BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF ENTERGY LOUISIANA, LLC FOR APPROVAL OF REGULATORY BLUEPRINT NECESSARY FOR COMPANY TO STRENGTHEN THE ELECTRIC GRID FOR STATE OF LOUISIANA	))))))	DOCKET NO. U-_____

DIRECT TESTIMONY

OF

STACEY L. WHALEY

ON BEHALF OF

ENTERGY LOUISIANA, LLC

PUBLIC REDACTED VERSION

AUGUST 2023

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EXHIBITS

I. INTRODUCTION AND PURPOSE

A. Name and Qualifications

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Stacey L. Whaley. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Entergy Services, LLC ("ESL") as Senior Manager, Tax.

Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am filing this Direct Testimony on behalf of Entergy Louisiana, LLC ("ELL" or the "Company") before the Louisiana Public Service Commission ("Commission" or "LPSC").

Q4. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I hold a Bachelor of Science in Accounting from Louisiana State University. I worked for three years as a Tax Associate with Deloitte and Touche, LLP ("Deloitte"). With Deloitte, I prepared large corporate consolidated and individual tax returns and completed tax provisions for various clients. In addition, I was employed by Cleco LLC ("Cleco") for approximately 10 years as a tax analyst and in tax management positions. My responsibilities at Cleco involved income tax forecasting, presentation of FIN 48 positions, and review of income taxes in all regulatory filings. My career spans approximately 15 years with ESL where I have held senior tax specialist and management positions within the Income Tax Department. A summary of my education and work experience is included as Exhibit SLW-1.

Q5. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?

A. In my present position, I am responsible for the management of the Company's regulatory income tax matters, including the retail jurisdictional filings, Federal Energy Regulatory Commission ("FERC") filings, income tax accounting and financial reporting, as well as written testimony. This includes, but is not limited to, monitoring regulatory income tax implications, preparing responses to discovery requests for tax information, and ensuring compliance with the Internal Revenue Code normalization requirements.

Q6. HAVE YOU TESTIFIED BEFORE THE RETAIL REGULATORS OF ENTERGY CORPORATION'S REGULATED SUBSIDIARIES?

A. Yes. See SLW-2 for a list of my prior testimony.

B. Purpose of Testimony

Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide income tax related information and recommendations in support of the relief requested in the Company's Application in this proceeding. The recommendations concern the Company's proposed ratemaking treatment of accumulated deferred income taxes ("ADIT") arising out of the Inflation Reduction Act of 2022 ("2022 IRA") and ADIT subject to Financial Accounting

Standards Board ("FASB") Interpretation No. 48 ("FIN 48"). ELL expects the 2022 IRA to begin affecting ELL's income taxes in 2024, during the proposed Formula Rate Plan ("FRP"), the terms of which are discussed in detail by Company witness Alyssa Maurice-Anderson. In this proceeding, ELL is requesting the Commission opine on the ratemaking treatment of the 2022 IRA's tax effects, as discussed below.

Q8. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. Below is a summary of my conclusions.

- ELL should reflect the deferred tax asset balances for the solar and nuclear Production Tax Credits ("PTCs") and the associated tax regulatory liability in its rate base prior to their utilization or monetization. Including both in rate base correctly reflects that ELL has received no cash-tax benefit during the period prior to their utilization or monetization.
- After the PTCs' utilization or monetization, ELL proposes that the net cash-tax benefit from the PTCs be included in the revenue requirement as a reduction to rate base which will benefit customers over an extended period of time as a plant contra-asset. The necessity for such extended period is discussed in the Direct Testimony of Company witness Ryan O'Malley.

  The proposed rate base offsets would include the income tax gross-up. Accordingly, ELL should also include the associated deferred tax asset of the PTC rate base offsets because ELL will not receive the benefit of the tax deduction until ELL pays the benefits of the credits to customers through reductions to book depreciation expense each year.

