

Agenda Date: November 12, 2009
Item Number: A2

Docket: UE-091570
Company Name: Puget Sound Energy, Inc.

Staff: Kathryn Breda, Regulatory Analyst
Roland Martin, Regulatory Analyst
Mike Parvinen, Assistant Director, Energy

Recommendation

Issue an order authorizing the accounting treatment proposed by Puget Sound Energy in Docket UE-091570.

Discussion

On September 30, 2009, Puget Sound Energy, Inc. (PSE or company), filed an accounting petition in Docket UE-091570, requesting authority from the Washington Utilities and Transportation Commission (commission) to account for a cash grant expected to be received from the U.S. Treasury Department (“Treasury”) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (“ARRA”) associated with the Wild Horse Expansion Project. As Treasury rules require that investment tax credit (ITC) normalization rules be applied to these grants, PSE requests that the grant be included in Account 228.4 Accumulated Miscellaneous Operating Provisions, and amortized annually through Account 242 Miscellaneous Current and Accrued Liabilities. The amortization period is provided in paragraph sixteen of the company’s petition. The amortization will be credited to customers through Schedule 95A Production Tax Credit Tracker.

Section 1603 of the ARRA addresses the concern that Production Tax Credits (PTCs) were not providing the stimulus to invest in alternative or renewable energy projects since taxpayers may not be able to use the PTCs in a timely fashion. It provides taxpayers an alternative to PTCs through either (a) a nontaxable cash grant from the Treasury or (b) an ITC. These options are equal to thirty percent of the qualifying investment in eligible facilities, including wind farms, for a defined period of time and reduce the accelerated tax depreciation of the renewable energy facility to one half of the grant or ITC claimed. PSE concluded that claiming the ITC would have problems similar to PTCs in that it could only be used if it has sufficient taxable income. The company ultimately determined that the grant was the best option.

PSE currently passes on to customers, through Schedule 95A, PTCs based on wind generation. These credits can be carried back one year and forward up to twenty years. Through June 30, 2009, PSE has created PTCs and passed onto customers \$61.2 million even though they have only been able to use \$24.0 million to reduce the company’s tax payments. As part of this petition, PSE has provided a comparative analysis reflecting greater rate payer benefit from the cash grant versus the ITC or PTC options.

Conclusion

Staff has reviewed PSE's accounting petition and finds the resulting accounting for treasury grants under Section 1603 of the ARRA to be reasonable. Therefore, Staff recommends the commission issue an order authorizing the proposed accounting treatment requested by Puget Sound Energy in Docket UE-091570.