

Denis Law  
Mayor

City of  
**Renton**



Administrative Services  
Iwen Wang, Administrator

June 9, 2014

Mr. Matthew Marcella, Tax Director  
Puget Sound Energy  
Tax Dept-PSE 08  
PO Box 90868  
Bellevue, WA 98009-0868

**RE: City of Renton 2006-2012 Utility Tax Audit and  
Garden Avenue Construction Project Cost**

Dear Mr. Marcella:

As you are aware, the City of Renton conducted a utility tax audit for the above mentioned period and issued an assessment in the amount of \$388,325.81 for unpaid taxes, penalty, and interest on December 26, 2013. Puget Sound Energy ("PSE") paid the assessment under protest and filed an administrative appeal on January 13, 2014. In the appeal, PSE contests: 1) the effective date of city ordinance 5662 and the city's right to audit; 2) the applicability of utility tax on retail sales; 3) the effective date of city ordinance 5367 and application of interest and penalty; and 4) the city's ability to assess the utility tax at the statutory rate (6%) and a business license fee (or "Head Tax") absent voter approval.

The City and PSE acknowledge the complexity of the factual and legal issues underlying these matters, as well as the expense and uncertainty of administrative and judicial proceedings related thereto. The City and PSE agree it is in their mutual interest to compromise and settle the controversy related to the appeal. Accordingly, the City agrees to refund PSE \$81,192, and PSE agrees to terminate the administrative appeal proceedings, as the final resolution of the audit and appeal. The refund consists of:

1. \$51,997 in penalties.
2. \$22,677 in business license fees.
3. \$6,518 in utility tax related to retail sales activity for the audit period.

Mr. Matthew Marcelia

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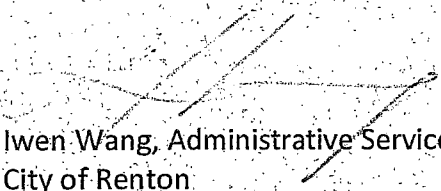
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This refund is purely a negotiated settlement for the audit period, and neither party concedes the appeal issues for subsequent periods.

In addition to the audit, PSE agrees to reimburse the City \$34,081 for additional cost to the City in connection with the Garden Avenue construction project. Enclosed please find a check in the amount of \$47,111, which represents the difference of these two issues.

Please let me know if you have any questions related to the above.

Regards,



Iwen Wang, Administrative Services Administrator  
City of Renton