- Additionally, ELL should be allowed to include in rate base the Corporate Alternative Minimum Tax ("CAMT") carryforward ADIT. The CAMT prevents ELL from using its accelerated tax deductions to receive cost-free capital. Accordingly, ELL should include CAMT ADIT in rate base to reflect that reduction of cost-free capital.
- The ADIT subject to FIN 48 that is excluded from rate base represents amounts associated with uncertain tax positions that the Company and its auditors believe will not be sustained by the taxing authority and, accordingly, will not produce cost-free capital. In fact, ELL records interest expense on uncertain tax positions that is not recovered from customers. Accordingly, the ADIT subject to FIN 48 should be excluded from rate base.

II. <u>2022 IRA PROVISIONS AND ADIT RATEMAKING TREATMENT</u>

Q9. WHEN DOES ELL EXPECT TO SEE THE EFFECTS OF THE 2022 IRA?

A. The cost of service prepared for this proceeding does not include any effects of the 2022 IRA. ELL expects to begin recognizing PTCs in 2024. ELL may have to pay CAMT during the term of the proposed FRP.

Q10. WHAT ARE THE PTC PROVISIONS OF THE 2022 IRA THAT WILL IMPACT ELL?

A. The amendment of Internal Revenue Code Section 45 and the enactment of Internal Revenue Code Section 45U by the 2022 IRA impacted the treatment of PTCs for certain solar and nuclear generation facilities. PTCs had previously only been applied to solar facilities placed in service before 2006, and the 2022 IRA reestablished PTCs for certain solar facilities. Solar PTCs are not subject to normalization and are available starting in 2022 at $27.50 per megawatt hour ("MWh") with an inflation adjustment going forward (assuming certain labor requirements are met).[1] Such solar PTC amounts could be further increased if a project is located within an "energy community" or if the project satisfies the "domestic content" requirement. Solar PTCs are available for a 10-year period beginning on the date the eligible project is placed in service. With respect to ELL's solar facilities, the amount of the PTCs for any taxable year within the applicable 10-year period would be equal to the inflation-adjusted PTC rate for that year multiplied by the electricity produced by the solar facility and sold by ELL to an unrelated party within the year. Nuclear PTCs are available to eligible nuclear facilities beginning in 2024 at $15 per MWh with an inflation adjustment going forward and will continue to be available until 2032. Nuclear PTCs, however, are subject to phase-outs that are tied to the nuclear unit's gross receipts, and the phase-out begins at $25 per MWh of gross receipts with a full phase-out occurring at approximately $44 per MWh. Because new Internal Revenue Code Section 45U does not provide a clear and detailed method of calculating the phase-out of nuclear PTCs, there will be uncertainty regarding the calculation and ultimate value to ELL of the nuclear PTCs until the IRS issues additional guidance sometime in the future.

[1] My understanding is that under the 2022 IRA, a solar project is eligible to claim an increased PTC if it satisfies the prevailing wage and apprenticeship requirements (the "Labor Requirements"). Other adjustments to the PTC rate may be applicable depending upon a project's location and other 2022 IRA criteria.

Q11. HOW WILL ELL REALIZE THE ECONOMIC BENEFITS FOR PTCS?

A. The economic benefits of PTCs can be realized through reductions in federal income tax liabilities, and/or potentially through the sale or transfer of the credits to third parties (i.e., monetization).[2] PTCs can be used to offset up to 75% of federal tax liability, including any CAMT liability.

Q12. WHAT ARE THE EFFECTS OF THE RECOMMENDED TREATMENT OF PTCS FOR ACCOUNTING?

A. The estimated PTCs and related gross up would be recognized as a deferred tax asset in FERC account 190 with a corresponding regulatory liability recorded in account 254 in each year that they are generated. The deferred tax asset would be realized through either a reduction in ELL's cash tax payments, or as proceeds derived from the sale of PTCs to a third party for cash (i.e., monetization). Following monetization of the PTCs the initial estimate of the deferred tax asset and regulatory liability reverse and are replaced by a credit to plant in account 101 with a gross-up and an associated deferred tax asset that is an offset to plant deferred tax liability in account 282. See Exhibit SLW-3 for an example of the year 1 and year 2 journal entries.

