

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-190529 & UG-190530  
Puget Sound Energy  
2019 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 067:**

**Re: Taxes**

Please provide an ARAM amortization schedule from 2018 to 2022, only for amounts due to the Tax Cuts and Jobs Act. Please also provide the amount of EDIT that was created on January 1, 2018, due only to the enactment of the Tax Cuts and Jobs Act. Staff expects each year of amortization to vary.

**Response:**

Puget Sound Energy (“PSE”) objects to WUTC Staff Data Request No. 067 as PSE does not have the analysis being requested and which is unduly burdensome to produce. Without waiving these objections and subject thereto, PSE responds as follows:

In order to answer WUTC Staff Data Request No. 067, PSE used its PowerTax software to roll its 2018 test year activity forward to create a schedule which shows the movement between book and tax fixed assets. The activity for 2019 through 2022 is based on the assets on hand at December 31, 2018, without new additions or retirements. To simplify the process, PSE took the December 31, 2018 balances and rolled them forward to see the expected movement in the deferred tax balances. Another important assumption was the use of 2018 book depreciation in the future years rather than estimated future depreciation based on additions and retirements (the amount of book depreciation is the driver of the ARAM methodology). Additionally, PSE did not take into consideration the general rate case adjustments to the test year. For rate setting purposes, the consistency provisions of the IRS normalization provisions must be followed. This analysis does not purport to follow such provisions. The appropriate treatment of ARAM for rate setting purposes is demonstrated in the workpapers supporting PSE’s filed attrition adjustment. The analysis used for this data request response does not purport to follow the consistency provisions, but rather will provide a reasonable expectation for how ARAM would directionally be expected to change in the future.

PowerTax tracks the “difference” between the net book basis and the net tax basis for PSE’s fixed assets. That “difference” has two flavors: some differences are flow-through and they have no deferred taxes, but the vast majority of the differences are normalized

and those are the ones with deferred taxes. It is the ones with deferred taxes that have the EDIT caused by Tax Reform. The reason it is important to mention both the flow-through and the normalized is because both are reversing over the book life of the asset via book depreciation (i.e. ARAM). Both use the ARAM methodology in the software.

One other minor clarification to this data request: the EDIT reverses using the ARAM methodology. PSE is not, technically speaking, “amortizing” it. The amortization methodology is only available under the Reverse South Georgia Method. PSE uses the ARAM methodology which follows book depreciation. It often looks like “amortization,” but the underlying calculation is really ARAM.

Specifically, in response to WUTC Staff Data Request No. 067, the balance of the EDIT as of 12/31/2017 was \$575.7 million for electric and \$239.7 million for natural gas. See the Prefiled Direct Testimony of Matthew R. Marcellia, Exh. MRM-1T, page 10, lines 9-12. Also see workpaper NEW-PSE-WP-MRM-EDIT-Dec-2017-by-GL-Acct-TY vFinal.xlsx.

The activity for 2018 and the projection for 2019 through 2022 are as follows:

Year	EDIT reversal	F/T reversal	Total
<b><u>Electric w/ C allocated</u></b>			
2018	(23,516,910)	3,572,215	(19,944,696)
2019	(21,106,142)	4,832,333	(16,273,809)
2020	(22,396,515)	4,721,603	(17,674,913)
2021	(22,225,936)	3,624,298	(18,601,638)
2022	(22,835,239)	2,774,894	(20,060,345)
<b><u>Gas w/ C allocated</u></b>			
2018	(6,272,059)	346,134	(5,925,925)
2019	(4,786,138)	550,105	(4,236,033)
2020	(5,151,730)	551,224	(4,600,506)
2021	(5,609,382)	562,336	(5,047,046)
2022	(6,005,488)	553,521	(5,451,967)

The “EDIT reversal” column is the one specifically requested in this data request. Note that the EDIT reversal lowers tax expense, while the flow-through reversal increases tax expense.

The spreadsheet from which the summary table was pulled is attached as Attachment A to PSE’s Response to WUTC Staff Data Request No. 067.

**ATTACHMENT A to PSE's Response to  
WUTC Staff Data Request No. 067**