

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**BENCH REQUEST NO. 025**

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**TO PSE:**

The Commission will order PSE to update its property tax expenses for purposes of its compliance filing in this proceeding. Although the Commission's Final Order is not complete for purposes of entry and service, the Commission has determined the outcome of this contested issue, as follows:

- (1) PSE will update its property tax expense to be actual 2011 property tax, payable in 2012, when making its compliance filing.
- (2) We require the Company to perform now, and provide to the Commission, a property tax update revising Adjustment 21.11 and a revised Exh. No. JHS-21.11.
- (3) We further require the Company to provide to the Commission updates to Adjustments 20.02 and 20.12 incorporating the property tax update, along with supporting exhibits.
- (4) We further require the Company to provide an update to Adjustment 20.11 and Exh. No. JHS-20.11 incorporating the effects of the revised property taxes and the power cost update required under Bench Request 24.

**Response:**

- (1) To allow for visibility of the underlying determination of actual 2011 property taxes paid in 2012, attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Bench Request No. 025 is an update to the data provided in Bench Request No. 017 to reflect actual 2011 property taxes paid in 2012. The only significant adjustment is to move from the Company's estimated levy rates to the actual levy rates.
- (2) – (4) Attached as Attachment B to PSE's Response to Bench Request No. 025, please find Adobe PDF copies of the following revised pages from Exhibit No. JHS-20 and No. JHS-21. The pages listed represent the pages within John H. Story's exhibits

which are originally impacted by the changes required in this Bench Request, as well as those required by Bench Request No. 024 where applicable.

- JHS-20 page 3 of 14 “20.02 Lower Snake River Project” – updated for property taxes as well as for changes to transmission (wheeling) expenses resulting from the use of updated gas prices from Bench Request No. 024 to calculate imbalance charges associated with Lower Snake River (“LSR”). Additionally, property taxes for Lower Snake River were calculated by applying the levy rates and property tax ratios specific to Lower Snake River based on 2011 property taxes paid in 2012 to PSE’s total project cost for the plant.
- JHS-20 pages 12 and 13 of 14 “20.11 Production Adjustment” – updated for production property taxes, including LSR, as well as changes to contract major maintenance and Colstrip 1 and 2 dedication fee and to Montana Electric Energy Tax required in Bench Request No. 024.
- JHS-20 page 14 of 14 “20.12 Lower Snake River Deferral” – updated as requested
- JHS-21 page 5 of 22 “21.05 - Tax Benefit of Proforma Interest – updated for changes to rate base:
  - Adjustment 20.10 – Regulatory Assets and Liabilities for:
    - Contract major maintenance (Bench Request No. 024)
    - Colstrip 1 and 2 dedication fee (Bench Request No. 024)
  - Adjustment 20.12 – LSR Deferral (Bench Request No. 025)
- JHS-21 page 11 of 22 “21.11 – Property Taxes” – updated as requested

The following table indicates the impact of the changes to property taxes required in Bench Request No. 025:

Bench Request 25 Updates	Cost (excludes production factor)	Rate Base	Return on Ratebase @ 8.26%	NOI	Operating Income Deficiency	Revenue Requirement Deficiency (Con Factor = .620749)
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
1. 20.11 Property Taxes	\$ (498.1)			\$ 323.8	\$ (323.8)	\$ (521.6)
2. 20.02 Update property taxes in LSR Plant Adjustment	\$ (1,021.6)			\$ 650.3	\$ (650.3)	\$ (1,047.5)
3. 20.12 Update LSR Deferral for Property Taxes	\$ (53.4)	\$ (118.0)	\$ (9.7)	\$ 32.7	\$ (42.5)	\$ (68.4)
4. Update Production Adjustment for Property Taxes			\$ -	\$ (15.7)	\$ 15.7	\$ 25.4
<b>Total Impact BR 25</b>	<b>\$ (1,573.2)</b>	<b>\$ (118.0)</b>	<b>\$ (9.7)</b>	<b>\$ 991.0</b>	<b>\$ (1,000.8)</b>	<b>\$ (1,612.2)</b>

Attached as Attachment C to PSE's Response to Bench Request No. 025 is a MS Excel file containing all pages from Exhibit No. JHS-19 through Exhibit No. JHS-21 after incorporating all changes required in Bench Request Nos. 024 and 025. (Please note that Attachment C to PSE's Response to Bench Request No. 025 is provided in electronic format only.)

Updating to the actual 2011 property taxes paid in 2012 also lowers the gas revenue requirement from PSE's rebuttal filing by \$302 thousand. Accordingly, attached as Attachment D to PSE's Response to Bench Request No. 025 is an Adobe PDF copy of Exhibit No. MJS-13 page 11 of 22 after incorporating the requested property tax update. Additionally, attached as Attachment E to PSE's Response to Bench Request No. 025 is an MS Excel file containing all pages from Exhibit No. MJS-11 through Exhibit No. MJS-13 after incorporating the requested property tax update. (Please note that Attachment E to PSE's Response to Bench Request No. 025 is provided in electronic format only.)

A summary of the Attachments to this Bench Request is as follows:

Attachment A – Property tax calculation for 2011 actual property taxes paid in 2012 following Bench Request No. 017.

Attachment B – Adobe PDF copies of Mr. Story's Exhibit pages originally impacted by the property tax update.

Attachment C – MS Excel file containing all pages of Exhibit No. JHS-19 through Exhibit No. JHS-21 impacted by the property tax update.

Attachment D – Adobe PDF copies of Michael J. Stranik's Exhibit page originally impacted by the property tax update.

Attachment E – MS Excel file containing all pages of Exhibit No. MJS-11 through Exhibit No. MJS-13 impacted by the property tax update.