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[2] It is my understanding that monetization would be facilitated through the development of a market or exchange that likely will apply some level of discount to the sale of credits. For internal planning purposes, the Company assumes, a discount of 10 percent would be applied to monetized credits (i.e., $100 of credits will be sold for $90). When PTCs are monetized, the seller receives cash, and the buyer receives the PTCs.

Q13. HOW SHOULD THE PTC ADIT AND REGULATORY LIABILITY BE TREATED FOR RATEMAKING?

A. The deferred tax asset and regulatory liability for the initial estimate of PTCs generated each year should be included in ELL's rate base. Likewise, the deferred tax asset associated with the amount of monetized PTCs that offset rate base assets in account 101 should also be included in rate base. The proposed treatment allows ELL to earn a return on the deferred tax asset that would be amortized consistently with the associated credit to plant. Such treatment is economically reasonable because ELL will not receive the benefit of the tax deduction until ELL pays the benefits of the credits to customers through reductions to book depreciation expense each year.

Q14. WHAT ARE THE CORPORATE ALTERNATIVE MINIMUM TAX PROVISIONS OF THE 2022 IRA THAT WILL IMPACT ELL?

A. For corporations that average greater than $1 billion in profits over a three-year period, the CAMT imposes a minimum tax liability on the greater of 15% of adjusted financial statement income ("AFSI") or regular tax liability (21% x federal taxable income). In determining whether a corporation's profits exceed this $1 billion threshold, such corporation must also include the profits of any corporate affiliate with 50% or more common ownership. Under the 2022 IRA, corporations are entitled to a minimum tax credit to the extent the CAMT liability exceeds the regular tax liability. This minimum tax credit amount can be carried forward indefinitely and used in future years to reduce regular tax in those tax years when regular tax exceeds the CAMT.

Q15. WHAT ARE THE ACCOUNTING IMPACTS OF THE CAMT?

A. The CAMT would result in income taxes payable in account 236 and a CAMT credit carryforward in account 190. PTCs can offset up to 75% of the CAMT liability annually. See Exhibit SLW-4 for the Year 1 and Year 2 accounting entries assuming the PTCs are used to offset the CAMT liability.

Q16. HOW SHOULD THE CAMT ADIT ASSET BE TREATED FOR RATEMAKING?

A. The deferred tax asset for the CAMT credit carryforward should be included in rate base because the CAMT is an increase to ELL's current tax liability that temporarily postpones the full benefit of certain tax deductions (including accelerated depreciation) in tax years in which ELL would otherwise pay less than the minimum tax. In such instances, ELL will not receive cost-free capital from its accelerated tax deductions because it owes CAMT. Therefore, the deferred tax asset for the CAMT credit carryforward must be included in rate base as an offset to deferred tax liabilities included in rate base to reflect the appropriate amount of cost-free capital available to the Company.

III. FIN 48 ADIT

Q17. WHAT IS FIN 48?

A. Under FASB Interpretation No. 48 the Company uses a two-step process to evaluate tax positions. First, the Company determines whether a significant tax position meets the "more-likely-than-not" recognition threshold. The recognition step entails an analysis of whether it is more likely than not that a tax position will be sustained upon examination by the IRS, including resolution of administrative appeals or litigation, based on the technical merits of the position. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Company's financial statements reflect the tax benefit of more-likely-than-not positions and, to the extent that a tax position is not recognized, a liability to the IRS. FIN 48 is now incorporated in ASC 740-10.

Q18. HOW IS FIN 48 IMPLICATED IN THIS PROCEEDING?

