

Agenda Date: September 27, 2012  
Item Number: A1

**Docket:** UE-121439  
Company: Puget Sound Energy

Staff: Kendra White, Regulatory Analyst  
Chris McGuire, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law.

### **Background**

On August 31, 2012, Puget Sound Energy (PSE or the company) filed a petition with the Washington Utilities and Transportation Commission (commission) to revise WN U-60, Electric Tariff G, Sheet No. 81-b. The company filed a substitute page on September 12, 2012. The tariff revision would allow PSE to pass through tax assessments and other associated fees related to past periods to ratepayers within the city of Bellingham. The proposed tariff sheet has an effective date of October 1, 2012, and a rate end date of September 30, 2013.

PSE serves approximately 39,250 customers within the city of Bellingham.

### **Discussion**

On August 31, 2012, PSE filed for a line-item increase of 2.87 percent to tariff Schedule 81 for the City of Bellingham. The additional 2.87 percent seeks to recover approximately \$1,938,935 which is the amount PSE had paid to the City of Bellingham in compliance with tax judgments rendered by the city against PSE.<sup>1</sup>

PSE's payment to Bellingham includes:

- \$913,526 related to an audit assessment for the period of 2004-2008.
- \$106,521 related to uncollected utility tax on business and operation (B&O) revenue.
- \$740,847 related to under-collected utility tax.

The B&O and under-collected utility tax amounts are for the period of March 6, 2009, to July 31, 2012.

The amount of the line item charge necessary to recover the tax assessment was, in part, impacted by when the company should have begun assessing rate payers for the tax increase. In discussing this issue, two specific dates were considered. First, the date of the Court of Appeals' decision to uphold the Superior Court's judgment; and second, the date the Supreme Court

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<sup>1</sup> Puget Sound Energy Inc. v. City of Bellingham Finance Department, FindLaw, No. 65928-6-I, 1-3 (2011).

denied the company's request for further appeal. Staff proposed disallowing recovery of the under-collected utility taxes which accrued after the Supreme Court rejected hearing PSE's appeal on February 7, 2012. The Supreme Court decision clearly signaled that PSE would be liable for payments related to B&O and under-collected utility tax; therefore, PSE should have begun direct collection from customers on February 8, 2012, one day after the Supreme Court rejected PSE's appeal, rather than waiting until August 3, 2012. The disallowance for the time between the Supreme Court rejection and August 3, 2012, equals \$115,227.

PSE agreed to the reduction of \$115,227 and filed a substitute page on September 12, 2012. The substitute page states a line-item tax adjustment of 2.70 percent which will be in effect from October 1, 2012, to September 30, 2013.

The original August 31, 2012, filing would have had an average bill impact of \$4.12 per month for 12 months. The substitute filing will have an average bill impact of \$3.87 per month for 12 months.

### **Conclusion**

Take no action, thereby allowing the proposed tariff, as revised, to go into effect by operation of law.