



Puget Sound Energy
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PSE.com

May 20, 2016

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Advice No. 2016-16 – Natural Gas Tariff Filing – Filed Electronically

Dear Mr. King:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find enclosed for filing the following proposed revision to the WN U-2, tariff for natural gas service of Puget Sound Energy (“PSE”).

1th Revision of Sheet No. 154-AA: Schedule No. 54, Attachment A - CNG Pricing Model

The purpose of this filing is to update the Schedule 54 CNG Pricing Model, which is represented as Attachment A to the schedule, to reflect the following two tax changes:

1. Federal income tax bonus depreciation provision:

The bonus depreciation provision of the Protecting Americans from Tax Hikes Act of 2015 (the “PATH” Act) that President Obama signed into law on December 18, 2015. The entire PATH Act is available at http://docs.house.gov/billsthisweek/20151214/121515.250_xml.pdf.

Section 143 of the PATH Act extends bonus depreciation for property acquired and placed in service during 2015 through 2019. The bonus depreciation percentage is 50 percent for property placed in service during 2015, 2016, and 2017 and phases down, with 40 percent in 2018, and 30 percent in 2019.

2. Compression of natural gas by a gas distribution company considered a manufacturing activity:

Effective July 1, 2015, Washington State Engrossed Substitute Senate Bill (“ESSB”) 6440 reclassifies that the compression or liquefaction of natural gas by a gas distribution business that is used as transportation fuel is considered a manufacturing activity. Income earned from these sales is exempt from the state

public utility tax and is accordingly reported under the manufacturing B&O tax classification. The entire ESSB 6440 is available at

<http://app.leg.wa.gov/documents/billdocs/2013-14/Pdf/Bills/Senate%20Passed%20Legislature/6440-S.PL.pdf>.

The incorporation of the bonus depreciation provision into the Schedule 54 CNG Pricing Model is consistent with the methodology approved by the Commission in Docket Nos. UE-160390 and UG-160390, filing of PSE's electric Schedule 87 and natural gas Rule 28: Income Tax Rider-Contributions in Aid of Construction, respectively.

The CNG Model is updated with the appropriate markings for an electronic tariff page and the revised calculation to incorporate the two tax changes. The CNG Model and the supporting work paper for this filing are enclosed.

The tariff sheet described herein reflects an issue date of May 20, 2016, and an effective date of June 24, 2016. Posting of the proposed tariff change, as required by law and the Commission's rules and regulations, is being completed immediately prior to or coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-90-193. In addition, all Schedule 54 customers will be provided notice of their individual pricing prior to receiving PSE's gas compression service.

Please contact Mei Cass at (425) 462-3800 or mei.cass@pse.com for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,


Manager, Regulatory Initiatives & Tariffs
for Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Simon J. ffitch, Public Counsel
Sheree Carson, Perkins Coie