A. ELL has removed from its rate base the portion of various ADIT liabilities that is unlikely to produce cost-free capital due to the uncertainty related to specific tax positions taken by ELL in its filings with the federal and state taxing authorities.[3] The Company and its auditors have determined that such tax positions are not recognizable as a deferred tax and must be disclosed for financial reporting. Moreover, ELL has consistently removed these amounts subject to FIN 48 from rate base in past rate cases and formula rate plan proceedings.

[3] It should be noted that LPSC Staff has raised as a disputed issue the ratemaking treatment of ADIT, including FIN48 ADIT, in ELL's pending Formula Rate Plan Filings in LPSC Docket Nos. U-34951, U-35205, U-35581, U-36381 and U-36822.

Q19. WHY DOES ELL TAKE UNCERTAIN TAX POSITIONS THAT DO NOT MEET THE "MORE LIKELY THAN NOT" STANDARD?

A. ELL's pursuit of positions that do not meet the "more likely than not" standard does not mean that ELL has zero possibility of prevailing on some or all of a particular position. It is simply part of the analysis required by FIN 48. ELL takes uncertain tax positions because tax law is complex, subject to interpretation, and evolving. Thus, while ELL may conclude that a particular position does not meet the more-likely-than-not threshold, the IRS may ultimately accept some or all of such position. Novel and/or uncertain tax positions that are ultimately accepted by the IRS will benefit both customers and the Company by reducing total income tax liability. For these reasons, sound tax planning involves the assertion of uncertain tax positions.

Q20. ARE CUSTOMERS BENEFITING FROM THE COMPANY PURSUING UNCERTAIN TAX POSITIONS TODAY?

A. Yes. [redacted]

Q21. HOW DO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRE THE COMPANY TO RECORD UNCERTAIN TAX LIABILITY AMOUNTS?

A. Generally Accepted Accounting Principles require that the "likely" portion of an uncertain tax position be recorded as a deferred tax liability. Generally Accepted Accounting Principles require the remaining "unlikely" portion of the federal tax benefit to be recorded as a tax liability.

Q22. WHAT ARE THE FERC FORM 1 REQUIREMENTS FOR UNCERTAIN LIABILITY AMOUNTS?

A. In May of 2007, the FERC issued its pronouncement requiring that the "unlikely" portion of an uncertain tax position also be recorded in a deferred tax account. Thus, for FERC reporting purposes (e.g., FERC Form No. 1), the Company records both the "likely" and the "unlikely" portions in deferred tax accounts.

Q23. WHAT DOES THE FEDERAL TAX LIABILITY ASSOCIATED WITH UNCERTAIN TAX POSITIONS AT TEST YEAR END REPRESENT?

A. The FIN 48 amounts represent amounts associated with uncertain tax positions that the Company and its auditors expect ELL to ultimately not sustain. This means that ELL and its auditors expect ELL to pay the FIN 48 amounts to Entergy Corporation or Entergy Utility Holding Company with interest under the Entergy Tax Allocation Agreement. As a result, these amounts do not represent cost-free capital to the Company.

Q24. WHY IS THE QUESTION OF WHETHER THE ITEMS AT ISSUE WILL RESULT IN COST-FREE CAPITAL TO THE COMPANY IMPORTANT?

A. The question is important because ADIT liabilities that are not expected to produce cost-free capital should not be included in the calculation of rate base.

Q25. WHEN IS IT APPROPRIATE FOR ADIT BALANCES TO BE DEDUCTED FROM RATE BASE?

A. ADIT balances are typically deducted from rate base when they represent cost-free capital available for a company to invest in plant and equipment. In other words, traditional ADIT balances provide an interest-free loan. If the company has access to cost-free cash because of an item that generates ADIT, and that cost-free cash can be invested in rate base items, then it would be inappropriate for the company to earn a return on the portion of new plant and equipment financed by the cost-free cash. Alternatively, if the company expects that it <u>will not</u> have access to cost-free cash because the likelihood of sustaining a tax deduction under audit is uncertain, then it is not appropriate to reduce rate base by the corresponding tax liability.

