

EX. 125

Washington Utilities and Transportation Commission

**Application For Approval of the Proposed Sale of the Centralia Power Plant
Docket No. UE-991409**

Staff Data Request No. 1

Request:

Regarding Mr. Karzmar's Rebuttal Testimony (Exhibit T-116), page 1, he states that all opposition parties make the mistaken assumption that customers own the plant. Provide all specific cites of the testimonies and exhibits of the other parties referred to that states the customers own the plant.

Response:

**Response Prepared By: Karl Karzmar
Date: January 4, 2000**

**Phone No.: (425) 456-2797
Witness: Karl Karzmar**

My statement is based on my analysis of the opposition testimony that takes the position that the customers must receive all of the gain on the sale. This testimony appears to be based on an assumption that the customers own the plant or, similarly, that the company does not. My testimony is not based on specific statements by the opposition parties regarding plant ownership.

WUTC DOCKET NO. UE-991255
EXHIBIT NO. 125
ADMIT W/D REJECT

Ex. 126

Washington Utilities and Transportation Commission

**Application For Approval of the Proposed Sale of the Centralia Power Plant
Docket No. UE-991409**

Staff Data Request No. 3

Request:

Regarding Mr. Karzmar's Rebuttal Testimony (Exhibit T-116), page 2, line 21, to page 3. Lines 1-4, provide authoritative references and Commission rules that construe and indicate that gain amortization upon closing of sale is a standard normal accounting procedure. Provide all cases that Mr. Karzmar used as the basis of his statement that such a procedure is a "well-accepted means of accounting for the sale".

Response:

**Response Prepared By: Karl Karzmar
Date: January 4, 2000**

**Phone No.: (425) 456-2797
Witness: Karl Karzmar**

A number of decisions by various commissions support my statement including:

- 1) *In re Florida Power Corporation*, 1998 WL 995268 (Fla. P.S.C. 1998). The commission there, in addressing the proper amortization period for the sale of a combustion turbine, stated that, "Typically, gains from sales of utility assets are amortized over five years."
- 2) *In re Carolina Power & Light Company*, 55 P.U.R.4th 582 (N.C.U.C. 1983). The utility commission held that the \$37 million gain on the sale of generating units should be amortized over a three-year period because the gain is an extraordinary event that should be recognized over time, and three years appeared reasonable: "[A] three-year amortization period of the gain is reasonable. The commission recognizes that an extraordinary event of this amount, whether a profit or an expense should be amortized over some period of time."
- 3) *Nevada Power Company v. Public Service Commission of Nevada*, 779 P.2d 543, 107 P.U.R.4th 436 (Nev. 1989). The Nevada Public Service Commission used three years to amortize the gain resulting from the sale of a utility's land and headquarters.
- 4) *In re Valley Water Systems*, 1998 WL 808381 (Conn. D.P.U.C. 1998). The Connecticut Department of Public Utility Control selected a three-year amortization period in amortizing a \$1.3 million gain from the sale of reservoir property.

DOCKET NO. <u>991255</u>		
EXHIBIT # <u>126</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Washington Utilities and Transportation Commission

**Application For Approval of the Proposed Sale of the Centralia Power Plant
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Staff Data Request No. 3 (Continued)

Also, with regard to gain on the sale of utility plant held for future use, the Code of Federal Regulations ("CFR") at 18 CFR 101 (description on account 256) provides that unless otherwise authorized, the gain is to be amortized over five years. The CFR specifies the uniform system of accounts which has been adopted by the WUTC.



PUGET
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

January 3, 2000

VIA FAX & OVERNIGHT DELIVERY

Ms. Carole J. Washburn, Secretary
Washington Utilities & Transportation Commission
1300 S Evergreen Park Dr SW
Olympia, WA 98504-7250

**Re: Avista / Pacificorp / PSE Applications to Sell Centralia
Docket Nos. UE-991255, UE-991262 and UE-991409**

Dear Ms. Carole J. Washburn:

Attached is a copy of Puget Sound Energy's Responses to Bench Request No. 2, from Marjorie R. Schaer, dated December 27, 1999. This is a correction to the data request number on the response and the exhibit number on the spreadsheet only. The original and 19 copies of the Company's Bench Request will follow.

