital, as reflected in JHS-03 page 3.09?

The responses are due by **Wednesday, March 7, 2012.**

Sincerely,

DENNIS J. MOSS  
Administrative Law Judge