Q26. WHAT IS AN EXAMPLE OF ADIT THAT IS AN INTEREST-FREE LOAN?

A. Assume ELL placed an asset in service that qualified for 100% bonus depreciation (which allows the utility to deduct 100% of the cost of the asset in the tax year in which the asset was placed in service) and such asset has a 40-year life for regulatory purposes. Also, assume that there are no differences between the book and tax basis of the asset. Under this scenario, ELL would receive an incremental tax cash benefit in the year in which the asset is placed in service that is equal to the tax effect of the difference between the tax deduction of the full cost of the asset minus ELL's first year collection of taxable revenue for the return of book depreciation expense. This is essentially the so-called interest-free loan referred to above. This loan is repaid in each of the next 39 years as ELL collects taxable revenues from its customers to recover the book depreciation expense of the asset.

Q27. HOW DOES THIS RELATE TO DEFERRED TAXES AND THE ASSOCIATED REGULATORY TREATMENT?

A. The outstanding loan balance is reflected as a deferred tax liability or liability ADIT, to reflect the fact that it is essentially a cost-free loan from the government. In the example provided above, the liability ADIT is at its peak in the year the asset is placed in service when the entire tax depreciation is claimed on the utility's tax return, and then diminished ratably each year for the next 39 years as the loan is repaid. Assuming the liability ADIT is fully normalized, the government-provided loan would be retained by ELL, invested in rate base, and reduce rate base in ratemaking. In this manner, ELL's customers benefit from the interest-free feature of the loan over the book life of the asset.

Q28. HOW DO AMOUNTS CLASSIFIED BY ELL AS FIN 48 LIABILITIES DIFFER FROM OTHER ADIT DEDUCTED FROM RATE BASE?

A. There are three well-defined differences. The first being that there is a greater likelihood that the uncertain tax deduction giving rise to the ADIT will be rejected in whole or in part by the IRS, whereas, with respect to other ADIT, the opposite is true. Another difference is that in the case of the indisputable tax positions ADIT is appropriately deducted from the rate base because the IRS does not assess any interest on those amounts when the turnaround occurs, i.e., it results in an actual interest-free loan. In the case of an uncertain tax position, the opposite is true if the IRS were to deny, in whole or in part, the tax position. The interest cost that is accrued pending IRS determination is recorded and is not recoverable in ELL's Cost of Service. The third difference between FIN 48 liabilities and ADIT resulting from typical undisputable deductions is that in the case of the latter, it is reasonable to assume that such funds were invested in the assets included in rate base; whereas, in the case of the former, it would be unreasonable to make that assumption.

Q29. HAS THE COMPANY ACCRUED INTEREST ON ITS UNCERTAIN TAX POSITIONS?

A. Yes, the Company has accrued interest on uncertain tax positions in FERC Account 237191.

Q30. HAVE THESE INTEREST AMOUNTS BEEN INCLUDED IN THE COST OF SERVICE STUDY TO BE RECOVERED FROM CUSTOMERS?

A. No, they have not been included.

Q31. WHAT IS THE BEST WAY TO ENCOURAGE THE COMPANY TO TAKE UNCERTAIN TAX POSITIONS?

A. The best way to encourage the Company to take uncertain tax positions is to treat the Company fairly in the regulatory process by only including ADIT liabilities that were previously classified as FIN48 uncertain tax positions as an offset to rate base when it is determined that they will produce cost-free capital. This will occur when the uncertain tax position is resolved and ADIT is definitively created such that the Company may rely on the benefits created by the tax position.

Q32. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF ORLEANS

NOW BEFORE ME, the undersigned authority, personally came and appeared, **STACEY L. WHALEY**, who after being duly sworn by me, did depose and say:

That the above and foregoing is her sworn testimony in this proceeding and that she knows the contents thereof, that the same are true as stated, except as to matters and things, if any, stated on information and belief, and that as to those matters and things, she verily believes them to be true.