Please feel free to call me at (425) 456-2132, if you have any questions regarding the enclosed.

Very truly yours,

Denise Schroeder
Regulatory Analyst
Federal and State Regulation

Attachments

cc: See Attached Service List

WUTC DOCKET NO. UE-991255
EXHIBIT NO. 127
ADMIT W/D REJECT

SERVICE LIST

<p>Washington Utilities and Transportation Commission Staff</p>	<p>Robert D. Cedarbaum Assistant Attorney General 1400 S. Evergreen Park Drive S.W. P.O. Box 40128 Olympia, WA 98504-0128 (360) 664-1188 (360) 586-5522 (Fax)</p>	<p><input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input checked="" type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>Public Counsel</p>	<p>Charles F. Adams Assistant Attorney General Public Counsel Division 900 Fourth Avenue, #2000 Seattle, WA 98164-1012 (206) 381-2055 (206) 389-2058 (Fax)</p>	<p><input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input checked="" type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>Public Counsel</p>	<p>Jim Lazar 1063 Capitol Way South, Suite 202 Olympia, WA 98501 (360) 786-1822 (360) 352-1038 (Fax)</p>	<p><input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input checked="" type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>International Union of Operating Engineers Local 612</p>	<p>Robert Lavitt Elizabeth Ford Schwerin Campbell Barnard LLP 18 West Mercer St, Suite 400 Seattle, WA 98119 (206) 285-2828 (206) 378-4132 (Fax)</p>	<p><input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input checked="" type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>PacifiCorp</p>	<p>Matthew R. Wright PacifiCorp Vice President, Regulation 825 N.W. Multnomah St. #800 Portland, OR 97232 (503) 813-5000 (503) 813-6060 (Fax)</p>	<p><input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>PacifiCorp</p>	<p>Andrea Kelly PacifiCorp Regulatory Policy Manager 825 N.W. Multnomah St. #800 Portland, OR 97232 (503) 813-5000 (503) 813-6060 (Fax)</p>	<p><input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>
<p>PacifiCorp</p>	<p>George Galloway Stoel Rives 900 S.W. Fifth Ave. #2600 Portland, OR 97204-1268 (503) 224-3380 (503) 220-2480 (Fax)</p>	<p><input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger</p>

Avista Corporation	Ronald L. McKenzie Senior Rate Accountant Avista Corporation 1411 East Mission PO Box 3727 Spokane, WA 99220-3727	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger
Avista Corporation	Gary A. Dahlke R. Blair Strong Paine, Hamblen, Coffin, Brooke & Miller 717 W. Sprague #1200 Spokane, WA 99204 (509) 455-6000 (509) 838-0007 (Fax)	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger
IBEW Local 125	John Bishop Bennett, Hartman & Reynolds 851 S.W. Fifth Ave. Portland, OR 97204 (503) 227-4600 (503) 248-6800 (Fax)	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger
Northwest Energy Coalition	Nancy Hirsh Northwest Energy Coalition 219 First Ave. S. #100 Seattle, WA 98104 (206) 621-0094 (206) 621-0097 (Fax)	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger
ICNU	Michael T. Brooks Melinda Davison Duncan, Weinberg Genzer & Pembroke 1300 S.W. Fifth Ave. #2915 Portland, OR 97201 (503) 241-7242 (503) 241-8160 (Fax)	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger
ICNU	Linc Wolverton East Fork Economics 35011 North Fork Road PO Box 620 La Center, WA 98629	<input checked="" type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Overnight Delivery <input type="checkbox"/> Messenger

Washington Utilities and Transportation Commission

**Application For Approval of the Proposed Sale of the Centralia Power Plant
Docket No. UE-991409**

Bench Request No. 2

Request:

Please provide the complete exhibit KRK_4. The supplied exhibit includes entries 1-6. Your reference on page 9 of your testimony, includes an entry number 9.

Response:

**Response Prepared By: Karl Karzmar
Date: December 30, 1999**

**Phone No.: (425) 462-2797
Witness: Karl Karzmar**

Please see the attached spreadsheet showing Entries 1-10. For clarification purposes Entry 4, line 27, 13100003 Cash (Escrow for Scrubber Cost Overruns) has been separated out from account, 254xxxxx Regulatory liability - Gain on Sale of Centralia, now line 28.