Stacey L. Whaley

Stacey L. Whaley

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 28th DAY OF AUGUST 2023

NOTARY PUBLIC

My commission expires: at death

HARRY M. BARTON
Notary Public for the State of Louisiana
LA Bar No. 29751 - Notary ID 90845
Commission Issued For Life

Stacey L. Whaley
Educational Background and Professional Experience

Education

Louisiana State University September 1993 to May 1996
Baton Rouge, LA 70803

BS, Major in Accounting

Certified Public Accountant

Professional Experience

Entergy Services, Inc. September 2008 to Present
New Orleans, LA

Senior Tax Manager, Regulatory Tax Accounting	January 2021 – Present
Tax Manager, Regulatory Tax Accounting	December 2019 – December 2020
Senior Staff Tax Analyst	July 2011 – November 2019
Tax Manager, Income Tax Accounting	September 2008 – June 2011

Cleco Services Inc. May 1999 to June 2008
Pineville, LA

Progressed from Staff Accountant to Manager while working in the Tax Department.

Deloitte and Touche LLP May 1996 to April 1999
New Orleans, LA

Performed duties in tax services.

List of Previous Testimony

Type	Docket No.	Regulatory Body	Date
Rebuttal	16-036-FR	APSC	October 20, 2020
Compliance	18-014-TF	APSC	January 20, 2021
Direct	53719	PUCT	July 1, 2022

y Filed by Stacey L. Whaley

Subject Matter
Remeasurment of Federal and State ADIT for Income Tax Rate Changes
Results of IRS Audit for Remeasurement of Federal and State ADIT for Income Tax Rate Changes
Federal Income Tax in Requested Cost of Service

PTC Example - Sale

Tax Rates	
Federal	21%
State	7.5%
Combined	26.925%
Revenue Factor	1.368
Credit Generation	1,000
Discount Factor	5%

JE No.	FERC Major	A/C Description	Debit	Credit	Pre-Tax Inc	Tax Expense
		Year 1				
1	190	PTC - DTA	1,000			
	411	Deferred Tax Expense		1,000		(1,000)
	To record generation of production tax credits					
2	410	Deferred Tax Expense	1,000			1,000
	254	Tax Regulatory Liability		1,000		
	To record operation of revenue requirement related to income tax permanent differences.					
3	190	Tax Gross-Up DTA	368			
	254	Tax Regulatory Liability		368		
	To record gross-up effect of income taxes for the revenue requirement.					
		Year 2				
4	131	Cash	950			
	9XX	Other Income/Expense	50		50	
	190	PTC - DTA		1,000		
	409	Current Tax Expense	71			71
	236	Taxes Accrued - State		71		
	236	Taxes Accrued - Federal	15			
	409	Current Tax Expense		15		(15)
	To record sale of PTCs - perm diff for fed and taxable for state.					
5	254	Tax Regulatory Liability	1,368			
	407	Regulatory Charge	1,223		1,223	
	411	Deferred Tax Expense		1,000		(1,000)

	190	Tax Gross-Up DTA		368		
	101	Plant		1,223		
	To record realizatiion of PTCs as a rate base offset in accordance with regulatory agreement.					
6	282	Deferred Tax Liability	329			
	411	Deferred Tax Expense		329		(329)
	To record deferred taxes on rate base offset.					
			6,374	6,374	1,273	(1,273)

Income Statement:		Debit	Credit	Pre-Tax Inc	Tax Expense
407	Regulatory Charge	1,223	0	1,223	
409	Current Tax Expense	71	15		56
410	Deferred Tax Expense	1,000	0		1,000
411	Deferred Tax Expense	0	2,329		(2,329)
9XX	Other Income/Expense	50	0	50	
		2,344	2,344	1,273	(1,273)

Balance Sheet:		Debit	Credit	Net	
101	Plant	0	1,223	(1,223)	Rate Base Item - PTC's Monetized + Gross-Up
131	Cash	950	0	950	
190	PTC - DTA	1,000	1,000	0	
190	Tax Gross-Up DTA	368	368	0	
236	Taxes Accrued - State	0	71	(71)	
236	Taxes Accrued - Federal	15	0	15	
254	Tax Regulatory Liability	1,368	1,368	0	
282	Deferred Tax Liability	329	0	329	Rate Base Item - DTA on Offset to Rate Base for PTC's Monetized
		4,030	4,030	0	

PTC Example - With CAMT Offset & Sale

Tax Rates	
Federal	21%
State	7.5%
Combined	26.925%
Revenue Factor	1.368
Credit Generation	1,000
CAMT Liability	1,000
Discount Factor	5%

JE No.	FERC Major	A/C Description	Debit	Credit	Pre-Tax Inc	Tax Expense
		Year 1				
1	190	PTC - DTA	1,000			
	411	Deferred Tax Expense		1,000		(1,000)
	To record generation of production tax credits					
2	410	Deferred Tax Expense	1,000			1,000
	254	Tax Regulatory Liability		1,000		
	To record operation of revenue requirement related to income tax permanent differences.					
3	190	Tax Gross-Up DTA	368			
	254	Tax Regulatory Liability		368		
	To record gross-up effect of income taxes for the revenue requirement.					
		Year 2				
4	409	Current Tax Expense	1,000			1,000
	236	Taxes Accrued - Federal		1,000		
	To record CAMT Liability					
5	190	CAMT Credit Carryforward	1,000			
	411	Deferred Tax Expense		1,000		(1,000)
	To record CAMT Credit Carryforward					
6	236	Taxes Accrued - Federal	750			
	190	PTC - DTA		750		
	To record offset of 75% of CAMT with PTCs					
7	236	Taxes Accrued - Federal	250			
	131	Cash		250		
	To record payment of remaining 25% of CAMT with cash					
8	131	Cash	237			
	9XX	Other Income/Expense	13		13	
	190	PTC - DTA		250		
	409	Current Tax Expense	18			18

	236	Taxes Accrued - State		18		
	236	Taxes Accrued - Federal	4			
	409	Current Tax Expense		4		(4)

To record sale of PTCs remaining after CAMT offset - perm diff for fed and taxable for state.

9	254	Tax Regulatory Liability	1,368			
	407	Regulatory Charge	1,331		1,331	
	411	Deferred Tax Expense		1,000		(1,000)
	190	Tax Gross-Up DTA		368		
	101	Plant		1,331		

To record realization of PTCs as a rate base offset in accordance with regulatory agreement.

10	282	Deferred Tax Liability	358			
	411	Deferred Tax Expense		358		(358)
		To record deferred taxes on rate base offset.				
			8,697	8,697	1,344	(1,344)

Income Statement:		Debit	Credit	Pre-Tax Inc	Tax Expense
407	Regulatory Charge	1,331	0	1,331	
409	Current Tax Expense	1,018	4		1,014
410	Deferred Tax Expense	1,000	0		1,000
411	Deferred Tax Expense	0	3,358		(3,358)
9XX	Other Income/Expense	13	0	13	
		3,362	3,362	1,344	(1,344)

Balance Sheet:		Debit	Credit	Net	
101	Plant	0	1,331	(1,331)	Rate Base Item - PTC's Monetized + Gross-Up
131	Cash	237	250	(13)	
190	PTC - DTA	1,000	1,000	0	
190	Tax Regulatory Liability DTA	0	0	0	
190	CAMT Credit Carryforward	1,000	0	1,000	Rate Base Item - No Cost Free Capital
236	Taxes Accrued - State	0	18	(18)	
236	Taxes Accrued - Federal	1,004	1,000	4	
254	Tax Regulatory Liability	1,368	1,368	0	
282	Deferred Tax Liability	358	0	358	Rate Base Item - DTA on Offset to Rate Base for PTC's Monetized
		4,967	4,967	(0)	