**Puget Sound Energy
 Journal Entries Related to Centralia Plant Sale**

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1	<u>Entry 1</u>			
2	102xxxxx	Electric Plant Purchased or Sold	27,027,389	c
3	10100001	Electric Plant In Service		27,027,389 c
4				
5		To transfer Centralia plant in service to FERC account 102 after completion of sale.		
6				
7				
8	<u>Entry 2</u>			
9	10800001	Accum Prov for Depr - Regular	19,051,023	c
10	102xxxxx	Electric Plant Purchased or Sold		19,051,023 c
11				
12		To transfer the related Centralia Accumulated Depreciation to FERC 102 after completion of sale.		
13				
14				
15	<u>Entry 3</u>			
16	102xxxxx	Electric Plant Purchase or Sold	650,000	e
17	18600221	Costs Related to Centralia Sale		650,000 e
18				
19		To record the cost of sale in the FERC 102 after WUTC and FERC approval of journal entries.		
20				
21				
22	<u>Entry 4</u>			
23	13100003	Cash	33,572,829	a
24	102xxxxx	Electric Plant Purchase or Sold		8,626,365 d
25	15100011	Fuel Stock - Centralia		1,809,460 f
26	15400021	Plant Materials- Centralia		459,722 b
27	13100003	Cash (Escrow for Scrubber Cost Overruns)		420,000 a
28	254xxxxx	Regulatory Liability - Gain on Sale of Centralia		22,257,282
29				
30		To record the sale of Centralia Plant and fuel and material inventory assets including escrow		
31		for scrubber cost overruns. The regulatory liability will be amortized over a 5 year period.		
32				
33				
34	<u>Entry 5</u>			
35	28300361	Accum Def Tax Liability - FAS 109	1,451,514	c
36	18230631	FAS 109 Taxes		1,451,514 c
37				
38		To reduce the FAS 109 related taxes from the sale of Centralia after completion of sale.		
39				
40				
41	<u>Entry 6</u>			
41	40810001	Washington State Tax	3,460	c
42	236xxxxx	Washington State Tax Payable		3,460 c
43				
44		To record Washington state taxes due on the gain related to the sale of Centralia.		

**Puget Sound Energy
 Journal Entries Related to Centralia Plant Sale**

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Debit</u>		<u>Credit</u>
45	Entry 7	40910001 Federal Income Tax Expense	9,444,629	c	
46		23600023 Current FIT Payable			9,444,629 c
47					
48		To record the current Federal Income Tax due on the gain related to the sale of Centralia.			
49					
50					
51	Entry 8	282xxxxx Deferred Income Tax	707,660	c	
52		41110001 Provision for Deferred Tax - credit			707,660 c
53					
54		To clear the deferred taxes related to accelerated depreciation for tax purposes.			
55					
56					
57	Entry 9	282xxxxx Deferred Income Tax	38,481	c	
58		253xxxxx Deferred Credit			38,481 c
59					
60		To record the taxes in excess of 35% in a deferred account until the IRS determines proper treatment of the related tax on the accelerated depreciation for tax purposes.			
61					
62					
63					
64	Entry 10	190xxxxx Def Tax Centralia Gain	8,736,969	c	
65		41110001 Provision for Deferred Tax - credit			8,736,969 c
66					
67		To record deferred taxes related to normalizing the gain of the Centralia sale.			
68					
69					
70	Notes:				
71		a - Per Centralia Sales Agreement			
72		b - Balance as of July 31, 1999			
73		c - Balance estimated as of December 31,1999.			
74		d - Book value of plant less depreciation plus cost of sale.			
75		e - Estimated amount for regulatory filing.			
		f - Balance as of August 31, 1999			

This entry will not be included at this time.

25400101 Unamort. Gain on Emission Allowances - Colstrip 1 & 2	b
25400111 Unamort. Gain on Emission Allowances - Colstrip 3 & 4	b
102xxxxx Electric Plant Purchase or Sold (Emissions)	

To transfer Colstrip related Unamortized Gains related to Emission Allowances to FERC 102.